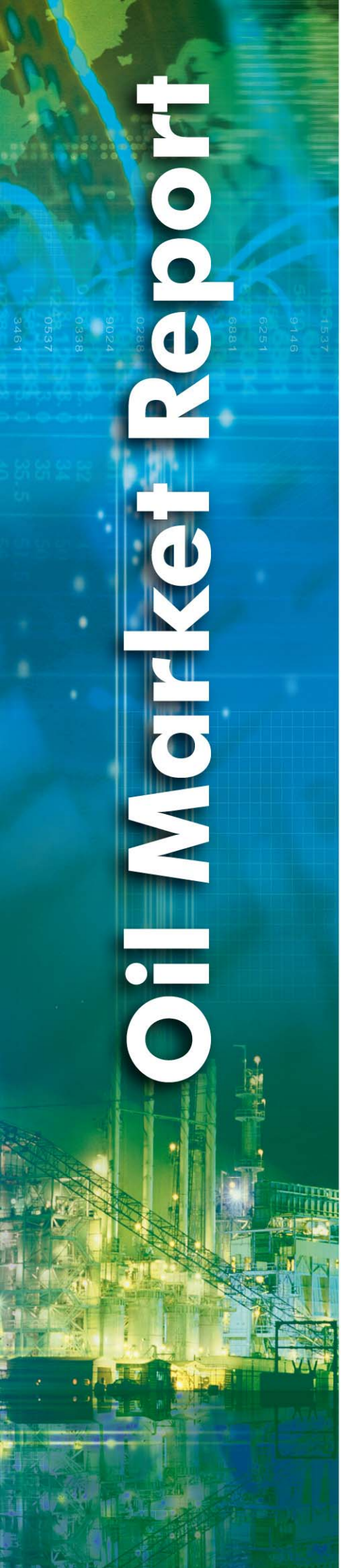


International Energy Agency

18 January 2011

HIGHLIGHTS

- **Marker crudes approached $100/bbl in early January, prompting concerns over the impact of high prices on the global economic recovery**. December futures prices rose for the fourth month running, trading in a range of $88-$92/bbl. Robust economic growth in Asia, especially China, coupled with stronger-than-expected oil demand in the OECD has pushed crude above the $70-$80/bbl range seen for much of 2010.
- **Global oil product demand for 2010 and 2011 is revised up by an average of 320 kb/d** on higher-than-expected submissions, reflecting buoyant global economic growth and cold northern hemisphere weather. Global oil demand, assessed at 87.7 mb/d in 2010 (+2.7 mb/d year-on-year), rises by 1.4 mb/d to 89.1 mb/d in 2011.
- **Global oil supply fell by 0.3 mb/d to 88.1 mb/d in December**, as non-OPEC output was reduced, on short-lived outages. An Alaskan pipeline leak and a fire at a Canadian oil sands upgrader also cut January output. Overall, 2010 and 2011 non-OPEC estimates are unchanged at 52.8 mb/d and 53.4 mb/d, respectively. OPEC NGLs contribute 5.3 mb/d in 2010 and 5.8 mb/d in 2011.
- **OPEC supply gained 250 kb/d to reach 29.58 mb/d in December, continuing a rising trend evident since the spring.** In light of stronger demand estimates for 2H10, output in 3Q10 and 4Q10 has been lagging the underlying 'call', which is revised up to 29.9 mb/d for 2011. OPEC effective spare capacity has nudged below 5 mb/d for the first time in two years.
- **November OECD industry stocks declined by 8.3 mb to 2 742 mb,** or 58.7 days, led by draws of 'other products', middle distillates and residual fuel oil. Preliminary December data indicate OECD industry stocks dropped by a sizeable 33.1 mb and oil in floating storage also fell.
- **4Q10 and 1Q11 global refinery throughputs have been revised up sharply to average 74.5 mb/d and 74.9 mb/d respectively**, in response to stronger than expected global demand on cold weather and better economic performance, compounded by a rapid return from maintenance in the US and Europe. Both 4Q10 and 1Q11 show annual growth above 2 mb/d.

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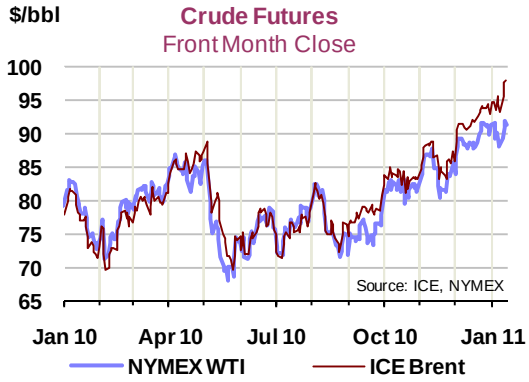
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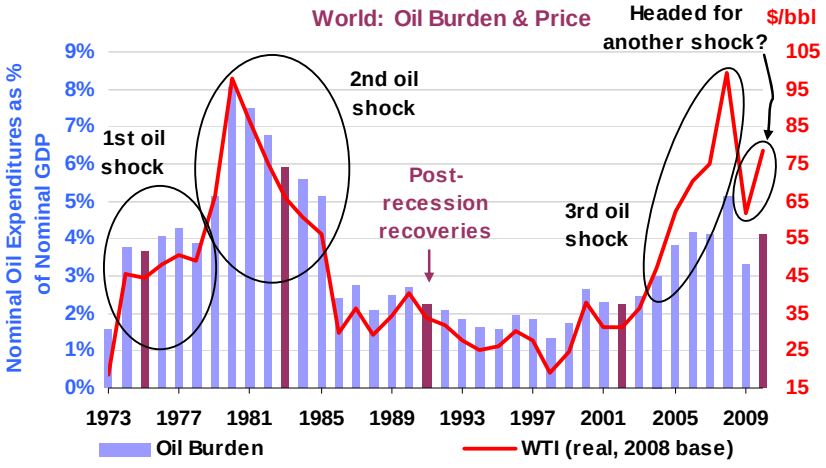
THERE MAY BE TROUBLE AHEAD

Markets continued to tighten in 4Q10, with preliminary data showing demand running ahead of supply to the tune of 0.7 mb/d. The implied global stock draw in the second half of last year averaged around 1 mb/d. Marker crude prices have gained over 25% since September and at writing Brent is flirting with $100/bbl. The most visible portion of inventories – OECD company stocks – looks relatively comfortable, at over 58.7 days of cover. But stock overhang is largely restricted to North American crude (hence the relative weakness of WTI), with other components looking better balanced. Lower floating storage and a flatter price strip speak of recovering oil demand and tighter prompt markets. Severe northern hemisphere weather and a slightly healthier outlook for the OECD economies have encouraged OPEC producers to leak more crude onto the market. Meanwhile 2011 demand growth is expected to shift back to the developing countries, with global growth easing from 2010's giddy 2.7 mb/d to nearer 1.4 mb/d in 2011 – still robust by any measure.



Recent price strength, notably for international benchmark Brent (light, sweet Asian Tapis already topped $100/bbl), has seen rising open interest on crude futures, and total commodity financial assets under management that have pushed above early-2008 levels. But with futures and derivatives ultimately taking their cue from both today's apparent, and tomorrow's expected, fundamentals, we note that most prognoses, not just our own, see demand growth easing in 2011. Rising upstream spending is helping non-OPEC supply and OPEC gas liquids meet most of the increase. Meanwhile, company stocks, OPEC spare capacity, and ultimately IEA government strategic inventory, provide a cushion against unexpected events in either supply or demand. Many market watchers already see a market prone to downward correction, suggesting the dalliance with three-figure oil should ultimately prove to be fleeting. But will that prove to be the case?

Not least for the avoidance of collateral economic damage, we hope that it does. Recent price levels already pose a real economic risk – something of deep concern to producers and consumers alike. Average prices near $80/bbl in 2010 represented a nominal 'oil burden' (global oil expenditures divided by global GDP) of 4.1%. Were $100/bbl oil to become entrenched in 2011, that would risk pushing the figure through 5% (even without adjusting GDP growth to below currently expected levels). True, this is a deliberately simplistic barometer of the impact of higher oil prices, but equivalent levels of oil burden in the past have clearly been associated with economic problems. Ultimately, oil producers, financial investors and consumers (notably import-dependent developing countries) all suffer under such a scenario. It may have been said in these pages before, but to those who have recently enjoyed extolling the virtues of three-figure oil: be careful what you wish for, lest it come true.



DEMAND

Summary

- **Forecast global oil product demand for 2010 and 2011 is revised up by 320 kb/d, on average**, given higher-than-expected submissions in all OECD regions and in key non-OECD areas (Asia, FSU and the Middle East), which appear to be partly related to more buoyant-than-anticipated global economic growth (this report's underlying economic assumptions will be revised based on the forthcoming IMF update). Global oil demand is now assessed at 87.7 mb/d in 2010 (+3.2% or +2.7 mb/d year-on-year), and is projected to rise to 89.1 mb/d in 2011 (+1.6% or +1.4 mb/d year-on-year).

- **Projected OECD oil demand for 2010 and 2011 is adjusted up by 200 kb/d, on average**, on stronger-than-expected data submissions in all regions. A firmer economic recovery, more than the frigid weather conditions that prevailed in the northern hemisphere in late 2010, likely explains the latest readings' strength, since OECD heating oil demand, albeit higher on a yearly basis, remains well below its five-year average. Total OECD demand, now estimated at 46.1 mb/d in 2010 (+1.5% or +0.7 mb/d year-on-year), is seen declining slightly in 2011 (-0.4% or -0.2 mb/d versus the previous year).

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.4	3.3	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.7	30.4	30.2	30.1	30.2	30.8	30.6	30.4
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.8	28.2	27.4	28.3	27.8	27.4	28.5	28.0
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.5	15.3	15.1	15.0	14.8	15.3	15.2	15.1
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.3	4.3	4.4	4.2	4.5	4.4	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.5	7.9	8.4	7.7	7.9
World	**84.4**	**84.2**	**85.4**	**85.9**	**85.0**	**86.4**	**86.9**	**88.6**	**88.9**	**87.7**	**88.6**	**88.4**	**89.8**	**89.7**	**89.1**
Annual Chg (%)	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	3.5	3.2	2.6	1.6	1.3	0.9	1.6
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	1.9	2.8	3.3	3.0	2.7	2.3	1.4	1.2	0.8	1.4
Changes from last OMR (mb/d)	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	1.12	0.28	0.65	0.20	0.17	0.43	0.36

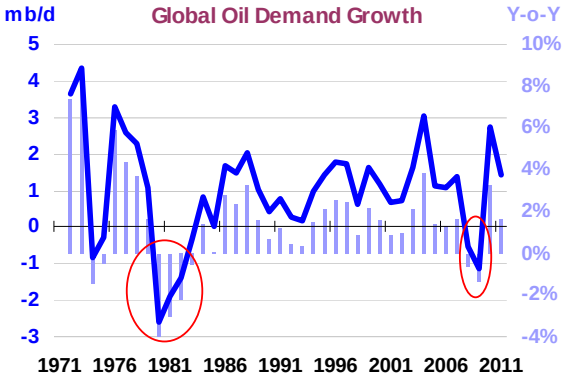
- **Estimated non-OECD oil demand for 2010 and 2011 is raised by 120 kb/d, on average**, on higher readings in Asia (China, Malaysia and Thailand), the FSU (Russia) and the Middle East (Saudi Arabia). Chinese demand reached a new record high in November (10.2 mb/d), largely on rising gasoil use, accounting for roughly half of Asia's increase and for almost a third of total non-OECD growth. Total non-OECD demand, estimated at 41.6 mb/d in 2010 (+5.3% or +2.1 mb/d year-on-year), is now projected to reach 43.2 mb/d in 2011 (+3.8% or +1.6 mb/d versus the previous year). These prognoses, however, may change depending on the evolution of China's gasoil shortages and as the effects of Iran's dramatic subsidy removal become clearer.

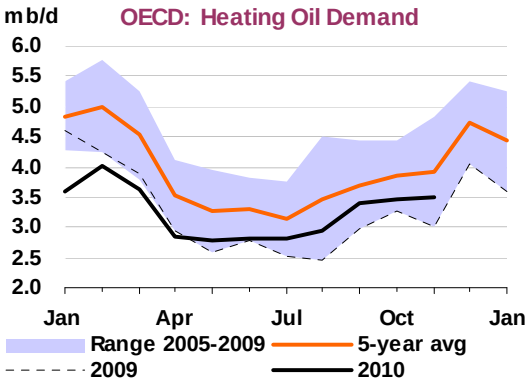
Global Overview

Although 2010 has drawn to a close, the magnitude of that year's oil demand rebound is only now becoming clearer. After an extraordinary weather-driven surge in 3Q10, preliminary data for October and November indicate that growth in 4Q10 also remained buoyant. This led to a large revision to that quarter's estimates (+0.7 mb/d in the OECD and +0.4 mb/d in the non-OECD), lifting our global oil demand assessment to 87.7 mb/d, the highest level on record (and +280 kb/d versus our last report). Growth, at +2.7 mb/d year-on-year or +3.2%, although a shade below that registered in 2004 (+3.0 mb/d), is one of the highest in the last three decades, albeit relative to an exceptionally low base.

Interestingly, such demand strength appears to be more related to a buoyant economic recovery than to the frigid weather conditions that prevailed in most of the northern hemisphere in late 2010. Indeed, heating oil demand in the OECD, albeit higher on a yearly basis, remains well below its five-year average. This supports our contention that heating oil use in the OECD is structurally declining, given ongoing

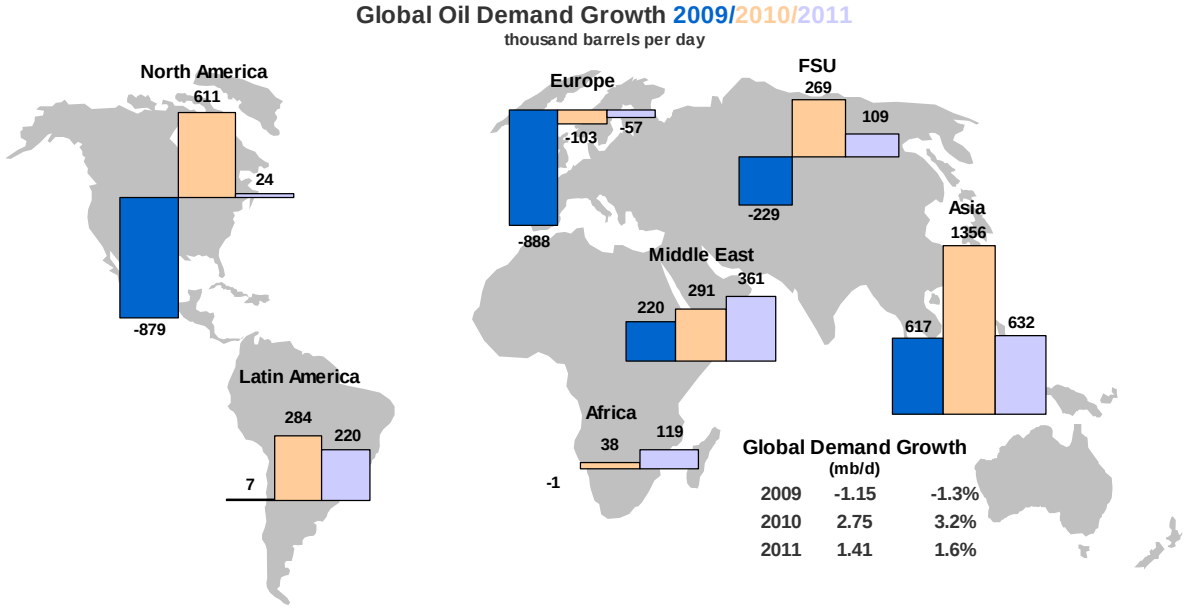
efficiency gains and displacement by ample supplies of natural gas and other sources. In mid-December, for example, gas prices in the US briefly doubled to almost within striking distance of heating oil prices (to roughly $12/mmbtu versus $16/mmbtu for heating oil), yet they halved again by end-month.





Although other temporary factors have been at play – most notably China's policy-induced surge in gasoil use – the latest demand readings suggest that the global economy probably grew at a much faster tempo than anticipated in late 2010, notably in the OECD. Yet whether such a pace of expansion will continue in 2011 is open to debate, as counter-cyclical factors such as government stimuli and business restocking are likely to be much less prominent. Moreover, the Eurozone turmoil continues, while the US economy, albeit more resilient than expected, still faces significant imbalances and is not growing fast enough to curb high unemployment. Elsewhere, inflation is creeping up, particularly in large non-OECD economies, mostly on the back of rising commodity prices and exchange-rate rigidities. This could herald fiscal and monetary tightening, particularly in Asia, and hence lead to a marked economic slowdown in that area.

As such, and assuming that winter temperatures will track their ten-year average, the 4Q10 adjustment has only been partly carried forward to 1Q11 and beyond. Overall, we foresee global oil demand expanding by 1.4 mb/d or 1.6% year-on-year in 2011 and 360 kb/d higher versus our last report – almost half of last year's growth level but nonetheless significant – driven entirely by the non-OECD. Indeed, we project that OECD demand, which in 2010 expanded by an estimated 0.7 mb/d on the back of a strong rebound in North America, will reverse to its underlying, structural decline in 2011.



OECD

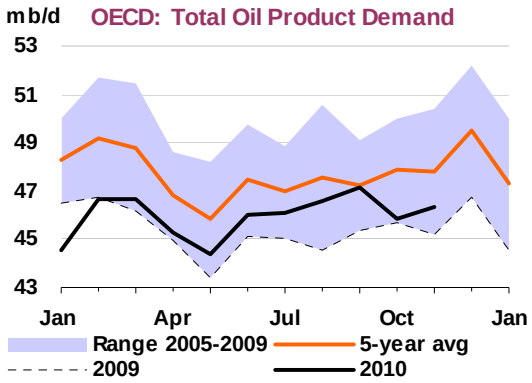
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 2.6% year-on-year in November. Growth was particularly strong in **OECD Pacific** (+3.8%) and **OECD Europe** (+3.4%), partly driven by heating fuels on the back of an unseasonal cold spell but also by buoyant deliveries of industrial and transportation fuels, which suggest that the economic recovery has been more pronounced than expected earlier. In **OECD North America** (which includes US Territories), the story is similar, even though oil demand growth was lower (+1.7%) than in the other two regions.

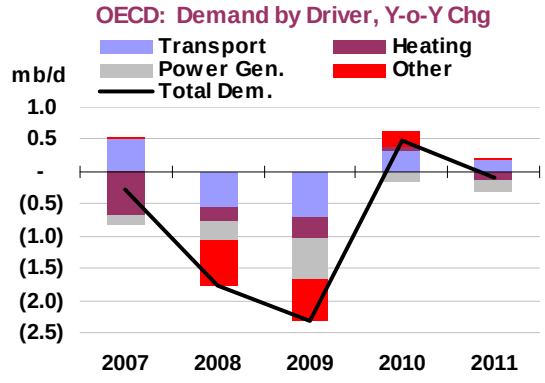
OECD Demand based on Adjusted Preliminary Submissions - November 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.49**	**0.5**	**1.64**	**5.1**	**3.88**	**4.7**	**1.02**	**13.1**	**0.93**	**6.1**	**5.75**	**-1.54**	**23.71**	**1.7**
US50	8.93	0.3	1.44	5.0	3.31	3.5	0.52	30.2	0.51	14.0	4.28	-3.5	18.99	1.2
Canada	0.71	0.1	0.11	12.6	0.22	-2.6	0.35	11.5	0.13	19.7	0.76	7.2	2.27	5.3
Mexico	0.79	3.9	0.05	-2.0	0.30	7.3	0.13	7.3	0.21	-12.6	0.66	2.1	2.14	2.0
OECD Europe	**2.17**	**-1.5**	**1.24**	**2.0**	**4.39**	**2.6**	**1.89**	**22.6**	**1.30**	**-4.5**	**3.62**	**2.7**	**14.62**	**3.4**
Germany	0.47	-2.2	0.18	-3.0	0.75	9.8	0.47	77.5	0.13	-13.4	0.59	-0.1	2.60	10.1
United Kingdom	0.36	-3.8	0.32	-1.2	0.44	-6.1	0.10	13.2	0.08	1.8	0.31	3.8	1.61	-1.4
France	0.18	-0.6	0.14	1.3	0.66	1.3	0.29	22.4	0.11	21.3	0.43	4.5	1.81	5.9
Italy	0.23	0.1	0.09	9.1	0.51	5.0	0.14	1.5	0.12	-31.2	0.43	17.1	1.52	2.7
Spain	0.12	-2.9	0.11	3.5	0.52	8.2	0.20	2.9	0.19	-6.0	0.33	1.4	1.46	2.6
OECD Pacific	**1.58**	**3.9**	**0.97**	**6.6**	**1.13**	**6.5**	**0.58**	**1.1**	**0.72**	**-2.1**	**3.06**	**3.8**	**8.04**	**3.8**
Japan	0.99	3.1	0.61	3.7	0.44	6.1	0.44	1.1	0.39	3.4	1.64	1.0	4.51	2.5
Korea	0.19	11.8	0.22	18.4	0.29	10.0	0.13	0.0	0.30	-10.2	1.23	8.6	2.37	6.5
Australia	0.32	-0.5	0.12	4.9	0.35	1.2	0.00	0.0	0.03	4.9	0.17	0.1	0.99	1.0
OECD Total	**14.23**	**0.6**	**3.85**	**4.5**	**9.40**	**3.9**	**3.49**	**15.7**	**2.96**	**-0.8**	**12.44**	**1.0**	**46.37**	**2.6**

* Including US territories

Revisions to preliminary data were relatively limited (+130 kb/d in October), indicating that total OECD demand grew by 0.4% year-on-year during that month (versus +0.1% as suggested by preliminary data). The largest adjustments pertained to Europe (+200 kb/d), providing further indications of healthier-than-expected demand, particularly in the biggest countries. By contrast, North American demand was revised down (-130 kb/d), as monthly US readings diverged once again from weekly preliminary estimates, notably with regards to gasoil. In the Pacific, meanwhile, overall revisions were relatively small (+60 kb/d), almost entirely concentrated in Japan.



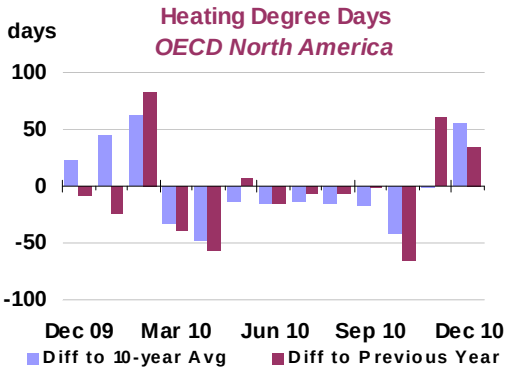


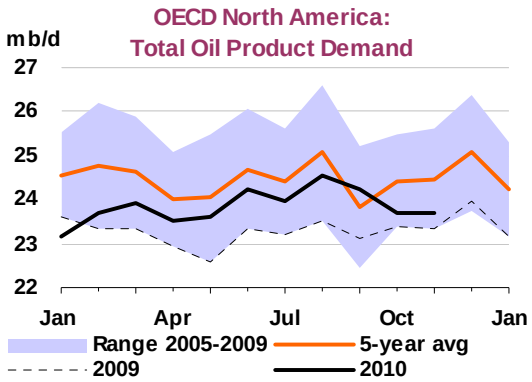
Based on the latest submitted data, OECD oil product demand is now estimated at 46.1 mb/d in 2010 (+1.5% or +670 kb/d year-on-year and +170 kb/d versus our last report). Despite this more buoyant assessment, we still project a decline in OECD demand to 45.9 mb/d in 2011 (-0.4% or -170 kb/d versus the previous year and 230 kb/d higher when compared to our last report), assuming that winter temperatures revert to their ten-year average. Yet, paradoxically, this assumption could prove to be

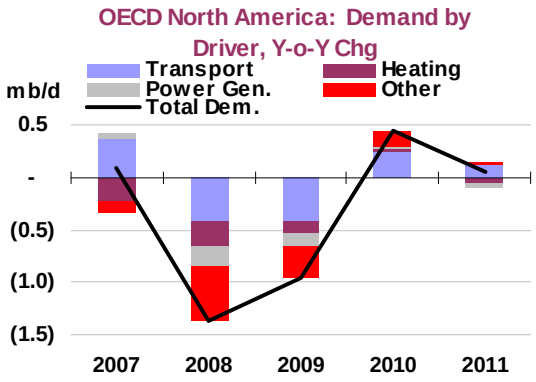
over-optimistic: following the unusual freezing conditions that prevailed in November and December, temperatures have been remarkably mild so far in January, particularly in Europe.

North America

Preliminary data show oil product demand in North America (including US territories) rising by 1.7% year-on-year in November, following a 1.5% increase in October. On their own, the October and November readings would signal a slowdown in oil demand growth, particularly since growth rates for gasoline and diesel moderated versus the prior six months. Nevertheless, sharply colder weather (with higher heating-degree days or HDDs relative to both the previous year and the ten-year average), stronger economic indicators and buoyant US weekly data in December all point to a more robust demand picture heading into 2011. As such, we have raised our outlook for 1Q11, with smaller adjustments filtering through the remainder of the year.





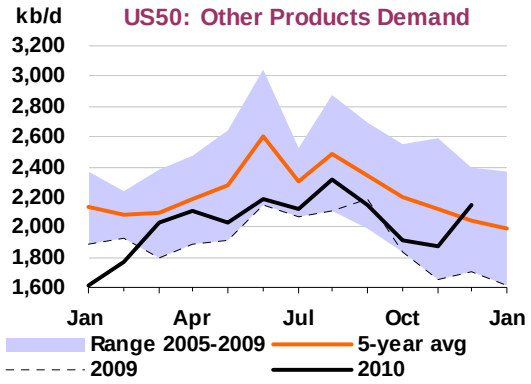


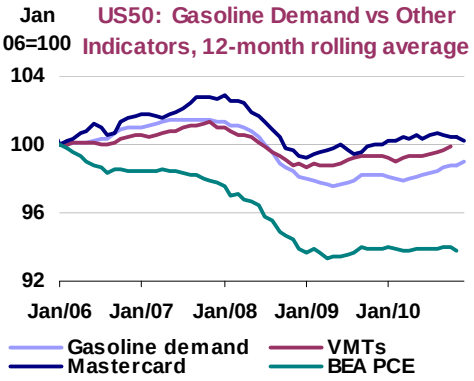
October data were revised down by 130 kb/d, led by lower diesel readings (-250 kb/d) in the US and Canada, which offset higher LPG and jet/kerosene data. Weekly-to-monthly revisions in the US for October were slightly negative, in contrast to positive adjustments in the previous two months. Still, 4Q10 on the whole has been revised up by 220 kb/d on the basis of higher-than-expected Mexican preliminary readings for November and significantly higher US weekly demand data in December. North American demand is now estimated at 23.9 mb/d in 2010 (+2.6% or +610 kb/d versus 2009 and 60 kb/d higher than in our last report). Demand in 2011 is seen rising slightly to 23.9 mb/d (+0.1% or +25 kb/d year-on-year and 60 kb/d higher than previously expected).

Adjusted preliminary weekly data for the **United States** (excluding territories) in December indicate that inland deliveries – a proxy of oil product demand – grew by 3.7% in December, following a 1.2% year-on-year rise in November. December data featured a sharp year-on-year increase in the volatile 'other products' category (+25.9%), underscoring the uncertain nature of overall demand strength. The month was characterised by sharply colder weather in the Northeast, which boosted heating oil and propane demand. In addition, refiner incentives to accelerate deliveries out of storage for end of year tax purposes were another supportive demand factor.

The strength of transportation fuel readings continues to spark a lively debate. Preliminary data suggest that US gasoline grew by 2.7% year-on-year in December, despite retail gasoline prices averaging

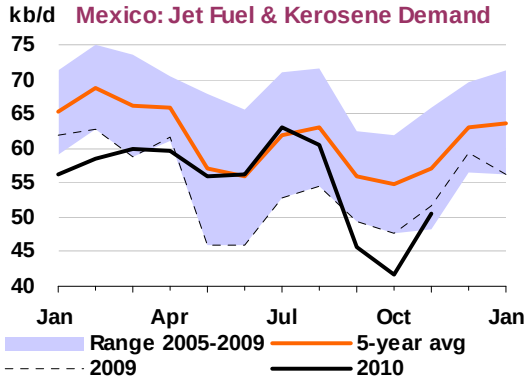
$3.00/gallon – almost 40 cents higher than the prior year. Other indicators, however, muddy the picture. For example, data from the MasterCard SpendingPulse survey, which estimates US weekly sales through activity in its payments network, suggests gasoline demand has consistently declined on an annual basis since September. Moreover, MasterCard's absolute levels of demand have differed from EIA weekly data by as much as 450 kb/d during that period.

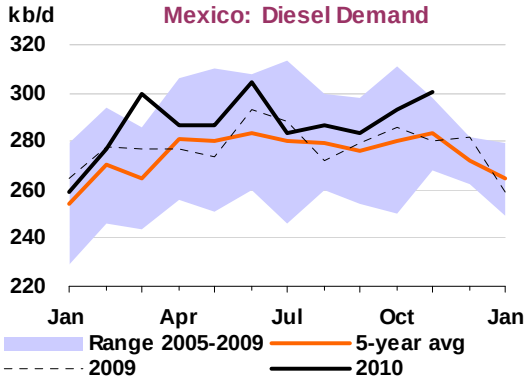




Similarly, real personal consumption expenditures on gasoline through November, reported by the Bureau of Economic Analysis (BEA), suggest that gasoline consumption (on a twelve-month rolling average basis) has largely stagnated since the autumn of 2009. This would imply minimal year-on-year growth, as well as demand levels well below other estimates. By contrast, the Federal Highway Administration's estimates of vehicle-miles travelled (VMTs) provide a more supportive view – albeit with a two-month lag. Year-on-year VMT growth topped 1.9% in October and the twelve-month rolling average has increased consistently since May.

Mexican oil demand grew by 2.0% year-on-year in November, supported by stronger transport fuel readings. Diesel and gasoline demand grew strongly (+7.3% and +3.9% year-on-year, respectively). Despite continued reduced domestic airline capacity, as noted in last month's report, jet fuel/kerosene demand was down by only 2.0% versus a 12.8% decline in October, suggesting the partial reinstatement of traffic lost from the Mexicana airline bankruptcy.

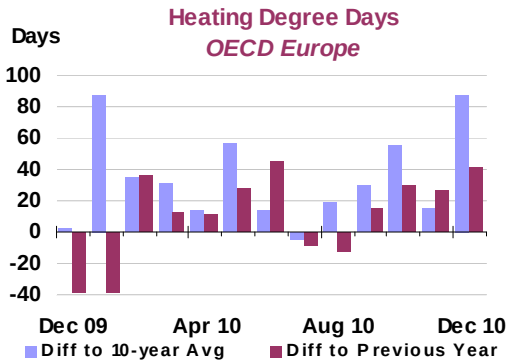




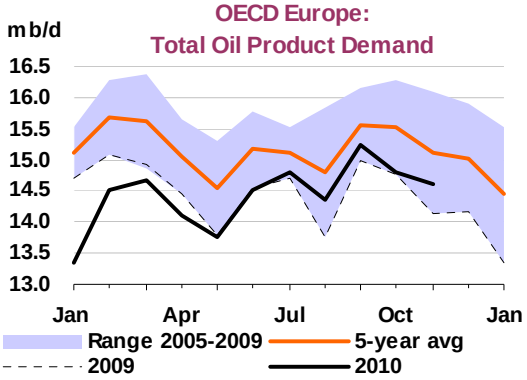
Europe

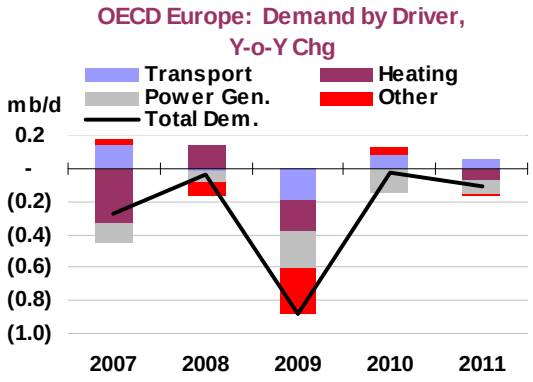
Preliminary inland data indicate that oil product demand growth in Europe averaged 3.4% year-on-year in November. Demand was largely boosted by strong distillate deliveries, which account for over 40% of the total, with diesel and heating oil rising by +2.6% and +22.6%, respectively. The diesel readings suggest that the overall European economy has probably fared much better than anticipated, despite the ongoing financial turmoil that has affected some peripheral countries. In fact, industrial production in the

Eurozone was much stronger than expected in November (+7.4% year-on-year, against consensus expectations of +6.0%), largely driven by Germany, which also posted its highest GDP growth since reunification – German GDP expanded by 3.6%, according to preliminary data, after slumping by 4.7% in 2009.



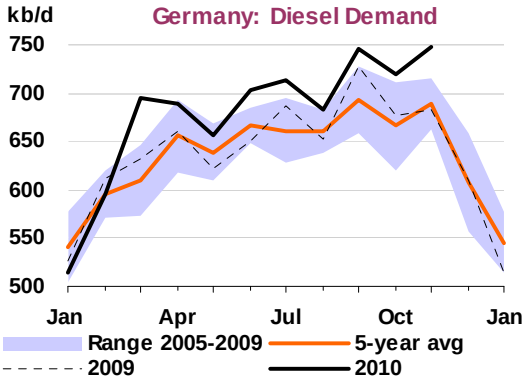
The heating oil data, on the other hand, are reflective of unusually cold temperatures, with HDDs markedly above both the ten-year average and the previous year. However, as this report has previously pointed out, heating oil use is structurally declining – because of both efficiency gains and interfuel substitution – thus limiting the effects of such unseasonal cold spells. Not only does heating oil demand remain well below the five-year average (albeit slightly above last year's levels), but distillate stocks also reportedly built.

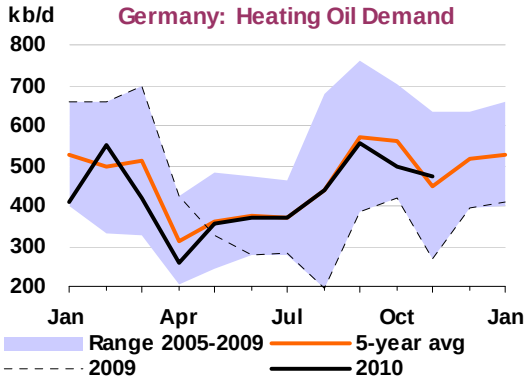




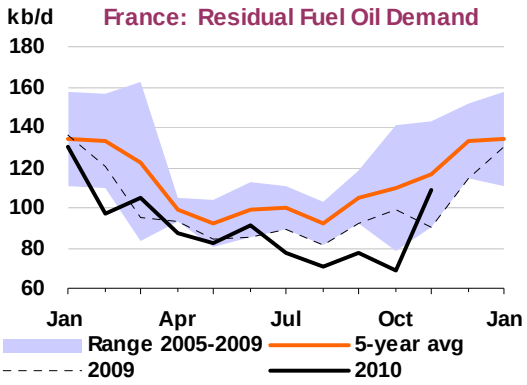
Interestingly, 75% of October's revisions to preliminary demand data (+200 kb/d) were concentrated in the light and middle portion of the barrel, notably LPG/naphtha, providing further evidence of sustained petrochemical and industrial activity. Overall, demand rose by 0.3% in October, rather than declining by 1.1% as suggested by preliminary readings. Oil product demand in OECD Europe is now estimated at 14.4 mb/d in 2010 (-0.5% or -70 kb/d compared with the previous year and 50 kb/d higher than previously expected). In 2011, demand is expected to decline by roughly the same magnitude to 14.3 mb/d (-0.5% or -80 kb/d versus 2010, and 70 kb/d higher versus last month's report).

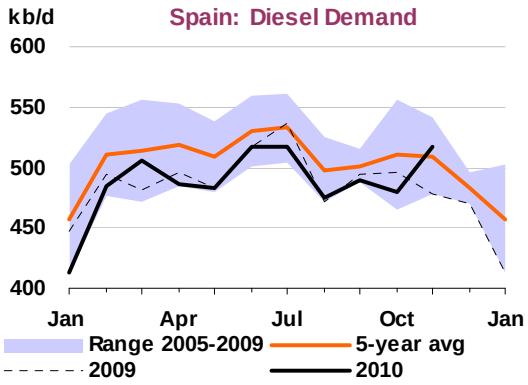
Oil product deliveries in **Germany** rose by 10.1% in November, according to preliminary data, driven by strong distillate demand. Diesel use jumped by 9.8%, while heating oil deliveries surged by 77.5% year-on-year, with consumer stocks standing at 61% of capacity, only slightly below both October levels (63%) and the five-year average.





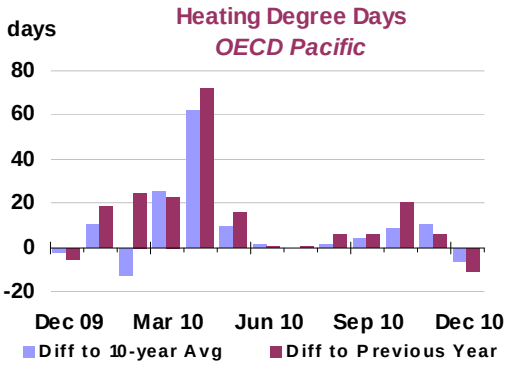
Similar conditions prevailed in **France**, **Italy** and even **Spain** (according to preliminary November data), as well as in the **UK** (October data), with relatively buoyant deliveries of diesel and heating oil, highlighting both a stronger-than-expected economic rebound and colder temperatures. France, though, features a unique pattern with regards to extreme weather conditions: since heating facilities are increasingly electric, the country is obliged to resort to oil-based power generation to meet peak demand – typically resulting in residual fuel oil spikes (+21.3% year-on-year in November).

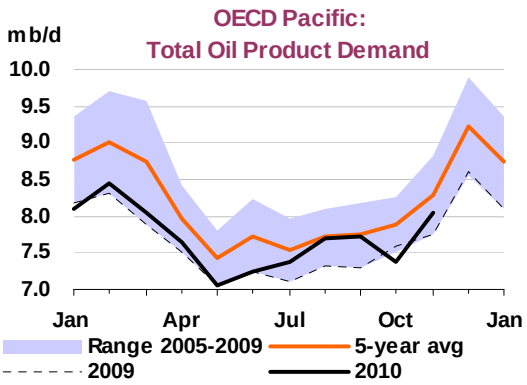


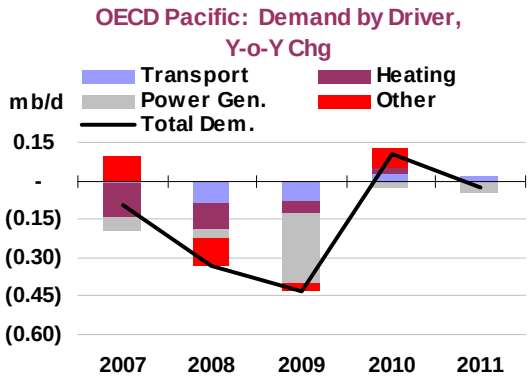


Pacific

Preliminary data show that oil product demand in the Pacific rose by 3.8% year-on-year in November, with all product categories bar residual fuel oil posting gains. As elsewhere in the OECD, these readings point to stronger-than-anticipated economic activity, in addition to colder-than-normal weather (with HDDs above both the ten-year average and the previous year, boosting kerosene use, the fuel of choice for heating in the region). Such economic resilience was particularly marked in **Korea**, where oil product demand surged by 6.5%, with the all-important naphtha category (over 40% of total demand) rising by 5.8%. In addition, transportation fuel readings were noticeably strong (with gasoline rising by 11.8% and diesel by 10.0%).







Japan also posted strong oil demand growth (+2.5%), a trend that may have continued in December following lower nuclear plant utilisation rates (52.1%, compared with 67.5% a year earlier). According to news reports, TEPCO – the country's largest power company – sharply boosted oil use for power

generation given maintenance and unexpected outages at two of its nuclear facilities. December readings may therefore indicate strong demand for both residual fuel oil and crude for direct burning (the latter is included in the 'other products' category).

Revisions to OECD Pacific preliminary October data, meanwhile, were relatively minor (+60 kb/d) and mostly concentrated in Japan's 'other products'. Nonetheless, total OECD Pacific demand, estimated at 7.8 mb/d in 2010 (+1.6% or +120 kb/d year-on-year and 60 kb/d higher than previously expected), is expected to revert to its structural decline trend in 2011, falling to 7.7 mb/d (-1.5% or -120 kb/d versus 2010, and 100 kb/d higher versus last month's report).

Non-OECD

Preliminary demand data show that non-OECD oil demand growth accelerated again in November (+6.0% year-on-year), suggesting that economic growth is racing ahead. Growth was buoyant across all product categories, and continued to be led in absolute terms by gasoil, which surged by almost 800 kb/d, equivalent to roughly a third of the total demand increase, although naphtha posted the highest percentage increase. Meanwhile, gasoline demand – the second largest product category – also registered buoyant growth.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Sep-10	Oct-10	Nov-10	Oct-10	Nov-10	Oct-10	Nov-10
LPG & Ethane	4,371	4,235	4,314	47	206	1.1	5.0
Naphtha	2,845	2,862	2,967	156	221	5.7	8.0
Motor Gasoline	7,987	7,983	8,064	227	419	2.9	5.5
Jet Fuel & Kerosene	2,764	2,775	2,869	193	155	7.5	5.7
Gas/Diesel Oil	12,649	12,819	12,987	449	799	3.6	6.6
Residual Fuel Oil	5,731	5,648	5,747	421	292	8.1	5.3
Other Products	5,916	5,809	5,457	693	307	13.5	6.0
Total Products	**42,263**	**42,131**	**42,404**	**2,186**	**2,399**	**5.5**	**6.0**

On a regional basis, oil demand growth in Asia – an astonishing +1.6 mb/d or +8.3% year-on-year – continues to dwarf that of all other non-OECD regions. As in previous months, China was the single largest contributor to growth, largely (but not exclusively) because of its policy-driven gasoil surge, accounting for roughly half of Asia's increase and for almost a third of non-OECD growth.

Non-OECD: Demand by Region
(thousand barrels per day)

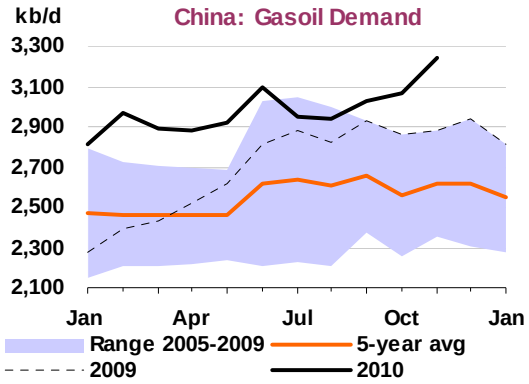
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Sep-10	Oct-10	Nov-10	Oct-10	Nov-10	Oct-10	Nov-10
Africa	3,231	3,212	3,262	86	131	2.7	4.2
Asia	19,587	19,927	20,487	1,134	1,569	6.0	8.3
FSU	4,466	4,339	4,345	396	257	10.1	6.3
Latin America	6,450	6,308	6,296	135	258	2.2	4.3
Middle East	7,799	7,656	7,298	486	188	6.8	2.6
Non-OECD Europe	730	688	716	-50	-2	-6.8	-0.3
Total Products	**42,263**	**42,131**	**42,404**	**2,186**	**2,399**	**5.5**	**6.0**

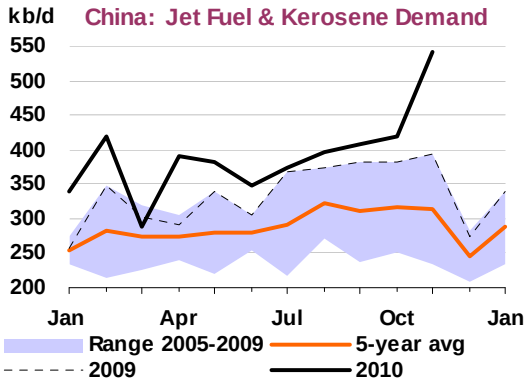
Stronger-than-expected readings in China, Russia and Saudi Arabia have resulted in a large 4Q10 revision (+440 kb/d), partly carried forward into the next four quarters. Non-OECD demand is now estimated at 41.6 mb/d in 2010 (+5.3% or +2.1 mb/d year-on-year and 110 kb/d higher than previously anticipated). In 2011, assuming somewhat tighter macroeconomic policies in several key countries facing increasing inflationary threats, demand growth is expected to moderate to +3.8% or +1.6 mb/d versus the previous year, reaching 43.2 mb/d (+130 kb/d when compared to our last report).

China

China's preliminary data show that apparent oil demand growth accelerated to +15.1% year-on-year in November, with all product categories posting strong gains. Total demand has thus reached new historical highs (10.2 mb/d), surpassing for the first time the symbolic 10 mb/d threshold. The country's demand surge is largely related to rising gasoil consumption (+12.2% year-on-year), which accounts for roughly a third of total demand.

As noted previously in this report, the soaring use of gasoil has been driven by extensive use of small-scale electricity generators. Government-mandated closures of coal-fired plants, aimed at complying with the emissions and energy efficiency targets of the 11th Five-Year Plan (2006-2010), resulted in power shortages across the country. This coincided with the harvesting and fishing season, when gasoil use normally rises, and led in turn to widespread gasoil shortages, which the government has tried to solve through several measures. It raised again 'guidance' retail prices for both gasoline and gasoil by roughly 4% in late December, despite mounting inflationary concerns (inflation in November reached 5.1%, well above the 3% official target). This, it was hoped, would strengthen domestic refining margins and encourage refiners to boost gasoil production, and hopefully curb demand at the margin as well – although the price rise was arguably too low to have any discernible demand effect (in fact, prior to the hike, many service stations around the country had reportedly been selling diesel fuel at prices above official caps). The government has also directed state-owned companies to both curb gasoil exports and hike imports (yet China, contrary to some claims, remained a net gasoil exporter in November).





Two other sources of supply have also emerged, perhaps explaining why gasoil stocks *rose* slightly in November (+0.8% month-on-month). First, as highlighted last month, the gasoil shortages have boosted net imports of residual fuel oil, probably because independent 'teapot' refineries have found it profitable to refine it and produce off-spec gasoil, despite high fuel oil import taxes (a methodological note: fuel oil used as feedstock is *removed* from our estimates of apparent demand in order to avoid double-counting, which some observers wrongly contend we do). Second, imports of so-called 'power kerosene' – a blend of kerosene and gasoil, which is also used as feedstock – have reportedly risen, notably into the southern Guangzhou province. Power kerosene is not – yet – subject to import constraints, contrary to gasoil, which can only be brought into the country by government-approved companies, and jet fuel/kerosene, which can only be imported by the state-owned China National Aviation Fuel Group. Should this blend be accounted for as kerosene in official trade statistics, it may explain why apparent demand for jet fuel/kerosene skyrocketed by 36.9% in November – although rising air travel related to the Asian Games (also held in Guangzhou) may too have played a role.

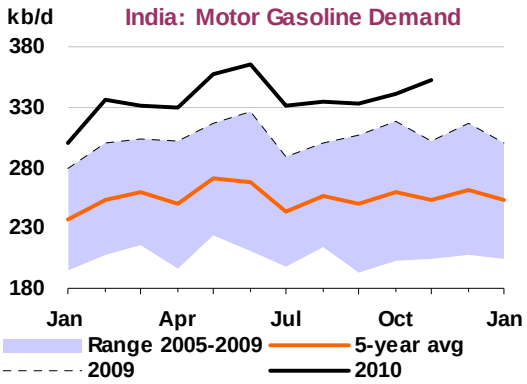
Looking forward, most observers expect gasoil shortages to ease, perhaps by January, since the government has officially declared that its emissions and efficiency targets have been fully met. If so, gasoil demand should ease in the months ahead. Gasoil use may have been lifted by as much as 200 kb/d in 4Q10 because of power generation needs, over twice as much as our initial estimates.

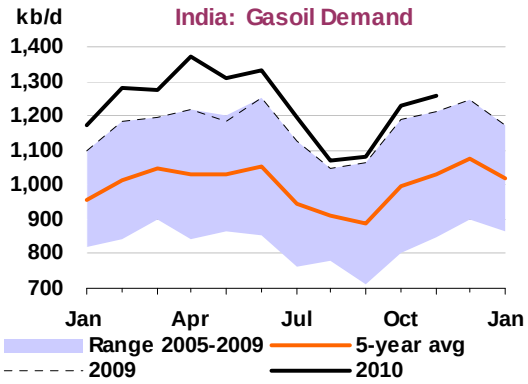
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	730	724	-8	-6	-1.1	-0.9
Naphtha	952	1,235	1,306	283	71	29.8	5.8
Motor Gasoline	1,507	1,560	1,676	54	116	3.6	7.4
Jet Fuel & Kerosene	335	383	411	48	28	14.5	7.3
Gas/Diesel Oil	2,699	3,004	3,164	305	160	11.3	5.3
Residual Fuel Oil	580	560	502	-20	-58	-3.4	-10.4
Other Products	1,559	1,866	2,005	307	138	19.7	7.4
Total Products	**8,369**	**9,338**	**9,787**	**970**	**449**	**11.6**	**4.8**

Other Non-OECD

Indian oil product sales – a proxy of oil demand – rose by 1.3% year-on-year in November, according to preliminary data, with all product categories bar residual fuel oil and 'other products' posting gains. Gasoline sales were particularly buoyant (+16.7%), supported by healthy vehicle sales (+22%) and the start of the traditional festival season. Such strength, however, may also partly reflect some stocking in anticipation of a price increase, as retail gasoline prices have in principle been deregulated since last June – although the government, through its state-owned oil companies, effectively continues to have the final say over the magnitude of price changes (as such, domestic prices still remain below international prices). End-user prices indeed rose by 5.6% in December and again by 4.5% in mid-January, but gasoline demand is largely price inelastic and is mainly driven by economic growth, which could well have exceeded 9% in 2010.





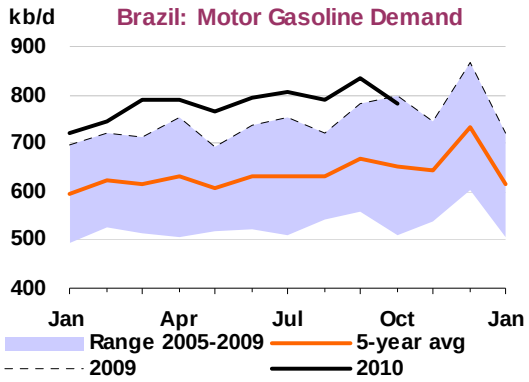
India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	408	443	472	35	29	8.7	6.5
Naphtha	319	292	254	-27	-38	-8.5	-12.9
Motor Gasoline	305	338	371	33	33	10.8	9.8
Jet Fuel & Kerosene	294	296	298	3	2	0.9	0.6
Gas/Diesel Oil	1,167	1,242	1,323	75	80	6.4	6.5
Residual Fuel Oil	407	390	374	-17	-15	-4.2	-4.0
Other Products	361	331	344	-31	14	-8.5	4.1
Total Products	**3,261**	**3,332**	**3,437**	**71**	**105**	**2.2**	**3.1**

Meanwhile, gasoil demand rose by 3.8%, on the back of sustained industrial and farming activity (even though heavy rains limited the usage of irrigation pumps). This product, which accounts for over a third of total demand, was also due to be deregulated, at least partially, by end-2010. However, a meeting of the Empowered Group of Ministers, led by the Finance Minister and convened for late December to decide on this issue, has reportedly been postponed indefinitely, most likely because of the detrimental

impact of any gasoil price rise upon inflation, already spurred by mounting food prices. Given the fact that international oil prices have continued to rise, the deregulation of gasoil prices may slip further – even though the subsidy burden, mostly absorbed by state-owned companies, will continue to rise.

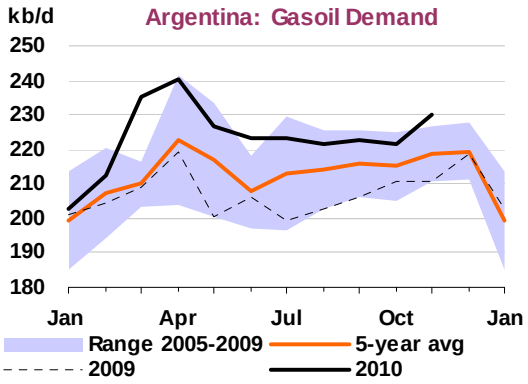
Following average year-on-year growth of 6.8% over the first three quarters of 2010, **Brazilian** oil demand growth possibly weakened somewhat in 4Q10. Economic activity has slowed in recent months, while inflation has risen to almost 6%, raising the spectre of reduced public spending or further interest-rate hikes. Total product demand in October, at 2.7 mb/d, expanded by just 0.2% versus the prior year, with gasoline posting a 1.9% fall. Gasoil demand growth, albeit strong (+2.9%), contrasted sharply with the pace observed in the previous month (+9.6%), while residual fuel oil also posted a deeper decline in October (-8.6%) versus September (-1.3%), seemingly due to higher use of natural gas and gasoil for power generation. By contrast, only jet fuel/kerosene continued to grow rapidly (+12.9%). Looking ahead, with demand reaching 2.8 mb/d in 2011, growth should be slightly lower (+110 kb/d or +4.1% year-on-year) than in 2010 (+140 kb/d or +5.6%).



Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	212	218	222	6	4	2.9	1.8
Naphtha	165	165	166	0	1	-0.1	0.7
Motor Gasoline	749	791	828	43	37	5.7	4.7
Jet Fuel & Kerosene	96	110	117	14	7	14.3	6.6
Gas/Diesel Oil	802	883	943	81	60	10.1	6.8
Residual Fuel Oil	192	192	190	1	-2	0.4	-1.1
Other Products	351	351	355	0	4	0.0	1.1
Total Products	**2,567**	**2,711**	**2,822**	**144**	**111**	**5.6**	**4.1**

In **Argentina**, reduced natural gas availability and power sector shortfalls have supported gasoil demand during the austral summer. Air conditioning needs have prompted the rollout of 10-20 MW gasoil generators and the subsequent importation of additional gasoil cargoes. In November, both gasoil and fuel oil use grew strongly (+9.0% and +94.1% year-on-year, respectively), representing a combined increase of 55 kb/d versus November 2009. Despite slowing industrial indicators, Argentina's fiscal position has benefitted from a record soybean harvest, potentially setting the stage for increased government spending in 2011 (an election year). Yet, after growing by 75 kb/d (+12.0%) in 2010, we expect oil demand to increase by a more moderate 25 kb/d (+3.2%) in 2011. Still, worsening power generation problems are an upside risk.



Meanwhile, in **Bolivia**, the difficulty of fuel subsidy removal amid rising oil prices was painfully illustrated last month. On 26 December, the government announced that gasoline and diesel prices would rise by 73% and 83%, respectively, in order to ease the nation's subsidy bill ($380 million in 2010) and curb smuggling to higher-priced neighbouring markets. However, the introduction of conciliatory measures, such as freezing the price of LPG and natural gas for vehicles, increasing both public-sector pay and the minimum wage, and putting price ceilings on services ranging from water to bus transportation, did little

to quell the ensuing nationwide protests. Ultimately, the government bowed to popular pressure and rescinded the subsidy removal five days after its initial announcement. Nevertheless, with indications that the 2011 subsidy bill may rise to as much as $660 million, some market analysts believe the price reform, may be attempted again – but in a more gradual, negotiated manner.

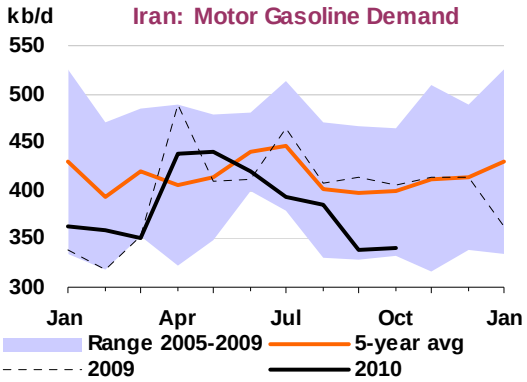
After much hesitation, on 19 December the **Iranian** government finally implemented the oil product subsidy-removal legislation approved by parliament in January. Originally due to be put in place in September, the new law aims to curb the country's subsidy bill, estimated at around $100 billion per year. The ensuing price hike, albeit anticipated, was hefty: gasoline prices under quota (60 litres/month) rose by 300%, while those for gasoil shot up by 800%. Meanwhile, above-quota prices rose by 75% and 100%, respectively. By deploying security forces on a large scale and announcing the changes just a few hours before they took place, the government managed to avoid the riots that followed the introduction of a rationing scheme in mid-2007. In addition, it temporarily increased the gasoline quota by 50 additional litres/month (which are priced at $0.10/litre) until next March, and began releasing targeted cash handouts ($40 per month) that were deposited in special accounts to some 61 million Iranians, out of a population of 73 million.

Iran: Oil Product Price Changes, US¢/litre

December 2010

	Old	New	Chg
Gasoline			
Under quota	10.0	40.0	300%
Above quota	40.0	70.0	75%
Gasoil			
Under quota	1.7	15.0	809%
Above quota	15.0	30.0	100%

According to some reports, gasoline demand – which had been on a declining trend since May – fell by about 16% in the days immediately after the announcement, while gasoil demand, which had continued to rise until October (the last data point available), plummeted by as much as 73%, partly because of a brief strike by Iranian truckers. By the end of December, though, the average fall appeared to have been somewhat lower (5% for gasoline and 20% for gasoil). However, estimating the long-term impact of the new Iranian pricing scheme is difficult at this point. Some analysts argue that gasoline demand (which powers most private cars) should fall only slightly, since most Iranians have no alternative means of transportation. Some others contend that the $40 monthly payment should almost offset the extra cost for the average driver.



By contrast, other observers suggest that high gasoline prices will prompt the conversion of many vehicles to natural gas (an operation that is itself subsidised), even though there are questions regarding the sustained availability of gas. Still others note that the price hike will also certainly curb the hitherto highly profitable smuggling to neighbouring countries, thus removing a significant source of demand (controls at the border with Afghanistan, for example, have reportedly been tightened to prevent unauthorised fuel exports).

Ultimately, though, the likely spike in inflation (to perhaps as much as 70% in 2011) will arguably exceed the amount of the cash handouts. Real household expenditures, including energy and transportation, especially among the rural poor, will probably fall sharply. Although the government has insisted that the cost of public transportation in the country's major urban areas will not rise, fares for widely used taxis are likely to surge. In addition, domestic industry, already hard hit by international sanctions, is likely to suffer more, further depressing the economy and hitting oil demand. As much as we have attempted to factor in what, in our view, is likely to be a sustained fall in both gasoline and gasoil demand, our prognosis for Iranian oil demand, currently expected to rise to 1.9 mb/d in 2011 (+4.0% year-on-year), may eventually be revised as the effects of the price rise become clearer over the next few months.

SUPPLY

Summary

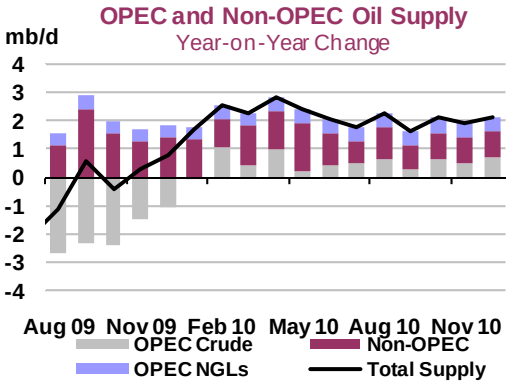
- **Global oil production fell by 0.3 mb/d in December, to 88.1 mb/d**, as non-OPEC supply decreased largely due to weather-related and technical outages. Year-on-year, global supply is 2.1 mb/d higher, shared evenly between non-OPEC, OPEC crude and OPEC NGL production.

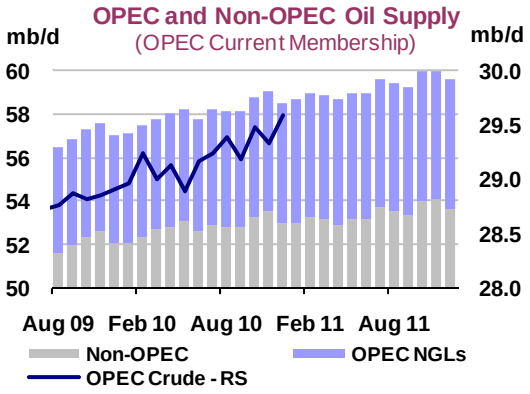
- **Non-OPEC supply was down by 0.5 mb/d in December from November, to 53.0 mb/d**, largely on outages in Argentina, Australia, Azerbaijan, Norway and Russia, which curbed 0.3 mb/d of output. Some of these were rapidly resolved, but a pipeline leak in Alaska and a fire at a Canadian oil sands upgrader kept January total shut-in volumes at the same level. Overall, 2010 and 2011 non-OPEC estimates remain unchanged at 52.8 mb/d and 53.4 mb/d, respectively.

- **OPEC supply gained 250 kb/d to reach 29.58 mb/d in December, continuing a rising trend evident since the spring.** In light of stronger demand now apparent for second-half 2010, both the group's unchanged production targets and actual output levels in 3Q10 and 4Q10 have been lagging the underlying 'call on OPEC crude and stock change'. OPEC effective spare capacity has nudged below 5 mb/d for the first time in two years.

- **Higher demand estimates have led to an upward revision in the 'call on OPEC crude and stocks'** for 1Q11 of 0.7 mb/d, to an estimated 29.8 mb/d. The 2011 'call' now averages 29.9 mb/d, around 0.4 mb/d higher than previously and a rise of 0.3 mb/d from 2010.

- **A high-level panel investigating the blowout at BP's Macondo oil well** and subsequent huge oil spill in the US Gulf last year found no justification for a blanket ban on deepwater drilling. The panel's report did however recommend a range of measures designed to prevent another such accident, finding that the causes were systemic, even though it put much of the blame on a 'failure of management' at BP, Transocean and Halliburton. Regulatory structures were also criticised.





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

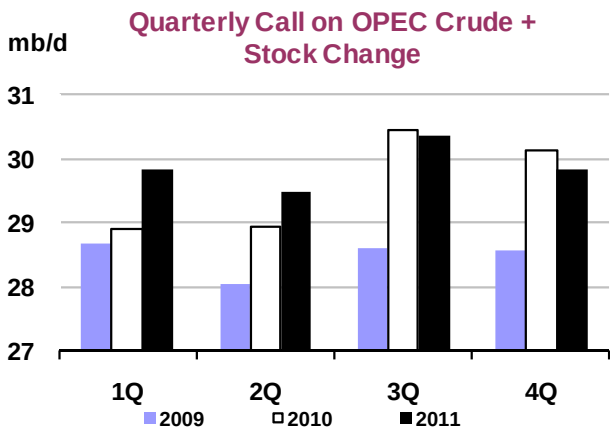
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

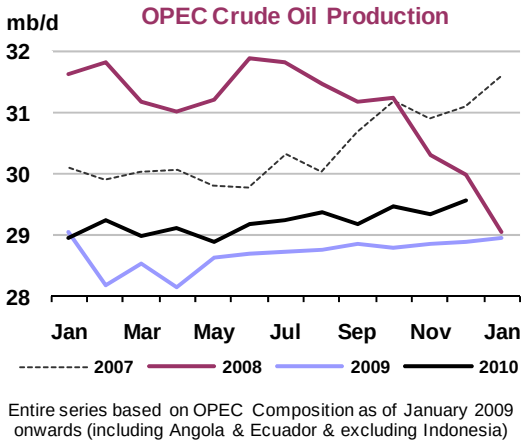
OPEC Crude Oil Supply

OPEC crude oil supply ended the year at the highest level since December 2008, when the producer group last agreed to cut output targets. December supply rose by around 250 kb/d, to 29.58 mb/d, with crude oil production by OPEC-11 averaging 27.15 mb/d, up 240 kb/d from the previous month. The group is now producing about 2.3 mb/d above its notional 24.845 mb/d output target.

The steady increase in prices over the past few months appears to have prompted a number of producers to increase supplies to capture higher revenues and/or to moderate price increases. Saudi Arabia, Iraq, Kuwait, the UAE, Nigeria, Ecuador and Venezuela all increased supplies in December. Only Angola saw output slip last month, apparently due to continued technical problems at some fields.

OPEC's crude production rose steadily throughout the year, with preliminary 2010 output averaging 29.22 mb/d. That is an increase of 528 kb/d over 2009 levels of 28.69 mb/d but still some 2 mb/d below 2008 levels. Nigeria and Saudi Arabia provided the lion's share of the higher output, up a combined 490 kb/d. Supplies from Iran, Iraq and Ecuador were marginally lower.





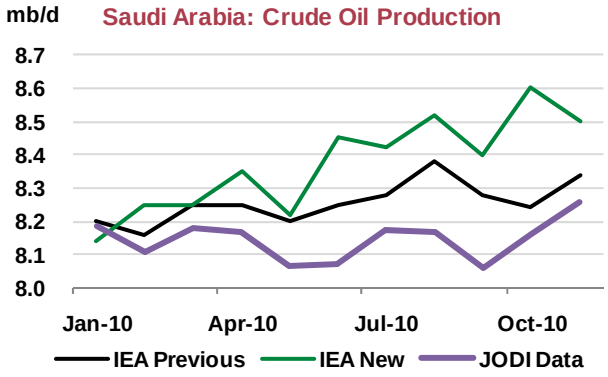
As expected, OPEC ministers left production targets unchanged at their 11 December meeting in Quito and agreed to meet again in Vienna on 2 June 2011. However, with prices nudging beyond $95/bbl and with the global oil burden (nominal expenditures as a percentage of nominal GDP) reaching levels that in the past have coincided with weakening economic activity, there appears to be tacit recognition by some producers of a need to adjust actual production levels to try to take some of the steam out of the market. The consensus view on oil demand showing record growth in 2010, followed by slowing but still robust growth in 2011 would seem to justify that flexible policy. Our own estimates for the 'call on OPEC crude and stock change' have been revised up by 0.7 mb/d for 1Q11 and by 0.4 mb/d for 2010 (largely on demand upgrades), to average 29.9 mb/d.

In Quito, Saudi Oil Minister Ali Naimi refuted earlier suggestions that the Kingdom now sees $70-90/bbl as necessary, and reiterated $70-80/bbl was the preferred target, echoing statements from a year previously when he described a range of $70-80/bbl as "a perfect price for the world." Oil prices have been well above these levels in recent months, with WTI futures averaging just over $89/bbl in December and trading above $92/bbl in early January. Brent futures posted even sharper gains, to $92.25/bbl in December and above $98/bbl in January.

With the next scheduled gathering still six months away, some veteran OPEC analysts believe the group's leading members will quietly increase production. Indeed, it appears Saudi Arabia has been making more crude available to the market in the past six months, judging by export data from independent tanker trackers. Having reviewed export data from a number of sources, we have revised our production

estimates for Saudi Arabia higher by an average 135 kb/d for 2010. The most significant upward revisions pertained to 2H10, up by just under 200 kb/d to an average of 8.5 mb/d.

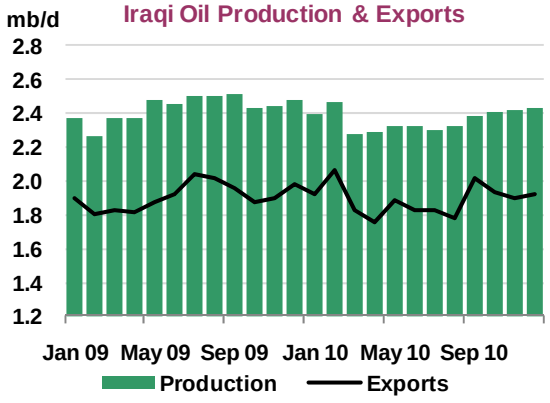
IEA estimates of Saudi production have historically been slightly higher than data submitted to the Joint Organisations Data Initiative (JODI) but the disparity has become especially sharp following this month's revisions. In particular, crude export data submitted to JODI by Saudi Arabia show a sharp downturn this year compared with independent trackers' assessments showing a steady upturn in exports of crude and NGLs. However, definitional issues likely also cloud the picture.



In December, **Saudi** output was assessed at 8.6 mb/d, up 100 kb/d from a revised November estimate of 8.5 mb/d. Preliminary market data indicate that the Kingdom is on track to increase production again in January. In addition, Saudi Aramco lowered prices for a number of key grades for February, making sales more attractive. Following in Aramco's footsteps, other Gulf member countries have reduced prices for next month's liftings, including Iraq, Kuwait, and the UAE.

Kuwait and the **UAE** both increased supplies in December by 30 kb/d, to 2.32 mb/d. For the year, UAE output rose by 1.6% to 2.31 mb/d on average while Kuwait posted a smaller 1.1% increase to 2.28 mb/d. Judging by the current list of projects in the pipeline, the UAE is on course to significantly increase nameplate capacity above neighbouring Kuwait in the next few years. The UAE's production capacity is forecast to increase from 2.7 mb/d in 2010 to 3.0 mb/d in 2013 as a number of projects come online, including expansion of Umm Shaif, both the Lower and Upper Zakum fields plus other enhanced recovery projects onshore. By contrast, protracted political wrangling in Kuwait is behind the anticipated decline in productive capacity, from 2.59 mb/d in 2010, falling to 2.51 mb/d in 2012 before inching higher to 2.54 mb/d in 2013.

Iraqi supplies in December were up a marginal 15 kb/d, to 2.44 mb/d from a revised 2.42 mb/d the previous month. *OMR* Iraqi production estimates are based on export volumes plus crude runs for domestic use at refineries and power plants, less reinjected oil and spiked fuel oil. Exports averaged 1.92 mb/d for December compared with 1.90 mb/d in November. Exports of Basrah crude from the southern ports were down by just under 20 kb/d, to 1.5 mb/d due to weather-related loading disruptions. Exports of Kirkuk, largely from the Turkish port of Ceyhan rose by an estimated 43 kb/d, to 423 kb/d in December.



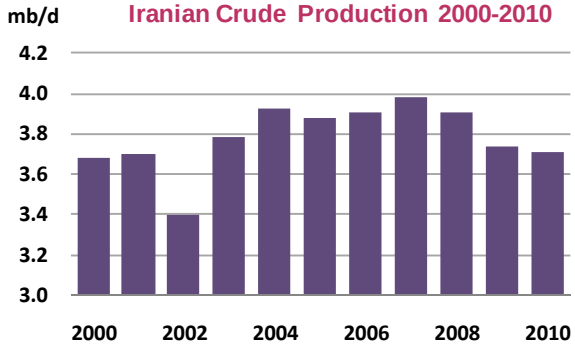
For 2010, Iraqi exports declined on average by just under 20 kb/d, to 1.89 mb/d compared with 1.91 mb/d in 2009. Increased exports of Basrah crude in the south of around 34 kb/d, to 1.48 mb/d, partially offset lower shipments of Kirkuk crude from the northern region, down 54 kb/d to around 400 kb/d.

The government's plans to increase output failed to materialise in 2010, with production actually declining year-on-year, off by around 70 kb/d to 2.36 mb/d. However, 2011 holds the promise of an increase in production to 2.7 mb/d by 4Q11. IOCs appear to be making headway in expanding output via

remedial work and debottlenecking at fields already producing, such as at the BP-CNPC Rumaila project and ENI's Zubair development. IOCs are reporting that they have reached contractual levels of increasing output by 10%, which enables them to start recovering costs.

The long-awaited formation of a new government in Iraq last month should also help improve the operating environment for IOCs, with challenging logistical and capital-intensive infrastructure funding a key priority, according to new Oil Minister Abdul Kareem Luaibi Former Oil Minister Hussein al-Shahristani has been elevated to a new position that effectively controls the strategic vision for the country's oil sector. Still uncertain is the fate of the fields controlled by the Kurdistan Regional Government (KRG). After ramping up production at the Tawke and Taq Taq fields in mid-2009, a dispute over payments to operating companies and the broader question of whether the government in Baghdad or the one in Erbil will control production in the region forced the shut-in of around 90 kb/d of production and left further production increases in limbo. As part of the new 2011 budget, the ministry has pencilled in increases of production from the region of 150 kb/d, but there are many thorny political issues that need to be overcome to reach this goal.

Iran's oil production in December is assessed at 3.68 mb/d, unchanged from the previous month. For the full year, Iranian supplies declined by 0.9%, to an average 3.71 mb/d. The year 2010 proved to be an a*nnus horribilis* for Iran's oil production outlook, as escalating tensions between Tehran and the international community over the country's nuclear enrichment plans culminated in the implementation of the most severe global sanctions to date. The immediate impact of the new sanctions has been the disruption of normal crude flows due to banking and other credit-related problems. European refiners slowed Iranian imports in the latter half of the year, and now Iranian exports of some 400 kb/d are in jeopardy due to stricter banking regulations being enforced by India.



In the medium term, sanctions have exacerbated the downward trend in the country's production profile as foreign operators withdraw from projects, and expectations of steeper field decline rates now that much-needed access to technology and equipment has been effectively cut off. Our latest medium-term update projects a decline in Iranian crude capacity to just 3.10 mb/d by 2015.

Nigeria accounted for about 40% of higher OPEC production in December, with supplies up 100 kb/d, to 2.28 mb/d. Repairs to damaged infrastructure led to higher output of Qua Iboe crude and prompted Shell to lift the *force majeure* on Bonny Light that had been in place since November. However, militants in the volatile Niger Delta region attacked critical pipeline infrastructure in late December, forcing the state oil company to shut down three of the country's four refineries.

Last year, the success of the government's ceasefire accord underpinned the 14% jump in production levels, to an average 2.08 mb/d. Nigerian production will likely remain volatile near term ahead of April presidential elections.

Angolan output slipped to 1.62 mb/d last month, down by 40 kb/d from November levels. An array of technical problems at the country's complex deep-water fields is behind the steady decline in supply over the year. Greater Plutonio has been producing well below 200 kb/d capacity this year due to chronic problems with its water injection system. As a result, Angolan production was nearly unchanged from 2009 levels at 1.77 mb/d in 2010.

Production from OPEC's South American members in December edged up by a slight 10 kb/d, with **Venezuelan** supplies rising to 2.2 mb/d and **Ecuador** to 480 kb/d. In 2010, Venezuela output ebbed and flowed in line with operational problems at the country's four heavy crude oil upgraders but overall gained around 75 kb/d year-on-year, to 2.23 mb/d. Ecuador intensified its efforts to nationalise its oil industry last year, with output slipping 1% to 465 kb/d.

OPEC's loftier production levels in December have led to a downward revision in our estimate for the group's effective spare capacity. At the same time, assessed production capacity levels in a number of countries edged lower in the new year, especially in Algeria, Iran and Angola. As a result, OPEC's current effective spare capacity has fallen below 5 mb/d for the first time in two years. Effective spare capacity, which excludes notional spare capacity in Iraq, Nigeria and Venezuela, is estimated at 4.9 mb/d compared to 5.56 mb/d in November.

Higher OPEC production of some 250 kb/d in December accounts for roughly 40% of the 660 kb/d decline. A hiatus in new capacity additions combined with natural decline rates are behind lower production capacity estimates for Algeria, Iran and Angola, which combined equate to just under 370 kb/d of adjustment in 1Q11. Overall OPEC installed capacity is seen declining in 2011 compared with 2010, from 35.5 mb/d to 35.2 mb/d, then slowly recovering in 2012 and reaching 36.9 mb/d by 2015.

OPEC Crude Production

(million barrels per day)

	Oct 2010 Supply	Nov 2010 Supply	Dec 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Dec 2010 Supply	Estimated 2010 Production	Vol. Change 2010-2009	% Change 2010-2009
Algeria	1.27	1.27	1.27	1.31	0.04	1.26	0.005	0.4%
Angola	1.68	1.66	1.62	1.92	0.30	1.77	0.004	0.2%
Ecuador	0.47	0.47	0.48	0.50	0.02	0.47	-0.005	-0.9%
Iran	3.65	3.68	3.68	3.70	0.02	3.71	-0.034	-0.9%
Kuwait[2]	2.30	2.29	2.32	2.54	0.22	2.30	0.024	1.1%
Libya	1.56	1.56	1.56	1.80	0.24	1.55	0.004	0.3%
Nigeria[3]	2.20	2.18	2.28	2.50	0.22	2.08	0.258	14.2%
Qatar	0.80	0.82	0.82	1.00	0.18	0.80	0.002	0.3%
Saudi Arabia[2]	8.60	8.50	8.60	12.10	3.50	8.39	0.229	2.8%
UAE	2.33	2.29	2.32	2.69	0.37	2.31	0.036	1.6%
Venezuela[4]	2.21	2.19	2.20	2.35	0.15	2.23	0.073	3.4%
OPEC-11	**27.07**	**26.91**	**27.15**	**32.43**	**5.28**	**26.86**	**0.597**	**2.3%**
Iraq	2.41	2.42	2.44	2.58	0.15	2.36	-0.070	-2.9%
Total OPEC	**29.48**	**29.33**	**29.58**	**35.01**	**5.42**	**29.22**	**0.528**	**1.8%**
(excluding Iraq, Nigeria, Venezuela					*4.90)*			

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 250 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in December.

Non-OPEC Overview

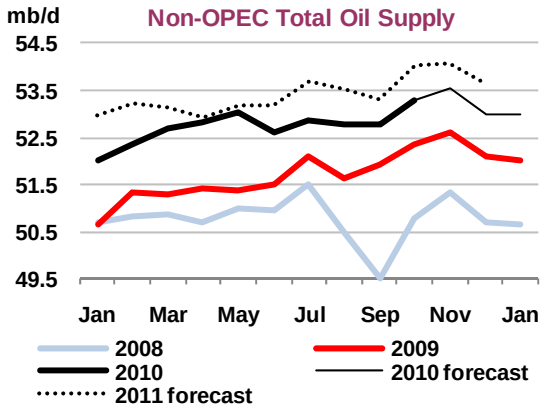
Non-OPEC oil supply fell by 0.5 mb/d to 53.0 mb/d in December, with around half of the drop stemming from a range of production outages in Argentina, Australia, Azerbaijan, Norway and Russia. Several of these were resolved by January, but were then replaced by output shut-ins in Alaska due to a pipeline leak and in Canada, after a fire at an oil sands upgrader. January is expected to see 0.3 mb/d of oil production curbed as a result, and Canadian shut-ins are expected to tail off in March and

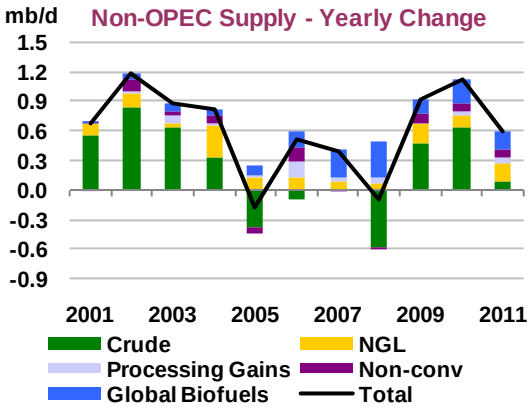
Oil Production Outages Dec 2010 to Mar 2011

(thousand barrels per day)

	Dec	Jan	Feb	Mar
Alaska		-135		
Argentina	-50			
Australia	-50	-50		
Azerbaijan	-35			
Canada		-90	-60	-50
Norway	-80	-7		
Russia	-50			
TOTAL	**-265**	**-282**	**-60**	**-50**

April. In contrast, reported data for October through December brought relatively minor revisions to preliminary estimates, but showed higher recent production in the US, Canada and China. Estimated 2010 production is therefore left unchanged at 52.8 mb/d.





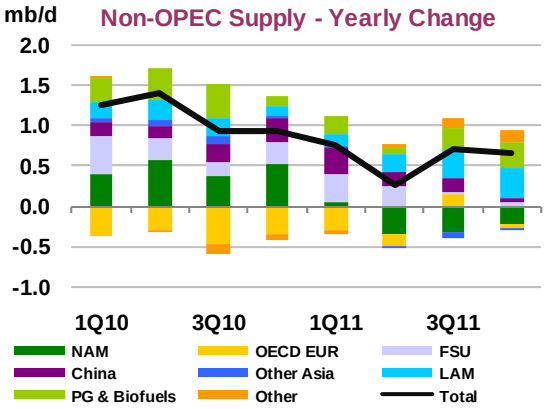
Projected 2011 non-OPEC supply is also left unchanged, at 53.4 mb/d, with higher estimated Chinese oil production of nearly 0.1 mb/d offset by marginally lower output in the OECD Pacific, the FSU, Latin America and global biofuels. As such, incremental 2011 supply in non-OPEC countries remains unchanged from last month's report at 0.6 mb/d, following 2010's estimated 1.1 mb/d increment, the highest annual growth since 2002.

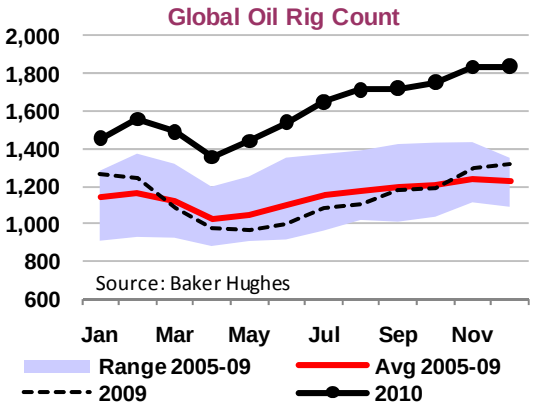
Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.3	14.1	14.0	13.7	13.8	14.1	13.9
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.5**	**19.0**	**18.9**	**18.8**	**18.3**	**18.4**	**18.9**	**18.6**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.8	13.6	13.8	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.3
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.7**	**29.9**	**30.1**	**29.8**	**30.5**	**30.4**	**30.4**	**30.6**	**30.5**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC	**51.1**	**51.4**	**51.9**	**52.3**	**51.7**	**52.4**	**52.8**	**52.8**	**53.3**	**52.8**	**53.1**	**53.1**	**53.5**	**53.9**	**53.4**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.3	1.4	0.9	0.9	1.1	0.8	0.2	0.7	0.6	0.6
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	0.0

Higher prices are encouraging investment and helping to sustain supply growth. A survey published by Barclays Capital in December indicated that 2011 upstream investment is expected to grow by 11% year-on-year, to just under $500 billion. Rigs drilling for oil in December 2010 were up by 40% year-on-year, according to Baker Hughes, largely driven by increased activity in the US and Canada, where the combined rig count has doubled year-on-year (in the US, not least due to many smaller rigs working on shale oil formations). Key sources of incremental oil production in 2011 include China (+185 kb/d), global biofuels (+180 kb/d), Brazil (+160 kb/d), the FSU (+160 kb/d), Colombia (+120 kb/d), Ghana (+85 kb/d), India (+60 kb/d) and Oman (+45 kb/d). Production is expected to fall in North America (-215 kb/d, shared equally among the US, Canada and Mexico), Malaysia (-60 kb/d) and, to a lesser extent than in previous years, the North Sea (-75 kb/d).





Global Biofuels

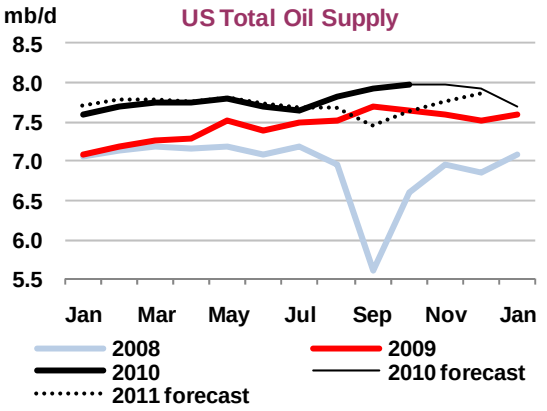
Global biofuels production is revised down by 25 kb/d in 4Q10 and by 15 kb/d for 2011 as a whole (the latter to 1.8 mb/d), largely due to lower expected Brazilian ethanol output. In Brazil, dry weather in the Centre-South resulted in lower November cane production versus the prior year and high sugar prices have encouraged some switching from ethanol to sugar production. Expectations for 2011 ethanol production in Brazil are trimmed by 15 kb/d to 510 kb/d versus an estimated 465 kb/d in 2010.

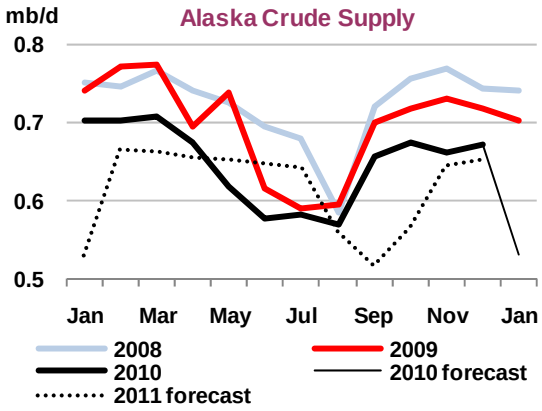
Meanwhile, US ethanol production reached 885 kb/d in October, with weekly data suggesting production exceeding 900 kb/d at times in December. US ethanol and biodiesel producers both benefitted from the government's renewal of blenders' tax credits of 45 cents/gallon and $1/gallon, respectively, in late December. The credits were left unchanged from previous levels and the biodiesel credit was applied retroactively to the beginning of 2010. Nevertheless, the credits were extended only through end-2011, leaving concerns over the industry's medium-term economics. We see US ethanol production averaging 900 kb/d in 2011, up from 860 kb/d in 2010.

OECD

North America

US – December Alaska actual, others estimated: December US oil production dipped by 0.1 mb/d to 7.9 mb/d, even while preliminary weekly data prompted an upward revision of 0.1 mb/d to the month. A leak forced the closure of a key export pipeline and around 600 kb/d of crude production from Alaska on 8 January. The shut-down of the Trans-Alaska Pipeline System (TAPS), which links North Slope production with the Valdez export terminal in the south, forced a halt to production in the north, although crude continued to be loaded at the terminal, reducing stock holdings there. Alaska produced an average 610 kb/d in 2010, most of which is North Slope crude.





At the time of writing, the pipeline had been restarted, at a reduced rate of 300-400 kb/d, even though the leak had not yet been fully repaired. This was in order to prevent crude and water within from freezing. Plans were for a short section of the pipeline to be circumvented with a bypass. Assuming production is offline for a week, average January Alaskan production is estimated to be 140 kb/d lower than in December. Total 2010 oil production in the US is left virtually unchanged, at 7.8 mb/d, and is estimated to fall to 7.7 mb/d in 2011.

Report Finds No Need for Deepwater Drilling Ban, but Recommends Tighter Rules

On 11 January, the first of several investigations into the causes of the Macondo oil spill last year published its findings. The *National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling* (www.oilspillcommission.gov) cited a 'failure of management' by BP and service companies Transocean and Halliburton as leading to the well blowout, the sinking of the Deepwater Horizon drilling rig and the subsequent spill of 5 mb of oil into the Gulf of Mexico. It was judged to be a systemic failing and thus seen as a far wider problem than simple negligence by individuals or one company. In addition, regulatory oversight, safety standards and oil spill response practices failed to keep pace with the push into deeper and increasingly challenging offshore areas.

However, arguing that the expected US energy needs will continue to rely upon oil for the foreseeable future, and that for energy security reasons a substantial proportion of this should stem from domestic sources, the Commission saw no need for a blanket ban on deepwater oil drilling. Rather, it recommended a much-improved safety culture, based on wide-ranging reforms of both industry and the regulatory regime. Specifically, the Commission recommended that:

- Besides boosting the capability of the existing regulator, a **new, politically independent safety body** should be created along the lines of the nuclear industry's Institute for Nuclear Power Operations.
- **The liability cap for companies implicated in offshore disasters should be raised** by an unspecified amount (it currently stands at $75 million), although the Commission shied away from earlier proposals for unlimited liability, which might have led to an exodus of smaller operators from the Gulf.
- **Regulators should comply with a new 60-day review period for applications** to drill, a compromise between the existing 30-day limit and a new 90-day limit sought by the Department of the Interior.
- **New regulations should be underpinned by a risk-based approach** placing responsibility on companies to prove that they have evaluated all risks and are as up-to-date as possible with best drilling, safety and response practices. This would put the US in line with the approach long taken by other countries with substantial offshore production, notably the UK and Norway.

The report encountered widely different responses on its release and will be reviewed by Congress before its recommendations are passed into law, although some of its proposals may be implemented by executive order. In all likelihood, legislators and authorities will also wait to review the publication of other investigations into the disaster, notably those of the US Coast Guard/Bureau of Ocean Energy Management and the Chemical Safety Board.

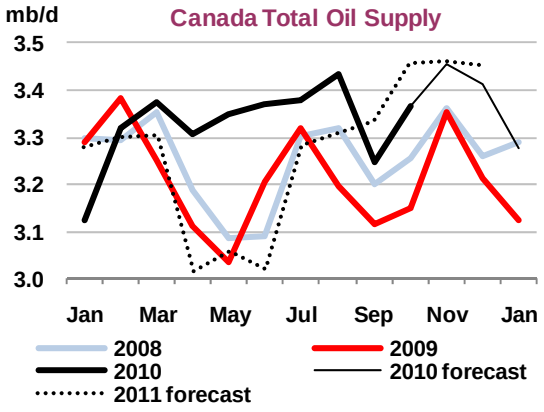
What seems clear is that reforms widely accepted as necessary for reasons of safety and environmental protection will nonetheless add to offshore project costs and lead times.

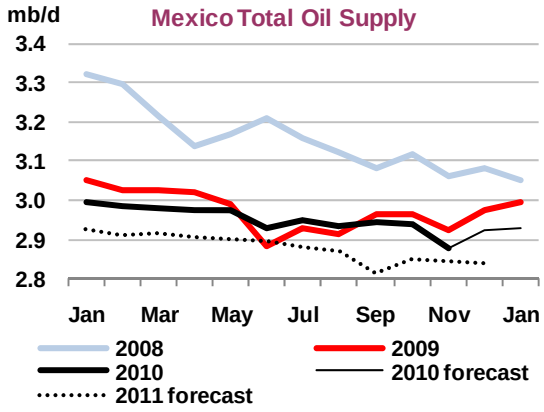
Canada – Newfoundland November actual, others October actual: In December, total Canadian oil supply dipped marginally to 3.4 mb/d, as constraints on pipelines into the US forced some minor shut-ins. Preliminary October data were 200 kb/d higher than expected, with stronger output in conventional crude, bitumen and NGL production. However, on 6 January, a fire at CNRL's Horizon oil sands upgrader forced a complete halt to operations, including related bitumen production. The upgrader converts heavy, viscous bitumen into synthetic crude oil, which can be processed in regular oil refineries. With a capacity of 110 kb/d, Horizon produced an average 90 kb/d of synthetic crude oil in 2010.

On past experience, fire damage at upgraders can take several months to repair, but preliminary investigations reportedly indicate that around half of the plant's coking capacity is unaffected and could

be brought back online soon. We assume a gradual return to around 50% production levels by February and March, followed by the return of the remaining capacity in April. CNRL hopes to complete some seasonal maintenance now, rather than in the summer, which should largely compensate for the outage in terms of total expected 2011 production.

Higher 4Q10 output raises average 2010 total Canadian oil production marginally, to 3.34 mb/d. Output in 2011 is estimated at a slightly lower 3.27 mb/d, with declining conventional oil and NGL production more than offsetting increased oil sands output (though subsequent years will see the opposite, as substantial new oil sands production capacity comes online).

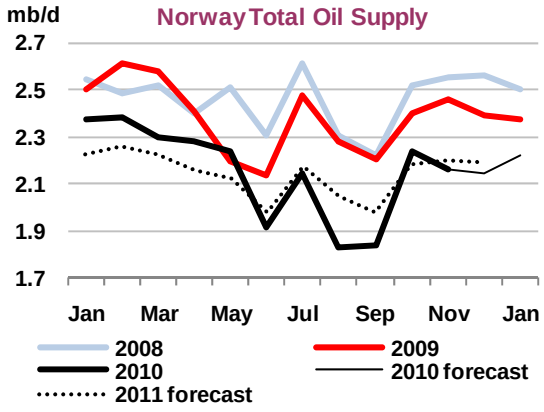


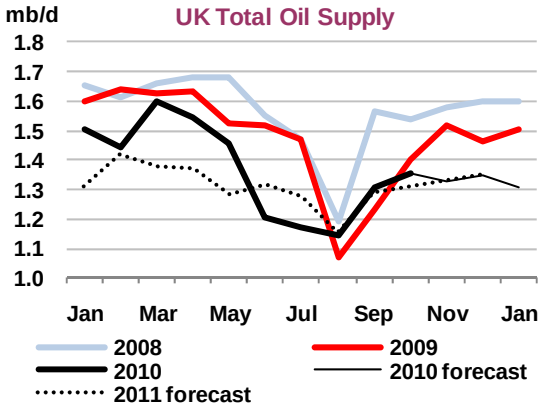


Mexico – November actual: Mexican oil production in November dipped slightly below 2.9 mb/d on lower-than-expected output numbers. Production at key fields Ku-Maloob-Zaap (KMZ) and Cantarell fell by 40 kb/d and 20 kb/d respectively month-on-month, to 800 kb/d and 435 kb/d. As a consequence, yearly production estimates were nudged down, with 2010 now expected to average 2.95 mb/d, and 2011 estimated at 2.88 mb/d, as the country's mature base continues to decline.

North Sea

Norway – October actual, November provisional: December total oil production in Norway was steady at 2.15 mb/d. High temperatures at a gas turbine forced the shut-in of the Kristin and Tyrihans fields from early December until the end of the month, curbing total supply by 80 kb/d for the month. On 11 January, a gas leak briefly shut in the Snorre A platform and neighbouring Vigdis field. Both regained full production within 24 hours however. Overall, 2010 and 2011 production estimates are unchanged, averaging 2.15 mb/d in both years. In contrast with average annual decline of 150 kb/d in 2010 and 2009, 2011 is expected to see flat aggregate production, with 180 kb/d of new field production coming onstream, and lighter maintenance expected than in 2010.





UK – October actual: UK total oil production was broadly steady at 1.35 mb/d in 4Q10, and 2010 production is estimated to average 1.37 mb/d, declining to 1.32 mb/d in 2011.

The UK's Parliamentary Energy & Climate Change Committee, weighing supply security considerations, concluded in January that there was insufficient evidence of risk of a Macondo-style blowout in UK waters to justify a deepwater drilling moratorium, but tightened regulations requiring insurance and oil-spill response systems.

Pacific

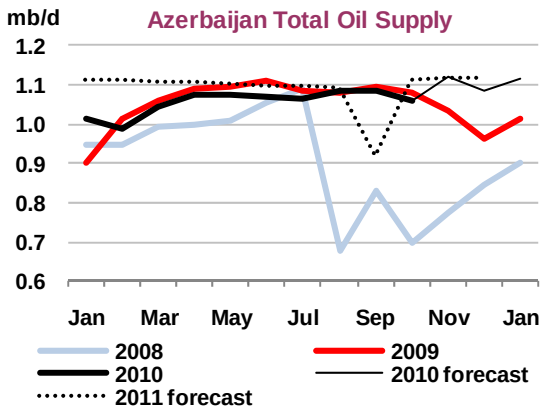
Australia – October actual: Australian total oil supply fell to around 480 kb/d in December and January, as severe offshore storms briefly forced a halt to nearly half the country's output capacity (recent catastrophic flooding in Queensland did not materially affect oil production). An estimated 50 kb/d was curbed for each month. The Cossack oil field will be taken offline for an estimated 90 days in February to April, while its FPSO unit is exchanged. This is estimated to cut output by around 35 kb/d for that period. In sum, 2010 and 2011 Australian oil production is adjusted down by 10 kb/d and 20 kb/d, to 515 kb/d and 545 kb/d respectively. 2011 production will receive a boost from the ramp-up of the Pyrenees oil field and the delayed start at Montara.

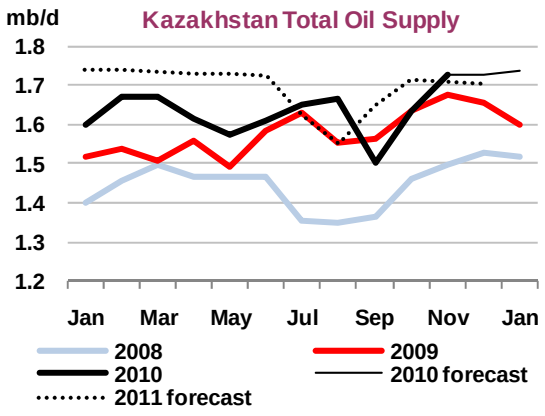
Former Soviet Union (FSU)

Russia – November actual, December provisional: Russian oil production dipped by 55 kb/d to just below 10.5 mb/d in December, partly due to the impact of harsh winter weather, although outages are not assumed to last long. Nonetheless, Russian oil supply in 2010 rose by 240 kb/d to average 10.45 mb/d, its highest annual post-Soviet level.

However, downward-adjusted company guidance stemming from uncertainty over tax breaks has prompted a revision of 35 kb/d to the 2011 forecast; production is now expected to average 10.53 mb/d. In particular, state-controlled Rosneft said its new Vankor field will see average production rise to only 300 kb/d in 2011, rather than the previously reported 340 kb/d, as export tax breaks are due to expire in May. In December, the Duma voted to hike the Mineral Extraction Tax (MET) amid conflicting imperatives to boost revenues but maintain hydrocarbon activities. The uncertain tax situation remains key to assessing the likely trajectory of Russian oil production.

Azerbaijan – October actual: October oil production in Azerbaijan was revised down by 60 kb/d to 1.06 mb/d. In addition, December saw the Chirag platform at the Azeri-Chirag-Guneshli (ACG) complex, shut-in for around 10 days in mid-month, curbing 35 kb/d from output. National production is expected to rise from 1.06 mb/d in 2010 to 1.09 mb/d in 2011.





Kazakhstan – October actual: Kazakhstani oil production rose 130 kb/d to 1.63 mb/d in October, after seasonal maintenance had curbed operations at the Karachaganak field in September. All told, 2010 production is expected to average 1.64 mb/d, rising to 1.69 mb/d in 2011.

In December, the go-ahead was given for the expansion of the Caspian Pipeline Consortium (CPC) pipeline, which feeds Kazakhstani crude to an export terminal near Novorossiysk on the Russian Black Sea coast. Capacity will be more than doubled to 1.35 mb/d by 2015, which will mainly be used to accommodate rising production from the Tengiz and Karachaganak fields and eventually also some of the initial volumes from the huge Kashagan field, from which we expect to see first output in late 2013. The CPC expansion should help to solve the expected export capacity crunch, though only partly so, as Kashagan output gradually increases to an expected 350 kb/d by end-2015 and potentially much more thereafter. Talks on the other main proposed export solution, the Kazakhstan Caspian Transportation System (KCTS), which would involve using tankers to transport crude across the Caspian Sea and into new-build export infrastructure on the western shores of the Caspian, remain stalled.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	4Q2009	1Q2010	2Q2010	3Q2010	Sep 10	Oct 10	Nov 10	Latest month vs. Oct 10	Latest month vs. Nov 09
Crude											
Black Sea	2.06	2.21	2.15	1.79	1.99	2.08	1.89	1.89	1.91	0.02	-0.20
Baltic	1.46	1.62	1.64	1.60	1.61	1.56	1.46	1.50	1.48	-0.02	-0.10
Arctic/FarEast	0.29	0.46	0.48	0.71	0.76	0.66	0.68	0.78	0.76	-0.02	0.30
BTC	0.67	0.78	0.76	0.69	0.79	0.80	0.76	0.80	0.82	0.02	0.06
Crude Seaborne	**4.48**	**5.07**	**5.04**	**4.78**	**5.16**	**5.10**	**4.79**	**4.97**	**4.97**	**0.00**	**0.05**
Druzhba Pipeline	1.08	1.12	1.14	1.13	1.10	1.16	1.20	1.12	1.17	0.05	0.03
Other Routes	0.42	0.37	0.30	0.44	0.37	0.40	0.45	0.38	0.34	-0.03	0.05
Total Crude Exports	**5.98**	**6.56**	**6.48**	**6.36**	**6.63**	**6.67**	**6.44**	**6.47**	**6.48**	**0.01**	**0.13**
Of Which: Transneft	3.98	4.14	4.13	3.94	3.88	3.95	3.72	3.76	3.75	-0.01	-0.31
Products											
Fuel oil	1.14	1.15	1.19	1.13	1.28	1.31	1.30	1.21	1.30	0.09	0.00
Gasoil	1.03	1.15	1.12	1.20	1.14	1.09	1.00	1.14	1.20	0.07	0.09
Other Products	0.60	0.69	0.59	0.73	0.63	0.62	0.58	0.57	0.60	0.03	-0.03
Total Product	**2.77**	**2.99**	**2.90**	**3.06**	**3.06**	**3.02**	**2.87**	**2.92**	**3.10**	**0.19**	**0.06**
Total Exports	**8.74**	**9.55**	**9.38**	**9.42**	**9.69**	**9.69**	**9.31**	**9.39**	**9.58**	**0.20**	**0.19**
Imports	0.04	0.04	0.05	0.05	0.04	0.08	0.10	0.08	0.08	0.00	0.03
Net Exports	**8.70**	**9.51**	**9.33**	**9.37**	**9.65**	**9.61**	**9.22**	**9.31**	**9.50**	**0.20**	**0.16**

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

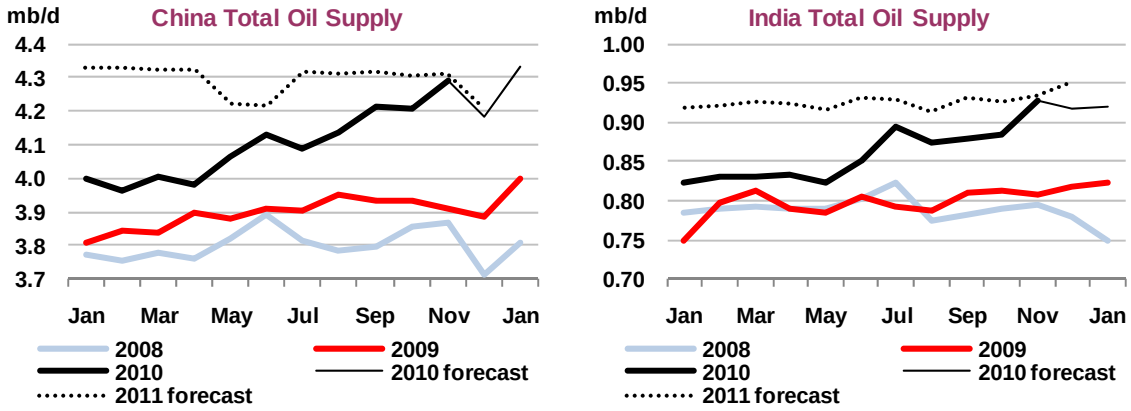
FSU net oil exports continued their upward momentum in November, increasing by 200 kb/d from October to 9.5 mb/d. In contrast to previous months, product exports drove the hike, increasing by 190 kb/d to 3.1 mb/d, while crude shipments inched up by 10 kb/d to 6.5 mb/d. Seaborne shipments of FSU crude remained constant at 5.0 mb/d, with small increases in Black Sea and Ceyhan cargoes offsetting minor declines in the Baltic, Arctic and Far East regions. Flows through the Druzhba pipeline increased by 50 kb/d, balancing falls elsewhere. It should be noted that although the ESPO spur to China began line fill of around 70 kb/d in November, these volumes have not been considered as exports.

November's product exports were the highest since July 2010 as fuel oil, gasoil and 'other products' increased by 90 kb/d, 70 kb/d and 30 kb/d, respectively. These hikes resulted from increased refinery runs (+200 kb/d) and exporters increasing shipments ahead of the December rise in export duties. Over the short term, a surplus of Russian fuel oil is expected to be shipped abroad, as domestic demand wanes due to a number of power stations, notably in the Arctic and Far East, switching from fuel oil to cheaper natural gas. However, looking towards the medium term, shipments of fuel oil could actually fall in response to an equalised product export duty (see OMR dated 10 December 2010) and Russian refinery investment in upgrading to increase middle distillate output at the expense of heavy products.

Recent reports have indicated that there are still creases to be ironed out in the customs union agreement between Russia and Belarus. Deliveries of Russian crude to Belarusian refineries are reported to have halted on 1 January after producers raised their prices in response to the removal of export duties. At present shipments to Europe are not adversely affected. Offsetting incremental supplies are now reaching Belarus, piped northwards from the Black Sea port of Odessa via Brody. A recent long-term deal has now been signed where oil will be supplied by Azerbaijan on behalf of Venezuela.

Other Non-OPEC

China – November actual: November oil supply in China is revised up by 100 kb/d to 4.3 mb/d, a new record high, on stronger-than-expected offshore output. This results in higher estimated 2010 production of 4.1 mb/d and is largely carried into 2011, now adjusted higher to 4.3 mb/d. Since first publishing detailed supply estimates for 2011 (estimated at 3.9 mb/d in the OMR of 13 July 2010), successive upward revisions, partly due to baseline revisions, but also stronger expected growth, have resulted in China now being one of the largest contributors to short-term non-OPEC supply growth.



India – November actual: Indian oil production in November is revised up by 50 kb/d to 930 kb/d, also a new record-high level, as output at the Mangala complex in Rajasthan ramps up more rapidly than expected. Combined production from Mangala, soon to be augmented by output from the Aishwariya field and later from the Bhagyama field, is expected to reach a total production capacity of around 240 kb/d by the end of 2012. India's total oil supply is estimated to average 865 kb/d in 2010, rising to 925 kb/d in 2011.

Sudan: On 9 January, a referendum on a possible secession from the north was held in southern Sudan. Most observers expect southerners to vote in favour of secession, which could pave the way for the peaceful creation of a new sovereign state in July this year. The outcome is yet to be announced, however, and there is still the possibility of disruptions due to an outbreak of violence.

Moreover, the crucial issue of how to share oil revenues is far from resolved. The majority of oil production – around 75-80% – is located in the south, while export infrastructure and refineries are in the north. According to news reports, production of Dar Blend, which represents around half the country's total output, was nearly shut-in in December, due to fears for oil workers' safety, though this was avoided after political intervention. Sudan's total oil production is estimated at 0.5 mb/d in 2010, and assumed to remain at this level in 2011. Sustaining these production levels clearly depends on continued investment and the evolving political situation.

Ghana: December saw the start-up of the first phase of the large Jubilee oil field, heralding Ghana's emergence as a significant sub-Saharan oil producer. In a first phase, Jubilee is expected to ramp-up production volumes to 120 kb/d by 3Q11. However, delays in finalising an oil law, which would determine the state's share of oil revenues, is causing uncertainty over a possible second phase. We estimate that 2011 oil production should average 90 kb/d, rising from 7 kb/d in 2010.

OECD STOCKS

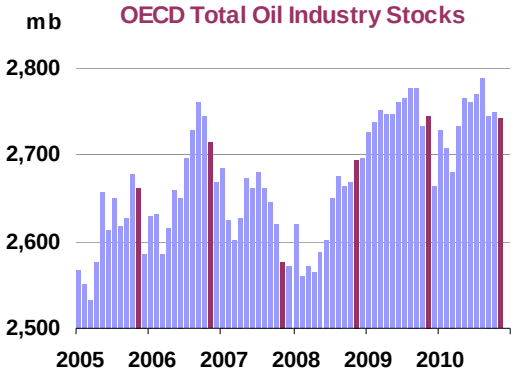
Summary

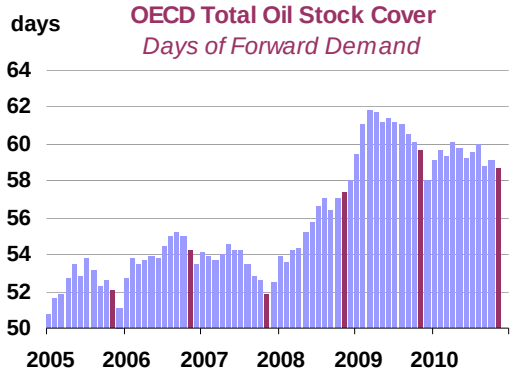
- **OECD industry stocks declined by 8.3 mb to 2 742 mb in November**, broadly in line with the five-year average 10.9 mb stock-draw for this month. The fall was led by draws of 'other products', middle distillates and residual fuel oil, while gasoline inventories rose.

- **November OECD forward demand cover fell to 58.7 days**, from 59.1 days in October. A draw in 'other product' stocks combined with rising three-month average forward demand for total oil products drove the overall decrease, but lower fuel oil and middle distillates holdings also contributed.

- **Preliminary December data indicate OECD industry oil stocks plummeted by 33.1 mb.** This second consecutive monthly decline was led by steep draws in US crude and 'other products'. Overall, OECD crude inventories contracted by 18.7 mb, while products fell by 11.8 mb.

- **Short-term oil floating storage fell to 56 mb in December**, from 64 mb at end-November. Crude floating storage contracted by 2 mb to 36 mb due to offloading in the Asia-Pacific. Product floating storage declined by 7 mb to 20 mb on draws in Northwest Europe and West Africa.





OECD Inventories at End-November and Revisions to Preliminary Data

OECD industry oil inventories stood at 2 742 mb at the end of November, or 58.7 days of forward demand cover. A large draw in North American 'other product' stocks contributed to an 8.3 mb monthly drop in the total OECD holdings, taking stocks to 3.2 mb below the previous year's levels, but still near the top of the five-year range. By comparison, stocks drew by 10.9 mb on average in November over the past five years.

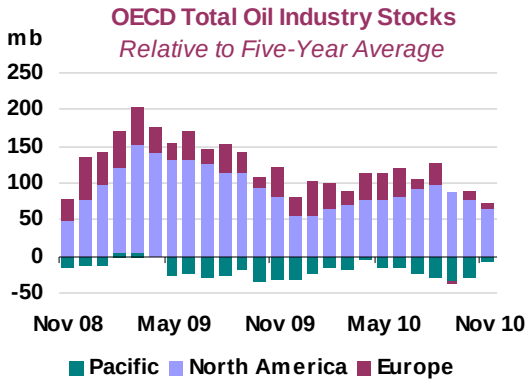
Preliminary Industry Stock Change in November 2010 and Third Quarter 2010

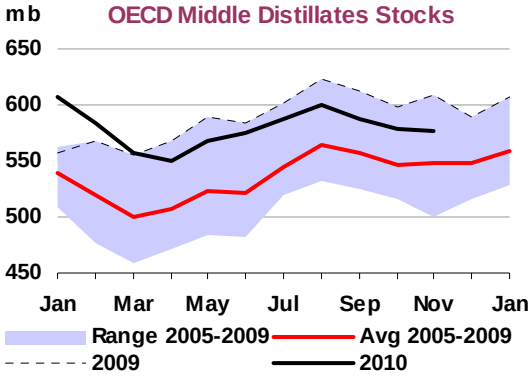
	November (preliminary) *(million barrels)*				November (preliminary) *(million barrels per day)*				Third Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-10.5**	**-1.4**	**11.0**	**-0.9**	**-0.35**	**-0.05**	**0.37**	**-0.03**	**-0.04**	**-0.25**	**-0.11**	**-0.41**
Gasoline	1.5	3.2	0.6	5.2	0.05	0.11	0.02	0.17	0.05	0.00	-0.03	0.02
Middle Distillates	-3.5	3.5	-1.9	-1.9	-0.12	0.12	-0.06	-0.06	0.14	-0.10	0.09	0.14
Residual Fuel Oil	-0.2	-1.8	-0.8	-2.8	-0.01	-0.06	-0.03	-0.09	-0.02	-0.03	0.01	-0.04
Other Products	-9.1	0.1	-0.2	-9.2	-0.30	0.00	-0.01	-0.31	0.04	0.01	0.03	0.08
Total Products	**-11.3**	**5.0**	**-2.4**	**-8.7**	**-0.38**	**0.17**	**-0.08**	**-0.29**	**0.21**	**-0.12**	**0.11**	**0.19**
Other Oils[1]	1.2	-0.1	0.3	1.4	0.04	0.00	0.01	0.05	0.07	-0.03	-0.02	0.02
Total Oil	**-20.7**	**3.5**	**8.9**	**-8.3**	**-0.69**	**0.12**	**0.30**	**-0.28**	**0.23**	**-0.40**	**-0.03**	**-0.20**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Declining inventories contributed to a drawdown in the OECD stock overhang, which remains primarily in North America, although the region reduced its surplus to the five-year average to 64.4 mb, from 97.8 mb in August. European inventories look better balanced at 7.0 mb above historical averages, while relative tightness in the Pacific diminished from -32.3 mb in September to only -7.6 mb in November.

Crude oil inventories declined by a marginal 0.9 mb in November, but the overall figure masks offsetting movements within the regions. North American refineries increased their crude runs after heavy turnarounds in prior months, drawing 10.5 mb of regional crude stocks, while European crude stocks fell by 1.4 mb on trade flows. An 11.0 mb build in Pacific stocks provided some cushion despite an uptick in regional throughputs.





Stronger demand for power generation, especially in Europe, reduced residual fuel oil holdings by 2.8 mb, whereas 'other product' stocks fell by a steep 9.1 mb in North America. After counter-seasonal builds over the summer and draws in the autumn, gasoline converged to the five-year trend and built by 5.2 mb. Meanwhile, the October halt in refinery operations in France triggered higher distillate exports to Europe, raising regional holdings by 3.5 mb, but total OECD middle distillate inventories fell by 1.9 mb in November. A spell of colder weather at end-November and in December further pressured heating fuel inventories, but OECD countries seemed well supplied ahead of winter, as middle distillates stood 29.4 mb above the five-average levels at the end of the November.

French preliminary inventory levels at end-October, submitted in a detailed breakdown by French authorities a month earlier than usual, were revised up only marginally, by 0.8 mb, with the largest upward adjustment of 0.9 mb to gasoline. October total OECD stocks were revised up by 5.1 mb, implying a sharper 6.3 mb build than the preliminary 0.7 mb gain reported previously.

Revisions versus 10 December 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Sep 10	Oct 10	Sep 10	Oct 10	Sep 10	Oct 10	Sep 10	Oct 10
Crude Oil	**2.4**	**5.3**	**0.4**	**1.6**	**-0.2**	**4.1**	**2.7**	**11.0**
Gasoline	0.0	-1.0	-0.7	1.5	0.0	-0.6	-0.7	-0.1
Middle Distillates	-0.2	2.1	-2.9	-4.7	0.0	-0.6	-3.2	-3.2
Residual Fuel Oil	0.0	0.0	0.9	-1.6	0.0	0.0	1.0	-1.7
Other Products	0.1	-0.5	-0.7	-3.0	0.0	0.2	-0.6	-3.3
Total Products	**-0.1**	**0.6**	**-3.4**	**-7.9**	**0.0**	**-1.0**	**-3.4**	**-8.3**
Other Oils[1]	-0.5	0.6	0.7	2.1	0.0	-0.3	0.2	2.4
Total Oil	**1.9**	**6.5**	**-2.3**	**-4.2**	**-0.2**	**2.8**	**-0.6**	**5.1**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

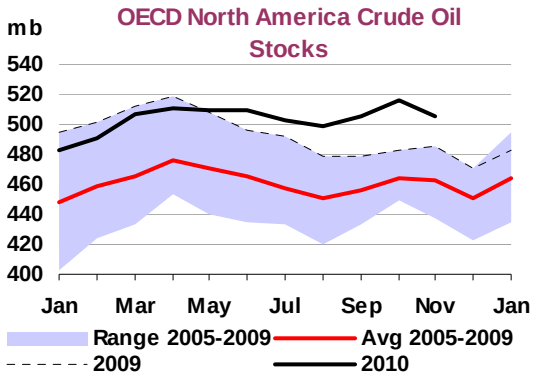
Preliminary December data point to similar trends in stocks to those seen in November, albeit magnified. Inventories in the US, Japan and Europe fell by 33.1 mb on the month, in line with a typical 40.1 mb seasonal draw. Steep draws in US crude and 'other products' drove the decline, with crude oil stocks down by 18.7 mb, 'other products' by 20.2 mb and fuel oil by 2.3 mb. Gasoline and distillate builds, supported by higher refinery output and by offloading of product floating storage, tempered the overall stock-draw.

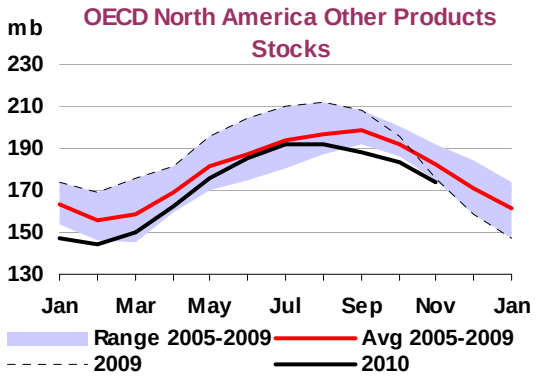
Diminishing profitability of floating storage helped to drain offshore oil inventories as the contango structure in the oil price forward curve flattened. Consequently, short-term crude oil floating storage has declined by almost 60 mb from its peak in May to 36 mb at end-December, although levels are still elevated by a reported 20 mb of Iranian heavy crude held in the Middle East Gulf. Similarly, product floating storage has shrunk by more than 75 mb from a peak a year ago, to 20 mb in December.

Analysis of Recent OECD Industry Stock Changes

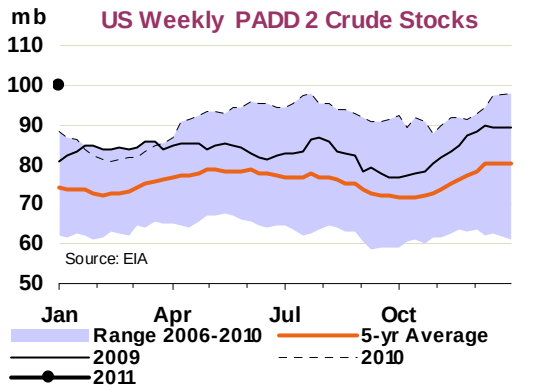
OECD North America

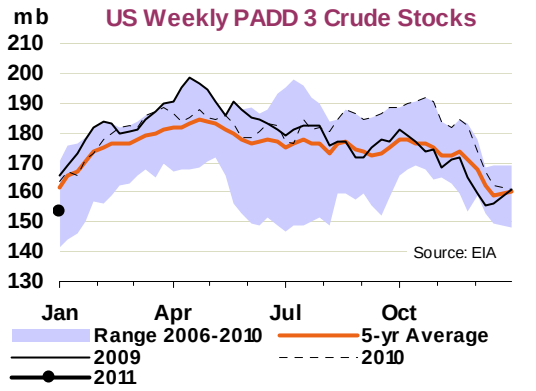
Industry stocks in North America fell by 20.7 mb in November to 1 367 mb, the largest decline since December 2009 and sharper than the five-year average 7.8 mb stock-draw. Crude inventories decreased by 10.5 mb as imports contracted at the time when US refiners increased throughputs after heavy turnarounds during the previous month. Albeit falling from their highest levels since April 2009, crude stocks still maintained a 42 mb surplus to the five-year average. Meanwhile, product inventories dropped by 11.3 mb on falling 'other products' and middle distillates, with a weaker-than-seasonal gasoline build providing only limited upside support.



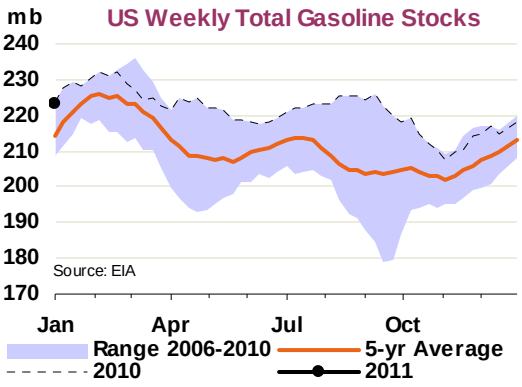


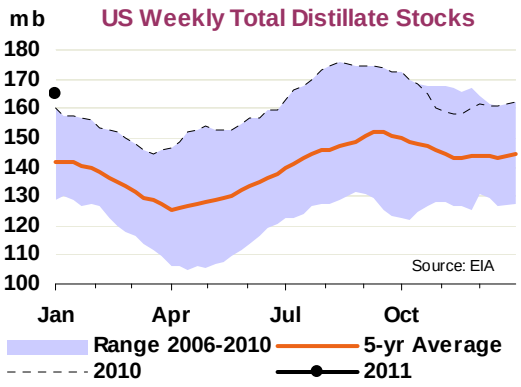
US weekly data point to a 39.3 mb draw in US industry stocks in December. Crude oil inventories plummeted further by an additional 22.6 mb. However, the decline was centred in the US Gulf Coast region, where levels finally fell below the five-year average after almost two years in surplus. While companies deferred tanker imports to reduce end-year tax liabilities, a further increase in refinery runs and marginally higher exports also contributed to the decline.





In contrast to US Gulf Coast, the US Midcontinent remains awash in crude stocks, having built following a temporary 300 kb/d increase in imports of Canadian crude during 2Q10 to stand almost 25 mb above the five-year average levels. Crude stocks held in Cushing, Oklahoma, the delivery point for NYMEX WTI futures, rose by 2.7 mb to 37.5 mb, approaching July record levels of 37.8 mb. In addition to the stock overhang in the US Midcontinent, the build in Cushing further pressured WTI prices relative to Brent in December and early January.

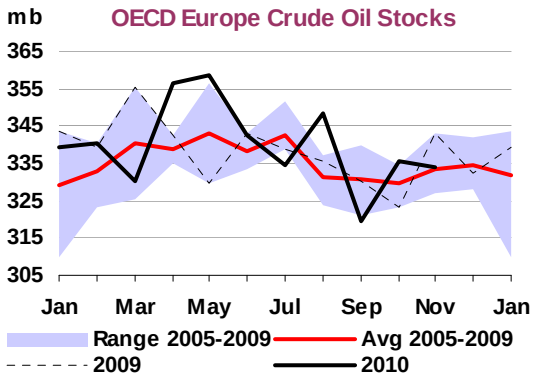


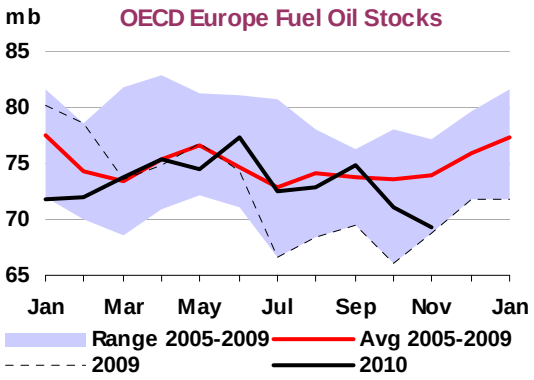


December draws in the 'other product' category, especially propane used for heating, drove a 13.0 mb decline in US product inventories. Gasoline stocks rose by 6.5 mb amid stronger demand, while distillates increased by 3.2 mb. Cold December weather drew heating oil stocks 6.9 mb lower, but diesel stocks rose by 10.1 mb on higher refinery output and imports.

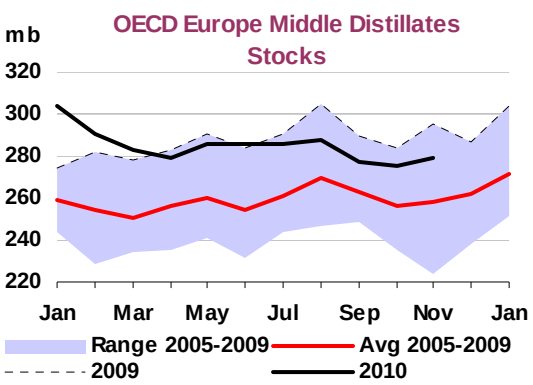
OECD Europe

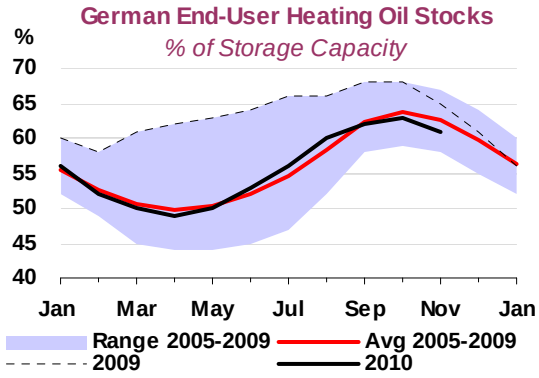
Commercial oil inventories in Europe rose by 3.5 mb to 955 mb in November, in line with a typical 7.6 mb seasonal build. Gains in middle distillates and gasoline drove product holdings up by 5.0 mb, while a 1.8 mb draw in residual fuel oil stocks provided partial offset. Crude oil stocks fell by 1.4 mb concealing offsetting trends in Northwest European and Mediterranean countries. As expected, French crude stocks rose in November, after a backlog of tankers awaiting to offload on the south coast of France gradually cleared during the month. Further increases came from the Netherlands and Germany, but lower imports reduced stock levels in Greece, Italy and Spain, while export-driven draws in the UK and Norway also ensured an overall drop for November.





Middle distillate stocks rose by 3.5 mb in November supported by higher imports and refinery output as refineries in France, idled during a month-long industrial action in October, returned to operation. However, an uptick in Spanish exports partly constrained the distillate build. Meanwhile, higher end-user heating oil prices discouraged consumers from further restocking and they instead drew their accumulated inventories. As such, German end-user heating oil stocks fell to 61% of capacity in November, from 63% in October.

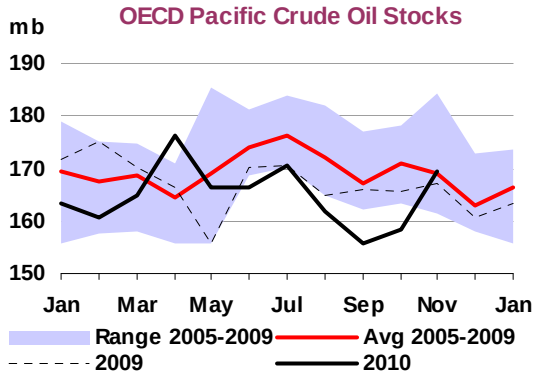


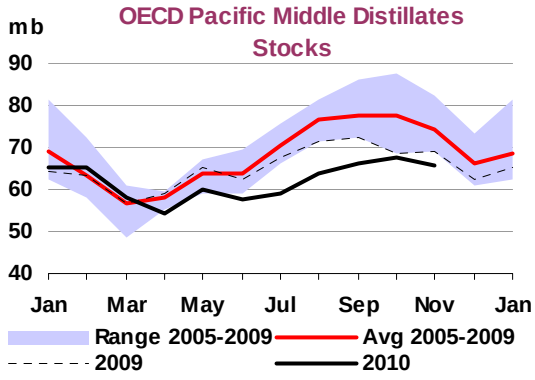


Preliminary data from Euroilstock indicate a 3.3 mb gain in December inventories in the EU-15 plus Norway. By comparison, December oil stocks on average rose by 10.7 mb in the past five years, entirely driven by product gains. This year, products built in line with the seasonal trends by 7.5 mb, outweighing a 4.2 mb drop in crude oil stocks. In spite of stronger demand supported by cold weather and holiday travel, distillate stocks built by 7.1 mb, mainly in France and Spain, augmented by imports from the Asia-Pacific and by products from floating storage. Northwest European offshore product stocks declined by 6 mb in December, but some 8 mb remain stored at sea. In addition rising gasoline, gasoil and fuel oil inventories lifted refined oil product stock levels held in independent storage in Northwest Europe in December.

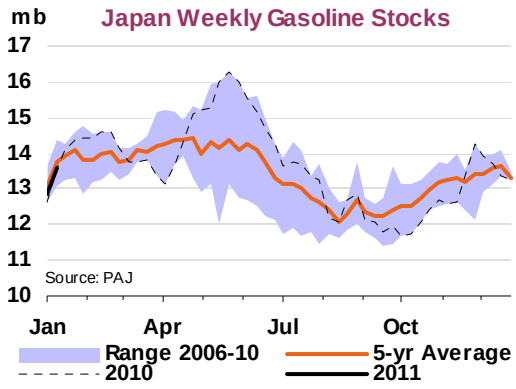
OECD Pacific

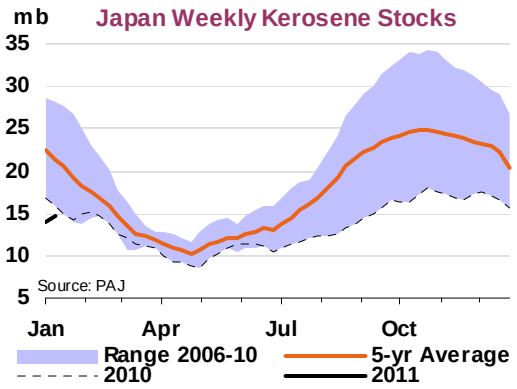
In November, industry stocks in the OECD Pacific rose counter-seasonally by 8.9 mb to 419 mb, driven by a sharp build in crude oil. By contrast, over the past five years stocks declined by 10.7 mb on average, led by 7.9 mb product draws on top of a 2.0 mb crude draw. This year, crude oil stocks surged by 11 mb as both Japanese and Korean inventory levels rose. Product draws were more muted at around 2.4 mb, as higher crude runs were supported by stronger demand for heating fuel. This was combined with elevated product exports to the Asia-Pacific, notably middle distillates and fuel oil from Europe.





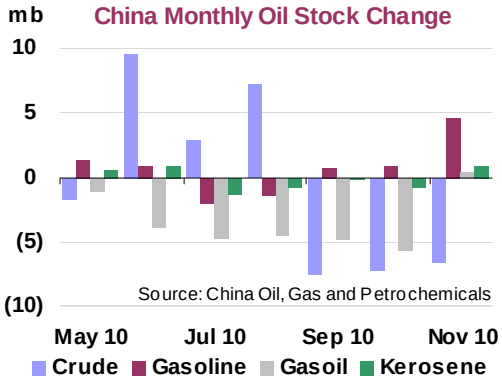
Japanese oil industry stocks rose by 2.9 mb in December, according to preliminary weekly data from the Petroleum Association of Japan (PAJ). Despite a further monthly increase in refinery runs, crude oil inventories gained 8.0 mb on higher imports. Meanwhile, a decline in kerosene stocks used as heating fuel in winter led to a 6.2 mb draw in products, but naphtha and gasoline decreases also contributed.

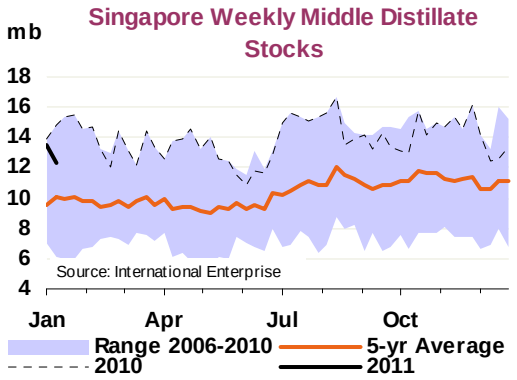




Recent Developments in Singapore and China Stocks

According to *China Oil, Gas & Petrochemicals (China OGP)*, Chinese commercial oil inventories drew by 0.8 mb in November. High refinery runs drove a third consecutive monthly draw in crude oil stocks (3.2% or 6.6 mb), even though crude imports rebounded to near record levels. In an attempt to keep the market well supplied amid domestic diesel shortages, China boosted product output and increased diesel imports in November. Consequently, gasoil stocks edged 0.8% (0.4 mb) higher in November after collapsing by more than 45% since February 2010. The country has also remained a net diesel exporter since the start of 2009. In addition, gasoline inventories gained 8.7% (4.6 mb) and kerosene stocks built by 7.0% (0.8 mb), and thus brought total product stock levels higher by around 5% (5.8 mb).



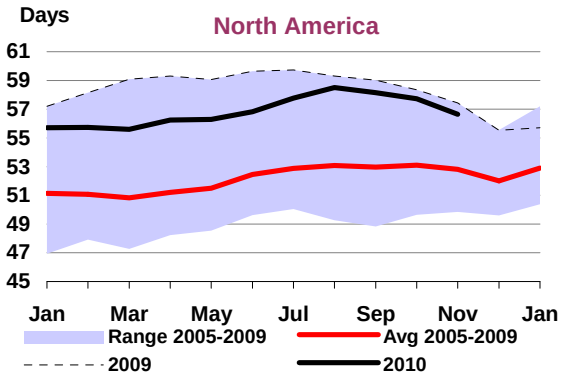


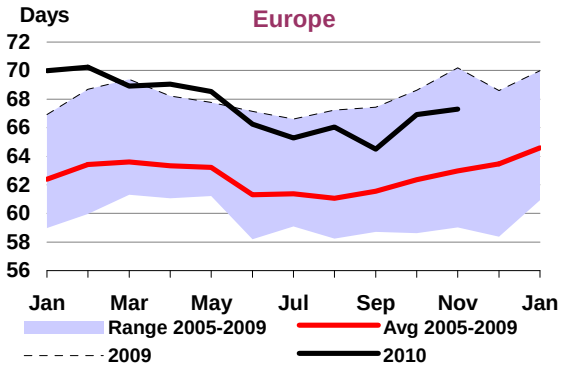
Refined product inventories in Singapore fell by 5.8 mb in December on declines in all product categories. Strong exports to China and arbitrage cargoes to Europe drew gasoil inventories by 2.9 mb. Gasoline stocks declined by 1.1 mb amid stronger regional demand, while fuel oil dropped by 1.8 mb despite Western arbitrage arrivals.

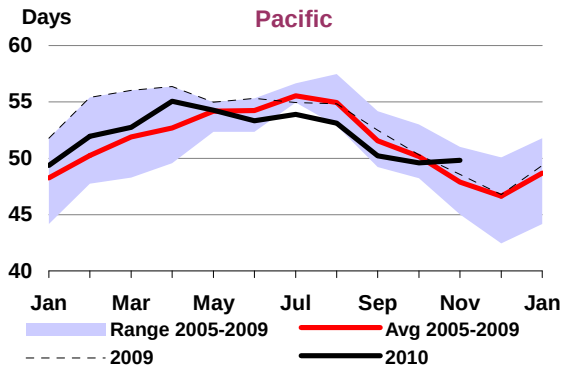
Regional OECD End-of-Month Industry Stocks

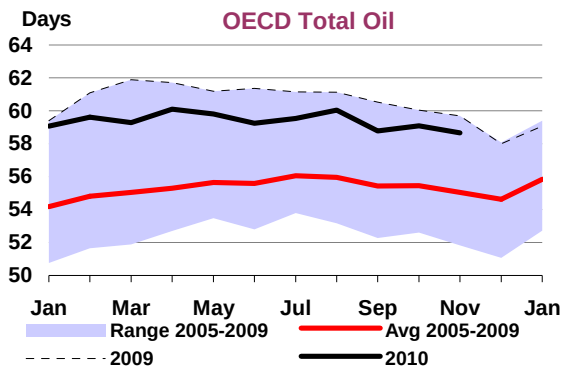
(in days of forward demand and millions barrels of total oil)

Days[1]

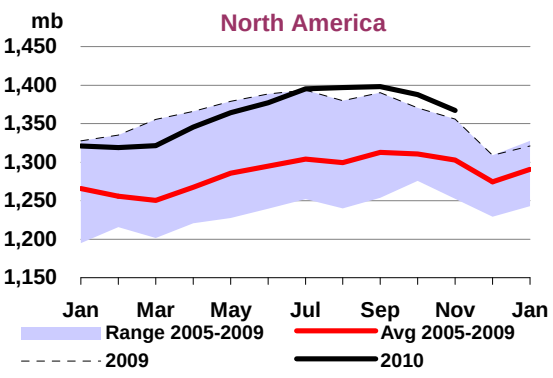


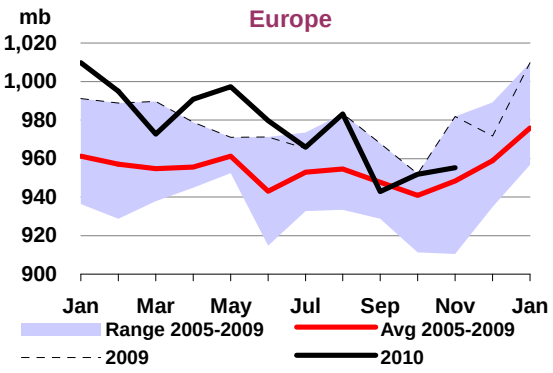


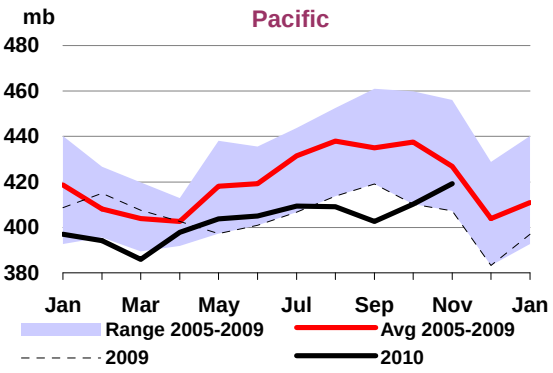


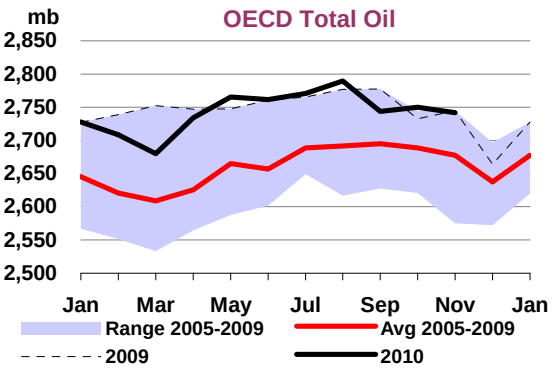


Million Barrels









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

PRICES

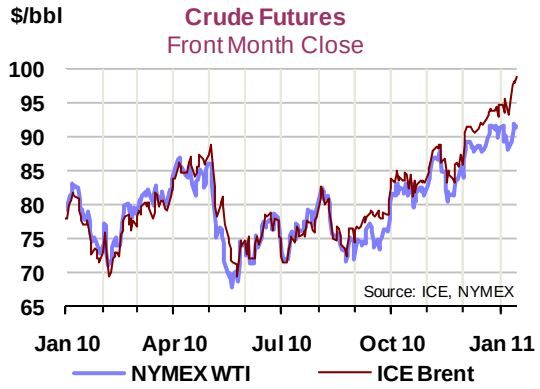
Summary

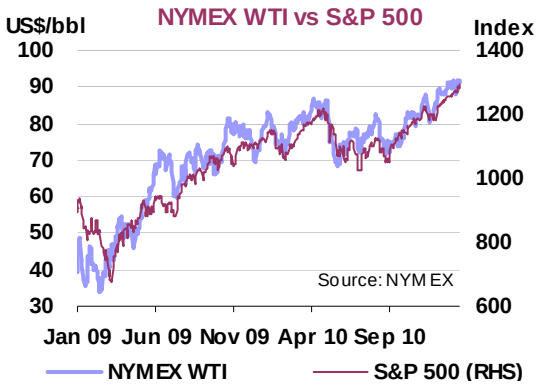
- **Marker crude prices were trading near $100/bbl in early January, prompting concerns over the impact on the global economic recovery**. Futures prices rose for the fourth month running in December, trading in a higher range of $88-$92/bbl. Robust economic growth in Asia, and especially China, coupled with stronger-than-expected oil demand in OECD countries, has pushed crude above the $70-$80/bbl range it held for much of 2010.

- **While oil prices in the US, Europe and Asia all trended higher in December, market vagaries led to divergent regional developments**. In the US, crude prices affected by weakness in prompt WTI, with swelling stocks at Cushing pressuring the front end of the futures curve. By contrast, Brent moved into backwardation, in part due to slightly fewer cargoes of some North Sea grades. Futures prices were last trading at around $91.00/bbl for WTI and $98.00/bbl for Brent.

- **Spot product prices were higher across all major regions in December**, although increases for the light ends and middle distillates far outpaced those of fuel oil. However, crack spreads were mixed by product and region. Cold weather boosted heating oil cracks in the US but largely failed to lift European markets. Refining margins were mixed on a regional basis, with the US and Europe generally weaker in December, while Asia strengthened.

- **Crude oil tanker rates experienced an improvement throughout the first three weeks of December amid a rush to fix cargoes** before the Christmas holidays, but by early January, rates had receded sharply. Buoyant Asian demand and exceptionally high eastbound Middle East liftings pushed the benchmark Middle East Gulf – Japan route to a peak.



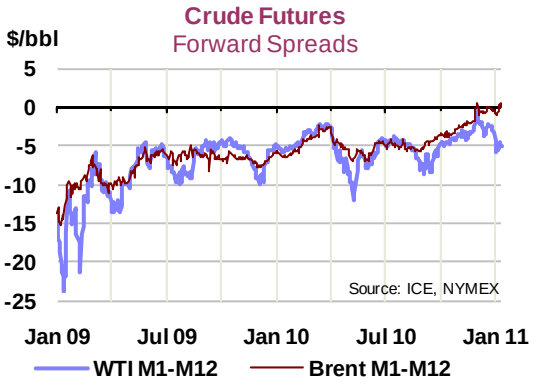


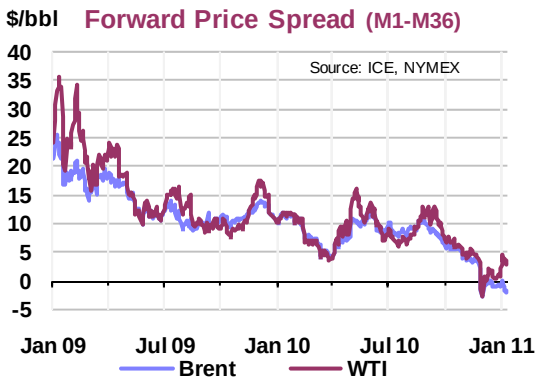
Market Overview

Marker crude prices were trading near $100/bbl in early January, setting off alarm bells among economists worried about the impact on the global economic recovery. Futures prices rose for the fourth month running in December, trading in a higher range of $88-$92/bbl. Robust economic growth in Asia, stronger-than-expected oil demand in OECD countries and a steady drawdown in global stocks, especially those held in floating storage, are behind the four-month rally in prices that saw crude break above the $70-$80/bbl range it held for much of the last year.

In December, oil prices were boosted further as northern hemisphere temperatures plummeted and snow blanketed the US and Europe. Benchmark crudes in December were up by around $5-6/bbl, with WTI averaging $89.23/bbl and Brent a higher $92.25/bbbl. WTI futures surged to a 2010 high on 23 December, closing at $91.50/bbl, the highest closing level since October 2008. WTI averaged $79.61/bbl in 2010, up 28% year-on-year and second only to 2008's record $99.75/bbl. Brent averaged $80.34/bbl in 2010, up nearly 28% on the year.

While oil prices in the US, Europe and Asia all trended higher in December market vagaries led to divergent regional developments. In the US, prices continued to be constrained by weakness in prompt WTI, with swelling stocks at Cushing pressuring the front end of the futures curve. North Sea Brent crude moved into backwardation in mid-December, with the M1-M2—while relatively small—averaging around $0.10/bbl since mid-December. The prompt month strength is due in part to lower supplies of some North Sea grades such as Forties.





A flattening of the WTI forward price curve in early December continued over the month, with the WTI M1-M12 spread narrowing to around $2.40/bbl on average in December compared with $3.50/bbl in November, $4.55/bbl in October and $7.10/bbl in September. By the first week of January, the M1-M12 spread was widening again—largely due to prompt month weakness—running about $4.75/bbl. The relatively tighter North Sea market saw the ICE Brent M1-M12 spread contract even sharper than WTI last month, averaging just $0.41 cents/bbl in December compared with $2.31/bbl in November and $3.49/bbl in October. By early January it had widened to $0.87/bbl.

OPEC's decision to keep production levels steady at its 11 December meeting in Quito also helped fuel the bullish market sentiment. Predictions that the New Year will bring a return to $100/bbl have been down played by some OPEC ministers, who argued that speculators were to blame for the latest run-up in oil prices. In Quito, the Saudi Arabian Oil Minister refuted earlier suggestions that the Kingdom sees $70-90/bbl as the new price level, and reiterated $70-80/bbl as a preferred level. Indeed, it appears Saudi Arabia has been making more crude available to the market in the past six months.

Prompt Month Oil Futures Prices

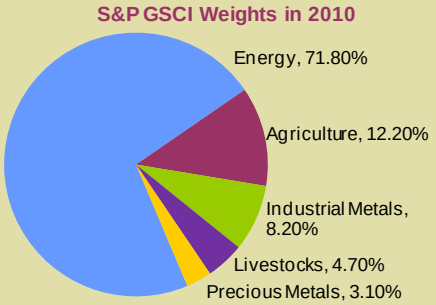
(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov Avg Chg	% Chg	Week Commencing: 13 Dec	20 Dec	27 Dec	03 Jan	10 Jan
NYMEX										
Light Sweet Crude Oil	81.97	84.31	89.23	4.92	5.5	88.25	90.16	90.97	89.53	91.03
RBOB	88.61	91.87	99.04	7.17	7.2	96.99	101.26	101.32	102.00	103.62
No.2 Heating Oil	94.95	98.06	104.45	6.39	6.1	103.88	105.79	105.77	105.83	109.52
No.2 Heating Oil ($/mmbtu)	16.30	16.83	17.93	1.10	6.1	17.83	18.16	18.16	18.17	18.80
Henry Hub Natural Gas ($/mmbtu)	3.60	4.03	4.28	0.25	5.8	4.20	4.13	4.27	4.53	4.46
ICE										
Brent	83.54	86.16	92.25	6.10	6.6	91.60	93.52	94.04	94.34	97.63
Gasoil	96.35	98.56	104.08	5.51	5.3	104.10	105.36	104.87	105.47	108.64
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-1.56	-1.84	-3.02	-1.18		-3.35	-3.37	-3.08	-4.82	-6.60
NYMEX No.2 Heating Oil - WTI	12.97	13.74	15.22	1.47		15.63	15.63	14.80	16.30	18.49
NYMEX RBOB - WTI	6.63	7.56	9.81	2.25		8.74	11.10	10.35	12.47	12.59
NYMEX 3-2-1 Crack (RBOB)	8.75	9.62	11.61	1.99		11.04	12.61	11.84	13.75	14.56
NYMEX No.2 - Natural Gas ($/mmbt	12.70	12.80	13.65	0.85		13.63	14.03	13.89	13.64	14.34
ICE Gasoil - ICE Brent	12.81	12.40	11.82	-0.58		12.51	11.84	10.83	11.13	11.00

Source: ICE, NYMEX

Institutional Investors Embrace Commodities as New Asset Class

Investor interest in commodities, including oil, has risen dramatically over the last decade and commodities have become a new asset class in institutional investors' portfolio. Partly, this development is due to diversification benefits. In addition, the development of new investment vehicles, such as exchange traded funds, has allowed individual investors to get exposure to movements in commodity prices. Due to the storage and trading costs associated with direct physical investment in commodities, the main vehicle used by investors to gain exposure is via commodity indices (baskets of short maturity commodity futures contracts that are periodically rolled over as they approach expiry), exchange traded funds or other structured products. These instruments provide generally long-only exposure to commodities.

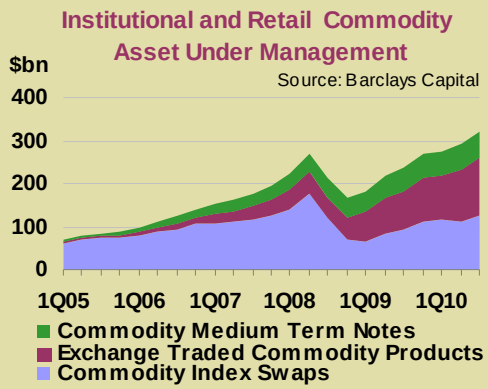


The main goal of commodity index funds is to track the movement of commodity prices. There are several major commodity indices as well as sub-indices. Standard and Poors' GSCI (formerly the Goldman Sachs Commodity Index) is the oldest and most widely tracked index in the market. The S&P GCSI, first created in 1991, covers 24 commodities but is heavily tilted toward energy because its weights reflect world production figures. For example, in 2010, energy markets accounted for almost 72% of its weight.

Investors are exposed to three sources of returns in total-return commodity index investments. The first type is the yield on the underlying commodity futures. The second type is the roll return, which is generated from the rolling of nearby futures into first deferred contracts. A forward curve in contango (when longer-dated futures prices are higher than nearby contracts) generates negative roll yields, while backwardation (when nearby prices are higher than longer-dated futures prices) provides positive roll yields. The third type is the Treasury-bill return, which is the return on collateral. Historically, the roll return has constituted the largest contributor in total returns. However, it has been negative since 2005 for the S&P GSCI Total Return Index, due to the contango market evident in crude oil futures markets.

Institutional investors generally gain exposure to commodity prices through their investment in a fund that tracks a popular commodity index. The fund managers themselves either directly offset their resulting short positions by going long in futures markets or by entering swap agreements with a swap dealer. In turn, swap dealers in the OTC market generally go long or short in the futures market to offset their net long (or short) position. Of course, the client base of swap dealers also includes traditional hedgers.

The size of commodity index investment has been difficult to measure due to netting issues, as well as inadequate reporting requirements in the US and other countries. Although the US CFTC releases several different aggregated data on swap dealers and commodity index traders positions, these data do not provide accurate information on the extent of commodity index investment. One such report is the CFTC's commodity index trader report *('COT Supplemental')*, which provides information on weekly index traders' positions in selected agricultural markets. Unfortunately, the reported position typically over-estimates the size of commodity index investment. This is because the CFTC, which by special call had identified some traders as index traders ('CITs'), classifies all those traders' positions as index-related, regardless of trading activities.



For this reason, studies using COT Supplemental reports are subject to a bias in assessing index trading activity. A second and more realistic data set, called 'index investment data,' is published monthly by the CFTC. It specifically identifies commodity index investment activities on exchange and over-the counter market of these same traders. However, this data set likely underestimates the size of index investment due to exclusion of some index traders.

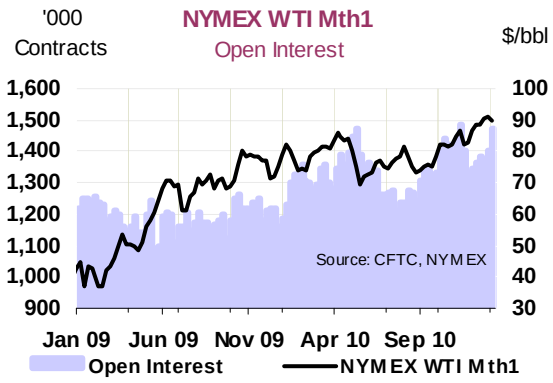
Institutional Investors Embrace Commodities as New Asset Class (continued)

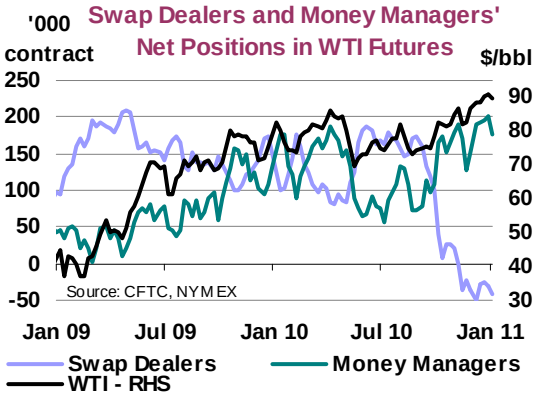
A third source, index investment data collected by Barclays Capital for US and non US assets under management, provides a comprehensive indication on the size of the market. The Barclays data indicate that commodity index investment has increased from $55 billion in late 2004 to $354 billion in November 2010.

The coincident influx of money into commodity indices and rising commodity prices, especially after 2003, has led to claims that commodity index traders are one of the major causes of the increase in the prices, especially for oil. Indeed, some argue that index traders' strategic allocation changed the way in which commodity prices behave. However, others argue that the increase in commodity index investment is due to the first sustained demand driven price shock of the last 20 years, which started in 2004. Expectations of continued strong economic growth in Asia and other emerging economies might explain both the resurgence of commodity prices and the increased appetite for commodities by investors. In addition, some argue that activities of long-only commodity index investment might help to reduce the cost of hedging since commodity index traders are essentially willing to take the opposite position from short hedgers at lower prices than traditional speculators. This debate is sure to continue.

Futures Markets

Crude futures markets saw an inflow of funds in December. Open interest in WTI contracts increased in December in both futures-only and futures and futures-equivalent options to 1.471 million and 2.564 million contracts, respectively. Producers decreased their net short position during the month of December; they held 27.4% of the short and 17.4% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 29.5% and 32.3% of the open interest on the long side and short side, respectively, remained net short.





Managed money traders' net long exposure declined by close to 9% in December to 176 000 futures contracts. In line with the decline in their net long position, the market share of managed money traders has fallen from 29.9% to 28.3% on the long side and has increased from 15.9% to 16.4% on the short side. Other non-commercials, who accounted for 18.6% of open interest on the long side and 20.4% on the short side, remained net short in the market.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

04 January 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	255.9	403.1	-147.3	*Short*	↑ 20.4	↑ 2.0
Swap Dealers' Positions	219.5	260.4	-40.9	*Short*	↓ -10.0	↑ 10.2
Money Managers' Positions	243.1	67.2	175.9	*Long*	↓ -26.4	↓ -15.3
Others' Positions	88.0	114.4	-26.4	*Short*	↑ 13.3	↓ -11.8
Non-Reportable Positions	91.0	52.2	38.8	*Long*	↑ 2.7	↑ 14.8
Open Interest			**1471.2**		↑ 69.2	↑ 104.1

Source: CFTC

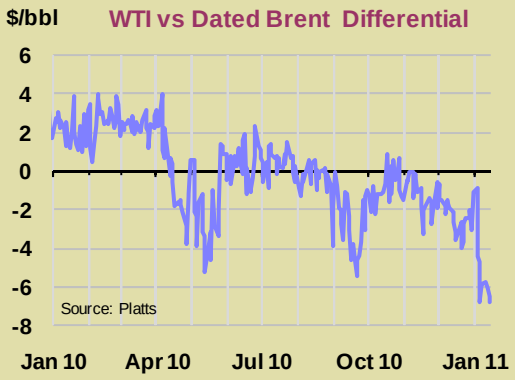
The CFTC issued its long-delayed proposal on position limits across commodity futures and swap markets on 13 January 2011. According to the proposed rules, position limits will apply to contracts in 28 commodities, including four energy contracts. The rules call for position limits on spot month

contracts at 25% of deliverable supply. The rules also limit non-spot month and all-months-combined positions to 10% of open interest for the first 25 000 contracts owned by a trader and 2.5% thereafter. Bona fide hedging positions will not be counted towards the limits.

Meanwhile, the European Commission released its consultation document, which also focuses on position reporting and position limits. The proposal brings a 'position reporting requirement' by category of traders for their trades on all EU-organised trading facilities. For position limits, the consultation document suggests the need to consider hard position limits on front month contracts but position management systems for all other contracts, similar to position accountability levels in US exchanges, which will authorise regulators to demand traders to reduce their position if needed.

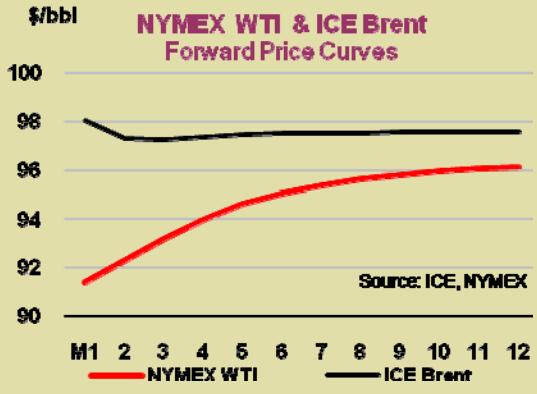
US WTI Price Structure Collapsing Under Weight of Surplus Inventories

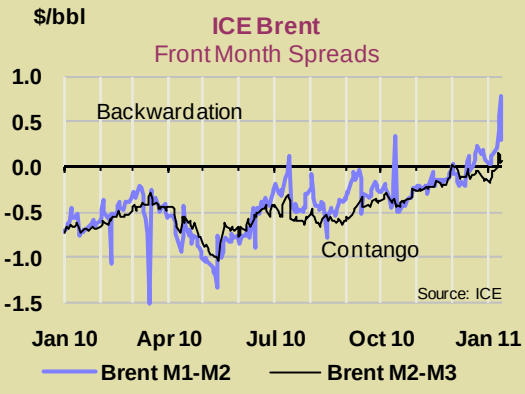
Prices of benchmark US West Texas Intermediate (WTI) are once again under pressure from burgeoning stocks at the land-locked Cushing, Oklahoma storage depot, the delivery point for the NYMEX light, sweet crude oil contract. Swelling stocks at Cushing are severely depressing the front end of the futures curve as well as the discount to the Atlantic basin's other benchmark crude, Brent. WTI's discount to Brent averaged $2.28/bbl in December compared to $1.13/bbl in November, but by the first week in January the differential had ballooned to just under $5/bbl and reached $8/bbl at one point.



Crude stocks held in Cushing, Oklahoma are approaching July record levels of 37.8 mb (see Stocks). Rising imports of Canadian crude into the region combined with extensive refinery turnarounds in the Midcontinent during September through November are partly to blame for the stockbuild. Moreover, increased nameplate storage capacity at Cushing is having the unintended consequence of providing more downward pressure on WTI as the persistent contango continues to encourage storage amid growing tank availability.

The disparity between WTI and Brent has also been exacerbated by the latter's relative strength. Indeed, the Brent M1-M2 futures contract made a respectable move into backwardation in mid-December. Brent's backwardation - while relatively small - averaged around $0.10/bbl since mid-December. The prompt month strength is in part due to lower supplies of some North Sea grades such as Forties.

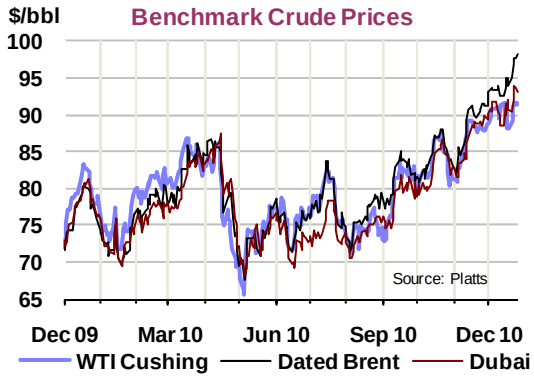




While lower supplies from the North Sea appear to have been the flash point for the ICE Brent contract to move into backwardation, a gradual shift of funds by investors away from the WTI contract and across the Atlantic to Brent may also have played a role. Aside from the well-documented price swings that have marked the landlocked WTI for the past few years, Brent is gaining more acceptance as the global benchmark given its prominent role as a price link to European, Asian, and Middle East crudes as well as the new Russian ESPO crude. Some market participants have also commented that Brent may currently be gaining favour because its price structure is less influenced by long-only fund investors.

Spot Crude Oil Prices

Spot prices for benchmark crudes were up $5-6/bbl in December. Dated Brent posted the largest increase, up by $6.03/bbl to an average $91.36/bbl, in large part due to reduced North Sea supplies. Strong Asian demand for heavier Mideast crudes saw Dubai spot prices up by $5.40/bbl to $89.05/bbl last month. US WTI posted the smallest increase under the weight of high stocks, especially in the Midwest and at Cushing, rising by $4.87/bbl to $89.08/bbl.



WTI has remained weak relative not only to Brent but also to other domestic crudes (see *'US WTI Price Structure Collapsing Under Weight of Surplus Inventories'*). WTI's discount to Light Louisiana Sweet (LLS) widened to almost $7.00/bbl by early January compared with $5.25/bbl in December and $4/bbl in November.

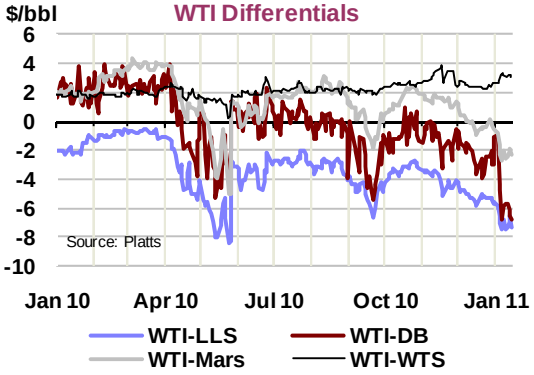
Spot Crude Oil Prices and Differentials

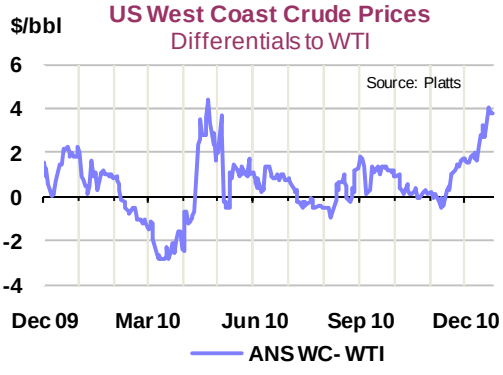
(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov Avg Chg	%	Week Commencing: 13 Dec	20 Dec	27 Dec	03 Jan	10 Jan
Crudes										
Dated Brent	82.74	85.33	91.36	6.03	7.1	91.09	92.93	93.04	94.48	97.15
Brent (Asia) Mth1 adjusted	83.12	85.95	91.97	6.02	7.0	91.40	93.49	94.03	94.55	96.86
WTI (Cushing) Mth1 adjusted	81.89	84.20	89.08	4.87	5.8	88.14	89.57	90.82	89.56	91.00
Urals (Mediterranean)	81.53	84.74	89.64	4.90	5.8	89.40	90.57	90.81	92.06	94.63
Dubai Mth1 adjusted	80.22	83.65	89.05	5.40	6.5	89.24	90.53	89.86	91.06	92.66
Tapis (Dated)	86.48	89.98	95.96	5.99	6.7	95.24	97.35	97.83	98.59	100.36
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-0.85	-1.13	-2.28	-1.16		-2.94	-3.37	-2.22	-4.92	-6.15
Urals (Mediterranean)	-1.21	-0.59	-1.71	-1.13		-1.68	-2.37	-2.23	-2.42	-2.52
Dubai Mth1 adjusted - Dated Brent	-2.53	-1.67	-2.31	-0.63		-1.84	-2.40	-3.18	-3.42	-4.50
Tapis (Dated)	3.73	4.65	4.61	-0.04		4.16	4.41	4.79	4.11	3.21
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.41	-0.36	-0.04	0.32		-0.07	0.09	0.07	0.11	0.52
Forward WTI Cushing Mth1-Mth2 adj	-0.68	-0.56	-0.60	-0.04		-0.59	-0.65	-0.78	-1.12	-1.09

Source: Platts

The closure on 8 January due to a leak of the Trans Alaska Pipeline, which links North Slope production on the northern coast with the Valdez export terminal in the south, strengthened other west coast crudes as well as alternative grades, including Russian ESPO crude.



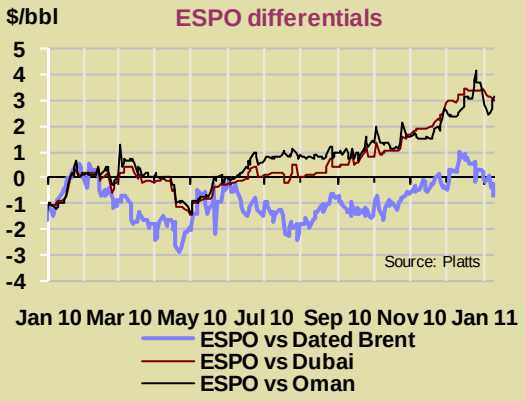


In Asia, strong petrochemical demand has boosted prices of light grades, with Malaysian Tapis fetching just over $100/bbl for the week ended 15 January. Vietnam's Bach Ho and Minas were trading just under $100/bbl over the same period.

ESPO Blend's Star Shines Bright in Asia-Pacific Markets

Russia's new ESPO Blend has been a rising star in Asia-Pacific markets throughout 2010 and the distillate-rich crude is likely to shine even more brightly in the new year following the commissioning of a new spur line to China and against the backdrop of strong demand for diesel and gas oil.

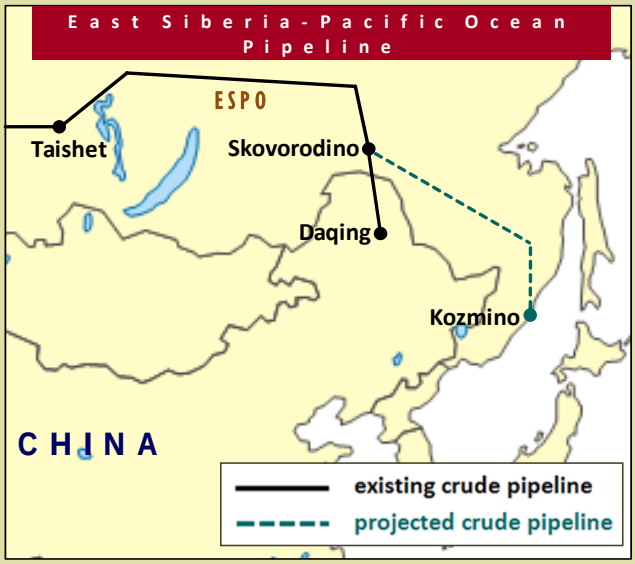
The start of exports in early 2010 through the East Siberia Pacific Ocean (ESPO) pipeline, running from Taishet to Skovorodino and railed via its outlet at Kozmino on the Sea of Japan, marked the beginning of a new chapter in Russia's ambitious attempts to diversify its exports and boost its presence in competitive Pacific Basin markets. Initially ESPO blend crude was bought solely by Russian trading companies, notably Gunvor, before being exported for trial runs in South Korean and Japanese refineries. By the end of 1Q10, foreign companies began taking ESPO crude so that by December regular ESPO purchasers included Chevron, Exxon, BP, Total and Shell. On a geographical basis, ESPO has been shipped to Japan, South Korea, China, Thailand, Singapore, the Philippines, Indonesia, Taiwan, Vietnam and as far afield as the US West Coast.



ESPO Blend's popularity among Asian and US West Coast refiners is underscored by the rising premium to Dubai crude over the past six months, which posted another record in December. The ESPO-Dubai premium averaged $3.10/bbl last month compared to $1.90/bbl in November, $1.05/bbl in October, $0.64/bbl in September and $0.19/bbl in August.

In Japan, ESPO has quickly gained a foothold at the expense of Middle Eastern grades, buoyed by the shorter transit times, lower freight rates, and lesser restrictions on usage than Middle Eastern crudes. It also enjoys a stable composition (37.4° API and 0.54% sulphur) and a high diesel yield. Japanese imports of Russian crude averaged around 250 kb/d from January to October 2010, 95 kb/d (+60%) above the same period in 2009. On the same basis, Japanese imports of Middle Eastern grades fell by around 75 kb/d.

This month marks a new chapter in ESPO with the opening of the 300 kb/d pipeline spur from Skovorodino to Daqing, China which began flowing at midnight on 1st January. It is anticipated that this route will flow at capacity and replace the 200 kb/d of Russian crude previously railed to China. Although Chinese refining capacity could undoubtedly absorb both the railed and piped crude, railed exports are likely to cease. Rosneft, which previously supplied these exports and will supply the ESPO spur, cannot do both without diverting more of its westward flows which it is believed unwilling to do. Of greater importance in the short-term is the question of whether exports from Kozmino will fall considerably as ESPO crude is diverted to China. Initial port loading schedules suggest that this will not be the case. Kozmino has recently been operating above its 300 kb/d nameplate capacity (320 kb/d in November and up to 370 kb/d in June), and 1Q11 loading schedules indicate that liftings will only fall back to 300 kb/d.

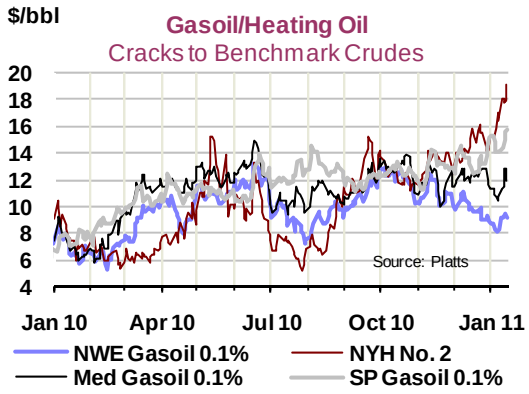


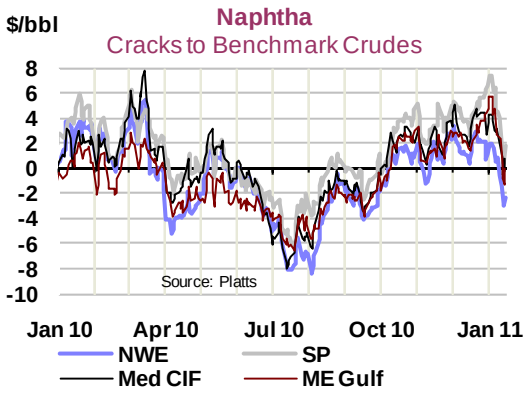
Construction is now well under way on the ESPO-2 pipeline which will link Skovorodino and Kozmino (currently linked by rail). This leg is due to be completed in 2013 and could eventually increase the capacity of the pipeline to a reported 1.6 mb/d. Providing crude is available, such an infrastructure would undoubtedly permit the world's current largest producer to make further inroads into the Pacific Basin and move towards making ESPO an Asian benchmark grade.

India stepped in to the spot market in early January to replace around 400 kb/d of crude normally imported from Iran. Indian refiners halted imports of Iran crude after the Reserve Bank of India (RBI) barred payments through its facilities in order to comply with international sanctions. India's Mangalore Refinery and Petrochemicals Ltd (MRPL), which imports about 60% of its crude from Iran, entered into the spot market for the first time in six months.

Spot Product Prices

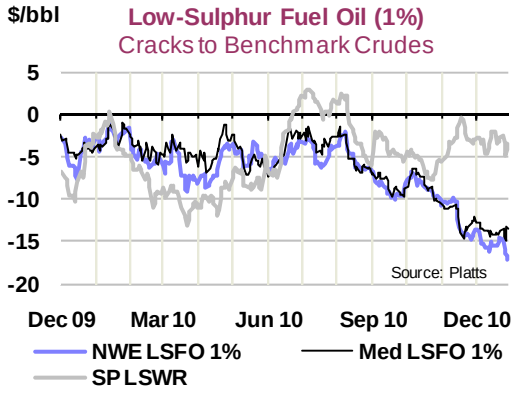
Spot product prices were higher across all major regions in December, though increases for the light ends and middle distillates far outpaced those of fuel oil. However, crack spreads were mixed by product and region. Cold weather boosted heating oil cracks in the US but failed to lift European markets. Heating oil crack spreads in New York rose by $1.38/bbl to $14.47/bbl on average in December. In Europe, gasoil cracks in the Mediterranean were up $0.63/bbl to $11.96/bbl but down about $1/bbl to $9.85/bbl in Northwest Europe on ample supplies.

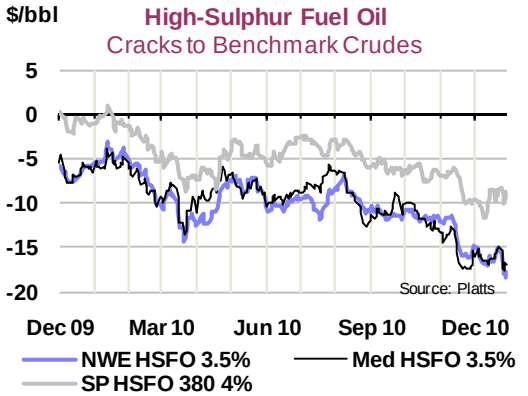




In Asia, gasoil cracks were up on colder weather in some countries, but mostly due to China's surging demand for diesel and gasoil in the wake of more stringent government regulations to meet emissions reductions. China will continue limiting diesel exports in January but the recent shortage of distillates has eased on record refinery production and a surge in imports in the past two months.

Equally robust naphtha markets continued to strengthen in December on stronger petrochemical demand. Crack spreads in Europe jumped 75-85% in December, averaging $3.23/bbl in the Mediterranean last month compared with $1.73/bbl in November. In Northwest Europe, cracks were up to $1.73/bbl versus just under a $1/bbl in November.





In Asia, naphtha cracks rose to $4.78/bbl versus $3.61/bbl in November and $2.75/bbl in October. Middle East naphtha markets were also strong, with crack spreads averaging $2.86/bbl in December versus $1.65/bbl the previous month. Part of the strength was due to anticipation of reduced supplies from Saudi Aramco in 1H2011 due to planned maintenance at two of its refineries.

Fuel oil cracks continued to deteriorate sharply last month, in part pressured lower by high throughput rates needed to produce middle distillates. Low-sulphur fuel crack spreads in December weakened the most in Northwest Europe, off $4.67/bbl to -$14.44/bbl compared with a decline of around $2.95/bbl in Singapore, to -$10.25/bbl. Heavy fuel oil differentials followed similar trends, off around $4.00/bbl to -$15.77/bbl in NWE and by $2.63/bbl to -$9.44/bbl in Singapore.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov Chg	Dec-Nov %	Week Commencing: 13 Dec	20 Dec	27 Dec	03 Jan	10 Jan	Oct	Nov	Dec
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	91.20	92.81	99.81	7.00	7.5	98.80	100.21	100.01	102.00	104.23	8.45	7.49	8.45
Naphtha	83.41	86.31	93.08	6.77	7.8	92.19	95.25	94.33	95.42	95.09	0.67	0.99	1.73
Jet/Kerosene	95.86	98.57	104.73	6.16	6.2	104.59	106.11	105.57	107.60	111.32	13.12	13.25	13.37
ULSD 10ppm	97.55	99.59	105.09	5.50	5.5	104.76	106.44	106.11	106.96	111.23	14.81	14.26	13.73
Gasoil 0.1%	94.83	96.30	101.21	4.91	5.1	100.91	102.50	102.01	102.73	106.46	12.09	10.98	9.85
LSFO 1%	74.15	75.56	76.92	1.36	1.8	76.96	77.94	77.42	79.35	80.99	-8.59	-9.77	-14.44
HSFO 3.5%	71.37	73.51	75.59	2.08	2.8	75.59	76.77	76.48	79.06	79.66	-11.37	-11.82	-15.77
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	91.36	92.74	98.80	6.06	6.5	97.04	99.82	100.24	102.03	105.46	9.83	8.00	9.16
Naphtha	83.78	86.47	92.88	6.41	7.4	91.96	94.98	94.24	95.46	95.32	2.24	1.73	3.23
Jet Aviation fuel	94.20	96.55	102.51	5.96	6.2	102.50	103.93	103.32	105.66	109.69	12.67	11.81	12.87
ULSD 10ppm	97.43	99.28	105.37	6.09	6.1	105.11	107.30	106.69	107.57	111.67	15.90	14.54	15.73
Gasoil 0.1%	94.70	96.07	101.60	5.53	5.8	101.38	103.19	102.36	102.93	106.93	13.17	11.33	11.96
LSFO 1%	73.27	74.74	76.37	1.63	2.2	76.82	77.15	76.66	78.04	80.66	-8.26	-10.00	-13.28
HSFO 3.5%	71.20	71.81	73.19	1.37	1.9	72.84	74.67	74.23	76.65	77.80	-10.33	-12.93	-16.46
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	95.46	100.90	103.92	3.02	3.0	100.35	105.00	104.88	106.86	108.22	13.57	16.70	14.85
Unleaded	90.07	93.72	100.15	6.42	6.9	97.69	102.27	101.75	102.51	103.59	8.18	9.52	11.07
Jet/Kerosene	95.46	99.07	105.38	6.31	6.4	104.51	107.21	107.15	107.18	112.06	13.57	14.87	16.30
No. 2 (Heating Oil)	94.21	97.29	103.55	6.26	6.4	103.07	105.10	105.31	105.52	109.22	12.32	13.09	14.47
LSFO 1%†	73.55	75.82	77.79	1.98	2.6	77.47	78.31	77.60	77.81	78.79	-8.35	-8.39	-11.28
No. 6 3%†	72.01	73.52	76.23	2.70	3.7	76.05	77.01	76.88	77.60	79.06	-9.89	-10.68	-12.85
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	89.71	93.21	102.09	8.87	9.5	101.26	103.40	104.34	105.11	106.52	9.49	9.56	13.04
Naphtha	82.97	87.26	93.83	6.57	7.5	92.66	95.54	96.47	96.44	94.45	2.75	3.61	4.78
Jet/Kerosene	94.30	97.87	103.53	5.66	5.8	102.99	104.76	105.16	106.34	109.28	14.08	14.22	14.48
Gasoil 0.5%	92.86	96.52	102.61	6.09	6.3	102.18	103.68	104.53	105.36	107.65	12.64	12.87	13.56
LSWR Cracked	75.37	78.22	86.37	8.16	10.4	86.13	87.04	86.77	88.03	88.95	-4.85	-5.44	-2.68
HSFO 180 CST	73.23	76.35	78.79	2.45	3.2	78.63	79.45	79.32	80.63	82.00	-6.99	-7.31	-10.25
HSFO 380 CST 4%	74.01	76.84	79.60	2.76	3.6	79.46	80.13	80.19	81.96	83.48	-6.21	-6.81	-9.44

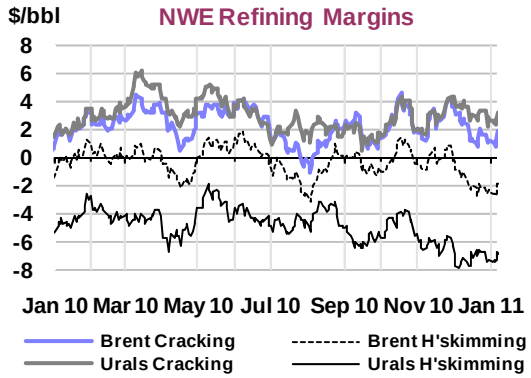
Source: Platts * CIF † Cargoes

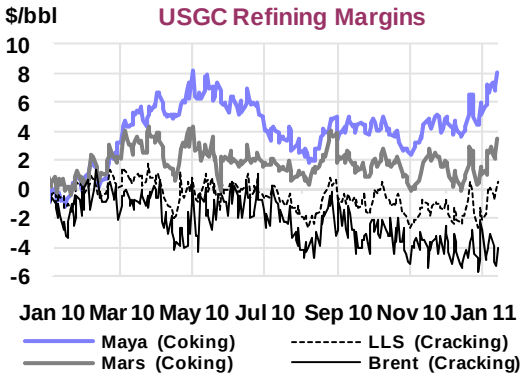
Refining Margins

Margins for December were mixed on a regional basis, with Europe and the US Gulf Coast weaker, and the US West Coast and Asia stronger. In general, margins fell at less complex refineries as the fuel oil product crack decreased steeply in December.

In Northwest Europe margins were lower with the exception of Urals cracking margins. The main reason for the weaker margins was falling product cracks due to weaker product prices and relatively stronger crude prices, despite increased demand for gasoil and diesel due to cold weather. The Urals cracking margin improved due to a widening price discount. In the Mediterranean, margins at cracking units improved whereas hydroskimming margins fell. Cracking margins were supported by relatively weak Urals feedstock combined with strength in the gasoline market in both early- and end-December,

whereas the drop in hydroskimming margins was related to the increased fuel oil discount as supplies were ample. The Urals hydroskimming margin was, at a calculated loss of $7.14 /bbl, in fact at a record low in December.





Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Oct 10	Nov 10	Dec 10		Dec 10-Nov 10	17 Dec	24 Dec	31 Dec	07 Jan	14 Jan
NW Europe	Brent (Cracking)	2.82	2.62	1.92	↓	-0.70	1.48	1.33	1.32	1.20	1.05
	Urals (Cracking)	2.95	2.84	3.23	↑	0.39	2.94	3.02	2.82	2.62	2.22
	Brent (Hydroskimming)	0.12	-0.07	-1.76	↓	-1.69	-2.02	-2.26	-2.35	-2.49	-2.71
	Urals (Hydroskimming)	-2.44	-2.61	-3.58	↓	-0.97	-3.65	-3.63	-3.95	-3.99	-4.63
Mediterranean	Es Sider (Cracking)	1.80	0.97	1.37	↑	0.39	0.91	1.83	1.87	1.15	1.62
	Urals (Cracking)	2.16	0.95	1.33	↑	0.38	0.71	1.65	1.60	1.17	1.31
	Es Sider (Hydroskimming)	-3.74	-4.57	-5.49	↓	-0.92	-5.39	-5.17	-5.42	-6.10	-5.80
	Urals (Hydroskimming)	-4.61	-6.11	-7.14	↓	-1.04	-7.34	-6.74	-7.12	-7.23	-7.62
US Gulf Coast	Bonny (Cracking)	-1.60	-2.61	-2.56	↑	0.05	-3.37	-2.21	-2.95	-2.49	-2.40
	Brent (Cracking)	-3.02	-3.90	-4.12	↓	-0.22	-4.90	-3.73	-4.42	-4.06	-4.24
	LLS (Cracking)	-0.67	-1.51	-1.49	↑	0.02	-2.09	-0.31	-2.06	-1.15	-0.13
	Mars (Cracking)	-0.16	-0.87	-1.87	↓	-0.99	-2.22	-1.18	-2.41	-1.57	-1.11
	Mars (Coking)	1.77	1.46	1.15	↓	-0.31	0.40	2.17	0.87	1.70	2.69
	Maya (Coking)	3.87	3.96	4.75	↑	0.79	3.88	5.78	4.98	6.11	7.31
US West Coast	ANS (Cracking)	-1.20	-1.18	-0.64	↑	0.54	-1.68	0.03	-1.68	-2.22	-3.18
	Kern (Cracking)	1.20	1.27	3.19	↑	1.92	2.86	4.69	2.69	2.72	3.72
	Oman (Cracking)	0.17	-2.75	-1.22	↑	1.52	-3.02	-0.76	-1.12	-2.28	-2.60
	Kern (Coking)	9.60	7.48	9.81	↑	2.33	7.53	11.21	9.19	8.49	8.93
Singapore	Dubai (Hydroskimming)	-1.97	-2.46	-3.01	↓	-0.56	-3.52	-3.66	-2.86	-2.50	-2.77
	Tapis (Hydroskimming)	-4.75	-4.80	-4.01	↑	0.79	-3.90	-4.31	-4.30	-4.36	-5.08
	Dubai (Hydrocracking)	0.75	0.61	1.11	↑	0.50	0.40	0.58	1.57	1.64	1.22
	Tapis (Hydrocracking)	-2.77	-2.42	-1.69	↑	0.73	-1.76	-1.94	-1.75	-2.10	-2.93
China	Cabinda (Hydroskimming)	-4.29	-4.34	-2.18	↑	2.16	-2.06	-2.47	-2.47	-2.70	-4.47
	Daqing (Hydroskimming)	-3.73	-3.76	-3.56	↑	0.20	-3.60	-4.33	-4.72	-4.01	-5.08
	Dubai (Hydroskimming)	-1.75	-2.24	-2.79	↓	-0.54	-3.28	-3.44	-2.64	-2.77	-3.01
	Daqing (Hydrocracking)	0.23	0.86	1.18	↑	0.32	0.82	0.47	0.33	0.70	-0.65
	Dubai (Hydrocracking)	1.06	0.93	1.44	↑	0.51	0.75	0.89	1.86	1.44	1.04

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.
Sources: IEA, Purvin & Gertz Inc.

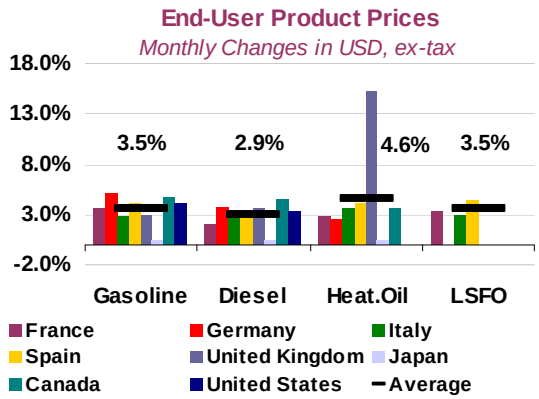
Refining margins at the US Gulf Coast moved sideways month-on-month, except for Mars cracking and Maya coking margins, which on average lost $0.99/bbl and gained $0.80/bbl, respectively. The Mars cracking margin continued its weakening trend and has shown losses since September. This month it was particularly weakened by relative strength in Mars prices themselves. On the other hand, the Maya coking margin maintained its strength, showing an average profit of $4.75/bbl in December, with relatively weak Maya having sustained margins close to these levels since early-spring 2010. At the US

West Coast, margins all strengthened in December, especially the Kern coking margin, which increased by $2.30/bbl from November. This was mainly as a result of a steeper Kern crude discount.

In Singapore, margins improved from low November levels as product prices were strong both for light and middle distillates. However, the Dubai hydroskimming margin fell to new lows with an average loss of $3.00/bbl in December, the lowest since April. The main reason was weaker product cracks, especially for fuel oil and also a stronger Dubai price. China refining margins also improved, benefitting from stronger product cracks especially for middle distillates on the back of strong regional demand for diesel. Also here the Dubai hydroskimming margin dropped as Dubai was relatively stronger priced.

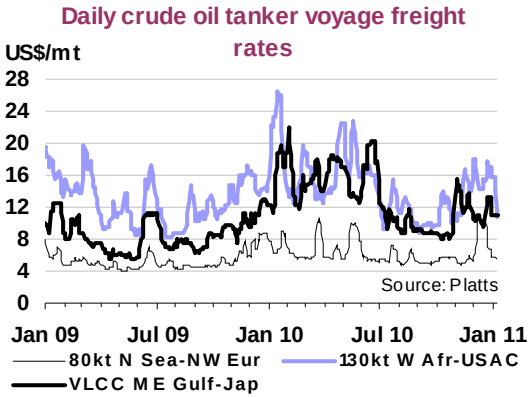
End-User Product Prices in December

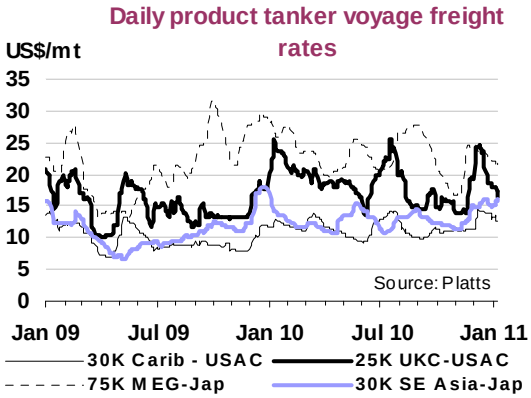
In December, IEA region end-user prices rose by 3.6% in US dollars, ex-tax. Disaggregating the fuels the average IEA prices for gasoline rose by 3.5%, while diesel followed at 2.9%. Meanwhile, heating oil and low-sulphur fuel oil increased by 4.6% and 3.5%, respectively, during the period. Excluding relatively weaker-performing Japanese prices, heating oil prices gained on average by 5.3% from previous month levels. This can be explained by the below normal temperatures observed in the UK, Northwest Europe and the US Northeast. Compared to December 2009 average price levels in surveyed IEA-member countries saw a 15.9% hike year-on-year. The big price gains were automotive diesel (20.3%) and heating oil (19.5%). Gasoline observed a more modest, but still significant, increment of 16.4%. Prices for low-sulphur fuel oil posted the smallest increases, up an average 7.5% within the survey countries. Notably, Canada saw gasoline prices rise by a steep 25.8% y-o-y increase and the UK heating oil price increase by 33.9% y-o-y. In the Northern Hemisphere, heating oil and low-sulphur fuel oil end-user prices observed a seasonal recovery from the relatively weaker levels seen in November.



Freight

Crude oil tanker rates experienced an improvement throughout the first three weeks of December amid a rush of fixtures ahead of the Christmas holidays, but by early January rates had receded sharply. Buoyant Asian demand and exceptionally high eastbound Middle East liftings pushed the benchmark Middle East Gulf – Japan route to a peak of $13.13/mt on 23 December, which then retreated to $11.10/mt by 7 January.

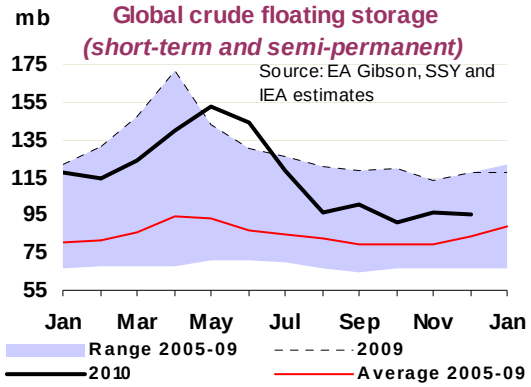




The West Africa – US Atlantic Coast Suezmax route experienced a dramatic post-Christmas crash, descending from $17.75/mt on 22 December to under $11/mt two weeks later. A likely driver was the tax-incentivised de-stocking by US refiners, which could reduce US imports over the coming weeks. Even the introduction of ice-class requirements at the Baltic Sea port of Primorsk could not prevent the Aframax North Sea – NW Europe rates from crashing to a low of $5.60/mt from an early-December high of $10.51/mt.

Product tanker rates presented a mixed picture in December but the overall trend of pre-Christmas firming, followed by softening, prevailed. The only benchmark route that gained over the month was the 30 kt Southeast Asia – Japan route, likely in response to localised supply tightness resulting from surging imports of gasoil into China. The transatlantic UK – US Atlantic Coast route experienced an impressive crash from $24.54/mt on 9 December to a low of $16.36/mt on 7 January, and again this likely resulted from US tax-incentivised destocking, reducing US product import requirements.

Short-term crude and products in floating storage fell by 8.1 mb to 56.3 mb at end-December. Crude fell by a modest 1.6 mb while products declined by 6.5 mb. The decrease in crude was concentrated in the Asia Pacific region (-1.4 mb). Despite mid-December reports of soaring Iranian floating storage following the withdrawal of the payment mechanism between India and Iran, it appears that sales soon restarted, since by end-month it stood at 21.5 mb (-0.2 mb). The fall in products was concentrated in Northwest Europe (-5.5 mb) where products went ashore in response to the flattening ICE gasoil contango following cold weather.



The storage fleet now numbers 43 vessels, a decline of 103 from a year ago, further underlining the pressures of a bloated fleet on freight rates. With owners not inclined to lay up their ships, and a raft of new builds entering the market, unless the floating storage play takes off again it is difficult to foresee a sustained recovery of freight rates in 2011.

REFINING

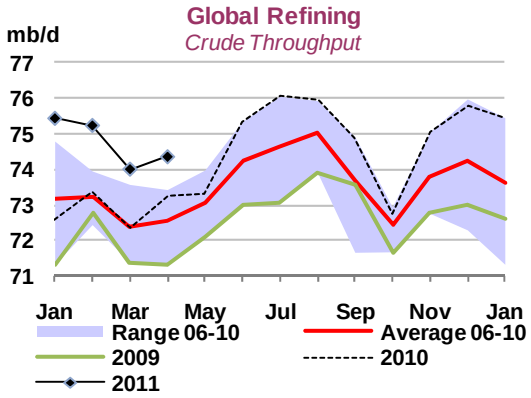
Summary

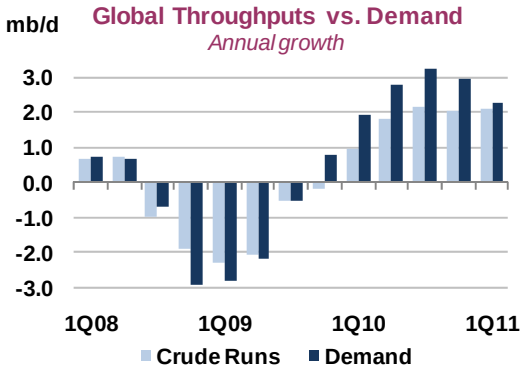
- **Global refinery throughputs have been revised up sharply for 4Q10, to average 74.5 mb/d,** or 2 mb/d above a year earlier. Exceptionally strong demand growth due both to cold weather in the US and Europe and stronger economic activity, notably in the OECD, as well as robust demand in China, were compounded by a sharp exit from turnarounds by refiners in the US and Europe.

- **1Q11 global refinery runs are estimated to average 74.9 mb/d**, with annual growth remaining above 2 mb/d. As the maintenance schedule for 1Q11 so far looks particularly light and demand growth is set to slow, refiners will likely again face lower margins and increased economic run cuts in coming months.

- **OECD crude runs rebounded sharply in November to average 36.5 mb/d**, or 1.8 mb/d above October lows. Runs rose in all regions, although European rates showed the most striking recovery, not only from a month earlier, but also from the same month last year, when regional runs were 850 kb/d lower. Preliminary data show OECD runs rising further in December, with the North America adding close to 1 mb/d after maintenance completion.

- **October OECD yields increased for gasoline and gasoil at the expense of all other products.** OECD gross output fell by 2.2 mb/d from September to a five-year low due to maintenance, poor refining margins and the French refinery strike.





Global Refinery Throughput

Global refinery throughputs have been revised sharply higher for 4Q10, to average 74.5 mb/d, or 720 kb/d higher than in our last report. Exceptionally cold winter weather in the Northern Hemisphere and seemingly robust economic activity boosted oil demand and OECD runs in particular, and the ramp-up of refinery runs from outages and maintenance in October/November was much sharper than expected. US runs rose by 630 kb/d in December from November. The rebound in European runs from the record lows seen in October, when close to the entire French sector was shut due to strikes, was also sharper than expected. Runs recovered, not only from October, but were also almost 0.9 mb/d above 2009's depressed levels. Preliminary indications are that European runs were sustained at these levels in December, in part due to cold weather and modestly improved economics.

In the non-OECD, estimates have also been lifted for 4Q10 and 1Q11 based on recently released data. Chinese runs reached record highs again in November, at 9.0 mb/d, as refiners ramped up rates to meet surging domestic diesel demand. Chinese apparent demand grew at 15.1% annually in November, as increased use of diesel generators amplified strong growth in other products. Indian runs were also

stronger than expected in November, suggesting the impact of maintenance at Reliance's Jamnagar refinery was less than anticipated. Russian refinery production raced ahead, as increased crude supplies and favourable export taxes for products compared to crude translated into higher runs. FSU product exports increased sharply, to 3.1 mb/d, or 200 kb/d above October. Looking ahead, 1Q11 global runs have also been lifted, but by less than in 4Q10. The restart of Valero's Aruba refinery in early January, after an 18-month hiatus, will further add to product supplies in coming months. An assumed return to normal temperatures in the US and Europe, and a slowdown in global economic growth are expected to tame oil demand growth, and consequently throughput growth, compared with recent high levels.

Global Refinery Crude Throughput[1]

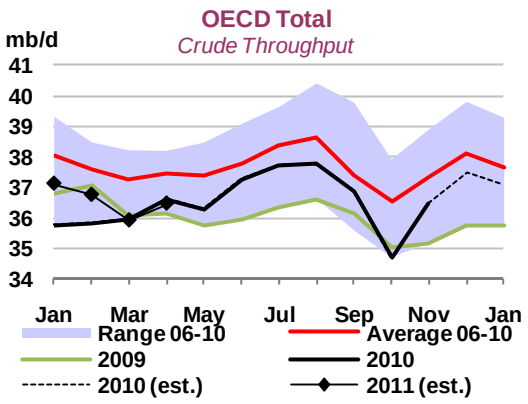
(million barrels per day)

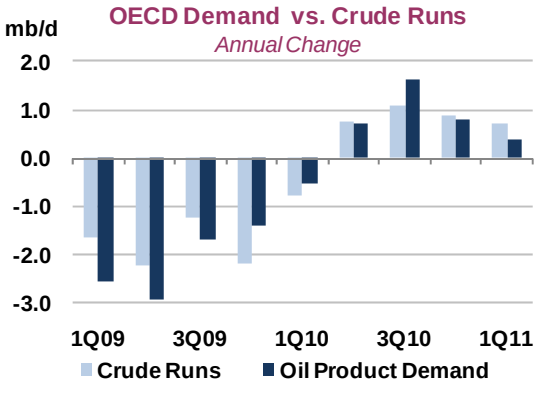
	Sep 10	**3Q2010**	Oct 10	Nov 10	Dec 10	**4Q2010**	Jan 11	Feb 11	Mar 11	**1Q2011**	Apr 11
North America	17.6	**18.1**	16.7	17.0	17.9	**17.2**	17.6	17.6	17.3	**17.5**	17.7
Europe	12.7	**12.8**	11.6	12.7	12.6	**12.3**	12.5	12.3	12.2	**12.3**	12.3
Pacific	6.6	**6.5**	6.3	6.8	7.0	**6.7**	6.9	6.9	6.4	**6.8**	6.4
Total OECD	**36.9**	**37.5**	**34.7**	**36.5**	**37.5**	**36.2**	**37.1**	**36.7**	**35.9**	**36.6**	**36.5**
FSU	6.6	**6.6**	6.3	6.5	6.4	**6.4**	6.3	6.5	6.4	**6.4**	6.4
Non-OECD Europe	0.7	**0.7**	0.6	0.7	0.7	**0.7**	0.7	0.7	0.7	**0.7**	0.7
China	8.5	**8.4**	8.8	9.0	8.7	**8.8**	8.9	8.9	8.8	**8.9**	8.9
Other Asia	8.5	**8.7**	8.7	8.9	8.9	**8.8**	8.8	8.9	8.8	**8.9**	8.8
Latin America	5.1	**5.2**	5.1	5.2	5.2	**5.1**	5.2	5.2	5.1	**5.2**	5.2
Middle East	6.2	**6.2**	6.2	6.1	6.0	**6.1**	6.1	5.9	5.9	**6.0**	5.7
Africa	2.5	**2.5**	2.5	2.3	2.3	**2.3**	2.3	2.3	2.2	**2.3**	2.2
Total Non-OECD	**38.0**	**38.2**	**38.1**	**38.5**	**38.3**	**38.3**	**38.3**	**38.5**	**38.1**	**38.3**	**37.9**
Total	**74.9**	**75.6**	**72.7**	**75.0**	**75.8**	**74.5**	**75.5**	**75.2**	**74.0**	**74.9**	**74.4**

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude refinery throughputs were stronger than expected in November, adding 1.8 mb/d from October's lows, to average 36.5 mb/d. Runs rose in all regions, though most sharply in Europe where French refiners returned to operations after the strike in October. Total European crude inputs averaged 12.7 mb/d in the month, a full 1.1 mb/d above a month earlier. Runs also rose in Japan and the US, as maintenance drew to a close.





Preliminary data for December were also stronger than expected, lifting total OECD runs a further 950 kb/d to average 37.5 mb/d. US runs in particular recorded sharp increases, as strong winter demand and better product cracks coincided with refiners exiting turnarounds. Preliminary data from Euroilstock

indicate that European refiners also sustained runs at near-November levels, again supported by record cold weather and improved cracking margins. Assuming weather returns to normal during the remainder of the northern hemisphere winter, a slowdown in demand growth should again put pressure on OECD refiners. Surging distillate stocks in the US and in Northwest Europe in December suggest the correction in runs from autumn lows might have been too strong, although the preliminary nature of December data may ultimately result in a different picture. Furthermore, the light maintenance schedule apparent for 1Q11 suggests OECD refiners might again instigate economic run cuts.

Refinery Crude Throughput and Utilisation in OECD Countries

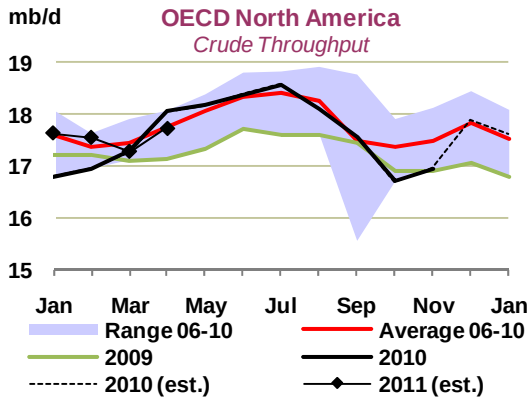
(million barrels per day)

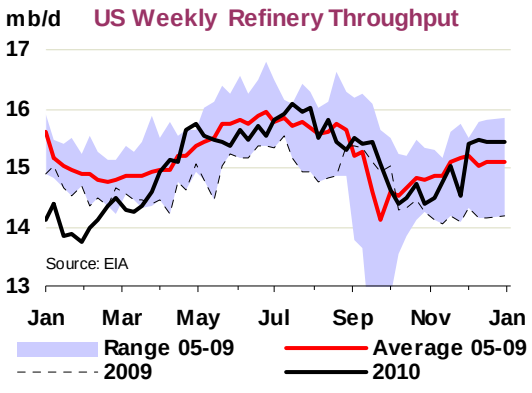
	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Change from Oct 10	Change from Nov 09	Utilisation rate[1] Nov 10	Utilisation rate[1] Nov 09
US[2]	15.39	15.52	15.11	14.74	14.00	14.32	0.32	0.45	81.1%	79.4%
Canada	1.81	1.86	1.87	1.64	1.63	1.65	0.02	-0.08	90.1%	88.0%
Mexico	1.20	1.21	1.15	1.20	1.08	0.99	-0.09	-0.33	58.7%	86.0%
OECD North America	**18.40**	**18.59**	**18.13**	**17.58**	**16.71**	**16.96**	**0.24**	**0.05**	**80.1%**	**80.7%**
France	1.34	1.45	1.50	1.51	0.64	1.39	0.75	0.06	75.3%	67.2%
Germany	2.02	1.99	2.04	2.05	1.99	2.05	0.06	0.11	86.1%	81.7%
Italy	1.81	1.76	1.69	1.73	1.66	1.74	0.08	0.16	76.3%	69.3%
Netherlands	1.11	1.08	1.08	1.00	0.98	1.04	0.06	0.14	85.9%	74.1%
Spain	1.20	1.14	1.11	1.11	1.02	1.04	0.03	0.13	74.1%	70.2%
United Kingdom	1.49	1.47	1.45	1.43	1.41	1.39	-0.02	-0.06	76.8%	81.1%
Other OECD Europe	3.99	4.07	4.01	3.84	3.91	4.07	0.16	0.32	83.4%	78.6%
OECD Europe	**12.97**	**12.96**	**12.88**	**12.66**	**11.60**	**12.72**	**1.12**	**0.85**	**80.5%**	**75.5%**
Japan	2.83	3.25	3.53	3.34	3.20	3.59	0.39	0.16	79.3%	73.0%
South Korea	2.41	2.27	2.46	2.53	2.49	2.53	0.04	0.28	92.7%	82.5%
Other OECD Pacific	0.68	0.68	0.77	0.76	0.66	0.69	0.03	0.01	82.1%	84.7%
OECD Pacific	**5.92**	**6.20**	**6.76**	**6.63**	**6.35**	**6.82**	**0.47**	**0.44**	**84.1%**	**77.3%**
OECD Total	**37.29**	**37.75**	**37.77**	**36.88**	**34.66**	**36.50**	**1.84**	**1.34**	**81.0%**	**78.3%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

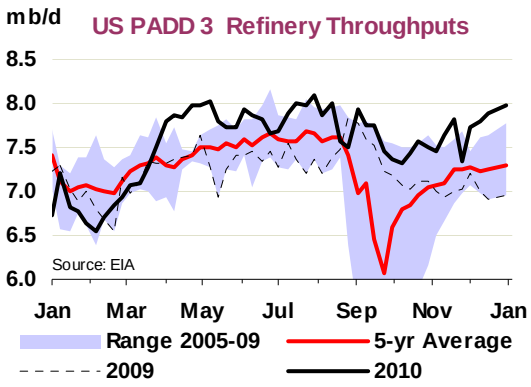
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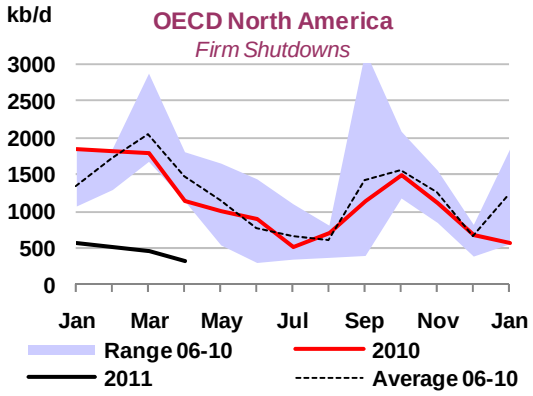
North American crude runs averaged 17.0 mb/d in November, up 245 kb/d from October's low point but in line with last year's level. Heavy autumn maintenance in all countries dragged runs lower, while poor cracking margins also contributed. US runs were revised up by 130 kb/d from preliminary estimates to average 14.3 mb/d, 455 kb/d above a year earlier. The monthly increase of some 300 kb/d from October was spread across all PADDs, but in volumetric terms was largest on the Gulf Coast.





At 14.9 mb/d, **US** refinery crude throughputs posted an unexpectedly large rise in December. Total crude runs were 630 kb/d higher than in November, and almost 1 mb/d higher than December 2009. The increase in total refinery inputs was even steeper, climbing some 300 kb/d above the five-year average, to 15.5 mb/d in December. US margins looked stronger in December, with gasoline cracks at their widest since May and heating oil prices boosted by cold weather related demand. Preliminary weekly data show total US deliveries reaching 20 mb/d for the first time since February 2008, led by gasoline and jet fuel/kerosene sales. Refiners on the US Gulf Coast ramped up runs to 7.6 mb/d on average in December, 320 kb/d higher than a month earlier. Runs on the East Coast also rebounded as maintenance at ConocoPhillips' Bayway refinery and Hess' Port Reading plant was completed.

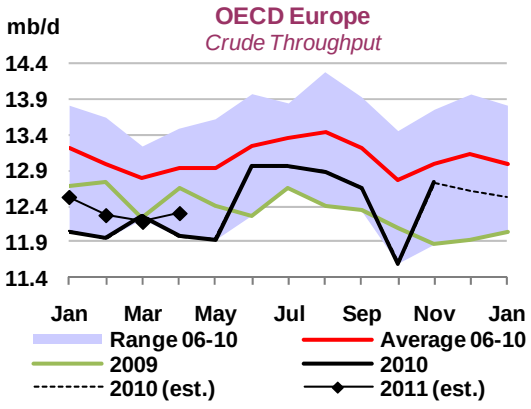




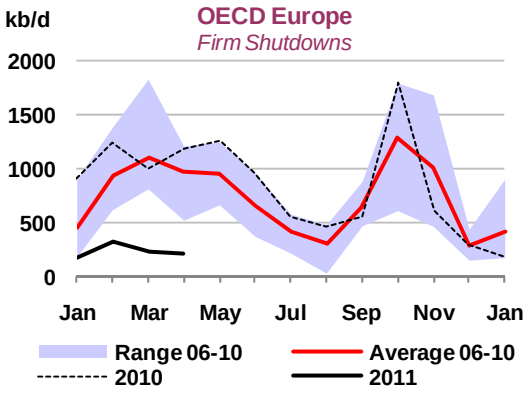
In **Canada**, runs were curtailed by October/November maintenance at the country's largest refinery, Irving's 300 kb/d St John plant, compounding the effects of the closure of Shell's Montreal refinery from September. Weekly data from the National Energy Board show that Canadian crude throughputs recovered in December, averaging 1.8 mb/d, or 120 kb/d above November runs. **Mexican** refinery runs fell sharply in November, to only 990 kb/d, 90 kb/d below October and 330 kb/d below a year earlier. The Salina Cruz refinery started maintenance in mid-October, and the work was finished in the first week of December. The drop in runs coincided with sharply higher crude exports.

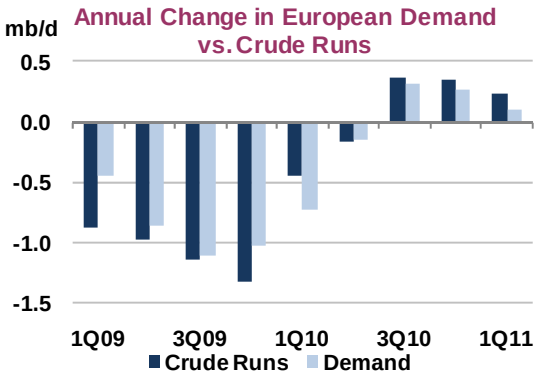
North American runs are expected to decline from December's high levels during 1Q11 as spring maintenance gets underway. There is so far little information available on company turnaround schedules, but we assume seasonal patterns. North American spring turnarounds normally start in January and peaks in March before concluding ahead of summer and the US driving season. Following two years of weak demand, and high outages, it is possible that refiners have lower shutdown requirements this year. If that is indeed the case, we believe voluntary run cuts will have to increase.

OECD European crude throughputs rebounded sharply in November, to 12.7 mb/d, or 1.1 mb/d above strike-reduced and record-low October levels. Regional runs were almost 600 kb/d higher than the previous estimate and in line with the (relatively) high rates seen over the summer. Refiners ramped up production to replenish depleted inventories resulting from the protracted French strike and planned autumn maintenance. Preliminary Euroilstock data for December show Europe-16 refinery crude intake remaining relatively high, at only 70 kb/d lower than November. Cold weather and improving cracking margins in both Northwest Europe and the Mediterranean likely supported runs, although hydroskimming margins remained firmly negative in both regions, given fuel oil's weakness.



Despite a very light regional maintenance schedule for 1Q11, at least in terms of announcements and known plans, we expect European runs to fall off from recent relatively high levels. European maintenance normally peaks in February-March, but for this year we only have the shutdown of Italy's ERG refinery in Sicily and ExxonMobil's Fos-sur-Mer refineries on record as undertaking major turnarounds in January-February. The high shutdown levels in 2009-2010 could mean that maintenance requirements are lower this year, though in part the low levels are surely reflective of less forthcoming information from companies in this very competitive business environment. Furthermore, assuming a return to normal winter weather (indeed temperatures have climbed substantially from the extreme cold seen in December), demand growth is set to slow and put pressure on refiners to again cut runs. Record-high gasoil inventories in NWE independent storage at the start of 2011 suggest that the high run rates and increased imports in November/December over-compensated for any demand-induced tightening. 1Q11 European runs are therefore seen at best steady from 4Q11, averaging 12.3 mb/d.





Restructuring of the European Refining Sector Continues

The European refining industry is continuing to see major changes due to structurally declining demand, stark competition for export markets from new capacity in emerging countries and resulting poor margins. Since the beginning of 2009, six refineries have announced they will halt operations completely and several are looking for investors or buyers to avoid shutdown and closure. The latest announcement came on 12 January, when Shell announced it plans to convert its 110 kb/d Harburg refinery in Germany to an oil terminal by early 2012. Shell had been trying to sell the plant for nearly two years, and had been in discussion with Indian Essar amongst others, but failed to conclude a sale for the ageing refinery.

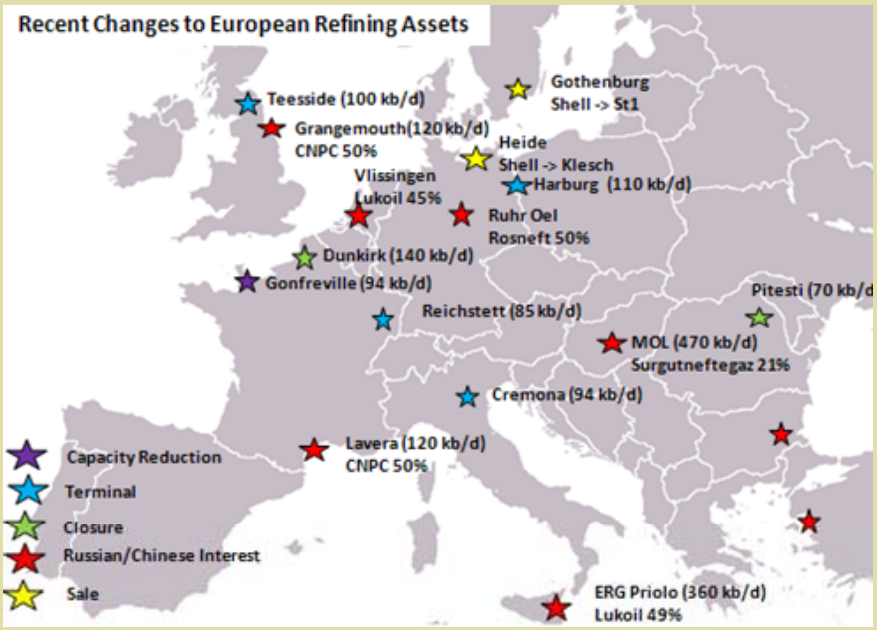
The fate of Harburg is not unique. Petroplus announced at the end of last year that it would convert its French Reichstett refinery to a terminal, as did Tamoil regarding its Cremona unit in northern Italy. Petroplus already converted its Teesside refinery in the UK to a terminal in 2009, and Total has closed Dunkirk and will reduce capacity at its Gonfreville plant. ConocoPhillips' 260 kb/d Wilhelmshaven refinery, which has been idle since May 2010, will be converted to an oil terminal if attempts to find a buyer fail. In non-OECD Europe, OMV will close its 70 kb/d Romanian Pitesti refinery.

Announced Refinery Closures Europe

Country	Company	Plant	Capacity (kb/d)	Timing
France	Petroplus	Reichstett	85	2011
France	Total SA	Gonfreville l'Orcher (Capacity Reduction)	94	2011
France	Total SA	Dunkirk	141	2010
Germany	Shell	Harburg	110	2012
Italy	Tamoil	Cremona	94	2011
UK	Petroplus	Teesside	100	2009
Romania	Arpichem SA	Pitesti	70	2010
Total Europe			**624**	

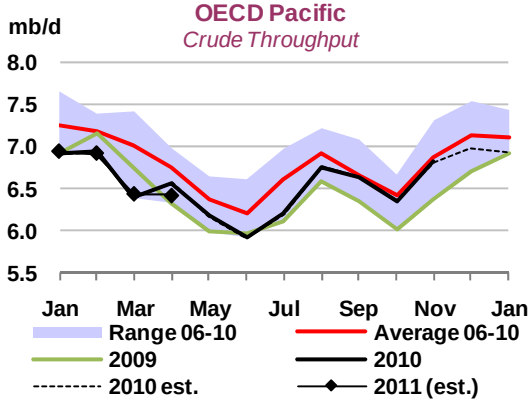
Restructuring of the European Refining Sector Continues (continued)

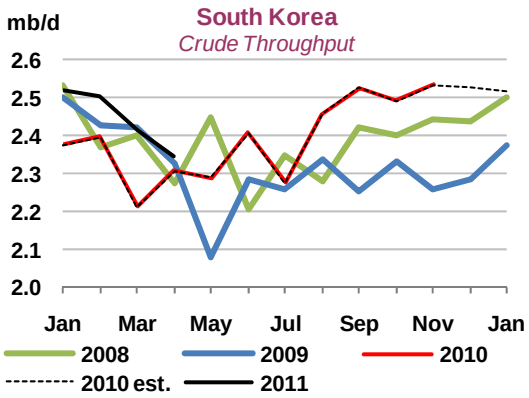
On 10 January, China's state-owned PetroChina and UK-based Ineos signed an agreement to form an oil refining and trading joint venture, marking China's first move into the European refining sector. The deal encompasses Ineos's two European refineries: the Grangemouth refinery in Scotland and the Lavera refinery in Southern France, both with processing capacity of around 210 kb/d. The cooperation includes the sharing of refining and petrochemical technology and expertise between the respective businesses.



Russian oil giant Rosneft made a similar move in October, when it bought PDVSA's 50% stake in Germany's Ruhr Oel. The company is now a 50/50 downstream joint venture between BP and Rosneft, with stakes in four German refineries, including Gelsenkirchen (100%), Schwedt (37.5%), Bayernoil (25%) and Miro (24%). The four plants have a combined capacity of 1.04 mb/d, of which 460 kb/d can be attributed to Ruhr Oel. There are now 13 refineries in Europe with Russian interest. While on the one hand the influx of capital from cash-rich overseas interests is good for local employment and for the potential upgrading of mature European capacity, it does little to address a continent-wide problem of surplus refining capacity overall.

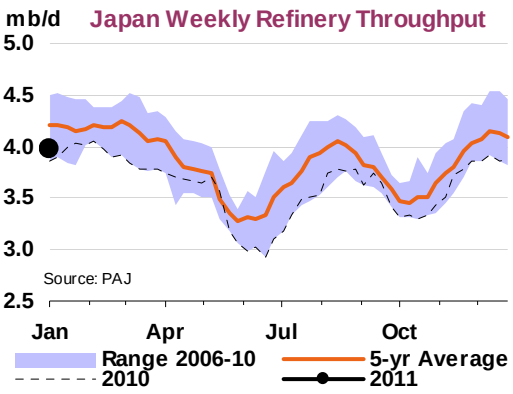
OECD Pacific crude runs were mostly in line with forecast for November and December, at 6.8 mb/d and 7.0 mb/d respectively (+70 kb/d and 10 kb/d compared to last month's report). Runs were 440 kb/d and 255 kb/d above a year earlier respectively, with South Korean runs, in particular, strong compared to the previous year. These have been supported by high product exports, up by some 15.2% year-on-year in November according to government data. Annual increases in exports were recorded to Japan, China and Singapore, primarily kerosene, jet and gasoil. Industry surveys show South Korean refiners planning to hold runs steady at above 2.5 mb/d in December and January, supported by a recovering economy and healthy refining margins.





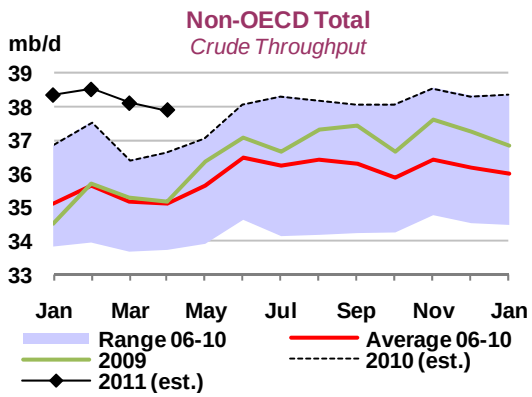
In **Australia**, the severe floods currently plaguing Queensland forced major refiner Caltex to shut its 100 kb/d Lytton refinery outside of Brisbane in early January. At the time of writing, the 100 kb/d Bulwer Island refinery was operating normally and Caltex was planning to begin the restart of the Lytton plant. The return to full operating levels will depend in part on the resumption of operations of the Port of Brisbane.

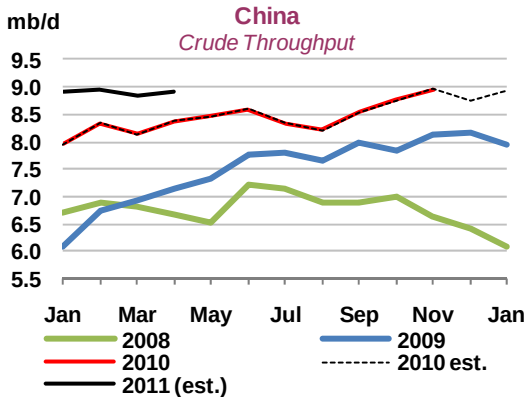
Japanese crude throughputs reached 3.7 mb/d in December, slightly higher than the previous year and up 130 kb/d on November. Major Japanese refiners reported significantly improved profitability of their refining operations in the first half of the current fiscal year (2010-11), though upcoming higher taxes on oil products could again curb company profits (whether shouldered by the companies or passed on to consumers and resulting in lower demand). The government is increasing taxes on various fuels to generate an additional $3 billion in tax revenue to help fund measures to curb greenhouse gas emissions. METI said it will gradually hike its taxes on fossil fuel use starting on 1 October 2011.



Non-OECD Refinery Throughput

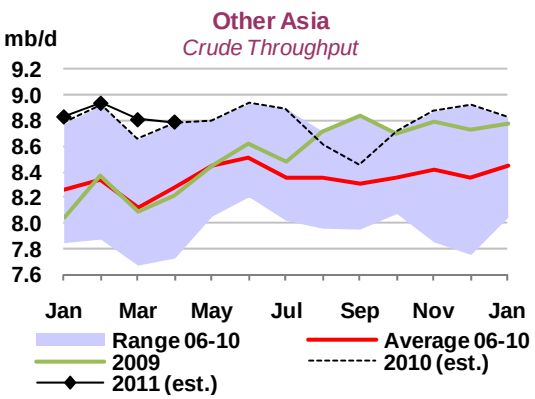
Non-OECD refinery throughput estimates have been lifted by 130 kb/d and 180 kb/d respectively for 4Q10 and 1Q11, respectively, following recent exceptionally high operating rates in a number of countries. Most notably, China reported crude runs yet again at record highs following a surge in domestic diesel demand and ensuing product shortages. Other Asian refiners also profited from stronger product demand and improved margins by increasing runs. FSU crude throughputs were boosted by export tax incentives, while it seems Middle Eastern refiners maintained high runs towards the end of the year ahead of planned maintenance in 1Q11. In all, non-OECD crude runs are estimated at 38.3 mb/d in both 4Q10 and 1Q11.

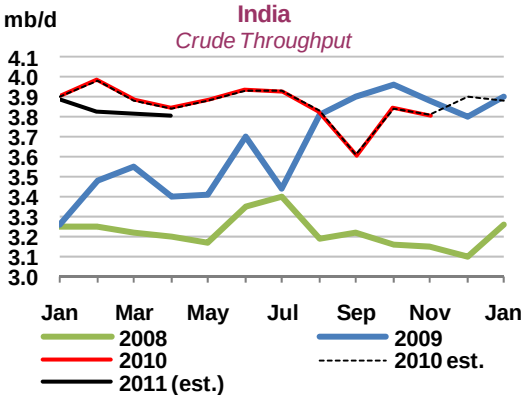




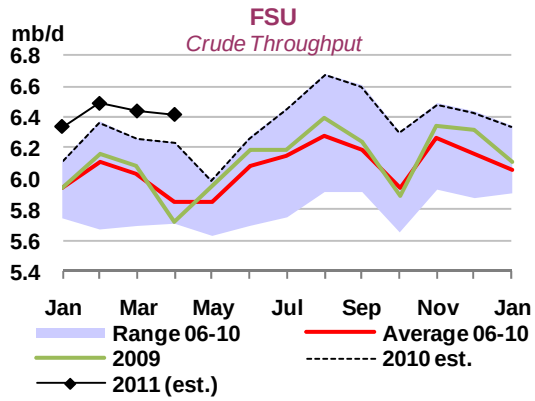
Chinese refinery crude runs averaged 9.0 mb/d in November, 200 kb/d up on October and 840 kb/d above a year earlier. The new record came as refiners operated at full capacity amid domestic diesel shortages. The shortages seem to have dissipated and runs likely eased somewhat in December, with industry surveys showing major refiners planned to cut operating rates and undertake some delayed maintenance. We currently have December runs pegged at 8.7 mb/d, down 220 kb/d from November. On the other hand, the decision to increase fuel prices as of 22 December by 4%, the fourth price increase this year, probably sustained runs at levels higher than otherwise, due to improved margins.

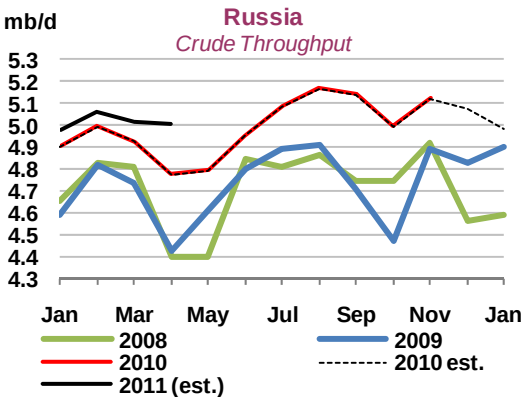
Elsewhere in **Asia,** runs were also stronger in November, and approached the record highs of June. At 8.9 mb/d, regional throughputs were 80 kb/d higher than a year earlier. Asian refiners increased runs due to higher demand and widening margins. In Singapore, gasoil and jet margins reached a two-year high in mid-December, while fuel oil prices were $10/bbl below crude, the steepest discount since March 2009. Regional oil demand is hitting new highs, with sales in China up 10% in November from a year ago (led by diesel). Strong petrochemical demand in Asia is driving naphtha demand higher. Year-on-year growth was however checked by lower Indian runs, which were reduced due to maintenance at Reliance's older domestic plant. Reliance had shut a crude unit at the 660 kb/d plant from the last week of October to 17 November. The maintenance impact was nevertheless smaller than we had anticipated, and Indian runs for November have been revised up by 150 kb/d from the previous forecast. According to Platt's survey of Indian exports, refined product exports rose to a high of more than 1 mb/d in December, from a low of 660 kb/d in November.





FSU crude runs were stronger than expected in November, and contributed to an upward revision of 50 kb/d for 4Q10 regional throughputs. Russian crude runs averaged 5.1 mb/d that month, up 130 kb/d from a month earlier and 240 kb/d higher than November 2009 as refiners returned from maintenance and took advantage of export duties favouring products over crude. FSU product rose by 200 kb/d in November, to 3.1 mb/d, the highest level since July 2010. The largest monthly increases in runs came from the Nizhnekamsk refinery and Rosneft's Syrzan refinery, which both ramped up runs after completing scheduled maintenance. Kazakhstani crude runs also increased in November, by 13% from a month earlier, to 250 kb/d, as maintenance at PetroKazakhstans' Shymkent plant was winding down.

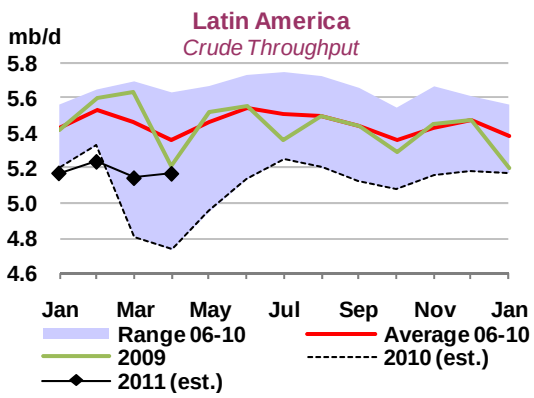


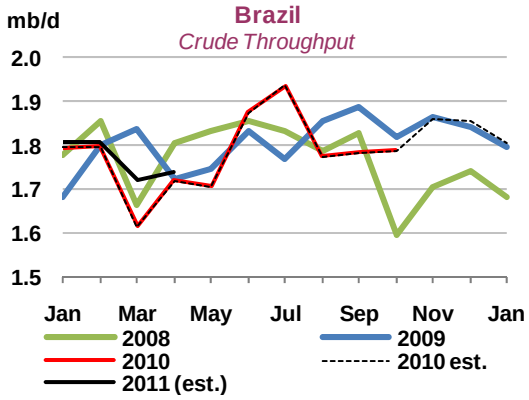


Latin American crude runs have been revised down slightly for 4Q10 given lower Brazilian operations, but lifted for 1Q11 following the restart of Valero's Aruba refinery in early January. The 235 kb/d plant, which has been closed since summer 2009, is expected to be fully operational by the second half of January, resuming oil product and feedstock exports to the US, the Caribbean, Latin America and Europe. By shipping vacuum gasoil, heavy distillate fuel oil and intermediate feedstocks to its US Gulf Coast

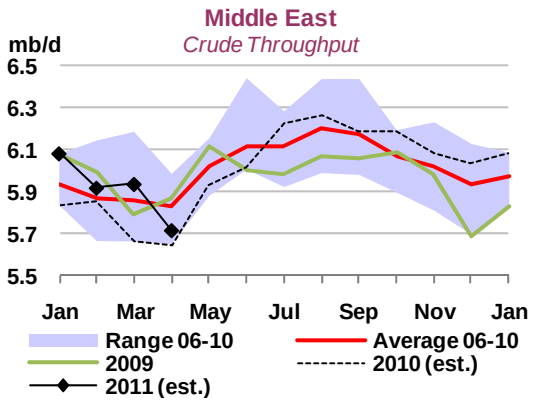
plants, the company is planning to minimise US production shortfalls during planned maintenance in 1Q11. However, the refinery cannot produce diesel or heating oil meeting US product specifications.

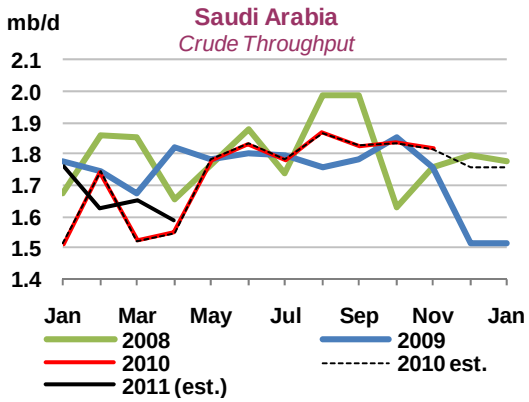
Brazilian crude runs were 80 kb/d lower than expected in October, averaging 1.8 mb/d. In light of the recent reduced operating rates, we have also adjusted the Brazilian forecast slightly, in part offsetting the increase from Aruba. Elsewhere, PDVSA again postponed the restart of its 330 kb/d **Curaçao** refinery in December. The refinery, which has remained idle since March 2010 due to power supply problems, was supposedly to restart operations in mid-December. The postponement was reportedly due to problems with the fuel catalytic cracking unit. It is not yet clear whether the restart, this time scheduled for 26 December, was successful and we continue to exclude the refinery from our estimates until its true status becomes clear.





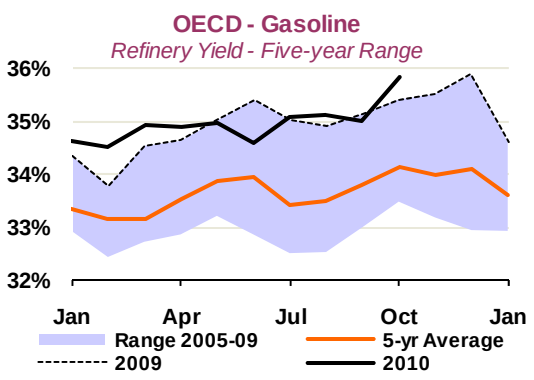
Middle Eastern crude throughputs are projected to average 6.1 mb/d in 4Q10 before falling to 6.0 mb/d in 1Q11, and to only 5.7 mb/d in April 2011. Refinery maintenance in Saudi Arabia, Kuwait and Bahrain will reduce regional product supplies, prompting regional actors to increase spot purchases to meet local demand. According to industry sources, Saudi Aramco has scheduled to shut a 150 kb/d crude unit at its Jubail refinery for a 45-day maintenance programme starting from February and the entire 425 kb/d Rabigh refinery from late April to end-May. State-run Bahrain Petroleum Company plans a major turnaround between mid-February until early April, and Kuwait National Petroleum's ageing 200 kb/d Shuaiba refinery will also shut for full maintenance in April, lasting 30 days. Amplifying local light product supply tightness, Adnoc will shut one of its two 140 kb/d condensate splitters (not included in OMR crude throughput estimates).

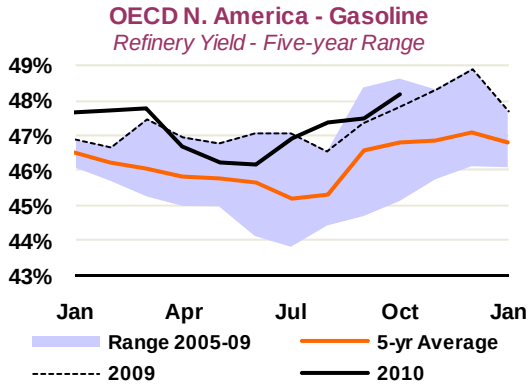




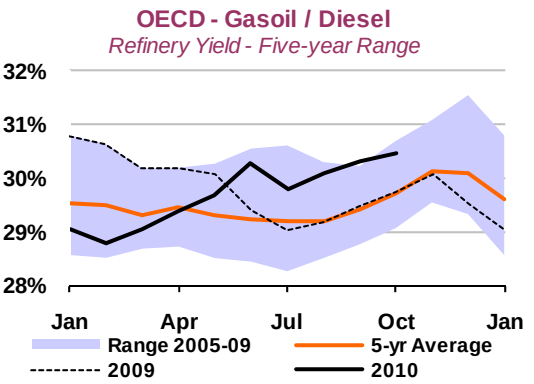
OECD Refinery Yields

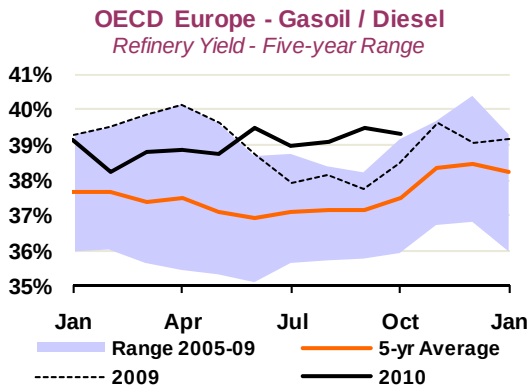
October OECD yields increased for gasoline and gasoil at the expense of all other products. OECD gross output fell by 2.2 mb/d from September to a five-year low due to maintenance, poor refining margins and the French refinery strike.



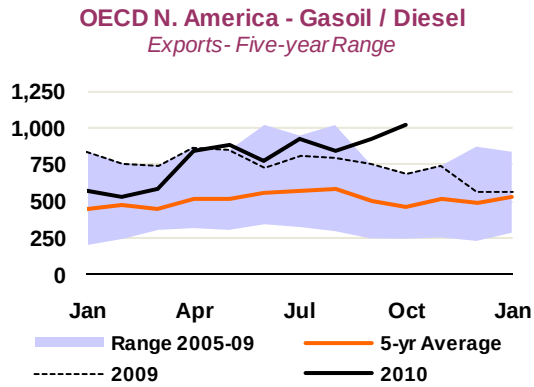


Gasoline yields increased in all OECD regions, and in both OECD North America and Pacific, yields were in the upper half of the five-year range. In OECD Europe, yields increased from the low levels seen earlier this year, and were in line with last year's level, close to the five-year average. The high gasoline yields were supported by stronger margins due to tight product supply especially in Europe as most French refineries were shut due to strike action. The stronger gasoline prices in Europe even created opportunities for westward arbitrage from Asia.





OECD gasoil/diesel yields rose further in October. OECD Pacific posted the largest gain, where yields were up by 0.59 percentage points (pp). In OECD Europe, yields were at about the same level as in September, supported by strong German heating oil demand and healthy product cracks. In OECD North America, high demand from Latin America has encouraged refineries to produce more gasoil/diesel, and exports from OECD North-America have increased steadily since April, standing in October almost 330 kb/d above the five-year range. OECD fuel oil yields fell again in October, after a small rise in September. The fuel oil yields fell in all OECD regions, and were below both the five-year range and last year's level in all regions, reflecting lower demand and poor margins.



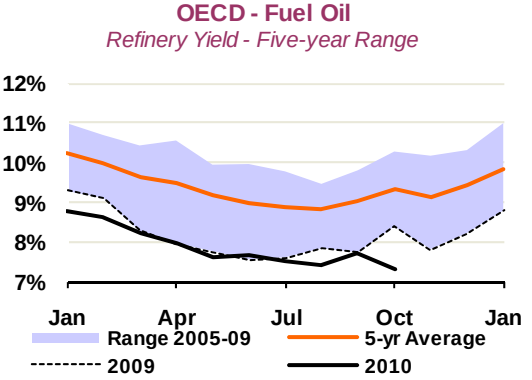


Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.2	24.0	23.9	23.9	23.7	24.2	24.0	23.9
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.8	14.6	14.4	14.3	14.0	14.6	14.4	14.3
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.2	7.2	7.3	7.9	7.7
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.6	46.7	46.1	46.3	45.0	46.1	46.3	45.9
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.3	4.3	4.4	4.2	4.5	4.4	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	9.8	9.3	9.6	9.9	9.7	9.9	9.8
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.2	10.4	10.0	10.4	10.3	10.5	10.7	10.3	10.7	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.5	6.3	6.3	6.3	6.5	6.7	6.6	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.5	7.9	8.4	7.7	7.9
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.4	3.3	3.3
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.5	40.4	41.7	42.0	42.2	41.6	42.3	43.4	43.7	43.4	43.2
Total Demand[1]	86.7	86.1	84.4	84.2	85.4	85.9	85.0	86.4	86.9	88.6	88.9	87.7	88.6	88.4	89.8	89.7	89.1
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.3	14.1	14.0	13.7	13.8	14.1	13.9
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.5	19.0	18.9	18.8	18.3	18.4	18.9	18.6
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.8	13.6	13.8	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.3
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.9	30.1	29.8	30.5	30.4	30.4	30.6	30.5
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.9	50.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.1	53.1	53.5	53.9	53.4
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.1	53.1	53.5	53.9	53.4
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.1	29.3	29.5	29.2					
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.2	5.4	5.5	5.3	5.7	5.8	5.9	6.0	5.8
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.8	33.5	34.2	34.2	34.6	34.9	34.5					
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.8	33.5	34.2	34.2	34.6	34.9	34.5					
Total Supply[6]	85.5	86.4	84.4	84.6	85.6	86.2	85.2	86.5	87.1	87.4	88.2	87.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	0.9	-0.2							
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.2							
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9	-0.4							
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2							
Miscellaneous to balance[7]	-1.0	-0.1	-1.5	0.0	-0.1	1.0	-0.1	0.2	-0.8	-0.6							
Total Stock Ch. & Misc	-1.2	0.3	-0.1	0.5	0.2	0.3	0.2	0.1	0.1	-1.2	-0.7	-0.4					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	30.9	28.7	28.0	28.6	28.6	28.5	28.9	28.9	30.5	30.1	29.6	29.8	29.5	30.4	29.8	29.9
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.6	28.4	29.1	28.2	29.8	30.0	29.3	29.7	29.3	30.2	29.7	29.7

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.2	-	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	-	-	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	-	-	0.2	0.1
Total OECD	-	-	-	-	-	-	-	-	-	-	0.7	0.2	0.4	0.1	0.1	0.3	0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.4	0.1	0.2	0.1	0.1	0.1	0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	1.1	0.3	0.6	0.2	0.2	0.4	0.4
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.2	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-0.1	-	-	0.1	0.1							
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-0.1	-	-	0.1	0.1							
OPEC: historical composition	-	-	-	-	-	-0.1	-	-	0.1	0.1							
Total Supply	-	-	-	-	-	-0.1	-	-	0.1	0.1							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	-							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	-	-	-	-	-	-0.1	-	-	0.1	0.1							
Total Stock Ch. & Misc	-	-	-	-	-	-0.1	-	-	0.1	0.1							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	1.0	0.3	0.7	0.2	0.1	0.4	0.4
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-0.1	-	-	0.1	0.1	1.1	0.3	0.7	0.2	0.1	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

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.24	24.04	23.91	23.86	23.70	24.16	24.01	23.94
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.11	14.79	14.62	14.42	14.26	14.05	14.62	14.45	14.35
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.02	7.78	8.20	7.24	7.35	7.88	7.66
Total OECD	47.58	46.44	44.48	44.99	45.89	45.45	45.94	45.21	46.62	46.68	46.11	46.32	44.99	46.14	46.33	45.95
Asia	17.37	17.44	18.57	18.54	18.92	18.37	19.17	19.77	19.25	20.22	19.60	20.15	20.57	20.07	20.61	20.35
Middle East	7.01	6.77	7.28	7.74	7.10	7.23	7.15	7.55	7.98	7.38	7.52	7.51	7.93	8.35	7.72	7.88
Latin America	6.00	5.80	5.99	6.09	6.13	6.00	6.05	6.30	6.46	6.34	6.29	6.27	6.52	6.67	6.56	6.51
FSU	4.23	3.98	3.87	4.11	4.04	4.00	4.19	4.14	4.39	4.35	4.27	4.36	4.23	4.49	4.43	4.38
Africa	3.19	3.25	3.23	3.17	3.11	3.19	3.18	3.28	3.23	3.22	3.23	3.32	3.39	3.35	3.33	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.70	0.70	0.72	0.72	0.72	0.72	0.72
Total Non-OECD	38.55	37.99	39.69	40.39	40.02	39.53	40.45	41.74	42.02	42.21	41.61	42.32	43.37	43.66	43.37	43.18
World	86.13	84.44	84.17	85.38	85.91	84.98	86.38	86.95	88.64	88.89	87.72	88.64	88.36	89.80	89.71	89.13
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.32	19.23	19.15	19.05	19.49	19.26	19.24
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.07	8.95	8.87	8.87	8.60	8.90	8.76	8.78
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.23	9.82	9.34	9.60	9.88	9.74	9.92	9.79
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.53	4.42	4.74	3.92	4.08	4.41	4.28
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.14	3.36	3.33	3.53	3.54	3.21	3.47	3.44
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.20	3.11	3.05	3.07	3.00	3.27	3.16	3.13
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.80	2.74	2.71	2.70	2.81	2.90	2.87	2.82
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.05	2.57	2.68	2.53	2.92	3.21	2.71	2.84
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.26	2.26	2.24	2.21	2.19	2.25	2.25	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.33	2.24	2.34	2.20	2.14	2.31	2.25
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.15	2.15	2.18	2.18	2.14	2.18	2.17
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.81	1.81	1.81	1.92	1.87	1.88	1.86	1.88
Total	60.83	59.49	59.07	59.99	60.70	59.82	61.18	61.41	62.73	62.96	62.08	62.85	62.17	63.21	63.16	62.85
% of World	70.6%	70.5%	70.2%	70.3%	70.7%	70.4%	70.8%	70.6%	70.8%	70.8%	70.8%	70.9%	70.4%	70.4%	70.4%	70.5%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	4.1	2.1	2.6	1.2	-0.3	-0.3	-0.1	0.1
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.9	-1.1	2.2	1.8	-0.5	0.7	-0.5	-1.1	-1.2	-0.5
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.4	1.6	0.1	-1.1	-3.3	-1.7	-1.5
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.6	3.6	1.7	1.5	0.8	-0.5	-1.0	-0.7	-0.4
Asia	1.7	-0.8	4.8	6.7	12.5	5.8	9.9	6.5	3.8	6.9	6.7	5.1	4.1	4.3	2.0	3.8
Middle East	5.7	1.6	3.2	3.7	3.8	3.1	5.6	3.7	3.1	3.9	4.0	5.0	5.0	4.6	4.6	4.8
Latin America	5.6	0.0	-1.1	-0.6	2.2	0.1	4.4	5.2	6.0	3.4	4.7	3.6	3.6	3.3	3.5	3.5
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.4	7.0	6.8	7.8	6.7	3.9	2.3	2.4	1.8	2.6
Africa	3.9	1.5	1.0	0.9	-3.4	0.0	-2.2	1.6	1.8	3.5	1.2	4.3	3.4	3.7	3.4	3.7
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-6.4	-6.4	-3.2	-2.3	-4.6	2.2	2.7	2.5	2.9	2.6
Total Non-OECD	3.3	-0.6	1.9	3.0	5.8	2.5	6.5	5.2	4.0	5.5	5.3	4.6	3.9	3.9	2.8	3.8
World	-0.6	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	3.5	3.2	2.6	1.6	1.3	0.9	1.6
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.96	0.49	0.61	0.28	-0.07	-0.07	-0.04	0.02
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.73	-0.15	0.32	0.26	-0.07	0.10	-0.06	-0.16	-0.17	-0.08
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.03	0.12	0.01	-0.08	-0.25	-0.14	-0.12
Total OECD	-1.77	-2.55	-2.91	-1.68	-1.38	-2.13	-0.51	0.73	1.63	0.79	0.67	0.39	-0.22	-0.48	-0.35	-0.17
Asia	0.29	-0.14	0.85	1.17	2.11	1.00	1.73	1.20	0.71	1.30	1.23	0.98	0.80	0.82	0.40	0.75
Middle East	0.38	0.11	0.23	0.28	0.26	0.22	0.38	0.27	0.24	0.28	0.29	0.36	0.38	0.37	0.34	0.36
Latin America	0.32	0.00	-0.07	-0.04	0.13	0.01	0.25	0.31	0.36	0.21	0.28	0.22	0.23	0.21	0.22	0.22
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.28	0.31	0.27	0.16	0.09	0.10	0.08	0.11
Africa	0.12	0.05	0.03	0.03	-0.11	0.00	-0.07	0.05	0.06	0.11	0.04	0.14	0.11	0.12	0.11	0.12
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.02	-0.02	-0.03	0.02	0.02	0.02	0.02	0.02
Total Non-OECD	1.22	-0.23	0.76	1.16	2.18	0.98	2.46	2.05	1.63	2.19	2.08	1.87	1.63	1.64	1.16	1.58
World	-0.55	-2.78	-2.16	-0.52	0.80	-1.15	1.95	2.78	3.26	2.98	2.75	2.26	1.42	1.16	0.82	1.41
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.22	0.06	0.19	0.02	0.03	0.01	0.06
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.02	0.24	0.05	0.12	0.03	0.02	0.11	0.07
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.23	0.06	0.12	0.03	0.04	0.19	0.10
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.69	0.17	0.43	0.08	0.09	0.31	0.23
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.08	0.16	0.10	0.07	0.04	0.09
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.07	0.02	0.02	0.00	0.01	0.07	0.03
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.06	-0.01	-0.01	0.00	0.01	-0.05	-0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.11	0.02	0.05	0.01	-0.01	0.05	0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.44	0.11	0.22	0.11	0.08	0.12	0.13
World	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	1.12	0.28	0.65	0.20	0.17	0.43	0.36
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	1.12	0.28	0.65	0.21	0.18	-0.69	0.08

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	4Q09	1Q10	2Q10	3Q10	Aug 10	Sep 10	Oct 10 [2]	Sep 10	Oct 09
North America											
LPG&Ethane	2.70	2.79	3.17	3.18	2.53	2.68	2.68	2.77	2.80	0.03	-0.13
Naphtha	0.36	0.33	0.32	0.40	0.42	0.42	0.42	0.40	0.35	-0.05	0.07
Motor Gasoline	10.54	10.56	10.52	10.22	10.81	10.91	11.01	10.75	10.67	-0.08	0.10
Jet/Kerosene	1.77	1.62	1.57	1.62	1.66	1.70	1.74	1.66	1.64	-0.03	0.06
Gasoil/Diesel Oil	5.00	4.61	4.72	4.80	4.70	4.76	4.84	4.90	4.83	-0.07	0.17
Residual Fuel Oil	1.07	0.93	0.93	0.99	0.96	0.94	0.90	0.95	0.89	-0.06	-0.04
Other Products	2.73	2.46	2.31	2.36	2.70	2.81	2.95	2.78	2.52	-0.26	0.10
Total	24.18	23.30	23.55	23.58	23.78	24.24	24.54	24.21	23.71	-0.51	0.34
Europe											
LPG&Ethane	1.02	0.92	0.89	0.98	0.94	0.85	0.87	0.84	0.85	0.01	0.00
Naphtha	1.16	1.11	1.15	1.27	1.15	1.21	1.19	1.21	1.21	0.00	0.02
Motor Gasoline	2.36	2.29	2.20	2.06	2.27	2.33	2.30	2.31	2.18	-0.13	-0.07
Jet/Kerosene	1.32	1.27	1.24	1.20	1.24	1.38	1.36	1.37	1.32	-0.05	0.02
Gasoil/Diesel Oil	6.27	6.02	6.09	6.11	5.86	6.15	5.86	6.53	6.44	-0.09	0.16
Residual Fuel Oil	1.66	1.43	1.39	1.33	1.21	1.29	1.26	1.32	1.30	-0.01	-0.14
Other Products	1.57	1.45	1.39	1.21	1.44	1.58	1.52	1.65	1.51	-0.14	0.05
Total	15.36	14.49	14.35	14.17	14.11	14.79	14.36	15.23	14.81	-0.42	0.05
Pacific											
LPG&Ethane	0.88	0.86	0.87	0.90	0.83	0.79	0.81	0.84	0.70	-0.14	-0.12
Naphtha	1.60	1.63	1.71	1.76	1.60	1.65	1.68	1.68	1.73	0.05	0.07
Motor Gasoline	1.53	1.55	1.57	1.52	1.52	1.66	1.72	1.60	1.53	-0.07	-0.01
Jet/Kerosene	0.89	0.85	0.99	1.15	0.71	0.65	0.64	0.70	0.77	0.07	-0.04
Gasoil/Diesel Oil	1.69	1.60	1.68	1.64	1.55	1.56	1.54	1.57	1.60	0.03	-0.07
Residual Fuel Oil	0.91	0.75	0.71	0.77	0.67	0.74	0.73	0.73	0.67	-0.06	0.04
Other Products	0.54	0.42	0.45	0.45	0.42	0.56	0.57	0.59	0.37	-0.22	-0.07
Total	8.04	7.66	7.99	8.19	7.32	7.60	7.70	7.72	7.37	-0.35	-0.22
OECD											
LPG&Ethane	4.60	4.58	4.93	5.05	4.30	4.33	4.36	4.45	4.34	-0.11	-0.25
Naphtha	3.12	3.06	3.18	3.43	3.16	3.28	3.29	3.29	3.29	0.00	0.17
Motor Gasoline	14.43	14.39	14.30	13.79	14.60	14.90	15.04	14.66	14.38	-0.28	0.02
Jet/Kerosene	3.98	3.73	3.80	3.98	3.62	3.73	3.74	3.73	3.72	-0.01	0.04
Gasoil/Diesel Oil	12.95	12.23	12.49	12.56	12.11	12.47	12.23	13.01	12.87	-0.13	0.26
Residual Fuel Oil	3.64	3.12	3.04	3.10	2.85	2.97	2.89	3.00	2.87	-0.13	-0.14
Other Products	4.85	4.33	4.14	4.02	4.56	4.95	5.04	5.02	4.40	-0.62	0.07
Total	47.58	45.45	45.89	45.94	45.21	46.62	46.60	47.16	45.89	-1.28	0.17

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	4Q09	1Q10	2Q10	3Q10	Aug 10	Sep 10	Oct 10 [2]	Sep 10	Oct 09
United States[3]											
LPG	1.95	2.05	2.41	2.39	1.80	2.00	2.00	2.06	2.04	-0.02	-0.17
Naphtha	0.25	0.25	0.25	0.27	0.28	0.28	0.28	0.25	0.22	-0.02	-0.02
Motor Gasoline	8.99	9.00	8.94	8.68	9.22	9.31	9.40	9.17	9.10	-0.07	0.12
Jet/Kerosene	1.55	1.41	1.39	1.42	1.46	1.48	1.51	1.46	1.45	-0.01	0.07
Gasoil	3.95	3.63	3.70	3.79	3.70	3.76	3.81	3.90	3.77	-0.13	0.12
Residual Fuel Oil	0.62	0.51	0.51	0.58	0.53	0.54	0.48	0.56	0.51	-0.05	0.02
Other Products	2.19	1.92	1.73	1.80	2.11	2.19	2.31	2.15	1.91	-0.24	0.08
Total	19.50	18.77	18.93	18.93	19.10	19.57	19.80	19.55	19.01	-0.54	0.21
Japan											
LPG	0.53	0.49	0.51	0.53	0.46	0.43	0.43	0.45	0.37	-0.08	-0.09
Naphtha	0.75	0.73	0.80	0.84	0.71	0.74	0.77	0.74	0.82	0.07	0.05
Motor Gasoline	0.98	0.99	1.00	0.96	0.97	1.08	1.13	1.04	0.96	-0.09	-0.03
Jet/Kerosene	0.59	0.55	0.64	0.81	0.43	0.36	0.35	0.40	0.43	0.02	-0.05
Diesel	0.48	0.40	0.43	0.38	0.35	0.38	0.37	0.40	0.36	-0.04	-0.08
Other Gasoil	0.44	0.44	0.46	0.53	0.43	0.42	0.41	0.44	0.42	-0.01	-0.01
Residual Fuel Oil	0.54	0.40	0.38	0.39	0.36	0.42	0.42	0.43	0.36	-0.07	-0.01
Other Products	0.49	0.37	0.38	0.34	0.33	0.50	0.51	0.53	0.32	-0.21	-0.06
Total	4.79	4.37	4.60	4.79	4.04	4.33	4.39	4.44	4.03	-0.41	-0.27
Germany											
LPG	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.10	0.08	-0.02	-0.01
Naphtha	0.38	0.37	0.38	0.43	0.37	0.41	0.41	0.39	0.39	0.00	0.01
Motor Gasoline	0.48	0.47	0.47	0.42	0.48	0.49	0.47	0.49	0.48	-0.02	0.01
Jet/Kerosene	0.19	0.19	0.19	0.17	0.19	0.20	0.20	0.20	0.20	0.00	0.00
Diesel	0.65	0.64	0.66	0.60	0.68	0.71	0.68	0.75	0.72	-0.03	0.04
Other Gasoil	0.48	0.41	0.36	0.46	0.33	0.45	0.44	0.55	0.50	-0.06	0.07
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.13	0.15	0.14	0.15	0.15	0.00	0.00
Other Products	0.14	0.11	0.11	0.05	0.11	0.12	0.10	0.13	0.12	-0.01	-0.01
Total	2.57	2.44	2.39	2.38	2.39	2.63	2.56	2.76	2.63	-0.13	0.13
Italy											
LPG	0.10	0.10	0.12	0.14	0.10	0.09	0.09	0.10	0.08	-0.02	-0.02
Naphtha	0.10	0.09	0.09	0.11	0.12	0.12	0.12	0.11	0.11	0.00	0.02
Motor Gasoline	0.26	0.25	0.24	0.22	0.24	0.25	0.24	0.24	0.20	-0.04	-0.04
Jet/Kerosene	0.09	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.11	-0.01	0.01
Diesel	0.51	0.49	0.50	0.47	0.50	0.51	0.44	0.53	0.50	-0.03	-0.02
Other Gasoil	0.13	0.13	0.16	0.13	0.10	0.11	0.10	0.13	0.15	0.02	-0.01
Residual Fuel Oil	0.25	0.21	0.19	0.15	0.14	0.15	0.14	0.14	0.13	-0.01	-0.08
Other Products	0.19	0.16	0.14	0.13	0.16	0.21	0.21	0.21	0.21	0.00	0.04
Total	1.63	1.53	1.54	1.45	1.47	1.55	1.47	1.58	1.49	-0.09	-0.09
France											
LPG	0.13	0.09	0.09	0.14	0.09	0.09	0.09	0.10	0.11	0.01	0.03
Naphtha	0.17	0.14	0.14	0.15	0.15	0.13	0.14	0.13	0.13	0.00	-0.01
Motor Gasoline	0.21	0.20	0.19	0.17	0.20	0.20	0.20	0.20	0.18	-0.02	-0.02
Jet/Kerosene	0.16	0.15	0.14	0.14	0.15	0.16	0.16	0.16	0.14	-0.03	-0.01
Diesel	0.66	0.66	0.68	0.64	0.69	0.70	0.65	0.72	0.70	-0.01	0.02
Other Gasoil	0.33	0.31	0.33	0.35	0.21	0.26	0.23	0.33	0.30	-0.03	-0.02
Residual Fuel Oil	0.10	0.10	0.10	0.11	0.09	0.08	0.07	0.08	0.07	-0.01	-0.03
Other Products	0.19	0.18	0.15	0.16	0.19	0.19	0.18	0.21	0.15	-0.06	-0.02
Total	1.95	1.83	1.82	1.85	1.77	1.82	1.72	1.93	1.78	-0.14	-0.06
United Kingdom											
LPG	0.17	0.16	0.14	0.13	0.15	0.11	0.11	0.11	0.12	0.01	-0.03
Naphtha	0.02	0.02	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.00	0.00
Motor Gasoline	0.39	0.37	0.35	0.35	0.36	0.35	0.35	0.36	0.35	-0.01	-0.01
Jet/Kerosene	0.34	0.34	0.34	0.35	0.30	0.33	0.33	0.34	0.34	0.00	0.00
Diesel	0.44	0.45	0.44	0.47	0.46	0.47	0.47	0.47	0.48	0.00	0.03
Other Gasoil	0.14	0.10	0.09	0.11	0.10	0.13	0.13	0.12	0.10	-0.02	0.01
Residual Fuel Oil	0.09	0.07	0.07	0.06	0.06	0.06	0.06	0.06	0.08	0.02	0.01
Other Products	0.15	0.16	0.15	0.14	0.16	0.16	0.17	0.15	0.17	0.02	0.02
Total	1.73	1.67	1.61	1.65	1.62	1.63	1.64	1.64	1.66	0.03	0.01
Canada											
LPG	0.34	0.34	0.34	0.35	0.35	0.30	0.30	0.32	0.36	0.04	0.03
Naphtha	0.08	0.05	0.05	0.08	0.08	0.09	0.09	0.10	0.08	-0.02	0.05
Motor Gasoline	0.72	0.73	0.72	0.70	0.75	0.77	0.77	0.76	0.73	-0.03	0.00
Jet/Kerosene	0.12	0.12	0.10	0.11	0.11	0.12	0.13	0.12	0.10	-0.02	0.00
Diesel	0.23	0.23	0.23	0.23	0.23	0.22	0.22	0.21	0.21	-0.01	-0.05
Other Gasoil	0.33	0.28	0.31	0.32	0.29	0.31	0.32	0.32	0.35	0.03	0.09
Residual Fuel Oil	0.11	0.09	0.09	0.11	0.10	0.09	0.10	0.09	0.10	0.01	0.03
Other Products	0.32	0.30	0.32	0.30	0.32	0.36	0.37	0.36	0.33	-0.03	0.00
Total	2.24	2.15	2.17	2.19	2.23	2.26	2.31	2.28	2.25	-0.02	0.15

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.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	3Q10	4Q10	1Q11	2Q11	3Q11	Oct 10	Nov 10	Dec 10
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.18	8.30				8.33	8.23	8.33
Iran	3.74	3.70		3.69	3.67				3.65	3.68	3.68
Iraq	2.43	2.36		2.34	2.42				2.41	2.42	2.44
UAE	2.27	2.31		2.33	2.31				2.33	2.29	2.32
Kuwait	2.01	2.03		2.03	2.03				2.03	2.02	2.05
Neutral Zone	0.54	0.53		0.54	0.54				0.54	0.54	0.54
Qatar	0.80	0.80		0.80	0.81				0.80	0.82	0.82
Angola	1.77	1.77		1.71	1.65				1.68	1.66	1.62
Nigeria	1.82	2.08		2.15	2.22				2.20	2.18	2.28
Libya	1.55	1.55		1.56	1.56				1.56	1.56	1.56
Algeria	1.25	1.26		1.26	1.27				1.27	1.27	1.27
Ecuador	0.47	0.47		0.46	0.47				0.47	0.47	0.48
Venezuela	2.15	2.23		2.23	2.20				2.21	2.19	2.20
Total Crude Oil[6]	28.69	29.22		29.27	29.47				29.48	29.33	29.58
Total NGLs[1,6]	4.81	5.29	5.84	5.37	5.48	5.70	5.79	5.93	5.48	5.48	5.48
Total OPEC[6]	33.49	34.50		34.64	34.94				34.96	34.81	35.06
OPEC: Historical Composition[6]	33.49	34.50		34.64	34.94				34.96	34.81	35.06
NON-OPEC[2]											
OECD											
North America	13.62	14.09	13.87	14.09	14.28	13.97	13.69	13.77	14.29	14.30	14.25
United States[5]	7.44	7.79	7.72	7.80	7.96	7.76	7.76	7.61	7.98	7.97	7.91
Mexico	2.97	2.95	2.88	2.94	2.91	2.92	2.90	2.85	2.94	2.88	2.92
Canada	3.22	3.35	3.27	3.35	3.41	3.29	3.03	3.31	3.36	3.46	3.41
Europe	4.52	4.15	4.07	3.76	4.16	4.22	4.03	3.92	4.24	4.12	4.13
UK	1.47	1.37	1.32	1.21	1.35	1.37	1.32	1.24	1.36	1.33	1.35
Norway	2.39	2.15	2.14	1.94	2.18	2.23	2.09	2.07	2.24	2.16	2.14
Others	0.67	0.63	0.61	0.61	0.64	0.62	0.62	0.61	0.64	0.63	0.64
Pacific	0.65	0.61	0.64	0.60	0.59	0.58	0.62	0.67	0.59	0.62	0.57
Australia	0.55	0.51	0.55	0.51	0.50	0.48	0.52	0.58	0.50	0.53	0.48
Others	0.10	0.10	0.09	0.10	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total OECD	18.80	18.85	18.59	18.46	19.04	18.77	18.34	18.36	19.11	19.04	18.96
NON-OECD											
Former USSR	13.28	13.58	13.74	13.55	13.75	13.83	13.78	13.57	13.69	13.82	13.73
Russia	10.21	10.45	10.53	10.44	10.54	10.55	10.53	10.50	10.58	10.55	10.49
Others	3.07	3.13	3.21	3.11	3.21	3.28	3.26	3.06	3.12	3.28	3.24
Asia	7.49	7.77	7.93	7.84	7.88	8.00	7.88	7.93	7.82	7.98	7.85
China	3.89	4.11	4.29	4.14	4.23	4.33	4.25	4.32	4.21	4.29	4.19
Malaysia	0.74	0.71	0.66	0.70	0.70	0.67	0.66	0.65	0.71	0.71	0.68
India	0.80	0.86	0.93	0.88	0.91	0.92	0.92	0.92	0.88	0.93	0.92
Indonesia	0.98	0.98	0.94	0.98	0.96	0.97	0.95	0.93	0.93	0.97	0.98
Others	1.08	1.10	1.11	1.13	1.08	1.11	1.10	1.11	1.09	1.08	1.09
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.13
Latin America	3.88	4.07	4.35	4.08	4.08	4.19	4.31	4.42	4.00	4.13	4.11
Brazil[5]	2.03	2.13	2.29	2.13	2.15	2.17	2.26	2.35	2.08	2.18	2.20
Argentina	0.72	0.70	0.70	0.70	0.68	0.71	0.70	0.70	0.69	0.69	0.66
Colombia	0.67	0.79	0.91	0.79	0.81	0.86	0.90	0.92	0.81	0.82	0.81
Others	0.45	0.45	0.45	0.45	0.43	0.45	0.45	0.45	0.42	0.44	0.44
Middle East[3]	1.68	1.69	1.69	1.69	1.69	1.70	1.70	1.69	1.68	1.70	1.69
Oman	0.81	0.87	0.91	0.87	0.88	0.90	0.90	0.92	0.87	0.89	0.89
Syria	0.39	0.37	0.35	0.37	0.37	0.36	0.35	0.35	0.37	0.37	0.36
Yemen	0.29	0.26	0.25	0.26	0.25	0.26	0.25	0.25	0.26	0.25	0.25
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.18	0.18	0.19	0.19	0.19
Africa	2.61	2.60	2.64	2.60	2.59	2.61	2.63	2.65	2.59	2.59	2.59
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.63	1.62	1.66	1.61	1.60	1.62	1.65	1.68	1.60	1.60	1.60
Total Non-OECD	29.08	29.84	30.48	29.89	30.12	30.46	30.44	30.40	29.93	30.35	30.10
Processing Gains[4]	2.25	2.30	2.35	2.33	2.31	2.33	2.34	2.37	2.31	2.31	2.31
Global Biofuels[5]	1.57	1.82	2.00	2.14	1.80	1.54	1.97	2.37	1.92	1.84	1.64
TOTAL NON-OPEC[6]	51.69	52.82	53.41	52.81	53.27	53.12	53.09	53.50	53.27	53.54	53.01
Non-OPEC: Historical Composition[6]	51.69	52.82	53.41	52.81	53.27	53.12	53.09	53.50	53.27	53.54	53.01
TOTAL SUPPLY	85.19	87.32		87.45	88.21				88.22	88.34	88.07

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jul2010	Aug2010	Sep2010	Oct2010	Nov2010*	Nov2007	Nov2008	Nov2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	502.9	499.2	506.0	515.3	504.8	436.9	469.0	485.2	-0.09	0.40	0.04	-0.04
Motor Gasoline	251.3	252.1	249.6	240.3	241.8	232.5	232.5	252.5	0.11	0.06	-0.15	0.05
Middle Distillate	243.0	247.5	243.7	235.7	232.2	206.0	205.8	244.0	-0.12	-0.26	0.16	0.14
Residual Fuel Oil	49.5	46.7	48.8	49.4	49.3	46.2	47.0	43.3	0.01	0.05	0.02	-0.02
Total Products[3]	735.3	738.5	730.6	708.6	697.3	659.9	672.0	715.5	-0.54	-0.25	0.42	0.21
Total[4]	1395.4	1397.1	1398.0	1387.7	1367.0	1252.4	1303.5	1355.6	-0.88	0.14	0.61	0.23
Europe												
Crude	334.4	348.5	319.4	335.8	334.4	331.9	328.3	343.3	0.03	-0.02	0.13	-0.25
Motor Gasoline	94.2	94.1	94.5	95.7	98.9	98.4	100.2	97.5	0.05	0.03	-0.09	0.00
Middle Distillate	285.8	288.1	277.2	275.7	279.2	223.4	269.7	295.1	-0.03	-0.04	0.03	-0.10
Residual Fuel Oil	72.5	72.8	74.8	70.9	69.2	73.1	73.7	68.8	0.03	0.02	0.04	-0.03
Total Products[3]	563.3	565.6	557.3	549.7	554.8	503.5	560.9	570.8	0.05	-0.04	0.00	-0.12
Total[4]	966.0	983.2	942.9	951.8	955.3	910.4	963.4	981.8	0.04	0.01	0.08	-0.40
Pacific												
Crude	170.6	161.7	155.8	158.3	169.3	161.3	166.4	167.1	-0.06	0.05	0.02	-0.11
Motor Gasoline	24.4	23.9	23.9	24.6	25.1	21.2	24.1	25.2	-0.02	0.02	0.01	-0.03
Middle Distillate	59.1	63.8	66.4	67.5	65.6	71.3	69.7	69.2	-0.11	-0.05	0.00	0.09
Residual Fuel Oil	20.1	20.6	21.9	20.1	19.3	19.7	20.8	19.2	-0.03	0.02	0.01	0.01
Total Products[3]	169.2	177.0	177.7	182.3	179.9	178.8	186.4	177.4	-0.26	-0.03	0.11	0.11
Total[4]	409.4	409.1	402.7	410.3	419.2	412.5	426.1	407.3	-0.39	0.03	0.21	-0.03
Total OECD												
Crude	1007.9	1009.4	981.1	1009.4	1008.5	930.1	963.7	995.6	-0.12	0.43	0.19	-0.41
Motor Gasoline	369.8	370.1	368.0	360.5	365.7	352.1	356.8	375.2	0.14	0.11	-0.23	0.02
Middle Distillate	587.9	599.3	587.2	578.9	577.0	500.7	545.2	608.4	-0.26	-0.35	0.19	0.14
Residual Fuel Oil	142.1	140.1	145.5	140.4	137.7	139.0	141.4	131.3	0.00	0.09	0.07	-0.04
Total Products[3]	1467.8	1481.1	1465.6	1440.6	1431.9	1342.2	1419.3	1463.7	-0.76	-0.33	0.53	0.19
Total[4]	2770.7	2789.4	2743.5	2749.8	2741.5	2575.3	2692.9	2744.7	-1.23	0.18	0.90	-0.20

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jul2010	Aug2010	Sep2010	Oct2010	Nov2010*	Nov2007	Nov2008	Nov2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	726.6	726.6	726.5	726.6	726.5	695.5	701.8	726.1	0.02	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	185.3	182.9	182.0	186.6	186.6	182.3	187.3	183.7	-0.02	0.04	-0.03	-0.04
Products	234.7	235.3	235.4	226.2	234.1	232.4	226.8	241.0	-0.01	-0.01	-0.03	-0.02
Pacific												
Crude	388.9	387.0	381.9	387.1	387.1	385.1	386.2	388.8	0.01	0.00	0.02	-0.10
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.01	0.00	0.00	0.00
Total OECD												
Crude	1300.7	1296.4	1290.5	1300.3	1300.2	1262.9	1275.3	1298.5	0.00	0.04	0.00	-0.13
Products	256.7	257.3	257.4	248.2	256.1	253.2	248.0	263.0	0.00	-0.01	-0.03	-0.02
Total[4]	1558.8	1555.1	1549.3	1549.7	1557.5	1517.1	1524.2	1563.0	0.00	0.03	-0.04	-0.15

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2009		End December 2009		End March 2010		End June 2010		End September 2010 [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	194.5	90	192.6	87	195.1	83	188.2	80	196.6	-
Mexico	50.4	23	44.7	21	51.5	24	54.4	26	49.0	-
United States[4]	1850.3	98	1778.4	95	1781.4	94	1840.7	94	1858.7	-
Total[4]	2117.3	90	2037.7	87	2050.1	86	2105.4	87	2126.5	88
Pacific										
Australia	44.9	46	40.3	43	41.5	44	42.7	45	41.1	-
Japan	607.3	132	588.8	123	581.5	144	597.1	138	581.8	-
Korea	167.0	74	155.0	67	163.6	75	167.3	78	173.5	-
New Zealand	7.5	49	8.1	51	8.1	59	8.9	57	8.2	-
Total	826.7	104	792.2	97	794.7	109	816.0	107	804.6	100
Europe[5]										
Austria	20.8	78	21.2	81	22.7	85	20.1	69	19.4	-
Belgium	34.2	52	34.4	53	35.3	69	37.8	64	34.3	-
Czech Republic	21.8	104	21.5	124	21.7	106	20.4	99	21.1	-
Denmark	25.0	153	25.5	154	27.2	171	28.2	160	24.8	-
Finland	29.3	143	33.1	151	32.5	171	28.5	138	28.5	-
France	174.0	96	174.9	94	171.8	97	170.1	93	163.4	-
Germany	276.7	116	284.1	120	287.7	120	281.0	107	283.9	-
Greece	35.5	90	35.1	85	35.6	104	33.9	97	36.3	-
Hungary	14.4	89	14.3	115	16.8	115	17.0	107	15.9	-
Ireland	12.4	71	11.4	66	12.7	79	12.8	84	11.4	-
Italy	129.0	84	125.6	87	129.2	88	132.5	85	126.6	-
Luxembourg	0.8	15	0.8	14	0.8	13	0.7	12	0.7	-
Netherlands	138.1	137	135.7	135	131.0	123	138.8	135	120.9	-
Norway	24.7	128	21.9	112	21.1	93	22.1	112	20.8	-
Poland	64.0	115	63.2	125	62.5	115	63.8	106	64.2	-
Portugal	24.5	92	26.2	99	23.4	85	24.9	88	22.8	-
Slovak Republic	8.3	103	8.3	109	9.5	122	9.3	99	8.6	-
Spain	135.0	94	132.6	91	132.0	93	134.1	94	133.0	-
Sweden	38.4	117	39.5	110	39.3	109	35.4	99	34.4	-
Switzerland	38.2	137	37.0	155	37.8	158	38.1	142	37.7	-
Turkey	57.8	111	57.6	119	58.1	96	58.4	87	58.5	-
United Kingdom	94.2	59	94.4	57	93.3	58	96.0	59	94.4	-
Total	1397.3	97	1398.2	99	1402.0	99	1403.7	95	1361.7	93
Total OECD	4341.4	95	4228.1	92	4246.8	94	4325.1	93	4292.8	92
DAYS OF IEA Net Imports[6]	-	133	-	144	-	145	-	147	-	146

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 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4299	1547	2752	97	35	62
2Q2009	4322	1561	2761	96	35	61
3Q2009	4341	1564	2777	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4247	1567	2680	94	35	59
2Q2010	4325	1563	2762	93	34	59
3Q2010	4293	1549	2743	92	33	59

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 3Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Aug 10	Sep 10	Oct 10	Year Earlier Oct 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.53	0.56	0.69	0.73	0.85	0.70	0.67	0.69	-0.01
Europe	0.70	0.70	0.59	0.61	0.55	0.64	0.74	0.75	0.77	0.64	0.58	0.06
Pacific	1.19	1.22	1.28	1.32	1.25	1.17	1.15	1.14	1.13	1.03	1.14	-0.11
Saudi Medium												
North America	0.56	0.64	0.40	0.34	0.38	0.36	0.33	0.31	0.39	0.36	0.28	0.08
Europe	0.05	0.05	0.02	0.02	-	0.00	-	-	-	-	0.02	-
Pacific	0.34	0.39	0.34	0.33	0.33	0.37	0.30	0.33	0.28	0.33	0.27	0.05
Saudi Heavy												
North America	0.09	0.07	0.03	0.03	0.02	0.02	0.03	0.02	0.02	-	0.08	-
Europe	0.11	0.09	0.02	0.01	0.00	0.00	0.00	-	0.00	-	0.00	-
Pacific	0.20	0.24	0.15	0.12	0.23	0.19	0.23	0.24	0.25	0.20	0.10	0.10
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.40	0.42	0.43	0.28	0.27	0.25	0.19	0.34	-0.15
Europe	0.30	0.21	0.12	0.06	0.06	0.09	0.13	0.23	0.04	0.11	0.06	0.05
Pacific	0.17	0.15	0.24	0.27	0.35	0.19	0.26	0.25	0.32	0.44	0.28	0.15
Iraqi Kirkuk												
North America	-	0.08	0.06	0.04	0.01	0.03	0.05	0.05	0.04	0.04	0.03	0.01
Europe	0.11	0.23	0.31	0.29	0.33	0.27	0.25	0.18	0.31	0.17	0.38	-0.21
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.20	0.24	0.33	0.41	0.18	0.16	0.06	0.10
Pacific	0.09	0.08	0.07	0.06	0.06	0.07	0.04	0.02	0.04	-	0.06	-
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.37	0.35	0.47	0.70	0.64	0.66	0.54	0.42	0.12
Pacific	0.64	0.61	0.57	0.56	0.61	0.44	0.53	0.38	0.57	0.50	0.55	-0.05
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.09	0.11	0.21	0.08	0.02	0.10	0.11	0.16	-0.05
Europe	0.08	0.06	0.07	0.02	0.01	0.02	0.05	0.09	0.01	0.03	0.01	0.03
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.75	0.89	0.83	0.96	1.07	0.83	0.69	0.72	-0.02
Europe	0.07	0.07	0.07	0.08	0.07	0.06	0.06	0.05	0.04	0.07	0.13	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.82	0.82	0.96	0.94	1.18	0.73	0.90	0.83	0.07
Europe	0.14	0.14	0.10	0.12	0.12	0.11	0.11	0.14	0.11	0.15	0.12	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.03	0.02	0.02	0.01	0.05	0.07	0.01	0.07
Europe	0.02	0.01	0.01	-	-	0.02	-	-	-	0.10	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.06	0.08	0.13	0.08	0.22	0.02	0.07	0.02	0.05
Europe	1.86	1.81	1.72	1.80	1.76	1.86	1.88	1.79	1.97	1.56	1.73	-0.17
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.67	0.55	0.64	0.64	0.69	0.64	0.56	0.61	-0.05
Europe	0.24	0.29	0.32	0.34	0.26	0.29	0.31	0.35	0.32	0.44	0.28	0.16
Pacific	0.01	-	0.00	0.01	-	-	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.21	0.24	0.29	0.25	0.26	0.25	0.20	0.12	0.08
Europe	0.07	0.14	0.13	0.15	0.07	0.09	0.09	0.11	0.06	0.09	0.06	0.03
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Aug-10	Sep-10	Oct-10	Year Earlier Oct-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	6717	7057	7902	7716	7836	7333	6601	6470	2%
Europe	9691	9776	8913	8676	8562	9160	9463	9815	9032	8700	8533	2%
Pacific	6718	6605	6082	6102	6445	5899	6161	6177	6246	6052	5831	4%
Total OECD	24622	24427	22322	21495	22063	22961	23340	23829	22611	21353	21208	1%
LPG												
North America	28	31	13	5	12	7	7	7	5	7	6	100%
Europe	278	268	249	261	286	269	226	229	233	226	242	-6%
Pacific	557	589	529	529	534	600	533	579	503	580	515	12%
Total OECD	863	887	792	795	832	876	766	815	742	813	763	7%
Naphtha												
North America	40	56	22	12	23	28	59	61	50	48	8	520%
Europe	283	298	312	388	444	393	346	294	323	310	338	-8%
Pacific	794	776	841	896	953	899	855	798	849	949	963	-1%
Total OECD	1116	1130	1176	1296	1421	1320	1260	1153	1222	1307	1308	0%
Gasoline[3]												
North America	1128	1077	878	785	697	838	925	976	761	765	820	-7%
Europe	179	215	193	62	163	196	207	190	202	79	-42	na
Pacific	73	90	96	99	70	73	44	49	42	65	101	-35%
Total OECD	1380	1382	1166	946	931	1107	1176	1214	1005	910	879	3%
Jet & Kerosene												
North America	183	64	61	55	69	59	86	86	90	99	73	35%
Europe	373	401	451	444	439	358	476	507	550	403	533	-24%
Pacific	43	34	53	48	46	37	29	26	28	46	40	16%
Total OECD	599	500	566	546	553	454	591	618	669	548	646	-15%
Gasoil/Diesel												
North America	132	74	56	44	114	43	27	33	21	6	60	-91%
Europe	783	871	1033	1038	1132	885	931	830	1013	1218	1108	10%
Pacific	91	119	87	114	88	121	88	64	95	87	146	-41%
Total OECD	1005	1064	1177	1196	1333	1048	1046	927	1129	1310	1315	0%
Heavy Fuel Oil												
North America	323	288	270	226	277	293	285	232	325	235	195	21%
Europe	436	458	533	543	564	545	504	488	591	534	481	11%
Pacific	95	125	113	79	136	104	127	136	126	107	60	78%
Total OECD	854	871	917	848	978	941	915	857	1042	876	736	19%
Other Products												
North America	1050	1078	870	756	676	782	852	901	789	963	743	30%
Europe	771	734	718	696	622	606	698	736	678	729	770	-5%
Pacific	254	298	325	356	330	276	382	373	400	293	324	-9%
Total OECD	2074	2110	1913	1809	1628	1665	1932	2010	1868	1985	1837	8%
Total Products												
North America	2883	2667	2171	1882	1868	2049	2240	2297	2042	2122	1905	11%
Europe	3102	3245	3491	3432	3650	3252	3388	3274	3590	3499	3430	2%
Pacific	1906	2032	2045	2121	2157	2110	2059	2025	2044	2127	2149	-1%
Total OECD	7891	7944	7706	7435	7675	7411	7686	7596	7676	7748	7484	4%
Total Oil												
North America	11097	10713	9497	8600	8924	9952	9956	10133	9375	8723	8750	0%
Europe	12793	13022	12404	12108	12212	12412	12850	13089	12622	12198	11963	2%
Pacific	8623	8637	8127	8223	8602	8008	8219	8202	8290	8179	7980	3%
Total OECD	32513	32371	30028	28931	29738	30372	31025	31424	30287	29100	28693	1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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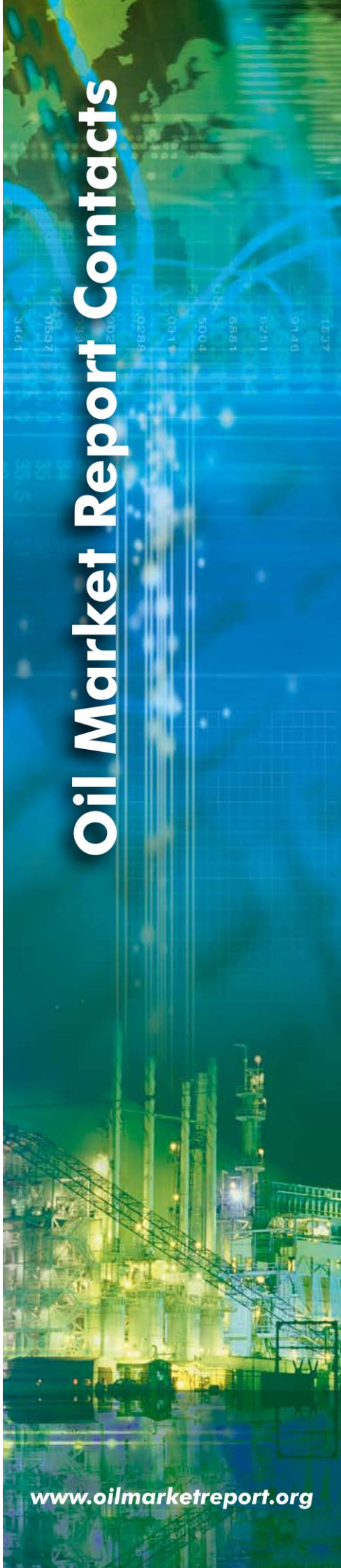
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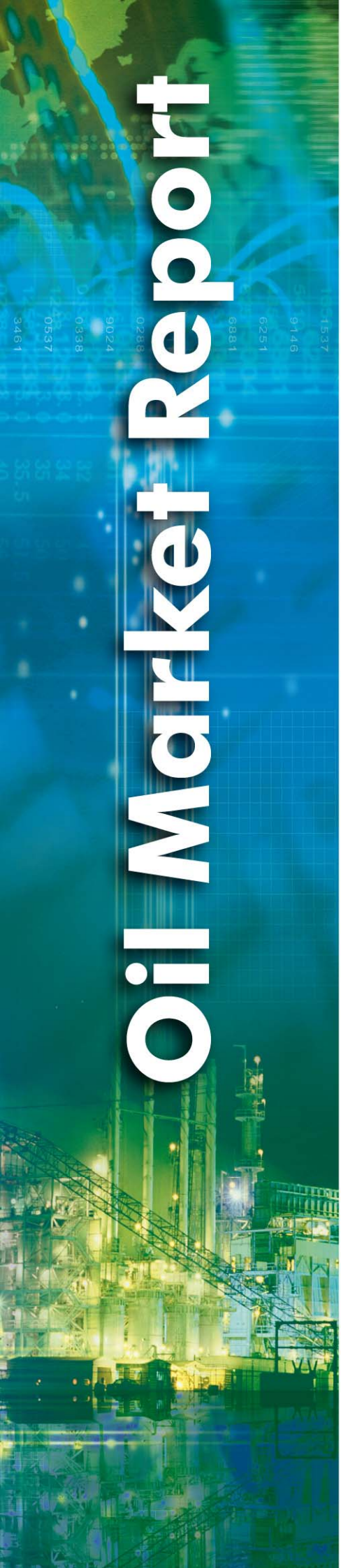
User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of McGraw-Hill Inc.).

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Next Issue: 10 February 2011





International Energy Agency

10 February 2011

HIGHLIGHTS

- **Crude prices were propelled higher at end-January by political unrest in Egypt, with Brent crude reaching $100/bbl** on fears that the turmoil might disrupt Suez canal and SUMED pipeline flows or spread in the region. Although prices have since eased, Brent futures remain around $100.50/bbl and WTI at $87.20/bbl at writing.

- **Global oil product demand for 2010 and 2011 is revised up by 120 kb/d on average** on higher-than-expected submissions in non-OECD Asia and improved economic prospects for OECD North America. At 87.8 mb/d in 2010, global oil demand rose by 2.8 mb/d year-on-year, and should reach 89.3 mb/d in 2011 (+1.5 mb/d year-on-year).

- **World oil supply rose 0.5 mb/d in January, to 88.5 mb/d**, on higher OPEC crude and NGL output. Non-OPEC supply was unchanged from December at 53 mb/d, as outages continued to constrain production. 2010 estimates remain at 52.8 mb/d, while the 2011 outlook is nudged up 0.1 mb/d to 53.5 mb/d on higher North American output.

- **OPEC crude supply scaled two-year highs in January at 29.85 mb/d**, with Iraq underpinning the 280 kb/d monthly increase. OPEC NGLs in 1Q11 rise by 200 kb/d to 5.7 mb/d on gains from Qatar and UAE. The 2011 'call on OPEC crude and stock change' now averages 29.9 mb/d after upward revisions to demand, close to observed January OPEC output levels. OPEC effective spare capacity stands at 4.7 mb/d.

- **Global refinery crude throughputs for 4Q10 are adjusted up by 150 kb/d, to 74.7 mb/d,** 2.4 mb/d above 4Q09, on higher US, Chinese and Indian data for November/December. Global runs are expected to rise to 74.8 mb/d in 1Q11 as maintenance in Europe, the FSU and Middle East partly offset higher Chinese and Latin American runs.

- **December OECD industry stocks declined by 55.6 mb to 2 668 mb,** and forward demand cover fell to 57.5 days, the lowest in the past two years. Preliminary January data point to a 19.8 mb build in OECD stocks, while oil in short-term floating storage fell.

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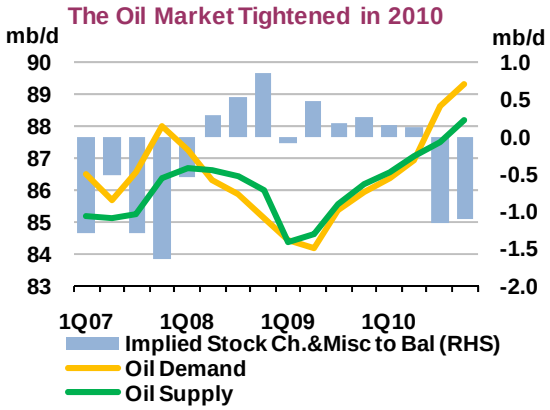
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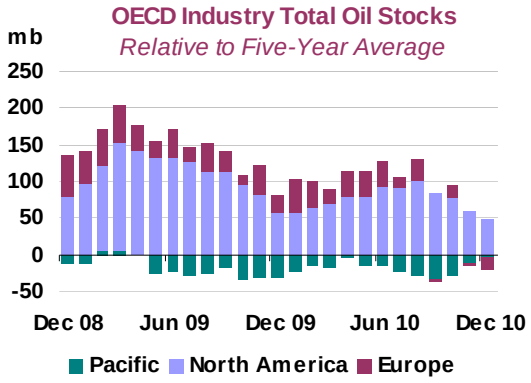
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A MARKET THAT TIGHTENED IN 2010

This month's report incorporates the latest IMF economic outlook, showing persistently strong non-OECD growth and stronger-than-expected OECD economic recovery. Nonetheless, the post-recessionary surge of 2010 should ease in 2011. With a diminishing stimulus impact, tightening OECD government budgets and worrisome signs of commodity price inflation in the non-OECD, global economic growth is expected to ease to 4.3% this year from 4.8% in 2010. Our outlook this month also updates 2011 price assumptions (based on the futures strip), which now come in at around $90/bbl for WTI, $9/bbl higher than the assumption used in December and January.

Crude prices have indeed been rising since September. They gained impetus in late-January from political unrest in Egypt, amid fears for the security of supply through the Suez canal and SUMED pipeline, and of possible regional contagion affecting other Middle Eastern oil producers. But while geopolitical concerns remain ever-present in the region, prices nudged lower again as the immediate threat of escalation seemed to ebb. Nonetheless, a chorus of calls to clamp down on market speculation can still be heard. The premise runs that, assuming worries on Egypt recede, and since OECD stocks and both OPEC and downstream spare capacity look plentiful, how otherwise can prices still be flirting with $100/bbl?





We hate to be predictable, but would suggest that one clue for strengthening prices since last autumn can be gleaned from latest estimates for oil market fundamentals in 2010 (acknowledging that it is still an incomplete picture, and that data lags and gaps mean we only get a good picture of market drivers well after the event). This shows an implied global tightening to the tune of 1.1 mb/d in the second half of the year, as remarkably strong oil demand (notably gasoil-diesel) ran well ahead of global supplies. Implied global stock draw for the year as a whole averaged 0.5 mb/d, the largest since 2007. And OECD inventories, while trending sideways in 2009 and 2010 in absolute terms, nonetheless were drawn down by an average 0.6 mb/d through the second half of 2010. Moreover, the OECD stock overhang versus the five-year average has narrowed from 200 mb in early 2009 to around 30 mb now. That still seems like a lot of oil until one considers it is equivalent to less than one day's forward demand cover. Moreover the overhang is highly concentrated in North American crude and in distillate. Netting out inflated levels of landlocked US PADD 2 crude, OECD inventories are pretty close to the five year average.

Of course, no one would pretend that prompt market fundamentals are the only influence on prices. A host of market expectations and macro and micro financial factors play a role that ebbs and flows with time, albeit it is well nigh impossible to quantify the impact from these disparate factors. But the inescapable conclusion from our market balances is that the physical market has tightened significantly in 2010. *Ceteris paribus*, a cushion of stocks and spare capacity does provide some potential to constrain further price increases in 2011. That is just as well, given the potentially damaging short term economic impacts were prices to continue to rise.

DEMAND

Summary

- **Forecast global oil product demand for 2010 and 2011 is revised up by 120 kb/d on average** on higher-than-expected submissions in non-OECD Asia and improved economic prospects for OECD North America. Global oil demand, estimated at 87.8 mb/d in 2010 (+3.3% or +2.8 mb/d year-on-year), is projected to increase to 89.3 mb/d in 2011 (+1.7% or +1.5 mb/d year-on-year). However, persistent frailties in advanced economies and inflationary pressures in emerging countries pose downside risks to the outlook.

- **Projected OECD oil demand is adjusted up by 20 kb/d for 2010 and by 90 kb/d for 2011.** Despite very cold weather in all three areas, demand growth in December 2010 was to a large extent driven by industrial and transportation fuels rather than by heating fuels, which surged in only a handful of countries, notably in Europe. Total OECD demand is now assessed at 46.1 mb/d in 2010 (+1.5% or +0.7 mb/d year-on-year). For 2011, higher economic growth assumptions by the IMF – concentrated in North America – should temper the area's structural decline, with total demand averaging 46.0 mb/d (-0.2% or -100 kb/d versus the previous year).

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.7	30.4	30.2	30.1	30.3	30.9	30.6	30.5
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.9	28.6	27.5	28.5	27.9	27.5	28.8	28.2
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.5	15.4	15.1	15.0	14.8	15.4	15.3	15.1
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.4	4.3	4.4	4.3	4.5	4.5	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.4	7.8	8.2	7.6	7.7
World	**84.4**	**84.2**	**85.4**	**85.9**	**85.0**	**86.4**	**86.9**	**88.6**	**89.3**	**87.8**	**88.7**	**88.4**	**89.8**	**90.1**	**89.3**
Annual Chg (%)	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	3.9	3.3	2.7	1.7	1.4	1.0	1.7
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	1.9	2.8	3.2	3.4	2.8	2.3	1.4	1.2	0.9	1.5
Changes from last OMR (mb/d)	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.03	0.40	0.09	0.06	0.03	0.03	0.44	0.14

- **Estimated non-OECD oil demand for 2010 and 2011 is raised by 60 kb/d on average.** Higher readings in Asia (mostly China) were partly compensated by a lower outlook for the Middle East (Iran). Chinese demand reached yet another record high in December (10.4 mb/d), with apparent demand rising by 12.2% in full-year 2010 (+1.0 mb/d), equivalent to over a third of global demand growth. Total non-OECD demand, estimated at 41.7 mb/d in 2010 (+5.5% or +2.2 mb/d year-on-year), is now projected to reach 43.2 mb/d in 2011 (+3.7% or +1.6 mb/d versus the previous year).

Global Overview

The latest prognoses by the IMF, published in January (*World Economic Outlook Update*), confirm that the global economy actually grew slightly faster than anticipated last year (+4.8% year-on-year, versus +4.7% as assessed in October). More interestingly, the revisions are mostly concentrated in the OECD, notably in the Pacific, which expanded by almost a full percentage point more than estimated earlier. This tallies with recent oil demand data, which had shown somewhat stronger-than-expected resilience in OECD demand for industrial and transportation fuels, notably in 2H10 (the surge in other fuels, as flagged in this report, was largely driven by extreme weather conditions, particularly in the Pacific).

For the non-OECD, the Fund's assessment for 2010 is broadly unchanged. Upward revisions for several Latin American and Asian countries offset relatively minor downward adjustments to China and the Middle East. Emerging economies thus grew by 7.1%, more than twice as much as developed countries. On a purchasing-power parity basis, the non-OECD – 45.3% of global GDP in 2010 – is poised to overtake the OECD in just a few years, albeit per capita income will likely lag OECD levels for rather longer.

For 2011, the IMF sees the global economy cruising ahead, albeit at a slower pace (+4.3%). Significantly, the Fund now expects a sturdier OECD recovery, while anticipating continued buoyancy in the non-OECD. Most regions have been revised up, with the notable exception of the Middle East, where anticipated economic stagnation in Iran results in a downgrade for regional expectations.

Real GDP Growth
OMR dated 10 February 2011

% change	2010	2011
WORLD	**4.8**	**4.3**
OECD	**2.9**	**2.5**
OECD, North America	3.1	3.1
OECD, Europe	2.2	1.9
OECD, Pacific	4.4	2.4
Non-OECD	**7.1**	**6.5**
Africa	4.7	5.0
Latin America	5.9	4.3
China (excl. Hong Kong)	10.3	9.6
Other Asia	8.3	6.5
Non-OECD Europe	(0.2)	2.2
FSU	4.1	4.6
Middle East	3.3	4.7

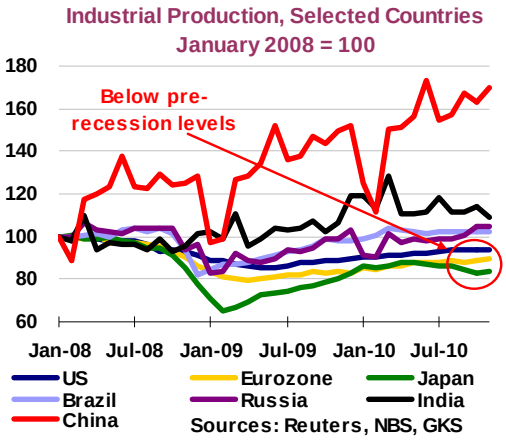
Current vs. Previous
OMR dated 13 October 2010

WORLD	**0.1**	**0.2**
OECD	**0.3**	**0.3**
OECD, North America	0.2	0.6
OECD, Europe	0.1	0.1
OECD, Pacific	0.9	0.0
Non-OECD	**(0.0)**	**(0.0)**
Africa	(0.1)	(0.1)
Latin America	0.1	0.3
China (excl. Hong Kong)	(0.2)	(0.0)
Other Asia	0.1	0.1
Non-OECD Europe	0.0	0.1
FSU	(0.1)	0.1
Middle East	(0.2)	(0.9)

Sources: IMF, IEA

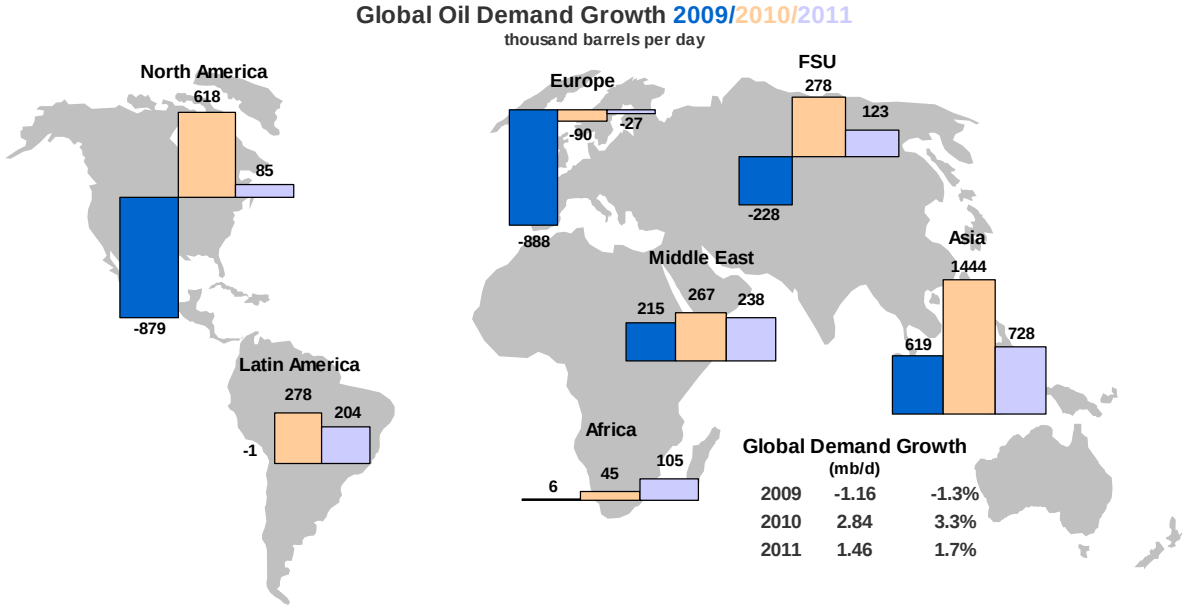
Nonetheless, these notionally healthy growth rates hide a number of concerns for the global economy. On the one hand, the OECD recovery is still fragile. Although the US economy is now expected to grow by as much as 3.0% this year – 0.7 percentage point higher than in the previous IMF forecast – this is still insufficient to curb recession-induced unemployment, despite extremely loose fiscal and monetary policies. The Japanese economy, meanwhile, is seen slowing down sharply as stimulus measures are withdrawn, with only a partial offsetting from its resilient export sector. Moreover, the country's sovereign rating was recently downgraded by a notch, highlighting its mounting fiscal travails – and potentially signalling that other advanced economies may suffer a similar fate should they postpone fiscal consolidation.

In Europe, most large economies are set to see relatively anaemic growth in 2011 – including Germany, which rebounded strongly in 2010. Moreover, the Fund raises concerns about "sovereign debt sustainability and banking sector health in a broader set of euro-area countries and possibly beyond." Yet the fiscal adjustment required to stave off a debt restructuring could prove very painful. On the other hand, lax macroeconomic policies in developed countries have encouraged significant capital flows into large, fast-growing emerging markets, not only boosting economic activity but also leading to surging inflationary pressures and appreciating currencies. More worrisome, inflation is spilling over into the OECD, driven by higher food and energy prices resulting largely from non-OECD demand.



A key question is whether China will tolerate high inflation and, if not, whether it will be able to engineer a soft landing and rebalance its economy by only using blunt administrative tools, as it has attempted (so far unsuccessfully) over the past few months. Alternatively, China could let its currency appreciate substantially and put in place more aggressive tightening measures – yet that could engender a hard landing, with negative consequences for the global economy. Our forecast, however, is based on the assumption that China will be able to rein in excessive credit and hence slow down the pace of economic growth and hence of oil demand. Some observers nonetheless contend that the strong oil demand growth momentum of 2010 will continue this year as Beijing focuses on lifting incomes in interior regions, notably in central and western China.

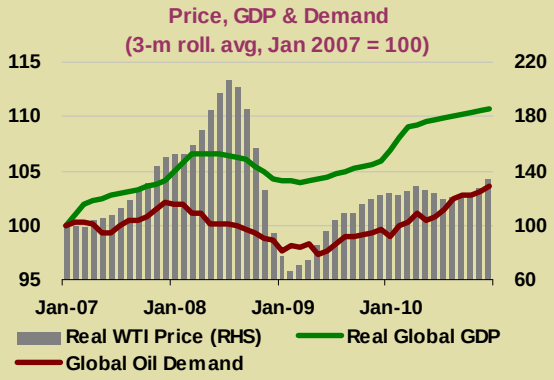
In terms of oil demand, these new GDP prognoses, together with a nominal oil price assumption of roughly $90/bbl for WTI, based on the futures curve in late January, up almost $9/bbl from December, translate into a slightly upwardly revised forecast of 89.3 mb/d for 2011. This implies growth of +1.7% or +1.5 mb/d year-on-year, +140 kb/d higher when compared with our last report and broadly in line with historical trends relative to GDP growth, interfuel substitution and oil intensity. Meanwhile, following new data submissions for November (final) and December (preliminary), our estimates for 2010 put global oil demand at 87.8 mb/d (+3.3% or +2.8 mb/d versus 2009 and 90 kb/d higher than previously expected). As such, at this time global growth appears to be only a fraction lower than the record reached in 2004 (+3.0 mb/d).



How Much Is Too Much?

The recent surge in the prices of oil and other commodities has resurrected a lively debate – which last raged in 2008 – on both its causes and consequences. With regard to oil, some observers argue that this price increase is entirely due to 'speculation' because the market is relatively well supplied. Still others contend that the global economy is resilient enough to absorb $100/bbl oil – and, by implication, that current production levels are adequate.

However, as this report has emphasised, global oil market fundamentals began to tighten in 3Q 2010, although the ensuing price impact has been cushioned by ample spare capacity, both upstream and downstream. Meanwhile, as much as oil prices tend to follow economic growth, as seen over the past two years, overly sharp price rises resulting from strong demand amid supply lags can also contribute to slow down economic activity, under a complex cycle of iterations that sets a temporary demand/supply equilibrium, before a new cycle begins.



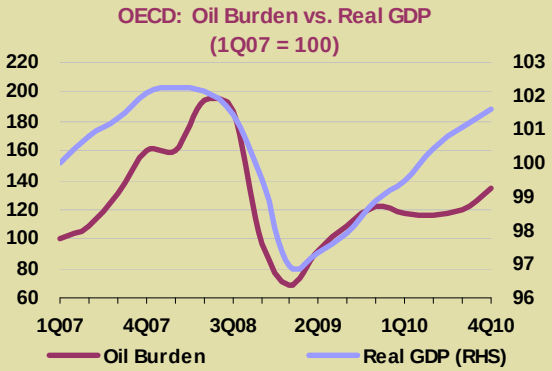
In the short-term, indeed, the rise in prices acts as a consumption tax, curbing purchasing power, notably in countries where such fluctuations are quickly passed through to consumers, and worsens the terms of trade of net energy importers. This is the case for most of the OECD, but also for many non-OECD countries, where energy (and food) account for a large share of household expenditures.

How Much Is Too Much? (continued)

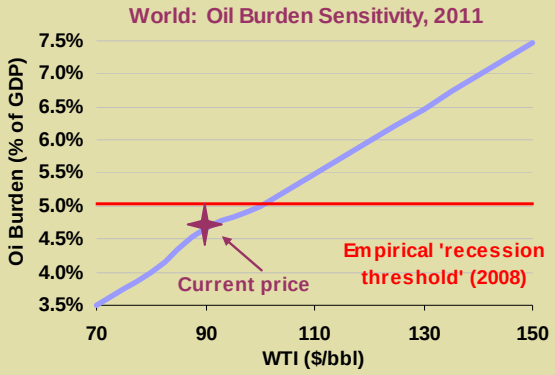
Since over half of global oil demand corresponds to transportation needs, demand is initially largely price inelastic due to a lack of readily switchable alternatives, but over the medium and longer term consumers modify their habits, seeking ways to increase efficiency and/or use alternative energy sources. The collapse of the US SUV market in 2008 provides an illustration of this process of adaptation; as gasoline prices surpassed $4/gallon amid the unfolding economic crisis, sales plummeted. The market for light trucks has rebounded over the past few months, but it will be interesting to observe whether such recovery will last with gasoline prices rising once again.

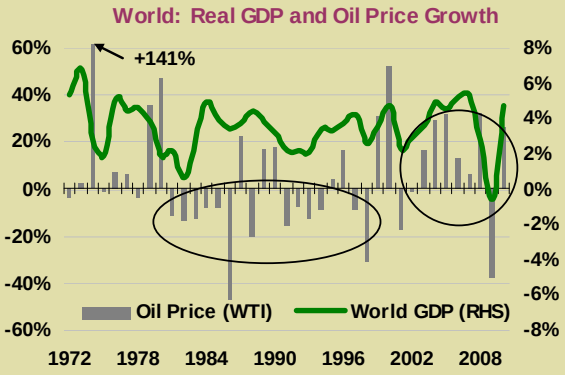
Even in countries with high subsidies in place, where demand should in principle be unaffected by higher international prices, the cost is ultimately borne by the government, state-owned companies and/or private players. Empirically, this can be particularly onerous for net importing countries, ranging from Bolivia to India, Iran or Morocco, to name but a few. For illustration, the IEA's 2010 *World Energy Outlook* estimated that global oil subsidies reached an all-time peak of $280 billion in 2008, falling back to around $130 billion in 2009 as oil prices retreated.

These effects can be broadly encapsulated by the 'oil burden' concept, defined as nominal oil expenditures (demand multiplied by the crude price) divided by nominal GDP. This is not to say that a rising oil burden will necessarily *cause* an economic recession (with the clear exception of the 1970s), but that it can greatly *compound* the effect of other economic and financial shocks. Indeed, economic activity in the OECD had already been stagnating *before* oil prices began their final ascent from roughly $90/bbl in late 2007 to $147/bbl by July 2008. Thus, as much as the Great Recession can be attributed to financial factors, high oil prices were a final nail in the coffin for advanced economies at that time.



At 4.1%, the 2010 global oil burden, albeit below that of 2008 (5.1%), was already the second highest following a major recession (the highest was reached in 1980, at 8.0%). Put differently, the oil burden rose by roughly a quarter in 2010. For the OECD, this was equivalent to roughly 0.8% of its collective GDP. Moreover, under current assumptions for global GDP, oil price and oil demand, the global oil burden could rise to 4.7% in 2011, getting close to levels that have coincided in the past with a marked economic slowdown. Indeed, the combination of higher prices with a fragile economic recovery, emerging inflationary pressures and instability in the Middle East is not a healthy one. A sensitivity analysis for 2011, on a *ceteris paribus* basis (holding GDP and oil demand constant), indicates that, at current prices of around $90/bbl (WTI), the global oil burden is rapidly approaching the 2008 'recession threshold' – and is already well above the $70-80/bbl price range described as 'preferred' or 'ideal' by some producing countries, which would entail an oil burden of 3.5-4.0%.





How Much Is Too Much? (continued)

In the end, the fact that oil prices tend to increase because of sustained demand growth is not under question. However, the rate of growth in prices can move out of sync with economic activity. Following the price shocks of the 1970s and early 1980s, prices were arguably 'too low' for the following two decades, in the sense that they undermined efficiency efforts, encouraged waste (both symbolised by the ascent of SUVs in North America) and removed economic incentives to promote more expensive renewables and other energy sources. By contrast, oil prices rose to unsustainable levels in the mid-2000s, certainly supporting alternative sources but also contributing to trigger the Great Recession of 2009, as noted earlier. Ideally, it might be better if the growth in both prices and GDP remained relatively proportionate, letting consumers gradually adapt and producers benefit from rising revenues. That may be wishful thinking, however, as subsidies and other market distortions persist, notably in emerging countries.

OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 2.1% year-on-year in December. Growth was markedly robust in **OECD North America**, which includes US Territories (+3.2%), relatively resilient in **OECD Europe** (+1.7%) and stagnant in **OECD Pacific** (-0.6%). Interestingly, despite very cold weather in all three areas, demand growth was to a large extent driven by industrial and transportation fuels – in line with an economic recovery somewhat more pronounced than previously thought, as noted earlier – rather than by heating fuels, which surged in only a handful of countries, notably in Europe.

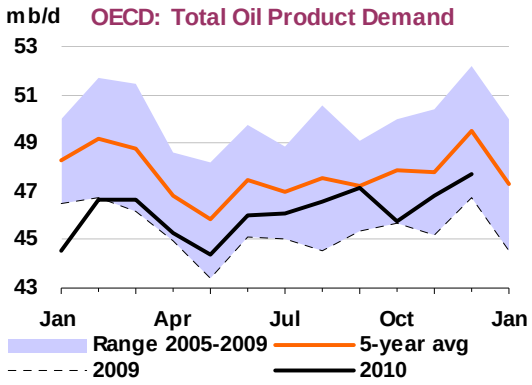
Some observers have expressed surprise over the relatively feeble performance of heating fuels. However, even if severe snowfalls impeded normal deliveries in some countries, interfuel substitution – notably in favour of cheaper gas and other sources – and a growing share of electric heating are increasingly becoming the key drivers, as this report has long argued. In fact, OECD heating oil growth in 2010 was probably minimal (+60 kb/d, according to preliminary data), despite much colder temperatures in 4Q10 relative to the same period in the previous year.

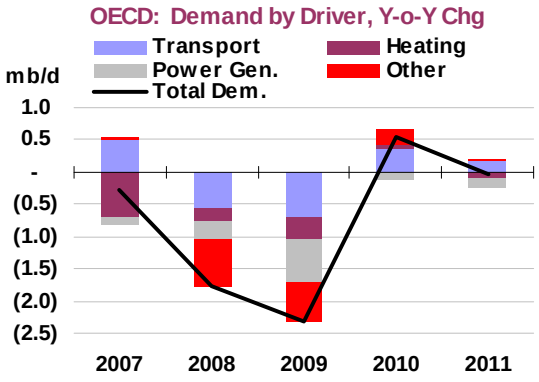
OECD Demand based on Adjusted Preliminary Submissions - December 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.77**	**1.9**	**1.68**	**6.2**	**3.76**	**5.2**	**1.28**	**-3.2**	**1.01**	**2.3**	**6.23**	**4.95**	**24.74**	**3.2**
US50	9.14	2.4	1.51	7.7	3.24	5.2	0.75	-4.1	0.64	9.5	4.78	7.0	20.05	4.2
Canada	0.74	0.2	0.09	-5.1	0.20	-5.0	0.38	7.2	0.11	32.9	0.73	-2.1	2.27	1.1
Mexico	0.84	-0.9	0.05	-7.7	0.28	0.5	0.12	0.5	0.19	-24.0	0.68	-0.6	2.17	-3.4
OECD Europe	**2.04**	**-5.4**	**1.21**	**0.1**	**4.13**	**1.8**	**2.29**	**8.8**	**1.39**	**0.9**	**3.34**	**2.7**	**14.39**	**1.7**
Germany	0.42	-8.0	0.15	-9.4	0.62	2.1	0.53	33.2	0.17	19.5	0.53	0.3	2.42	5.3
United Kingdom	0.30	-6.3	0.35	-0.6	0.40	2.6	0.10	14.9	0.06	-4.2	0.32	-2.1	1.52	-0.6
France	0.18	-10.2	0.14	0.5	0.68	-0.9	0.40	-5.0	0.12	4.3	0.36	6.6	1.88	-1.0
Italy	0.24	-6.4	0.10	15.5	0.49	-0.8	0.16	-7.5	0.18	-4.7	0.36	5.3	1.54	-0.7
Spain	0.13	-4.7	0.11	4.6	0.47	-0.5	0.25	-2.8	0.19	-5.5	0.31	3.8	1.45	-0.7
OECD Pacific	**1.65**	**-0.5**	**1.22**	**-2.2**	**1.12**	**1.6**	**0.63**	**-0.7**	**0.80**	**3.4**	**3.16**	**-1.6**	**8.57**	**-0.6**
Japan	1.06	0.2	0.82	-5.5	0.45	3.7	0.48	-3.0	0.43	10.0	1.71	-7.6	4.94	-2.9
Korea	0.19	2.9	0.25	4.8	0.28	-0.8	0.14	8.5	0.34	-2.2	1.27	7.7	2.48	4.6
Australia	0.35	0.0	0.12	5.2	0.34	2.5	0.00	0.0	0.02	-16.9	0.16	-1.9	0.99	0.7
OECD Total	**14.46**	**0.6**	**4.11**	**1.8**	**9.01**	**3.2**	**4.20**	**3.4**	**3.19**	**2.0**	**12.73**	**2.7**	**47.70**	**2.1**

* Including US territories

Revisions to November preliminary data were relatively large (+440 kb/d), indicating that total OECD demand expanded by 3.6% year-on-year during that month (a full percentage point higher than suggested by preliminary data). The adjustments were broadly evenly split among the three regions, with distillates accounting for almost half – but concentrated in diesel, rather than heating oil and other gasoil.

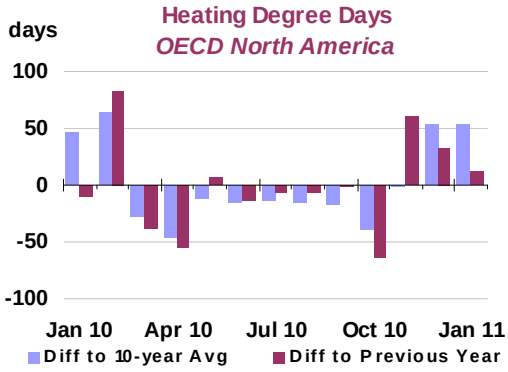


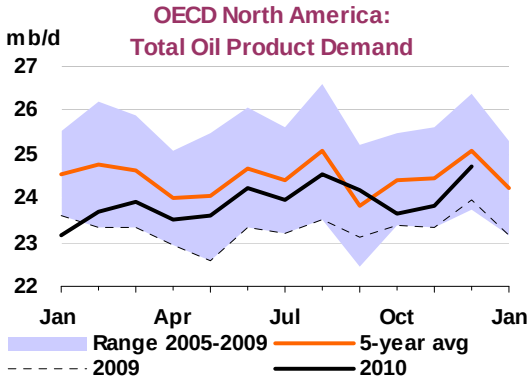


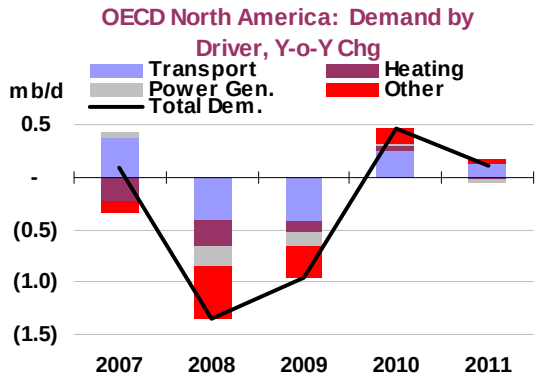
Based on the latest submitted data, OECD oil product demand is now estimated at 46.1 mb/d in 2010 (+1.5% or +680 kb/d year-on-year and +20 kb/d versus our last report). For 2011, though, the higher economic growth assumptions by the IMF – concentrated in North America – temper the projected decline, with total demand averaging 46.0 mb/d (-0.2% or -100 kb/d versus the previous year and 90 kb/d higher when compared to our last report). The usual caveat regarding the assumption of normal temperatures applies, even though erratic climate conditions complicate the outlook. For example, temperatures in Europe were remarkably mild in the first half of January, then very cold, and then again quite mild since early February.

North America

Preliminary data show oil product demand in North America (including US territories) rising by 3.2% year-on-year in December, following a 2.3% increase in November. December readings benefitted from cold temperatures and strong US growth (+4.2%). Economic indicators have improved recently, with the region's GDP growth for 2011 revised up to 3.1% from 2.5% previously. Still, higher expected oil demand growth stems almost entirely from the US, with lower Canadian economic expectations offsetting a slightly rosier Mexican outlook.



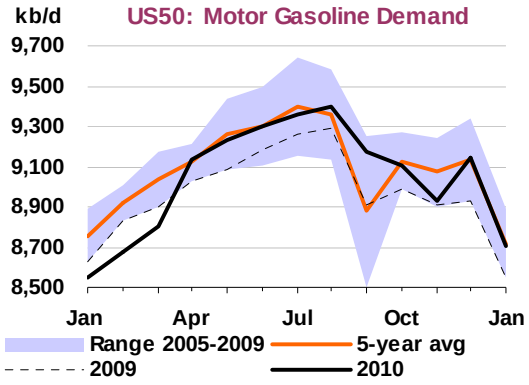


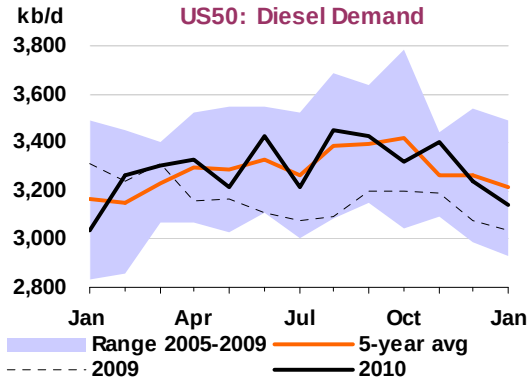


November data were revised up by 135 kb/d, led by higher readings for residual fuel oil (+115 kb/d) and diesel (+85 kb/d), which offset lower LPG demand (-95 kb/d). Weekly to monthly revisions in the US for November were moderately positive and, in turn, boosted December preliminary estimates. North American demand is now estimated at 23.9 mb/d in 2010 (+2.7% or +620 kb/d versus 2009 and 10 kb/d higher than our last report). With the incorporation of both higher GDP and oil price assumptions,

demand is seen rising to 24.0 mb/d in 2011 (+0.4% or +85 kb/d year-on-year and 70 kb/d higher than our last report).

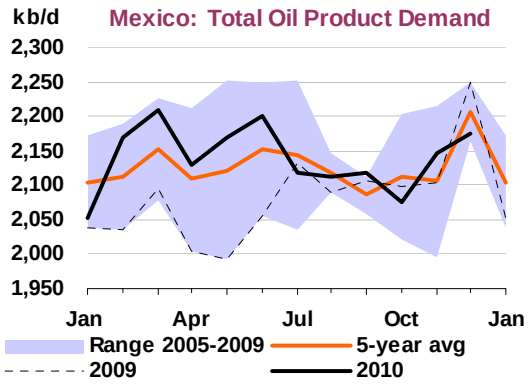
Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 3.1% in January, following a 4.2% year-on-year rise in December. January data continued to feature sharp year-on-year gains in the volatile 'other products' category (+17.6%), underscoring the uncertain nature of the overall demand strength. Still, transportation readings appeared healthy, with gasoline and jet fuel/kerosene growing by 1.9% and 4.3%, respectively, despite disruptive weather. Recent economic indicators have been strong, and the IMF has upgraded 2011 GDP growth to 3.1%, from 2.3% previously. Moreover, despite high oil prices, January light truck sales outpaced those of passenger cars for the ninth consecutive month.





However, middle distillate readings appeared suspiciously low in preliminary data. Following estimated growth of 4.8% in 4Q10, weekly data suggested a 0.1% year-on-year decline in January, despite much colder temperatures in the Northeast when compared to January 2010. While the switch to natural gas may explain some of this weakness, 'other gasoil' represents only 15-20% of middle distillate demand. By contrast, economic indicators seem to corroborate strong diesel consumption. January's ISM purchasing managers index – a manufacturing gauge – reached its highest level since 2004, while rail traffic also posted year-on-year gains. The American Trucking Association's tonnage index surged in December to its highest level since July 2008, noting that activity appeared "seasonally soft", yet "typical" for January. High exports may be distorting the picture, but their precise effect remains unknown. As such, we have raised our own estimate of diesel for January, putting annual growth at 3.4%. Still, more and better visibility into the distillate category remains a persistent analytical need.

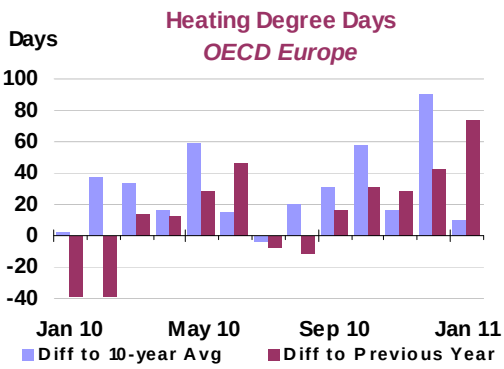
Mexican oil demand declined 3.4% year-on-year in December, dragged down by declines in residual fuel oil and jet fuel/kerosene, with the latter still suffering from the Mexicana airline bankruptcy last summer. Diesel and gasoline also posted weak growth readings, with the former growing at just 0.5% and the latter declining by 0.9% year-on-year. Still, an improved economic picture, with 2011 GDP expected to expand by 4.2%, versus 3.9% previously, should support a return to growth, with total annual demand increasing by 1.8% over the prior year.

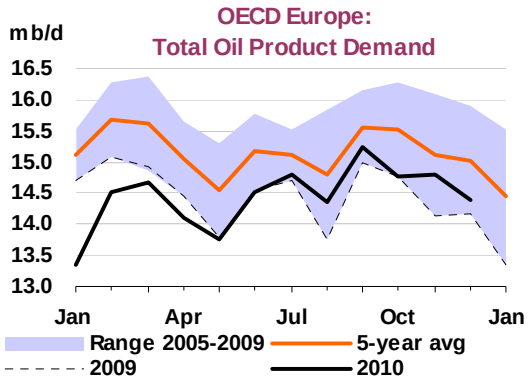


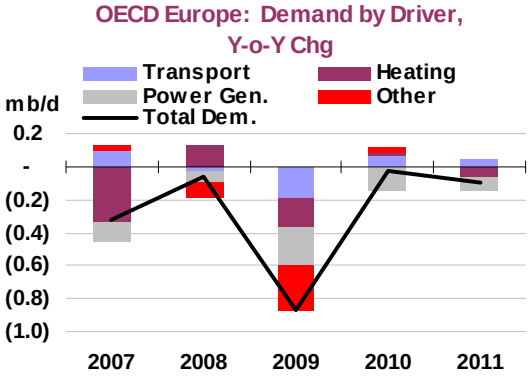
Europe

Preliminary inland data indicate that oil product demand growth in Europe reached 1.7% year-on-year in December. Demand was largely boosted by industrial fuels such as LPG and naphtha, transportation fuels (on-road diesel) and heating oil. Thus, growth was supported both by more resilient-than-expected

economic activity (with industrial production up by roughly 7% year-on-year in 4Q10) and, to a lesser extent, by cold weather (with HDDs sharply higher versus the ten-year average and the previous year). Even though preliminary data are likely to be revised, it is worth pointing out the relative weakness of heating oil deliveries measured against the unusually cold temperatures that prevailed in December. Admittedly, snowfalls may have complicated deliveries, but if so that would have been arguably reflected in diesel demand, as it did regarding jet fuel/kerosene demand. Most likely, however, these readings provide further evidence of the structural decline in heating oil use.

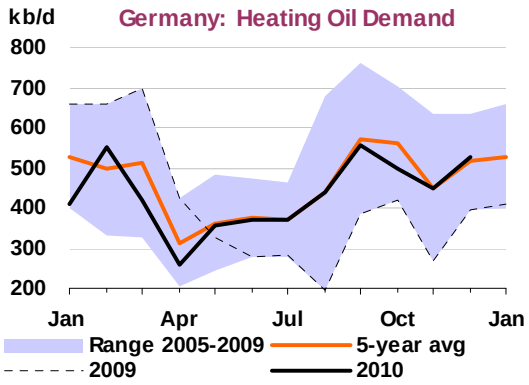






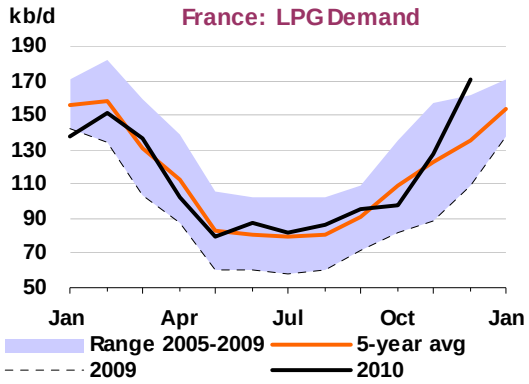
November's revisions to preliminary demand data (+190 kb/d) followed a similar pattern. They were largely concentrated in industrial and transportation fuels, with only a minor upward adjustment to heating oil deliveries. Overall, though, demand surged by 4.8% in November, rather than by 3.4% as suggested by preliminary readings. On this basis, total oil product demand in OECD Europe is estimated to have averaged 14.4 mb/d in 2010 (-0.4% or -60 kb/d compared with the previous year and 10 kb/d higher than previously expected). The outlook has marginally improved for 2011, with demand expected to decline slightly (-0.5% or -40 kb/d versus 2010, and 40 kb/d higher than our last report).

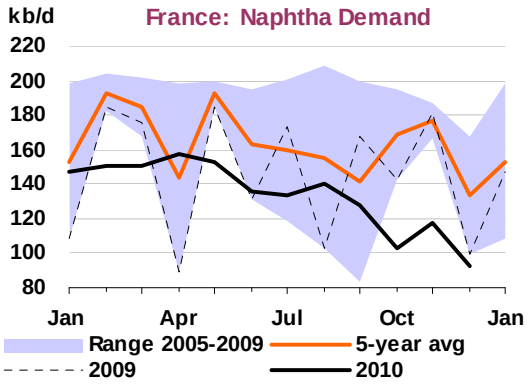
Among the largest countries, **Germany** continues to lead in terms of growth, with oil product deliveries rising by 5.3% year-on-year in December, following +10.0% in November, according to preliminary data. Not surprisingly, given that the country is the largest heating oil market in Europe, growth was supported by deliveries of that fuel (+33.2%), which were in line with seasonal trends. Demand trailed almost exactly its five-year average, but consumer stocks declined to 57% of capacity, from 61% in November. Meanwhile, the snowstorms that engulfed the country had a noticeable effect on air travel, with flight disruptions resulting in a marked fall in jet fuel/kerosene demand (-9.4%).



In **France**, by contrast, weak heating oil deliveries in December (-5.0%) contributed to curb total oil demand (-1.0%). This may have been due to logistical problems, as the country is less well equipped than its northern European neighbours to deal with heavy snow, and to consumers delaying purchases amid high prices. More interestingly, French LPG and naphtha demand readings have recently shown an

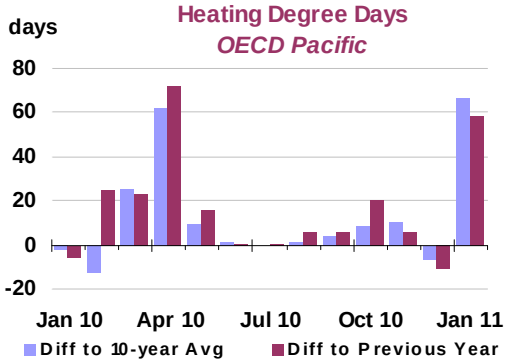
intriguing pattern, with the first rising sharply and the latter plummeting markedly. This probably reflects some interfuel substitution related from the recent strikes, with LPG becoming more economically attractive vis-à-vis naphtha for petrochemical production.



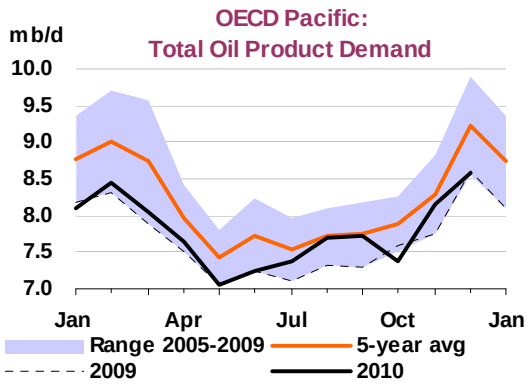


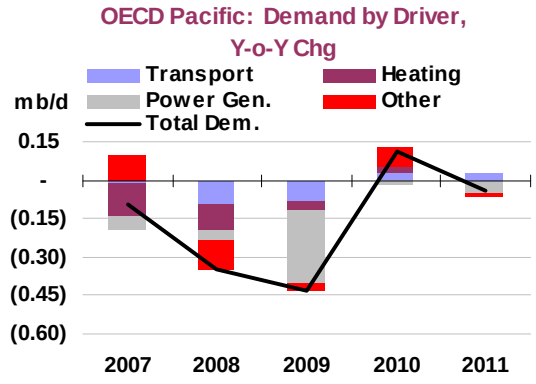
Pacific

Preliminary data show that oil product demand in the Pacific fell by 0.6% year-on-year in December. Gains in naphtha, diesel and residual fuel oil failed to offset declines in other product categories, which were partly due to unusually mild weather. HDDs were indeed below both the ten-year average and the previous year, depressing kerosene demand as well as direct crude burning for power generation – but the cold wave that hit the region in January probably reversed this trend.



Meanwhile, half of the revisions to preliminary November data (+120 kb/d) were concentrated in Japan's 'other products', as colder-than-normal weather boosted power use and hence direct crude burning. Thus, total OECD Pacific demand averaged 7.8 mb/d in 2010 (+1.7% or +130 kb/d year-on-year, virtually unchanged from last month's report), interrupting an almost continuous decline for the best part of the past decade. As much as last year's growth owed to the region's export-oriented economic recovery (naphtha demand, for instance, rose by 3.9% versus 2009), it was also largely related to extreme weather conditions, notably a summer heat wave that boosted transportation fuel use and power requirements. In 3Q10, gasoline demand rose by 3.9%, while residual fuel oil deliveries increased by 12.8% and 'other products' use surged by 27.9%.





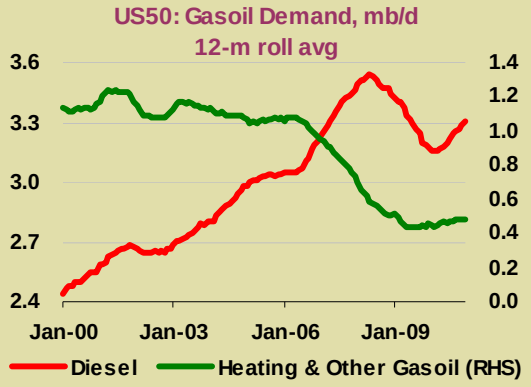
However, last year's demand performance barely compensated the sharp plunge seen over 2008-2009, which resulted from a combination of greater efficiency, higher nuclear power generation and the global economic recession. Indeed, total OECD Pacific demand has contracted by almost 900 kb/d since 2000. This pattern of decline is expected to continue in 2011, assuming normal weather conditions, with demand falling by a further 1.7% to 7.6 mb/d (-140 kb/d year-on-year, 20 kb/d less than previously assumed).

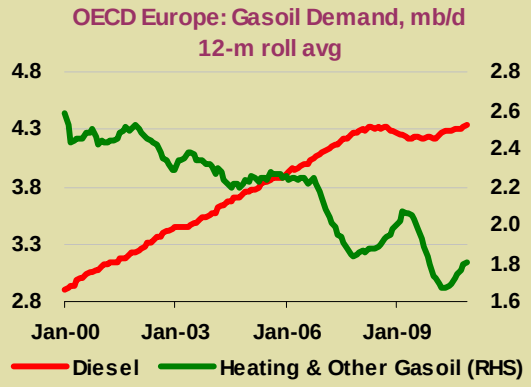
Racing Blindfolded: Distillate Data Challenges

With middle distillates spurring the recovery in global oil demand and accounting for over half of OECD oil demand growth in 2010 (+690 kb/d), the need for improved data becomes ever more obvious. Currently, OECD governments are required to provide monthly inland deliveries data for 'Transport Diesel' (defined as on-road diesel) and 'Heating and Other Gasoil' (heating oil for industrial/commercial uses, marine diesel, rail diesel and other uses, irrespective of sulphur content). However, evolving fuel quality specifications and changing sectoral consumption patterns make these two simple categories inadequate.

As governments tighten allowable levels of sulphur in diesel and heating oil, characterising gasoil consumption by use is becoming increasingly problematic. In the US, for example, the government has required refiners to produce low-sulphur diesel (i.e., 500 ppm or less) for locomotives, ships and non-road equipment since 1 June 2007. Subsequent demand volumes reported to the IEA indicate a dramatic fall-off in the use of 'Heating and Other Gasoil', with a large increase in 'Transport Diesel'.

Notwithstanding the effects of the economic crisis, the change looks too dramatic to stem from interfuel substitution from heating oil to natural gas, suggesting that the diesel category has become increasingly muddled and potentially inflated. With several states in the US Northeast planning to reduce sulphur in heating oil to at least that of low-sulphur diesel – New York (2012), Connecticut (2014) and New Jersey (2014) – the 'Heating and Other Gasoil' category may continue to shrivel due to reporting practices.





In Europe, meanwhile, since 1 January 2011 the EU's fuel quality directive limits sulphur to 10 ppm in gasoil used by non-road mobile machinery and in inland waterways (though some countries started limiting before 2011), with rail due to follow from 1 January 2012. In Turkey, the on-road diesel market has shifted from 1000 ppm to 10 ppm. Moreover, in Germany, the government has provided tax incentives for the provision of heating oil with maximum sulphur content of 50 ppm. For its part, the German government has modified its monthly oil questionnaire to account for a separate low-sulphur heating oil category. In practice, however, tightening specifications in Europe may still create classification distortions, as in the US.

Shifting consumption patterns provide a final challenge. Globally, the use of marine diesel has been rising; with sulphur specifications for bunker fuels set to tighten by 2015, demand is likely to accelerate as ships move away from residual fuel oil. Moreover, boosted by economic growth and the need to sustain complex supply chains, both rail and marine freight may expand at the expense of less efficient trucking. Meanwhile, although gas penetration is gradually curbing heating oil demand in the OECD, power-sector disruptions in the non-OECD are increasingly met by diesel-fired generators.

Racing Blindfolded: Distillate Data Challenges (continued)

Given the importance of gasoil demand, particularly in the medium-term, increased sectoral granularity will be required. Some private-sector efforts have attempted to close this information gap: for example, the Ceridian-UCLA Pulse of Commerce Index attempts to isolate US monthly on-road diesel demand based on real-time payments transactions. The IEA and its member governments are also working to improve long-term reporting. A recent statistics working group convened in Paris to consider all these issues and make proposals to enhance data gathering. Sufficiently disaggregated deliveries data are indeed needed urgently if the varying dynamics of on-road, off-road and stationary uses of gasoil are to be captured accurately.

Non-OECD

Preliminary demand data show that non-OECD oil demand growth accelerated further in December (+7.2% year-on-year), with all product categories registering strong gains. Jet fuel/kerosene and naphtha posted the highest relative growth (+15.2% and 12% year-on-year, respectively), although gasoil accounted once again for the largest absolute rise (1.0 mb/d), equivalent to 35% of total growth.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Oct-10	Nov-10	Dec-10	Nov-10	Dec-10	Nov-10	Dec-10
LPG & Ethane	4,235	4,348	4,376	237	143	5.8	3.4
Naphtha	2,862	2,957	3,037	211	325	7.7	12.0
Motor Gasoline	8,023	8,032	8,203	388	505	5.1	6.6
Jet Fuel & Kerosene	2,761	2,773	2,896	59	382	2.2	15.2
Gas/Diesel Oil	12,840	13,056	13,207	864	999	7.1	8.2
Residual Fuel Oil	5,664	5,709	5,844	253	316	4.6	5.7
Other Products	5,748	5,577	5,421	435	217	8.5	4.2
Total Products	**42,135**	**42,453**	**42,984**	**2,448**	**2,887**	**6.1**	**7.2**

On a regional basis, Asia remains the key driver of non-OECD oil demand growth. Asian growth has surged to a new record – +2.0 mb/d or +10.6% year-on-year, accounting for 70% of the total non-OECD demand increase. As in most of the previous two years, China was the single largest contributor, representing 77% of Asia's increase and 54% of non-OECD growth.

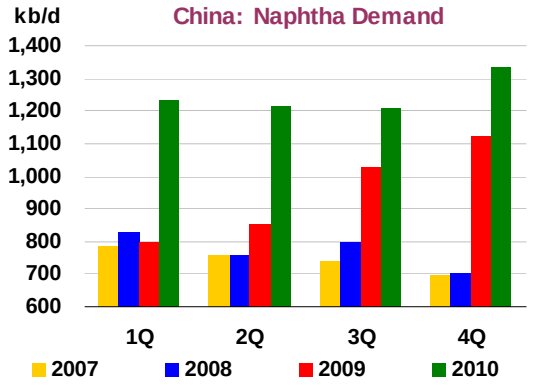
Non-OECD: Demand by Region
(thousand barrels per day)

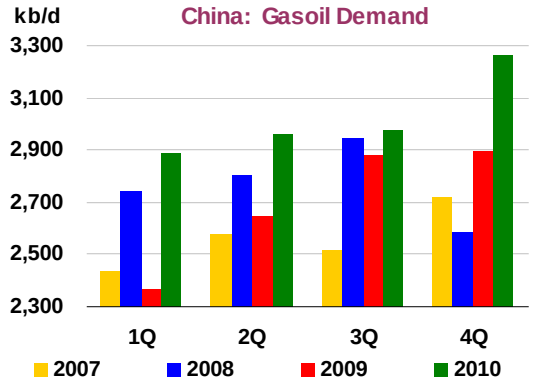
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Oct-10	Nov-10	Dec-10	Nov-10	Dec-10	Nov-10	Dec-10
Africa	3,258	3,262	3,243	125	154	4.0	5.0
Asia	19,919	20,617	21,066	1,691	2,026	8.9	10.6
FSU	4,336	4,349	4,480	259	404	6.3	9.9
Latin America	6,302	6,341	6,386	311	214	5.2	3.5
Middle East	7,608	7,139	7,107	34	81	0.5	1.2
Non-OECD Europe	712	745	700	27	8	3.8	1.2
Total Products	**42,135**	**42,453**	**42,984**	**2,448**	**2,887**	**6.1**	**7.2**

As a result of the record-breaking strength of Chinese oil demand, estimates for total non-OECD demand in 4Q10 have been revised up by 320 kb/d, with this adjustment partly carried forward into the next four quarters, thus partly offsetting a large downward reassessment of Iran's outlook. Non-OECD demand is now estimated at 41.7 mb/d in 2010 (+5.5% or +2.2 mb/d year-on-year and 80 kb/d higher than previously predicted). The prognosis for 2011, meanwhile, remains largely unchanged at 43.2 mb/d (+3.7% or +1.6 mb/d versus the previous year and +50 kb/d when compared to our last report).

China

China's preliminary data show that apparent oil demand growth gathered speed in December (+17.7% year-on-year), with all product categories bar LPG posting strong gains. The country's total oil demand averaged 10.4 mb/d – another record month. Even accounting for some 300 kb/d in reported product stocks builds in December – a number that is uncertain at best, given the poor quality of such data – 'real' December demand may have hovered around 10.1 mb/d, 14% above year-ago levels. Overall, apparent demand rose by 12.2% in 2010 (+1.0 mb/d), equivalent to over a third of global demand growth. Naphtha, gasoil and 'other products' accounted for the bulk of growth. This reflects the extraordinary macroeconomic stimuli put in place by the Chinese government, as well as other energy-related policies, such as mandated closures of coal-fired plants to meet emissions and energy efficiency targets, which led to a fourth-quarter surge of gasoil use for small-scale electricity generators.





Looking forward, the case can be made that Chinese oil demand growth will slow down noticeably in 2011. In general terms, the economy should cool down slightly, gasoil shortages ease and oil intensity fall (as the investment frenzy has involved the purchase of a large quantity of new, more energy-efficient equipment, in addition to policy directives from the new Five-Year Plan). Meanwhile, new sources of energy (such as increasing volumes of natural gas, as well as methanol, a chemical that can be blended with gasoline) should provide some degree of interfuel substitution. Since 1 January 2011, moreover, several large cities have introduced measures to limit new automobile sales and alleviate traffic congestion. In Beijing, for example, the municipal government will issue, through a lottery system, only 240,000 new license plates – equivalent to only a third of the city's car sales in 2010. The central government, meanwhile, has abolished the preferential tax rate levied on small car purchases. Finally, a more stringent oil product price may be introduced, but the timeline is unclear.

China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	724	718	-14	-6	-1.9	-0.9
Naphtha	952	1,247	1,417	296	170	31.1	13.6
Motor Gasoline	1,507	1,574	1,696	67	122	4.5	7.7
Jet Fuel & Kerosene	335	388	403	53	16	15.9	4.1
Gas/Diesel Oil	2,699	3,023	3,186	325	163	12.0	5.4
Residual Fuel Oil	580	568	517	-12	-51	-2.0	-9.0
Other Products	1,559	1,867	2,019	307	152	19.7	8.2
Total Products	**8,369**	**9,391**	**9,956**	**1,022**	**565**	**12.2**	**6.0**

However, at the same time that policies to improve energy efficiency bring down demand, the continued push for economic development of poorer inland provinces will support higher demand for transportation, industrial and construction fuels. Moreover, coal shortages could emerge, notably in winter, thus boosting gasoil use again: some observers note that bottlenecks are becoming much more

serious, while coal stockpiles are heavily depleted (although imports are growing rapidly). Yet, overall, we remain cautious so far, expecting China's oil demand to rise by a much more modest but nonetheless significant 570 kb/d in 2011 (+6.0% year-on-year).

Elastic Mystery

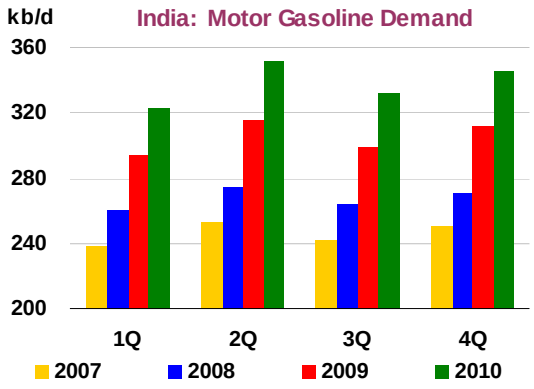
China's oil demand outlook has become increasingly crucial for global oil balances. Predicting Chinese trends, however, is far from being an exact science, mostly because of huge uncertainties with respect to official data. With GDP growth in 4Q10 put at 9.8% year-on-year (from 9.6% in 3Q10), bringing full-year expansion to 10.3% (from 9.2% in 2009), the implied oil demand income elasticity stood at roughly 1.2 – about 30-50% higher than most analysts had expected (typically 0.6 to 0.8 for an energy-intensive economy such as China's).

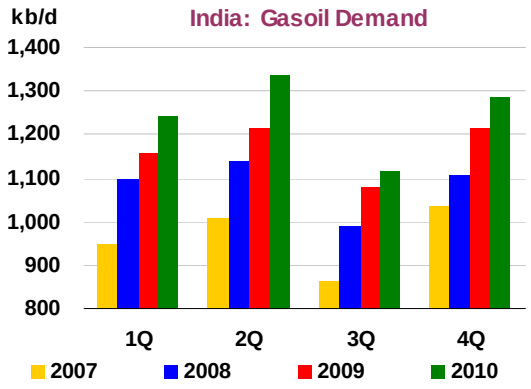
This vast discrepancy may have been due to the gasoil surge, waste or a combination of both – or to much stronger-than-reported economic activity. Indeed, official GDP figures appear too low when compared to other indicators, such as industrial production, which rose by over 15% on average. The question on the reliability of GDP data is recurrent; if actual economic growth in 2010 was higher than suggested by official statistics, the income elasticity would indeed be closer or within the range of most observers' expectations. That, of course, presupposes that oil data are themselves completely accurate, a challenging assertion for many countries.

Other Non-OECD

India's latest experiment in domestic end-user price liberalisation is facing headwinds. The cabinet was reshuffled in January, including among others the Ministry for Petroleum and Natural Gas. The new minister appears to be going along with the policy of his predecessor, namely revising domestic gasoline prices to attempt to reflect developments in the international oil market – a move introduced in June 2010. However, he has stated that at this point it is "not possible" to deregulate gasoil prices. Admittedly, the deregulation of gasoil, which accounts for over a third of total Indian oil demand, is a difficult and highly politically charged issue. Indeed, since last December the decision has been postponed indefinitely because of its inflationary consequences.

So far, domestic gasoline prices have remained unchanged since the reshuffle, despite a significant increase in international oil prices, notably in India's reference market (Singapore). Indeed, progress on the deregulation process has been patchy. Gasoline prices have *de facto* been largely managed by state-owned oil marketing companies, which have effectively controlled the frequency and the magnitude of price changes since last June. Despite seven hikes since then, domestic prices continue to lag international benchmarks.





Yet, while politically expedient, a suspension of the deregulation policy would put the Indian government in a bind. The combination of rising international oil prices and the threat of renewed runaway domestic demand – gasoline demand increased by almost 40% in only three years, while gasoil surged by almost 300 kb/d over the same period – would again result in a large subsidy burden. Tellingly, since partial reforms were put in place in June, gasoline demand growth slowed to +5% on an annual basis in 2H10, compared with +10% in 2H09. While the drop in absolute terms is modest (from +39 kb/d to +33 kb/d), it shows what full deregulation could achieve. According to the government's own estimates, state-owned marketing companies will lose at least $15 billion during the 2010-11 fiscal year – some $50 million per day. The departing petroleum minister had lobbied for abolition of the 5% customs duty on crude oil and a reduction of excise duty on diesel as a means to cushion rising international prices and hence limit domestic price increases. There is a financial trade-off, however, in that such a policy would entail initially lower revenues, with implications too for the fiscal deficit.

The combined effects of a stagnating economy and the removal of fuel subsidies had a deleterious effect on **Iran's** gasoline and gasoil demand in 2010. On the one hand, the economy has expanded by less than 1% per year on average since 2008 – compared with some 6% annually over 2000-2007. More dramatically, the IMF's January *WEO Update* downgraded the country's outlook for 2011 sharply – from +3% to zero. On the other hand, as we noted last month, in mid-December 2010 the government hiked subsidised oil prices of gasoline and gasoil by 300% and 800%, respectively. This resulted in a year-on-year fall in gasoline demand of around 17% in December, according to several reports, and of 6.4% for the whole of 2010, while gasoil use contracted by some 10% and 2.5%, respectively.

Looking ahead, we have substantially revised down our estimates of Iranian demand for 2011, given that the country is likely to be mired in *stagflation* – economic stagnation amid high inflation. Even though the government has made a few policy changes – in mid-January it raised subsidised quotas for gasoline and removed them altogether for gasoil used by trucks and buses – oil demand will arguably fall for a third year in a row, to 1.7 mb/d (-1.4% or -60 kb/d year-on-year versus 2010 and 140 kb/d less than previously forecast).

Iran: Demand by Product
(thousand barrels per day)

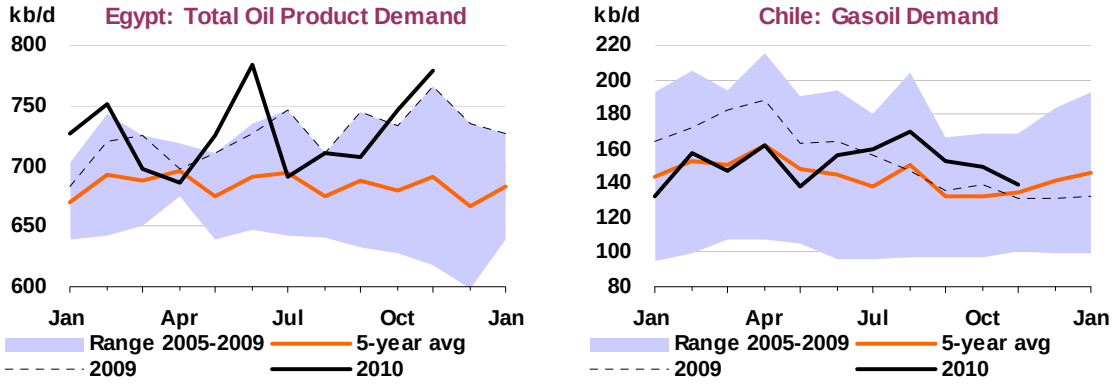
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	270	272	273	2	1	0.9	0.3
Naphtha	55	55	55	0	0	-0.2	-0.1
Motor Gasoline	403	378	341	-26	-37	-6.4	-9.8
Jet Fuel & Kerosene	118	117	106	-1	-11	-1.2	-9.7
Gas/Diesel Oil	532	518	498	-14	-21	-2.5	-4.0
Residual Fuel Oil	311	324	333	13	8	4.2	2.5
Other Products	142	141	141	-1	0	-0.4	-0.3
Total Products	**1,832**	**1,806**	**1,745**	**-26**	**-60**	**-1.4**	**-3.3**

Iran's government, however, claimed a modest victory: following the fall in gasoline demand, it announced that it had stopped producing gasoline at its petrochemicals plants, an emergency measure implemented last August in response to US sanctions. Tehran's residents will undoubtedly be grateful: the poor quality of such gasoline had been widely blamed for the serious air pollution that choked the country's capital last December.

The recent upheaval in several Arab countries has not only contributed to lift oil prices on worries of growing geopolitical oil supply risks, but it has also likely affected oil demand. Demand in **Tunisia**, **Jordan** and **Yemen** is relatively small – estimated in 2010 at roughly 90 kb/d in the former two and 180 kb/d in the latter – but **Egypt** is in an altogether different league. The country's oil demand, which averaged almost 730 kb/d in 2010, is dominated by three products (LPG, gasoline and gasoil, accounting respectively for 20%, 17% and 34% of total demand), all of which have been growing briskly for most of

the past decade (at around 7% year-on-year on average), fuelled by a growing economy (+5% on average since 2000) and subsidised domestic end-user prices.

In all these countries, the political turmoil is likely to curb oil demand in 1Q11 and perhaps even beyond. To what extent, however, is difficult to ascertain at this point, other than the fall in Egyptian demand will probably dwarf that occurring elsewhere, given its large industrial sector and vibrant tourism industry. Moreover, aside from the disruption of economic activity resulting from political protests, there could be indirect and additional effects upon neighbouring countries' demand: a reported attack to a natural gas pipeline flowing from Egypt to **Israel** and Jordan in early February has interrupted supplies, but operations are expected to resume shortly. However, should further sabotage actions take place, demand for gasoil/residual fuel oil in both countries could increase perhaps by a combined 50 kb/d in order to meet power generation requirements if gas supplies were fully disrupted. It should be noted, however, that although Jordan depends entirely upon Egyptian gas, Israel (with total oil demand hovering around 230 kb/d) only sources 40% of its needs from its western neighbour.



Chile* may face electricity rationing in 2011 due to high demand, low hydropower supplies and surging gas consumption. Over 40% of Chile's electricity comes from hydro sources, but drought has dropped water reserves to ten-year lows. The country inaugurated its second LNG terminal in 2010 and increased total LNG imports by five-fold over 2009. Yet, with declining domestic natural gas reserves due to lack of investment, Chile remains dependent on imports for more than 90% of its gas needs. In January, the government attempted to curb natural gas subsidies in southern regions, hiking prices by almost 17% from 1 February. However, in a replay of events in Bolivia, the announcement was met with violent protests and the government rolled back its planned price increase to a mere 3%.

This suggests that Chile may continue to rely on costly diesel-fired generation to meet its peak demand needs during 2011. Last year's devastating earthquake delayed the construction of several coal-fired power plants – and record-high copper prices have supported power demand for mining operations. Although gasoil demand declined by an estimated 3.6% year-on-year in 2010, partially due to the earthquake and higher LNG supplies, it should rise again in 2011 (+3.3%), with significant upside potential should power requirements surge further.

* Although Chile, together with Estonia, Israel and Slovenia, is a new OECD member country, its oil market dynamics are discussed here as its supply and demand data remain for now embedded within our non-OECD model.

SUPPLY

Summary

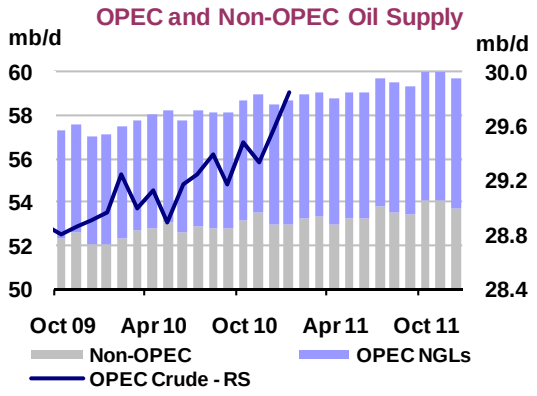
- **Global oil supply increased by 0.5 mb/d month-on-month in January, to 88.5 mb/d**, on higher OPEC crude and NGL production. Year-on-year, global output levels rose 2.4 mb/d in January, with increments split among non-OPEC crude, OPEC crude and OPEC gas liquids.

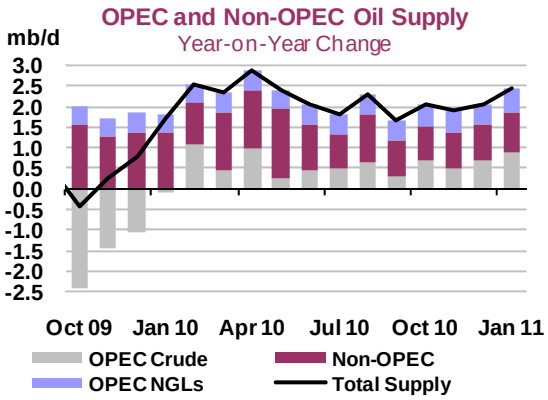
- **Non-OPEC oil supply in January remained unchanged from December at 53.0 mb/d**, as field outages continued to constrain production. Estimated 2010 production remains at 52.8 mb/d, while the 2011 outlook has been nudged up by 0.1 mb/d to 53.5 mb/d on higher North American estimates, offsetting downward-revised output from OECD Pacific, FSU and global biofuels.

- **Recent political upheaval in Egypt has cast a spotlight on the country's importance as a global thoroughfare for oil traffic,** linking Europe to the Middle East and Asia. Flows through the Suez Canal and the SUMED pipeline are reportedly unaffected by the unrest. In the case of a disruption to the Canal, spare capacity for northbound crude is available on the SUMED pipeline, but freight times and costs would increase if vessels were forced to transit via the Cape of Good Hope.

- **OPEC crude oil supply scaled two-year highs in January**, with new production from Iraq largely responsible for the 280 kb/d monthly increase to 29.85 mb/d. OPEC supply last month reached the highest level since the group implemented lower output targets in December 2008. OPEC NGLs in 1Q11 are forecast to rise by 220 kb/d, to 5.7 mb/d compared with an average 5.5 mb/d in 4Q10. The higher output reflects increased supply from Qatar and the UAE.

- **The 'call on OPEC crude and stock change' for 2011 is adjusted up by 100 kb/d to 29.9 mb/d** on upward revisions to 4Q demand estimates, and stands at close to observed January OPEC output levels. The 'call' for 4Q10 rises by 0.4 mb/d to 30.6 mb/d while 1Q11 is unchanged at 29.8 mb/d.





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

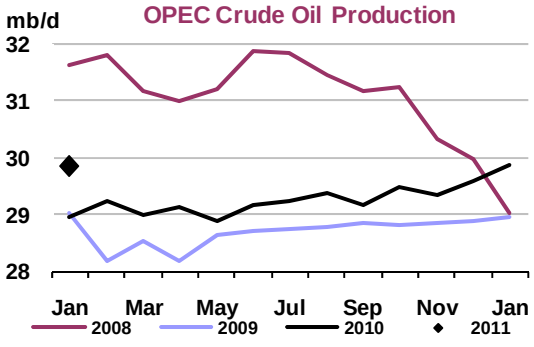
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

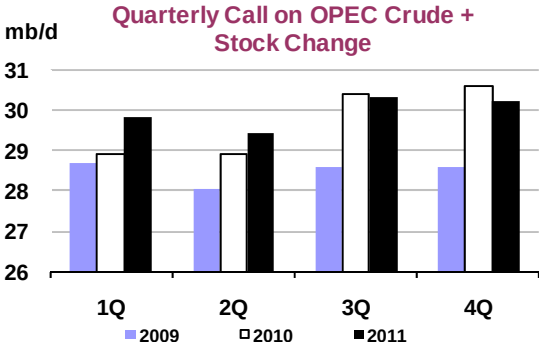
OPEC crude oil supply scaled two-year highs in January, with new production from Iraq largely behind the 280 kb/d monthly increase to 29.85 mb/d. OPEC supply last month was at the highest level since the group implemented lower output targets in December 2008.

OPEC-11 output rose by 70 kb/d to 27.2 mb/d, with increases by UAE, Angola, Libya and Venezuela partially offset by slightly lower output from Iran and Nigeria. Relative to targeted output cuts, OPEC's compliance rate was 44% in January compared with 45% in December.

The 'call on OPEC crude and stock change' for 2010 and 2011 was increased by 100 kb/d, to 29.7 mb/d and 29.9 mb/d respectively, due to upward revisions in demand, notably for 4Q in both years. The 'call' for 4Q10 was raised by 400 kb/d to 30.6 mb/d, while that for 1Q11 was unchanged at 29.8 mb/d.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

In the wake of higher prices and stronger demand, market attention in January focused on whether the producer group will formally increase production ahead of the next scheduled ministerial meeting in Vienna on 2 June 2011. OPEC ministers will have an opportunity to discuss market supplies on the sidelines of the 22 February IEF Extraordinary Ministerial Meeting in Riyadh, marking the 20th anniversary of producer-consumer dialogue. However, several OPEC officials have dismissed the idea. The new OPEC President, Iranian Oil Minister Massoud Mirkazemi, ruled out any increase in output even if prices move above $120/bbl, while Secretary General Abdullah El-Badri made any increase in supply contingent upon a serious deterioration in the crisis in Egypt.

Iraqi supplies to the market in January rose to the highest level in more than two decades, up by 210 kb/d to 2.66 mb/d. Crude exports in January averaged 2.15 mb/d, up by around 220 kb/d from December levels. Basrah exports averaged 1.73 mb/d, up by 226 kb/d while Kirkuk volumes were down marginally, by 4 kb/d to 419 mb/d.

Iraqi supply was boosted by new production from the southern Rumaila and Zubair fields. The BP-PetroChina Rumaila joint venture reached a milestone late last year by increasing production above the initial level of 1.066 mb/d by the 10% specified in its contract. The JV will now start receiving $2/bbl for every extra barrel produced from the field above the estimated 1.17 mb/d production floor.

Apparent progress in negotiations in early January between Baghdad and the Kurdistan Regional Government (KRG) over production sharing agreements signed with foreign operators prompted Norwegian oil operator DNO to restart production from the Tawke field in early February. However, reports that a deal was reached now appear premature. Deputy Prime Minister Hussain al-Shahristani countered on 7 February that the existing contracts with the KRG would not be recognised by Baghdad. Al-Shahristani reiterated that the production-sharing contracts must be converted into service contracts similar to those Baghdad has signed with IOCs.

DNO International said production at the Tawke field would reach 50 kb/d by mid-February but it is unclear what the company's plans are now. The Sinopec and Genel Energi operated Taq Taq field, however, remained shut-in due to logistical problems in moving the crude to an offsite pumping station. The two fields were briefly brought online in mid-2009 but then shut-in after Baghdad said the contracts signed with the KRG were illegal and refused to pay the operating companies for the crude exported via the Ceyhan pipeline to the Mediterranean, which collects payments from the buyers.

Saudi Arabia's January production is estimated at 8.6 mb/d, unchanged from December levels. Saudi output is running about 500 kb/d above its implied target level, with some of the extra volumes now earmarked for filling commercial storage commitments in Japan. In January, approximately 60 kb/d was destined for storage in Saudi-leased tanks at Okinawa as part of a three-year agreement with the Japanese government. Saudi Arabia will use the facility to supply regional buyers closer to their market but has pledged that Japan would receive first priority for the supplies in the event of an emergency. Saudi Arabia is Japan's top supplier at around 1.1 mb/d, or just under 30% of the country's total import volumes.

The **UAE** increased supply in January by 50 kb/d to 2.37 mb/d, its highest level since production lower output targets were implemented two years ago. Abu Dhabi's state oil company ADNOC eased cuts to contract allocations by between 5%-7% in January. Customer allocations for Murban crude, which accounts for about 60% of Abu Dhabi's output, were raised from 15% below contract levels to 10% for January to March.

OPEC Crude Production

(million barrels per day)

	Nov 2010 Supply	Dec 2010 Supply	Jan 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Jan 2011 Supply	End-2011 Sustainable Production Capacity	Production Capcity Chg 1Q11 vs 4Q11
Algeria	1.27	1.27	1.27	1.30	0.03	1.35	0.05
Angola	1.66	1.62	1.65	1.84	0.19	2.01	0.17
Ecuador	0.47	0.48	0.48	0.50	0.02	0.50	0.00
Iran	3.68	3.68	3.66	3.70	0.04	3.68	(0.02)
Kuwait[2]	2.29	2.32	2.32	2.55	0.23	2.55	0.00
Libya	1.56	1.56	1.58	1.80	0.22	1.82	0.02
Nigeria[3]	2.18	2.26	2.24	2.50	0.26	2.66	0.16
Qatar	0.82	0.82	0.82	1.00	0.18	0.98	(0.03)
Saudi Arabia[2]	8.50	8.60	8.60	12.10	3.50	12.10	0.00
UAE	2.29	2.32	2.37	2.70	0.33	2.74	0.04
Venezuela[4]	2.19	2.20	2.21	2.35	0.14	2.29	(0.07)
OPEC-11	**26.91**	**27.13**	**27.20**	**32.35**	**5.15**	**32.67**	**0.33**
Iraq	2.42	2.45	2.66	2.70	0.05	2.78	0.08
Total OPEC	**29.33**	**29.57**	**29.85**	**35.05**	**5.19**	**35.45**	**0.41**
(excluding Iraq, Nigeria, Venezuela					*4.74)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 250 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 450 kb/d in January.

Iranian output last month declined by 20 kb/d, to 3.66 mb/d. Ship brokers report that Iranian crude oil supplies held in floating storage rose by 2.1 mb to 23.6 mb at end-January. After weeks of exploring alternative payment options for India's estimated 400 kb/d Iranian imports, a proposal is under discussion but no agreement reached yet. At the start of the year, the Reserve Bank of India (RBI) barred payments for Iranian crude through its system in order to comply with international sanctions. Yet the current proposal allowing its largest lender State Bank of India (SBI) to deal with the proscribed European-Iranian Trade Bank (EIH) would essentially see India back-tracking on its pledge to comply with

international sanctions. The EIH Bank was hit by sanctions from the US and European Union for processing transactions with Iranian banks worth billions of dollars, which allegedly helped support Iran's nuclear weapon programme.

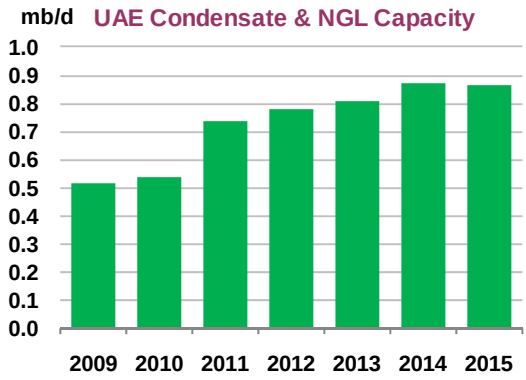
Angola's crude production rose by 30 kb/d, to 1.65 mb/d but volumes are still well below year ago levels due to chronic operational problems at the Greater Plutonio complex. Water injection problems plagued Greater Plutonio for most of 2010, with output currently cut by half to under 100 kb/d. With technical issues still unresolved, BP is reportedly preparing for a complete shutdown of the field in April so major repair work can be undertaken. BP (50%) is partnered with Sonangol Sinopec International (50%), a joint venture between the Chinese and the Angolan state oil companies. Inaugurated in October 2007, the Greater Plutonio complex comprises the Galio, Cromio, Paladio, Plutonio and Cobalto fields located in water depths varying from 1 200 to 1 450 metres, and produces a low-sulphur, medium-gravity crude oil.

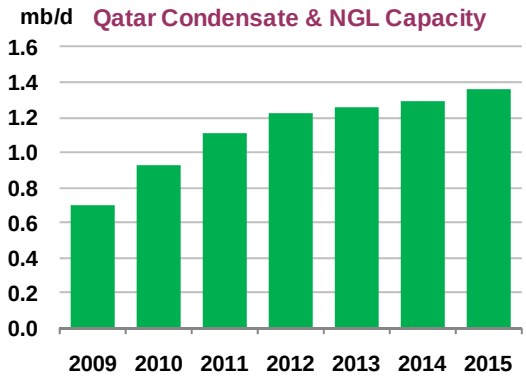
As a result, Angolan production is expected to hold at the lower 1.65-1.75 mb/d range in 1H11, or 200-300 kb/d below the lofty peak of 1.95 mb/d reached just a year ago, in February 2010. The country's next two major developments are not expected online until the latter part of 2011. Both the Total-operated 220 kb/d Pazflor project in Block 17 and the BP-operated 150 kb/d PSVM ultra-deep water fields in Block 31 are forecast to start-up in 4Q11.

Nigeria's January crude supply was down by 20 kb/d, to around 2.24 mb/d and production is forecast to edge lower in February and March, largely due to planned maintenance work at the offshore Bonga field starting at end-February and technical issues elsewhere. Last month operational problems hit Qua Iboe supplies. Few details have been forthcoming but Qua Iboe exports of around 125 kb/d were delayed from January to February or March. Offsetting the loss, Chevron completed repairs to the damaged Dibi-Abiteye pipeline, which feeds the Escravos oil stream, at mid-month.

OPEC NGLs

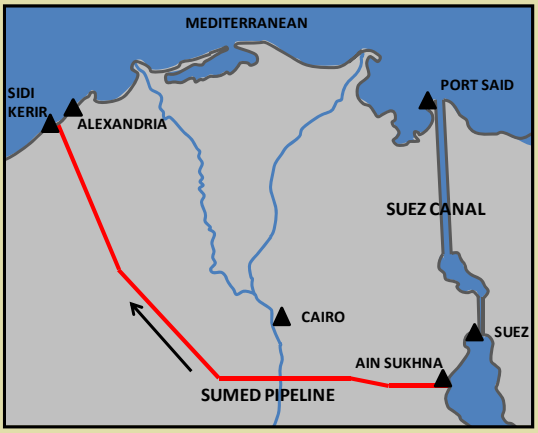
OPEC NGL production in 1Q11 is forecast to rise by 220 kb/d, to 5.7 mb/d compared with an average 5.5 mb/d in 4Q10. The higher output reflects increased supply from Qatar and the UAE. A steady ramp up in capacity at the **UAE's** Habshan and Asab projects will add around 65 kb/d in 1Q11. Habshan output is expected to add 90 kb/d each of condensate and NGLs by 2Q11. The Asab project will add 80 kb/d of NGLs by 3Q11.





Qatar is on track to boost its condensate and natural gas liquids supply to a record 1.1 mb/d in 1Q11, Output will increase by 100 kb/d in 1Q11 following the commissioning of Qatargas 4, Train 7 and ramp up of output from the Qatargas 3, Train 6, which was launched in October 2010. Train 6 capacity is pegged at 70 kb/d of condensate and 10 kb/d of NGLs. Train 7 will add 100 kb/d of condensate and around 45 kb/d of NGLs. Commissioning of the Pearl 1 GTL project is also underway, which is expected to add 70 kb/d of diesel and kerosene.

Suez Canal: Tensions in Egypt Bring a Choke Point Back into Focus



The recent political upheaval in Egypt has brought the 195 km long Suez Canal and its importance to global oil trade back into focus. Following protests on 28 January, crude oil futures surged even though there was no evidence of a direct threat to shipping in the canal, thus highlighting the concern felt by markets of any potential disruption. Located in a historically volatile region, the canal has previously been closed on two occasions; the 1956-57 Suez Crisis and the 1967-75 Egyptian blockade.

During the 1950s and 1960s, approximately 10% of global crude supply transited the canal. However, the introduction of VLCCs, capable of carrying 2 mb or more of oil and too large to use the canal fully-laden, significantly reduced the volumes of crude transported through the waterway. Suezmaxes are the largest tanker class currently using the canal, typically carrying 1 mb of oil. Official data from the Suez Canal Authority indicate that 1.8 mb/d of oil transited the canal in 2009 with 992 kb/d (54%) being sent north and 846 kb/d (46%) moving south. Over this period a total of 591 kb/d of crude oil passed through the canal in both directions, which amounts to less than 1% of global crude supply. Crude flows are split relatively equally, with 317 kb/d being shipped northbound and 274 kb/d moving southbound. The canal is still significant for the transit of products since clean tankers are typically smaller than VLCCs. In 2009, 675 kb/d of clean and dirty products moved northward, mainly composed of middle distillates and gasoline while 572 kb/d (in large part fuel oil) was shipped south.

Provisional 2010 tanker tracking data from APEX indicate that Saudi Arabian and Iranian cargoes made up the bulk of crude cargoes heading northwards through the Suez with 39% and 38%, respectively. In the opposite direction, Libya, Azerbaijan and Algeria account for 42%, 22% and 20% of crude shipments, respectively. Smaller vessels carrying gas condensate are believed to account for a significant proportion of crude traffic transiting the canal. Data indicate that 53% of clean products passing northwards originate from India. In the opposite direction, product origins are more diverse with only the Netherlands clearly identifiable as supplying significant volumes (19% of clean products and 32% of fuel oil).

Destinations of crude and products are diverse, with APEX data indicating that Spain, Italy, France and Morocco received 37%, 26%, 11% and 10%, respectively, of northbound crude flows whilst China and India received 35% and 28%, respectively of southbound crude volumes. Product destinations are more diverse with the Netherlands (21%), France (13%) and the UK (11%) taking the bulk of northbound clean products. For southbound flows, Singapore received 68% of fuel oil and Korea took 23% of clean products.

Breakdown of Crude, Dirty and Clean Products Transiting the Suez Canal in 2009

	Northbound		Southbound	
	Volume (kb/d)	%	Volume (kb/d)	%
Crude	317	32%	274	32%
Fuel Oil	25	2%	206	24%
Light Products	650	66%	366	43%
Total	**992**		**846**	

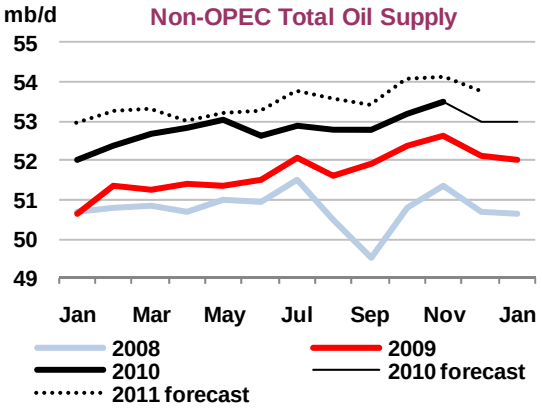
Source: Suez Canal Authority

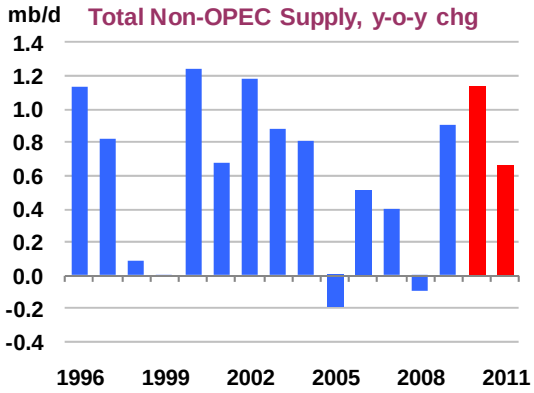
In addition to the Suez Canal, the 320 km Suez – Mediterranean (SUMED) pipeline takes crude oil from Ain Sukhna on the Red Sea to Sidi Kerir on the Mediterranean. Both terminals can accept VLCCs and the line was conceived as a route for moving crude from the Middle East Gulf to the Mediterranean using these vessels. SUMED currently has a capacity of 2.4 mb/d, although APEX data put December 2010 throughput at 1.1 mb/d. In 2010 Iran and Saudi Arabia supplied 53% and 36%, respectively of SUMED flows and approximately 70% of crude shipped via the SUMED was refined in Mediterranean rim countries.

While the Canal remains an important thoroughfare for oil traffic, in the event of the situation in Egypt deteriorating and affecting the Canal, the SUMED pipeline has ample capacity to ensure continued northbound flows. However, for product shipments, as well as crude cargoes to Asia, the only solution would be to transit via the Cape of Good Hope. This would add some 15 additional days to voyage times from the Middle East Gulf to Europe and cargoes to the US would take an extra 8-10 days. Such a situation would tie up tankers for longer which would likely increase freight rates in affected regions.

Non-OPEC Overview

Non-OPEC oil supply is estimated at 53.0 mb/d in January, unchanged from December. A series of outages continued to constrain production. Australia was battered by storms; Norway, the UK, India and Brazil saw technical problems force shut-ins, while Chinese production was hit by extreme cold. Argentinean production in December was hit by unrest, while a truckers' strike affected output in Colombia.





Overall, estimated 2010 non-OPEC production was left unchanged at 52.8 mb/d, with data for most key producers now near-complete, albeit provisional in some cases. But stronger-than-expected 4Q10 production in North America was largely carried through into 2011. Recent Canadian production, in particular, is robust, with preliminary November levels at 3.6 mb/d representing a new record high (though as always, subject to revision in coming months). Preliminary US and Mexican oil production levels were also adjusted up.

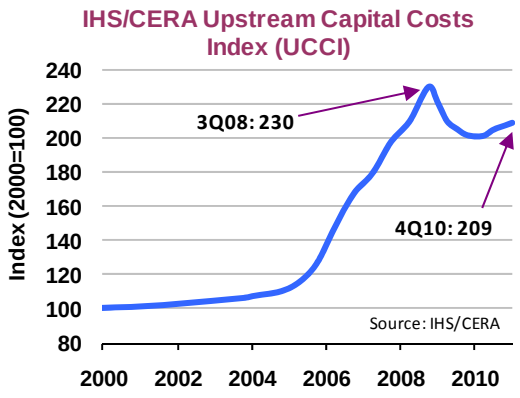
Partly offsetting this was lower estimated biofuels supply in 2010 on surging feedstock prices and a dip in recent US output. Australian oil production is adjusted down on precautionary shut-ins due to cyclones, but also the delay of start-up at a new field, while recent Azerbaijani production levels disappointed. In sum, adjustments amount to a 0.1 mb/d upward revision to the 2011 estimate, now seen averaging 53.5 mb/d, with annual growth thus slightly higher at 0.7 mb/d. 2011 growth is driven by China, Brazil, Colombia, the FSU and global biofuels. Following two years of hefty increments, North American oil supply is now set to fall back, while structural decline continues in the North Sea.

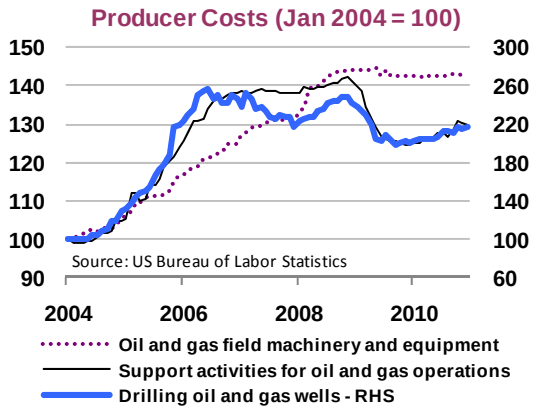
Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.3	14.1	14.2	13.8	13.9	14.2	14.0
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.5**	**19.1**	**18.9**	**18.9**	**18.5**	**18.5**	**19.0**	**18.7**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.7	13.5	13.8	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.4
Middle East	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.8**	**29.9**	**30.1**	**29.8**	**30.4**	**30.4**	**30.4**	**30.6**	**30.5**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.7	1.8	1.5	1.9	2.3	2.1	2.0
Total Non-OPEC	**51.1**	**51.4**	**51.9**	**52.3**	**51.7**	**52.4**	**52.8**	**52.8**	**53.2**	**52.8**	**53.2**	**53.2**	**53.6**	**54.0**	**53.5**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.3	1.4	1.0	0.9	1.1	0.8	0.3	0.8	0.8	0.7
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1

Concern about political unrest in Egypt affecting domestic oil and gas production or Suez shipments has so far proved mostly unfounded, but has likely contributed to recent price rises (see *Suez Canal: Tensions in Egypt Bring a Choke Point Back into Focus*). Reports indicate that some oil field personnel have been withdrawn for safety reasons and drilling activity reduced, but that oil production levels are not affected. Gas output is temporarily curbed after an explosion on a pipeline that exports gas to Jordan.





New data show that upstream development costs rose by around 4-5% in 2010. Prior to that, costs had fallen by around 12-13% in 2009, following a 2008 peak which contributed to that year's record-high price levels.

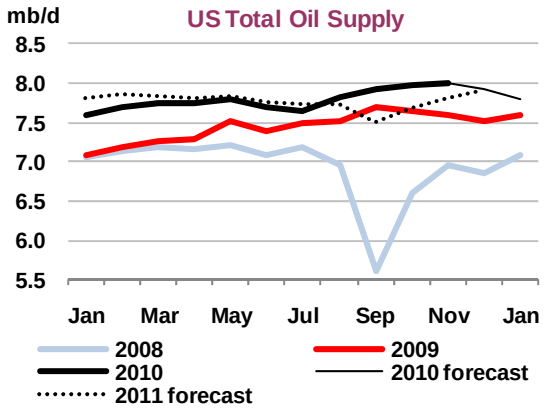
OECD

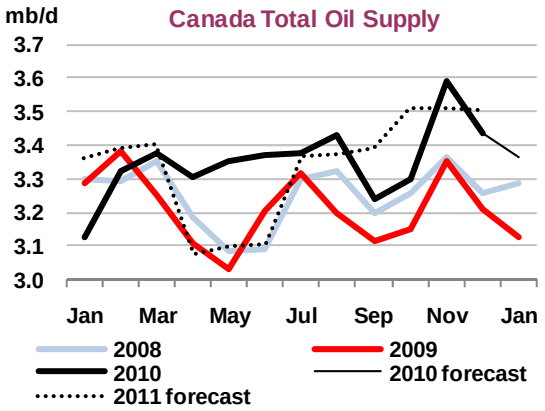
North America

US – January Alaska actual, others estimated: US total oil supply dipped by 130 kb/d to 7.8 mb/d in January as a result of lower Alaskan production. Crude oil output on the Alaskan North Slope was largely halted for around a week after a pipeline leak in early January. Elsewhere however, onshore production continues to go from strength to strength and projected Lower-48 oil production has again been revised up. In addition to higher NGLs output and 'other hydrocarbons' (mainly refinery additives), 2011 total US output is adjusted up by 55 kb/d to 7.8 mb/d, steady from 2010.

The US government outlined more details on the split-up of the former offshore regulator, the Minerals Management Service (MMS). In addition to the Office of Natural Resources Revenue, which will oversee revenue collection, the Bureau of Safety and Environmental Enforcement will oversee safety and environmental regulations. It will manage offshore inspectors and have responsibility for issuing individual permits. Lastly, the Bureau of Ocean Energy Management will be responsible for developing longer-term plans for oil and gas development, as well as conducting environmental studies. This new trio of sub-agencies of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) should be in place by 1 October this year. In addition, the government will be advised by a new Offshore Energy Safety Advisory Committee (OESAC) on matters concerning offshore drilling and responses to oil spills.

The authorities have yet to issue any permits for new deepwater projects (though permitting for shallow-water and existing fields continues, if at a slower pace). Secretary of the Interior Salazar was reportedly expecting the first permits by the end of 2Q11. Further delays to a resumption of drilling risk a greater impact on production than the current -100 kb/d and -300 kb/d adjustments for 2011 and 2015 that are factored into our forecast. Latest reported and preliminary production data for the Gulf of Mexico were also slightly lower than expected.

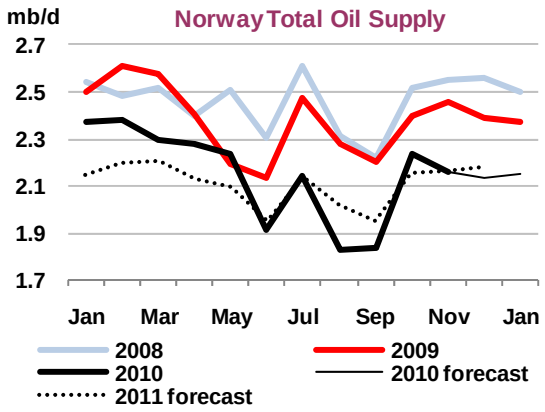


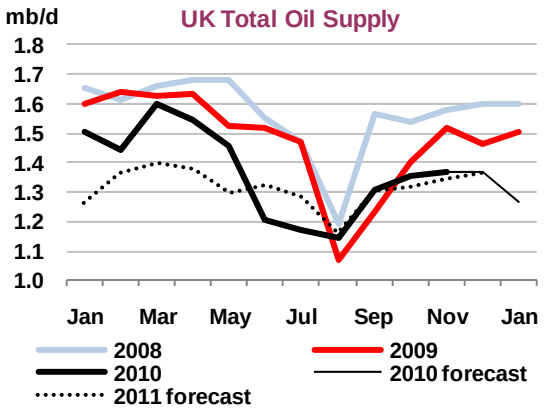


Canada – Newfoundland December actual, others November actual: Based on preliminary data, Canadian total oil supply rose to a new high of 3.6 mb/d in November, largely on higher output from oil sands projects, especially stronger-than-expected raw bitumen production. Around 110 kb/d of production capacity remains shut-in at the Horizon facility, following a fire in January, now only presumed to gradually restart output in March. In addition, a small problem at Suncor's Terra Nova field offshore Newfoundland cut around 10 kb/d in early February. Nonetheless, stronger recent output levels are partly carried through the forecast, resulting in an overall adjustment of +70 kb/d to the 2011 forecast. 2010 total oil supply is now thought to have averaged 3.35 mb/d, and will likely remain flat at this level in 2011 as growing oil sands output is offset by a decline in conventional crude.

North Sea

Norway – November actual, December provisional: In Norway, final November and preliminary December production data were virtually unrevised, with output flat at 2.15 mb/d. But expectations for January output were adjusted down by 70 kb/d on the shutting-in of around a third of total wells at the Gullfaks complex from December/January. The fields were previously shut-in during May 2010 following a gas leak and subsequent investigation has raised concerns about well integrity. Based on company statements, we have assumed curbed production until mid-2012. In January, the Oseberg complex was also briefly shut-in due to a gas leak, leading to an assumed curbing of -30 kb/d for the month. All in all, 2010 total oil production is left unchanged at an estimated 2.15 mb/d, while the 2011 estimate is trimmed by 35 kb/d, now averaging 2.11 mb/d. Crude oil output alone is now seen dipping from 1.66 mb/d in 2010 to 1.59 mb/d in 2011, more or less in line with a mid-January estimate by the Norwegian Petroleum Directorate (NPD) that sees oil production declining by 5.8% this year.





UK – November actual: UK oil production for October-December 2010 was steady at around 1.36 mb/d, but as in Norway, is estimated to have fallen in January. Output is seen down by 100 kb/d on various outages. Some of the Brent cluster of platforms were shut-in from mid-January, curbing 20 kb/d and are

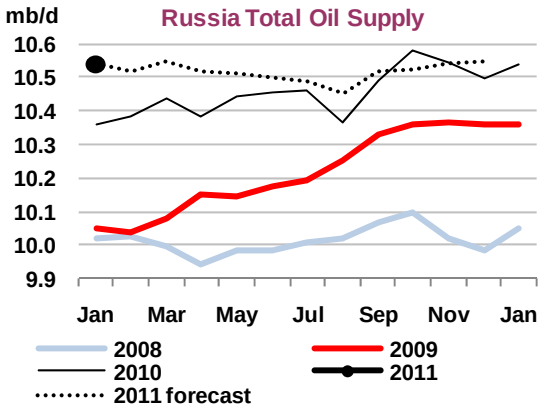
likely to be shut for several weeks. Production at the onshore Wytch Farm field has also been halted since mid-November, but was reported in February as likely to restart soon. BP, the operator, was reprimanded by the UK regulator for safety lapses at Schiehallion, Clair and ETAP last year. Despite the outages, UK total oil production is left unrevised, estimated at 1.37 mb/d in 2010, falling to 1.32 mb/d in 2011.

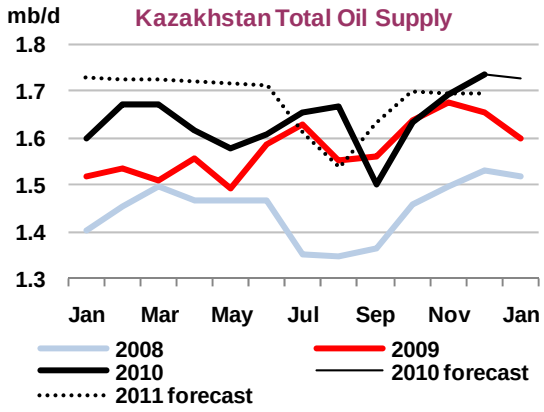
Pacific

Australia – November actual: Australian offshore production continued to be battered by storms, forcing precautionary shut-ins. Nearly half of the country's crude oil production was briefly halted in late January and again in early February, following earlier shut-ins. As a result, 4Q10 and 1Q11 output levels are curbed by 20 kb/d and 35 kb/d respectively. The start-up of the Kipper & Turrum complex was delayed from mid-2011 to the first half of 2012. In sum, 2010 total oil production is left broadly unchanged at 510 kb/d. The 2011 estimate is adjusted down by 35 kb/d, and now flatlines at 2010's level. Rising output from the Van Gogh, Pyrenees and Montara fields offsets the impact of the shut-ins and decline at mature oilfields.

Former Soviet Union (FSU)

Russia – December actual, January provisional: According to preliminary data, Russian oil production picked up again in January, to 10.5 mb/d, following a brief, possibly weather-related dip in December. Finalised December data show higher-than-reported output from the Sakhalin projects, offset by lower liquids production by Gazprom and some smaller companies. Weaker-than-expected production from Lukoil and TNK-BP was carried through the forecast, trimming the overall 2011 estimate slightly. Minnow Irkutsk Oil boosted output at its Yaraktinskoye field, after hooking it up to the ESPO pipeline. With additions from other, smaller tie-backs, this should ultimately contribute around 40 kb/d to flows. 2010 total oil production is estimated at 10.45 mb/d, rising to 10.51 mb/d in 2011, a stark slowing of growth from 2009 and 2010, when incremental annual output averaged 200 kb/d and 240 kb/d respectively.





Azerbaijan – November actual; Kazakhstan – December actual: Lower recent production for both Azerbaijan and Kazakhstan was carried through the outlook, trimming 2011 forecasts by 25 kb/d and 15 kb/d respectively. Azerbaijan's production in 2011 is now expected to remain virtually flat from 2010, at 1.07 mb/d, on lower-than-expected output from the Azeri-Chirag-Guneshli (ACG) complex. Kazakhstan's oil supply is expected to grow from 1.63 mb/d to 1.68 mb/d in 2011. In a threat to future oil production growth, Kazakhstan's government criticised the proposed budget for Phase II of the huge Kashagan development. Phase I is long-delayed, but is expected to see first oil in 2012/13, rising ultimately to 500 kb/d. Previously, Phase II had been expected to start in 2019, taking output to 1 mb/d. This may suffer more delays as a result of the government comments.

BP-Rosneft Deal Opens Up Arctic and Thaws Relations with IOCs?

BP took markets by surprise in mid-January when it announced a tie-up with Russian state-controlled giant Rosneft. Aside from much market speculation on the motivation for the announcement at this time, and uncertainty surrounding a legal challenge from TNK-BP's Russian shareholders, the deal may mark a more realistic attitude towards foreign investment in its hydrocarbons sector by the Russian government, an intriguing new form of IOC/NOC cooperation and the first major move into Russia's Arctic.

The first part of the deal involves an equity swap. Rosneft will receive a 5% stake in BP, while BP will add an additional 9.5% to its existing 1.25% holding in Rosneft. In addition, the two will form a joint venture to explore and develop three Rosneft-held blocks in the Kara Sea northwest of the Yamal peninsula in Russia's far north (Rosneft will control two-thirds of the JV and BP one-third). BP will essentially pay for the exploration but will be allowed to share any future profits and to book reserves. Rosneft claims the blocks could hold vast amounts of oil and gas; it estimates some 35 billion barrels of oil and 10 trillion cubic metres of gas in place, though these volumes are based on geological surveys rather than drilling.

Leaving aside the merits of the deal for the two companies, its wider significance is three-fold. Firstly, it may signal the Russian government's realisation that it requires cash flow, project management experience and technology from the majors, at least when it comes to opening up challenging new frontier areas such as this one. This marks a significant change from the status quo, in which offshore areas are currently open only to state-controlled Russian companies.





Secondly, it appears that, in its willingness to attract a major foreign investor, the government is prepared to make major concessions, such as allowing BP to book its share of any reserves discovered in the Kara Sea blocks and to share profits, rather than merely receive a fee as operator. Other considerations such as Rosneft's long-held desire to gain more of an international presence likely also played a role in determining the equity swap, but it still heralds a subtle twist in evolving IOC/NOC relationships.

Thirdly, Russia's offshore remains largely unexplored (a decision whether to go ahead with the huge Shtokman gas field in the Barents Sea is pending, while Lukoil recently brought onstream its Yuri Korchagin field in the Caspian). Yet such areas will be key to maintaining Russian oil production, which faces steep decline in output at many older fields in mature basins such as Western Siberia and the Urals/Volga region. Muted Russian growth since the middle of the last decade has depended upon new fields coming onstream in Eastern Siberia, and our outlook through 2015 for Russia suggests a hiatus in growth until new investment is forthcoming.

BP and Rosneft estimate that actual drilling in the Kara Sea blocks will start around 2015, with any new oil fields to come onstream around the end of the decade. Indeed, more investment may come. BP's announcement was followed by news that ExxonMobil had also paired up with Rosneft to explore for oil in the Tuapse Trough region of the Black Sea (though in this case there is no equity swap involved). Rosneft alone holds 17 licences for Russia's offshore, hopes to receive more and has recently submitted proposals to the government on a new tax regime for such areas, seen as key to developing them profitably.

FSU net oil exports rose to 9.82 mb/d in December, a significant increase of 560 kb/d from November. Despite a rise in Russian export taxes, crude and product shipments increased by 390 kb/d and 190 kb/d, respectively, with flows through the Transneft network increasing by 260 kb/d. Crude exports hit 6.81 mb/d, their highest level since July 2010, as deliveries via Black Sea ports increased by 290 kb/d, driven primarily by greater volumes of Kazakhstani Tengiz shipped via the Ukrainian port of Pivdenne. The rise in product exports was driven by increased fuel oil volumes (+110 kb/d m-o-m) while gasoil and 'other products' rose by a combined 80 kb/d. Recent reports suggest that the dispute between Russia and Belarus over transit tariffs and pricing has been resolved and that crude flows to Belarusian refineries have resumed. In contrast with previous disputes, Russian Urals flows to Europe via the Druzhba pipeline remained unaffected at approximately 800 kb/d, but diesel exports from Belarus to Europe were significantly cut as Belarusian refiners refocused on supplying the domestic market.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	1Q2010	2Q2010	3Q2010	4Q2010	Oct 10	Nov 10	Dec 10	Latest month vs. Nov 10	Latest month vs. Dec 09
Crude											
Black Sea	2.21	1.97	1.79	1.99	2.08	1.99	1.89	1.90	2.19	0.29	0.00
Baltic	1.62	1.58	1.60	1.61	1.56	1.54	1.50	1.48	1.64	0.16	-0.03
Arctic/FarEast	0.46	0.72	0.71	0.76	0.66	0.76	0.78	0.75	0.75	0.00	0.25
BTC	0.78	0.76	0.69	0.79	0.80	0.78	0.80	0.76	0.79	0.04	0.08
Crude Seaborne	**5.07**	**5.03**	**4.78**	**5.16**	**5.10**	**5.08**	**4.96**	**4.89**	**5.38**	**0.49**	**0.30**
Druzhba Pipeline	1.12	1.13	1.13	1.10	1.16	1.14	1.12	1.17	1.12	-0.05	0.00
Other Routes	0.37	0.39	0.44	0.37	0.40	0.35	0.38	0.36	0.31	-0.05	0.03
Total Crude Exports	**6.56**	**6.55**	**6.36**	**6.63**	**6.67**	**6.57**	**6.47**	**6.42**	**6.81**	**0.39**	**0.33**
Of Which: Transneft	4.14	3.90	3.94	3.88	3.95	3.83	3.76	3.74	4.00	0.26	-0.20
Products											
Fuel oil	1.15	1.25	1.13	1.28	1.31	1.29	1.21	1.27	1.38	0.11	0.17
Gasoil	1.15	1.13	1.20	1.14	1.09	1.10	1.14	1.05	1.12	0.07	-0.04
Other Products	0.69	0.64	0.73	0.63	0.62	0.58	0.57	0.59	0.60	0.01	-0.07
Total Product	**2.99**	**3.03**	**3.06**	**3.06**	**3.02**	**2.98**	**2.92**	**2.91**	**3.10**	**0.19**	**0.06**
Total Exports	**9.55**	**9.58**	**9.42**	**9.69**	**9.69**	**9.54**	**9.38**	**9.33**	**9.90**	**0.57**	**0.38**
Imports	0.04	0.06	0.05	0.04	0.08	0.08	0.08	0.07	0.08	0.01	0.03
Net Exports	**9.51**	**9.52**	**9.37**	**9.65**	**9.61**	**9.46**	**9.30**	**9.26**	**9.82**	**0.56**	**0.35**

Sources: Petro-Logistics, IEA estimates

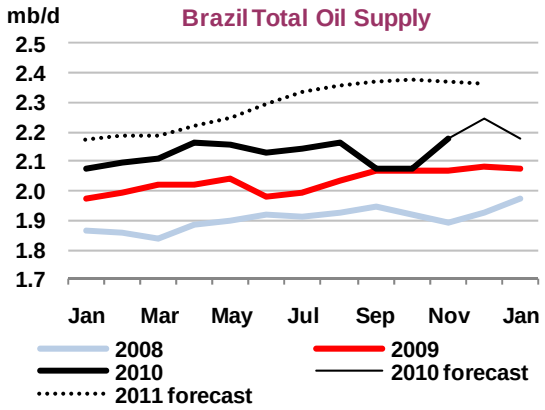
Note: Transneft data has been revised to exclude Russian CPC volumes.

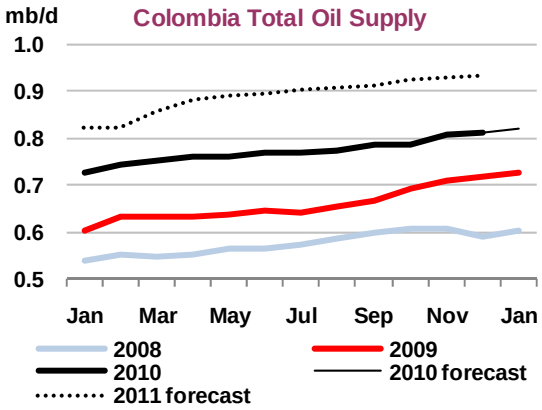
Net oil exports remained stable in 2010, averaging 9.52 mb/d (+10 kb/d y-o-y), although their dynamics changed significantly with increased flows moving east, notably through the ESPO, at the expense of westward deliveries. Transneft volumes fell to 3.90 mb/d as Russian producers shunned less economic Ukrainian ports and after a reduction in Russian pipeline deliveries to China via Kazakhstan. It is believed that a large portion of these shipments was therefore exported by non-Transneft controlled routes, notably Russian rail. However, the receipt of more complete 2010 data has brought the exceptionally high 2009 Transneft level sharply into focus; this figure may yet be revised. Product exports increased by 30 kb/d on the year after increased shipments of fuel oil (+100 kb/d) offset a combined 70 kb/d fall in gasoil and 'other products'. Despite fears that ESPO would signal the reduction in flows through the Druzhba, volumes remained remarkably stable at 1.13 mb/d in 2010 (+10 kb/d y-o-y). Looking to 2011, provisional port loading data for Kozmino indicate 284 kb/d was shipped in January, slightly below the 310 kb/d 2010 average. With East Siberian production set to continue rising, it appears that sufficient volumes will be available to supply both Kozmino and the 300 kb/d Chinese spur.

Other Non-OPEC

Argentina – December actual: Argentinean oil production in December was revised down by a sharp 110 kb/d, falling by 150 kb/d from November to 545 kb/d. An outbreak of violence in the Santa Cruz producing region had reportedly cut output by 75 kb/d, though it was unclear for how long. We have assumed that output recovers to pre-December levels around 700 kb/d by February. 2010 total oil supply averaged 700 kb/d, expected to remain steady at this level in 2011.

Brazil – November actual, December preliminary: Preliminary data indicate that Brazil's oil production rose to 2.25 mb/d in December, a new all-time high on the back of rising output from several new fields, including the recently-renamed Lula (ex-Tupi), the first large pre-salt field to be developed. In mid-January, a fire briefly shut-in around 10 kb/d on the offshore Cherne II platform, while in early February, the 180 kb/d capacity P-50 platform on the Albacore Leste field halted operations for several hours. 2010 total oil production is estimated to have averaged 2.14 mb/d and is expected to rise to 2.29 mb/d in 2011, a key source of this year's non-OPEC growth.





Colombia: In Colombia, December oil production rose to 825 kb/d, its highest level since 1999. In early February, crude oil truckers shipping crude from oil fields in the hinterland to coastal export terminals went on strike (against high prices of fuel), which will likely hit production (we have assumed a cautious -25 kb/d adjustment). A sharp rise in crude production has left export infrastructure lagging, though construction of additional pipeline capacity is underway. Colombian total oil production averaged 790 kb/d in 2010, and is seen rising to an estimated 910 kb/d in 2011.

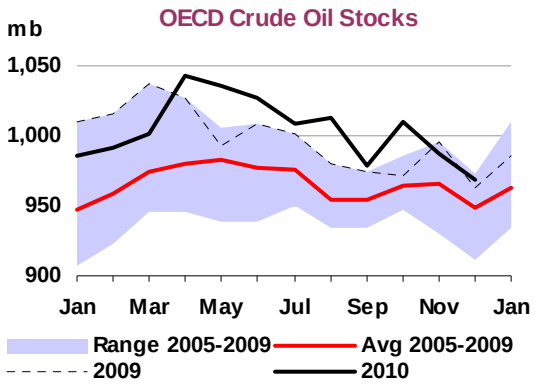
OECD STOCKS

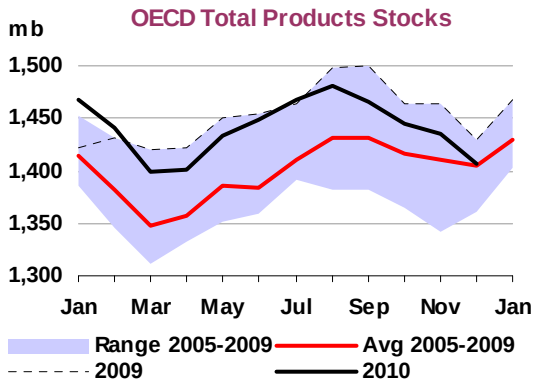
Summary

- **OECD industry stocks declined by 55.6 mb to 2 668 mb in December**, while forward demand cover fell to 57.5 days, the lowest in the past two years. The second consecutive monthly draw was led by large declines in North American crude oil and 'other products', but was directionally in line with the five-year average 40.1 mb draw.

- **Preliminary January data indicate OECD industry oil stocks rose by 19.8 mb**, half the seasonal five-year average increase of 40.2 mb. Crude oil inventories gained 4.2 mb, as builds in the US and Europe offset a drop in Japan, while 'other oils' added a further 4.9 mb. Increases in gasoline and distillates, partly offset by falling 'other products', drove product stocks 10.7 mb higher.

- **Short-term oil floating storage fell to 55 mb in January**, from 56 mb at end-December. The declines in offshore crude stocks in Asia-Pacific and Northwest Europe drove the decrease in crude oil floating storage to 35 mb, while an increase in the Middle East Gulf and near Southeast Africa provided partial offset. Product floating storage remained unchanged at 20 mb as a build off Northwest Europe balanced a draw near West Africa.





OECD Inventories at End-December and Revisions to Preliminary Data

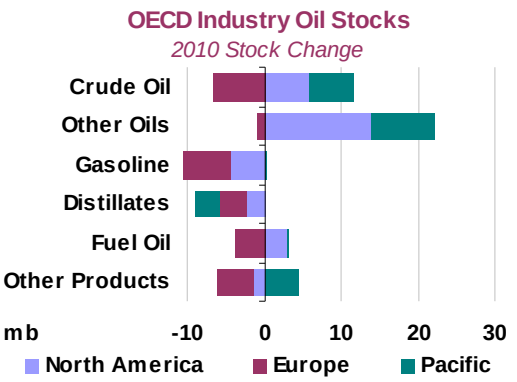
OECD industry oil inventories declined by 55.6 mb to 2 668 mb in December and forward demand cover dropped from 58.3 days in November to 57.5 days in December, the lowest level since November 2008. Sharp declines in crude oil and 'other product' stocks drove the stronger-than-seasonal monthly OECD draw. Inventories of 'other oils' also fell sharply, while declines in middle distillates and fuel oil were more muted. A further, albeit weaker-than-seasonal, gasoline build provided partial offset. Accordingly, product stocks contracted by 28.8 mb, crude oil by 19.2 mb and 'other oils' by 7.6 mb. In comparison, a five-year average draw of 40.1 mb is normally characterised by less steep declines in crude oil and products and a sharper drop in 'other oils'.

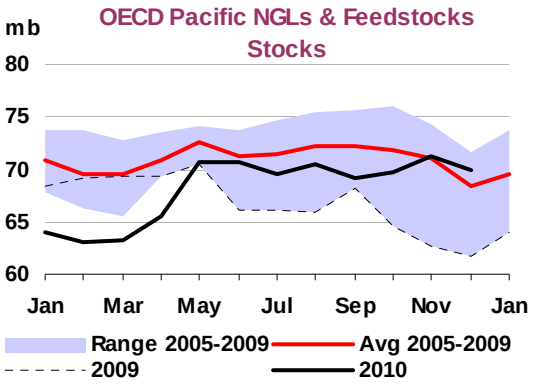
Preliminary Industry Stock Change in December 2010 and Fourth Quarter 2010

	December (preliminary) *(million barrels)*				December (preliminary) *(million barrels per day)*				Fourth Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-22.7**	**2.3**	**1.2**	**-19.2**	**-0.73**	**0.07**	**0.04**	**-0.62**	**-0.30**	**0.08**	**0.11**	**-0.11**
Gasoline	6.4	-1.8	-1.2	3.4	0.21	-0.06	-0.04	0.11	-0.01	-0.01	-0.01	-0.02
Middle Distillates	2.1	0.6	-6.2	-3.5	0.07	0.02	-0.20	-0.11	-0.07	0.06	-0.08	-0.09
Residual Fuel Oil	-0.6	-0.7	-0.4	-1.7	-0.02	-0.02	-0.01	-0.06	-0.02	-0.08	-0.03	-0.12
Other Products	-19.5	0.4	-7.9	-27.0	-0.63	0.01	-0.26	-0.87	-0.34	-0.03	-0.04	-0.42
Total Products	**-11.5**	**-1.5**	**-15.8**	**-28.8**	**-0.37**	**-0.05**	**-0.51**	**-0.93**	**-0.43**	**-0.05**	**-0.16**	**-0.65**
Other Oils[1]	-3.6	-2.7	-1.2	-7.6	-0.12	-0.09	-0.04	-0.24	-0.06	0.00	0.01	-0.05
Total Oil	**-37.9**	**-1.9**	**-15.8**	**-55.6**	**-1.22**	**-0.06**	**-0.51**	**-1.79**	**-0.79**	**0.03**	**-0.04**	**-0.80**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

For the year as a whole, commercial OECD stocks built by 3.8 mb in 2010 and forward demand cover was down from 58.0 days at the beginning of 2010. However, a closer look unveils a shift from products to crude and NGLs and varied performance across the regions. European stocks drew this year by a solid 26.9 mb, while North American and Pacific stocks each gained around 15 mb year-on-year. 'Other oils', consisting of NGLs and feedstocks, rose by a strong 21.4 mb from low 2009 levels and gasoline and distillates fell by 11.1 mb and 9.1 mb, respectively.





More complete data for major OECD countries indicate total oil inventories were 18.2 mb lower in November and 5.7 mb higher in October than originally thought, implying a sharper 32.2 mb stock draw, instead of the previously reported November decline of 8.3 mb. The largest downward adjustments in each region occurred to crude oil levels. Following baseline revisions and three monthly declines, stocks have dropped 125 mb from the second-highest level on record evident in August 2010.

Revisions versus 18 January 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Oct 10	Nov 10	Oct 10	Nov 10	Oct 10	Nov 10	Oct 10	Nov 10
Crude Oil	**-0.3**	**-6.1**	**1.0**	**-10.8**	**0.0**	**-4.3**	**0.7**	**-21.1**
Gasoline	0.1	0.9	0.0	-3.4	0.0	-0.6	0.1	-3.1
Middle Distillates	0.1	3.1	4.1	3.6	0.0	-0.4	4.2	6.3
Residual Fuel Oil	0.0	-1.3	-0.1	-0.5	0.0	0.1	-0.1	-1.6
Other Products	0.1	2.6	0.3	0.0	0.0	-0.3	0.4	2.3
Total Products	**0.3**	**5.4**	**4.3**	**-0.4**	**0.0**	**-1.1**	**4.6**	**3.9**
Other Oils[1]	0.5	-4.6	-0.1	2.5	0.0	1.1	0.4	-0.9
Total Oil	**0.6**	**-5.3**	**5.1**	**-8.6**	**0.0**	**-4.3**	**5.7**	**-18.2**

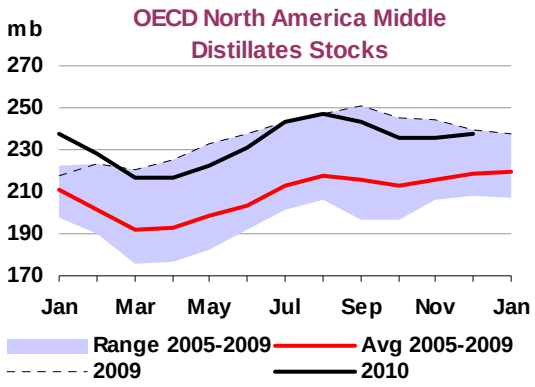
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

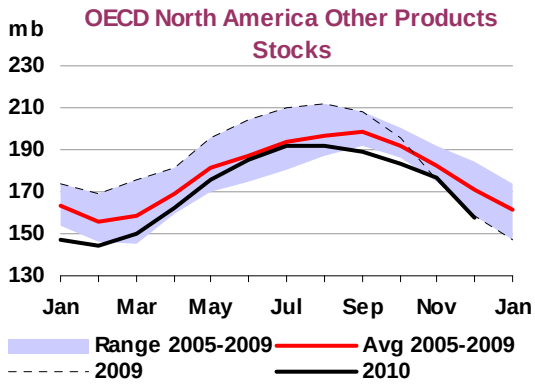
Preliminary OECD data point to a 19.8 mb stock build in January, half the seasonal five-year average increase of 40.2 mb. Crude oil inventories gained 4.2 mb, as builds in the US and Europe more than offset a decline in Japan. Meanwhile, an increase in Europe drove product stocks 10.7 mb higher. Gasoline and distillate inventories gained 19.9 mb and 9.5 mb, respectively, while a sharp draw in US 'other products' provides partial offset. Global short-term oil floating storage fell further to 55 mb in January, from 56 mb at end-December. Crude floating storage dropped to 35 mb and product floating storage remained unchanged at 20 mb.

Analysis of Recent OECD Industry Stock Changes

OECD North America

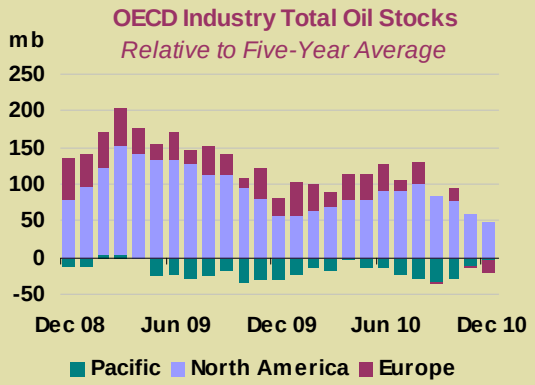
Industry stocks in North America fell by 37.9 mb in December, to 1 324 mb. This was the fourth consecutive monthly decline, and was slightly sharper than the five-year average 27.9 mb stock draw for the month. An uptick in regional refinery throughputs and seasonally low imports caused December crude oil inventories to decline by 22.7 mb. Much of the draw occurred on the US Gulf Coast, where refiners increased runs due to more profitable margins and, at the same time, deferred tanker arrivals to reduce end-year tax liabilities.

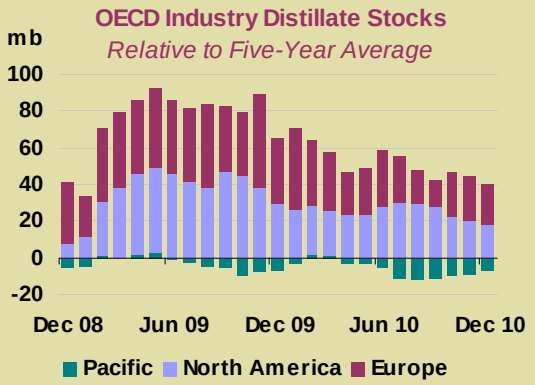




Stock Overhang Eases But Remains Concentrated in North America

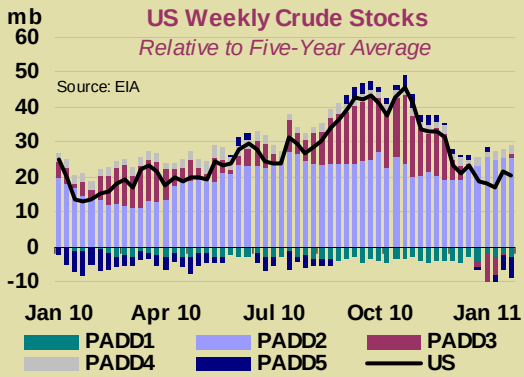
A sharp 55.6 mb December stock draw reduced the OECD inventory surplus relative the five-year average levels to 30.2 mb, from 45.7 mb in November. The overhang is concentrated in crude oil, middle distillates and 'other oils' (19.3 mb, 32.3 mb and 9.0 mb above the seasonal norms, respectively). While industry oil stocks in Europe and the Pacific stood 14.2 mb and 4.8 mb below the five-year average levels, respectively, at end-December, North American inventories were 49.2 mb above the average.





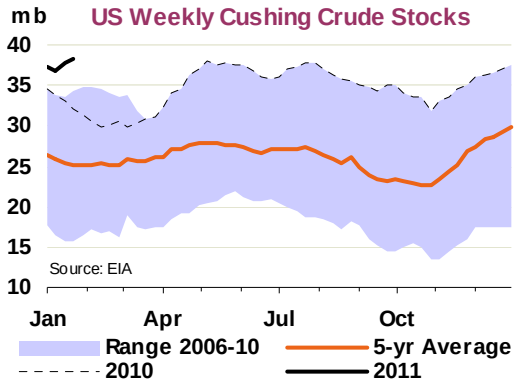
This North American overhang comprises not only the widely noted crude held in the landlocked US Midwest, but also, until recently, volumes stored on the US Gulf Coast. However, four monthly consecutive stock draws helped to reduce the North American surplus to the five-year average levels, from 101.3 mb in August to 49.2 mb at the end of December.

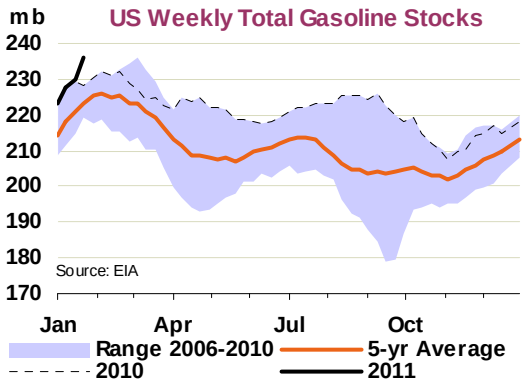
The stocks glut in the US Midwest arose from elevated Canadian crude flows from 2Q10 and growing PADD 2 oil supplies. Canadian non-conventional and US shale oil production is shipped southwards by pipeline to the US Midwest and around Cushing, Oklahoma, the delivery point for the light sweet crude futures contract. Many commentators see bottlenecks at Cushing remaining in place until new pipeline capacity running from Cushing to the US Gulf Coast and from Alberta to the British Columbia coast is inaugurated in two to four years time. However, rail transport of landlocked crude from PADD 2 to US Gulf may provide a partial relief.



Meanwhile, the US Gulf Coast overhang appeared in 3Q10 on a combination of higher imports and lower crude runs. However, low December imports and high crude runs supported by profitable margins drained the crude surplus and pushed gasoline and distillate stocks in the region up, indicating the crude surplus is now shifting into products. If WTI-based margins remain strong, despite muted economic recovery, this trend might continue.

A sharper-than-seasonal 19.5 mb draw in 'other products', much of it propane used for heating, drove the overall 11.5 mb drop in product stocks, while seasonal builds in motor gasoline and middle distillates provided partial offset. Higher imports and refinery output supported a 6.4 mb increase in gasoline stocks. Distillates gained 2.1 mb, but diesel stocks rose on higher imports and refinery production, while stronger heating demand due to cold weather drained heating oil inventories.

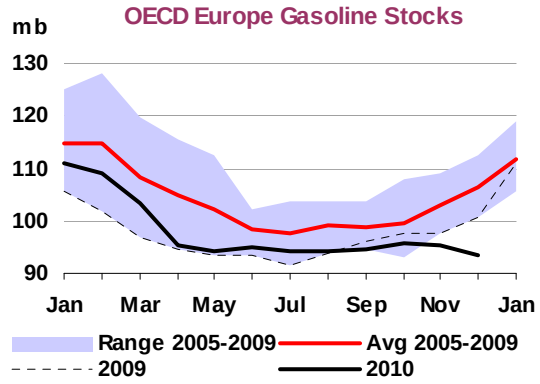


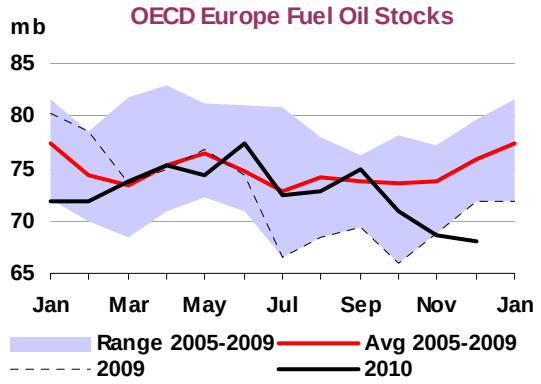


US weekly data from the US Energy Information Administration (EIA) point to an 11.1 mb build in oil stocks in January. Continued cold January weather with strong snowstorms led to a draw in 'other products', especially propane, which fell by a further 21.4 mb. However, a sharp 17.4 mb build in gasoline and small increases in middle distillates and fuel oil cushioned the decline. Overall, product stocks fell by 1.7 mb in January, while crude oil stocks rose seasonally by 8.2 mb as seaborne imports to the US Gulf rebounded. Crude stocks held in Cushing increased by 0.9 mb to a new record level of 38.3 mb, above previous July peak levels.

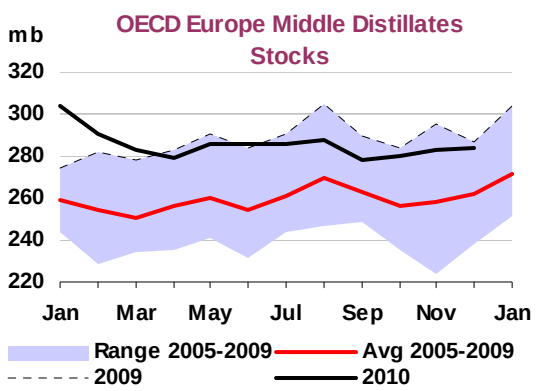
OECD Europe

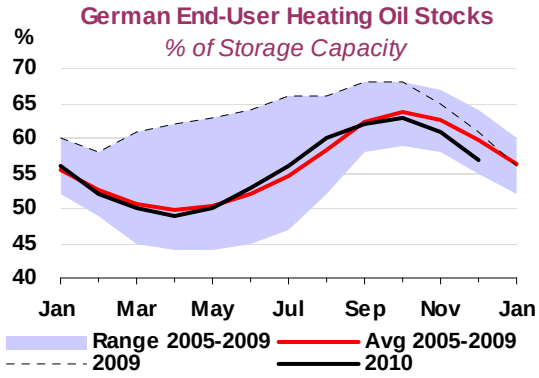
Commercial oil inventories in Europe fell by 1.9 mb to 945 mb in December, driven by 'other oils', gasoline and fuel oil declines. The draw contrasted with a more typical 10.7 mb product-led seasonal increase. Crude inventories rose by 2.3 mb as higher imports and lower runs in Italy, the UK and elsewhere in Europe outweighed draws due to higher refinery throughputs in France and the Netherlands.





Products fell by 1.5 mb on counter-seasonal draws in fuel oil and gasoline, while distillate gains provided a partial offset. Fuel oil inventories declined by 0.7 mb and an uptick in gasoline exports, mainly in France and Germany, reduced gasoline holdings by 1.8 mb. Middle distillates rose slightly, supported by offloading from floating storage and despite draws in the Netherlands, Italy and the UK. End-user heating oil stocks in Germany fell to 57% of capacity in December, from 61% in November, as rising gasoil prices discouraged consumer buying and they ran down their accumulated inventories.

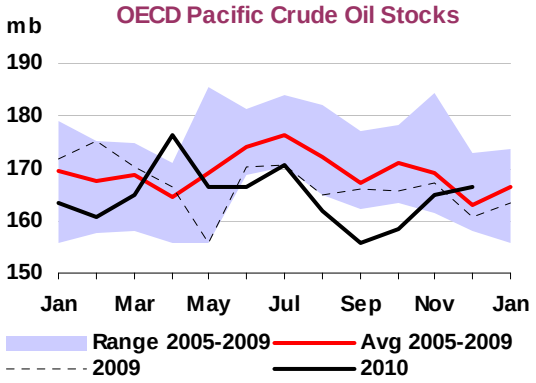


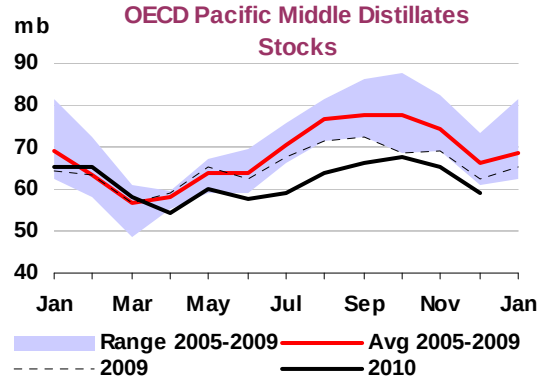


Preliminary data from Euroilstock point to a 16.3 mb gain in January inventories in the EU-15 plus Norway. Rising crude and distillate stocks drove the increase (+5.8 mb and +7.9 mb, respectively). Meanwhile, refined oil products held in independent storage in Northwest Europe rose slightly in January, as gains in gasoline and jet kerosene outweighed draws in gasoil, naphtha and fuel oil.

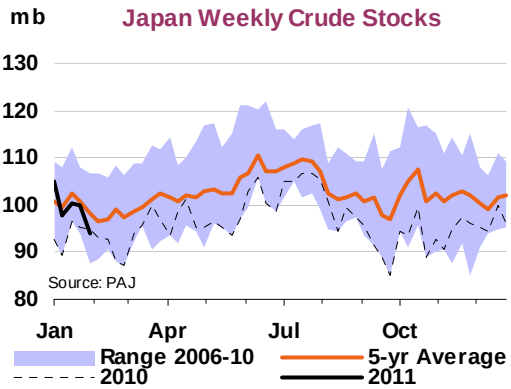
OECD Pacific

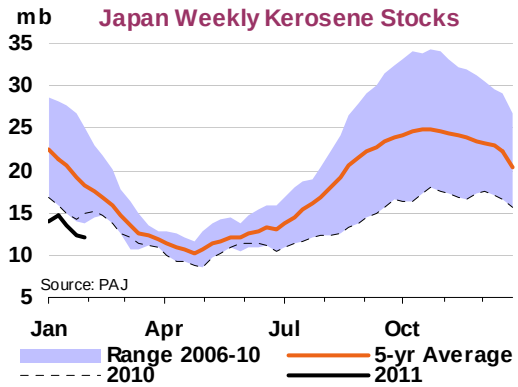
In December, OECD Pacific commercial oil stocks fell by 15.8 mb to 399 mb, driven by seasonal product draws and despite the highest regional crude runs since February 2009. Crude inventories edged 1.2 mb higher (compared to a more usual seasonal 6 mb draw) as a decline in Korean crude stocks failed to outweigh stock builds elsewhere in the region. A seasonal uptick in demand sharply reduced middle distillates and 'other product' stocks, while gasoline and fuel oil also declined.





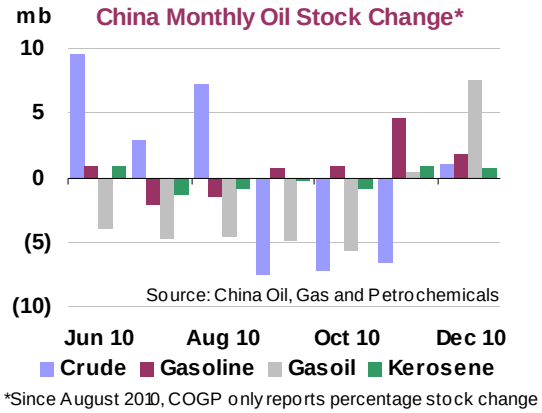
Japanese industry inventories fell by 7.6 mb in January, according to weekly data from the Petroleum Association of Japan (PAJ). Higher refinery utilisation drew accumulated crude oil stocks 9.8 mb lower, resulting in product gains, especially in gasoil, naphtha and gasoline inventories. However, stronger heating fuel demand drove inventories of kerosene lower by 2.2 mb, and thus constraining the overall product build to 1.8 mb.

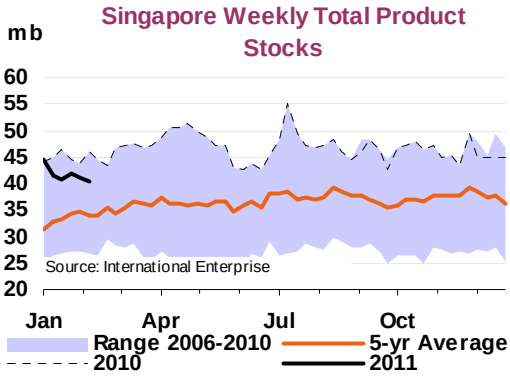




Recent Developments in China and Singapore Stocks

According to *China Oil, Gas & Petrochemicals* (*China OGP*), Chinese commercial oil inventories rose by the equivalent of 10.9 mb in December (data are reported in terms of percentage stock change). Rising imports drove a 1.0 mb (0.5%) build in crude oil stocks, outpacing high refinery runs. Domestic diesel shortages finally eased as China became a net diesel importer in December, for the first time since November 2008. Consequently, gasoil stocks increased by 7.5 mb (16.0%), while kerosene and gasoline stocks rose by 0.7 mb (5.6%) and 1.7 mb (3.0%), respectively.



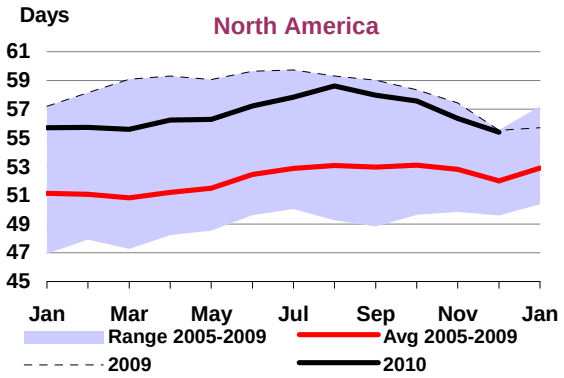


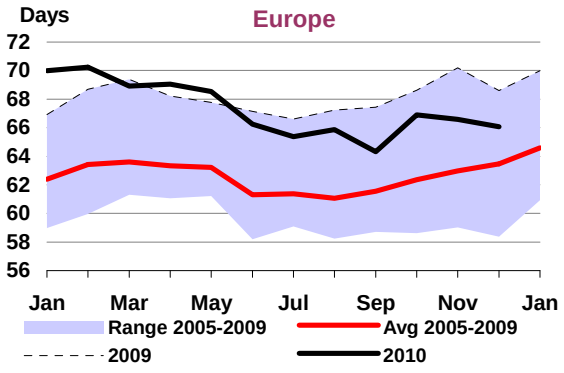
Singapore onshore inventories fell by 3.0 mb in January, led by declines in fuel oil and middle distillates. Higher gasoil exports left for Australia, while a drop in fuel oil inventories was reportedly driven by higher demand by Chinese teapot refiners for straight-run residue, which is in line with historical trends in the weeks leading up to the Chinese New Year holidays (this year falling in early February).

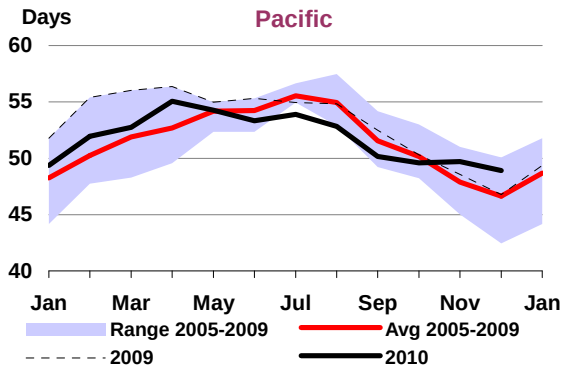
Regional OECD End-of-Month Industry Stocks

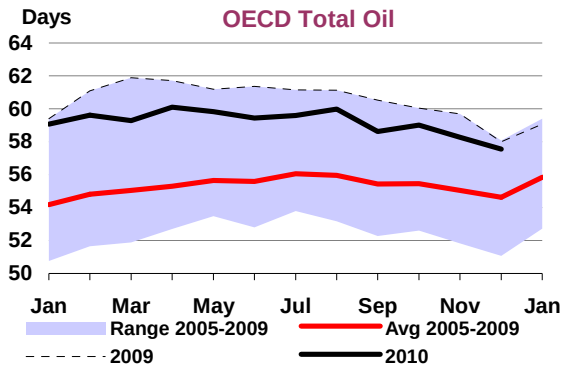
(in days of forward demand and millions barrels of total oil)

Days[1]

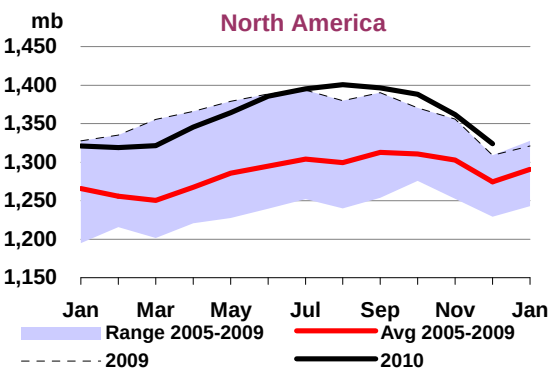


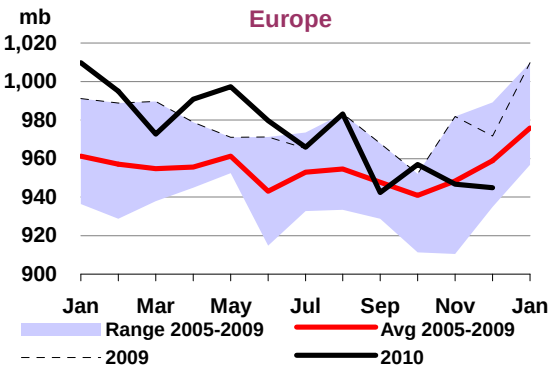


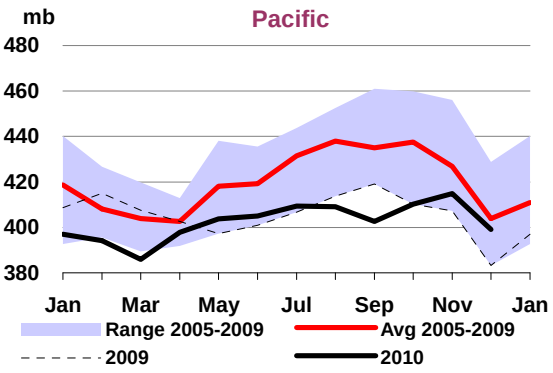


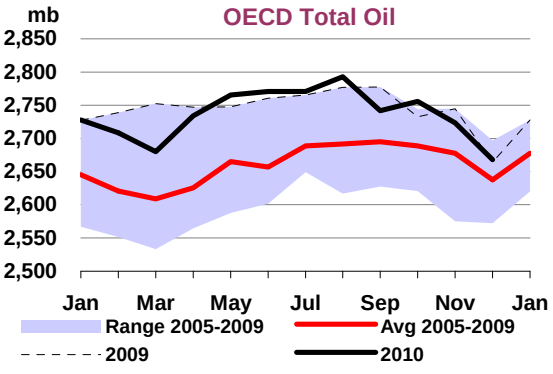


Million Barrels









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

PRICES

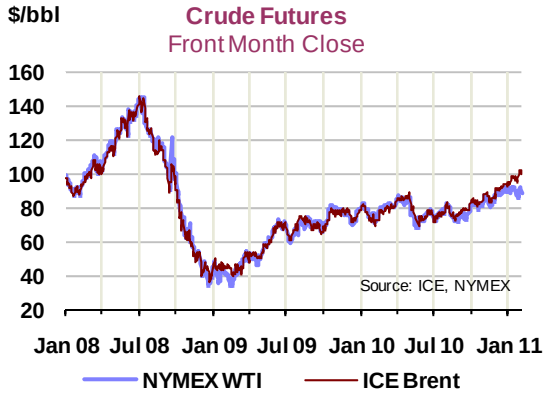
Summary

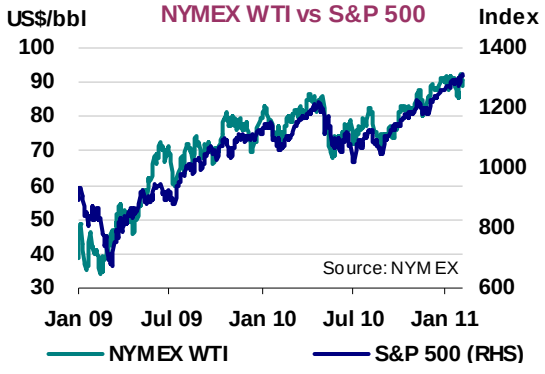
- **Crude oil prices were propelled higher at end-January by the political unrest unfolding in Egypt. Benchmark North Sea Brent breached the $100/bbl threshold** on fears that the political turmoil in Egypt may spread in the region, as well as potentially disrupting oil flows through the important Suez Canal or SUMED oil pipeline. While neither outcome appears to have high probability, the situation nonetheless exacerbated bullish market sentiment in early February. Futures prices for Brent were trading around $100.50/bbl and WTI at $87.20/bbl at the time of writing.

- **US marker WTI's underpinning by local, Midwest fundamentals was acutely evident in January and early February,** with the discount to North Sea Brent at an unprecedented $13.50/bbl in intra-day trade at one point. The WTI-Brent spread remained firmly in negative territory throughout January as record levels of crude stocks at the landlocked Cushing storage facility added downward pressure on the US benchmark. This in turn saw PADD 2 refiners sustaining crude runs.

- **Spot prices for refined products moved higher in January,** with crack spreads for middle distillates supported by weather-related heating demand and lower global refinery throughput rates. In addition, relatively steeper discounts for benchmark crudes US WTI and Dubai to Brent inflated products cracks versus these grades.

- **Crude oil tanker rates continued their downward momentum in late January but then recovered slightly by early February** following localised tonnage tightness and surging bunker fuel prices. Meanwhile, the Suezmax market appears to have so far shrugged off concerns of potential disruption in the Suez Canal, with no rate surges reported for trades transiting the region.





Market Overview

Crude prices were propelled higher at end-January by the political unrest gripping Egypt. Benchmark North Sea Brent breached the $100/bbl threshold on 31 January amid concerns that the turmoil unfolding in Egypt may spread in the region as well as potentially disrupting oil flows through the critical Suez Canal or the Suez-Mediterranean (SUMED) oil pipeline. While the likelihood of either event is still deemed low, the risk augmented already prevailing bullish market sentiment. Approximately 2 mb/d of crude and refined products head to the Mediterranean via the Canal and SUMED oil pipeline, with about 850 kb/d of crude and products heading south via the canal. As such, the facilities provide a pivotal transit route linking the Red Sea to the Mediterranean Sea.

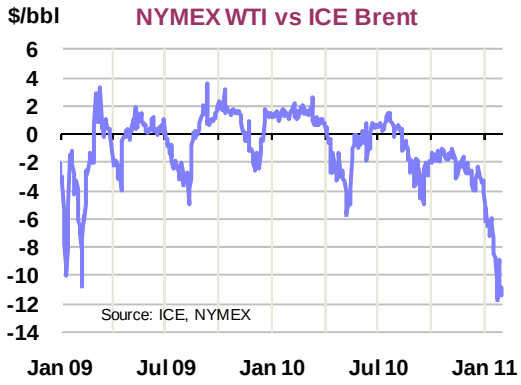
Since the onset of the crisis in Egypt on 25 January, Brent prices jumped just over $7/bbl to close at a peak $102.34/bbl on 2 February—the highest level since September 2008. Meanwhile, trading volumes

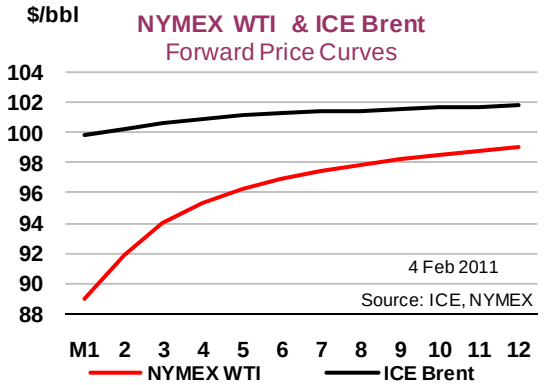
reached feverish levels, with open interest in NYMEX WTI futures contracts in January reaching the highest level since September 2007.

Oil prices were already on an upward trajectory in the first half of January, spurred on by stronger demand, especially from China, and evidence of continuing market tightening. Comments on 24 January by Saudi Oil Minister Ali al-Naimi, since repeated, to the effect that he expected prices to hold at last year's $70-80/bbl range rather than the current higher levels suggested producers do not see recent rises as sustainable. Moreover, the Minister said global oil demand will likely rise by between 1.5-1.8 mb/d this year and that "this will give OPEC the opportunity to boost supplies to the global market," implying the producer group is prepared to raise production levels to meet these higher demand levels.

Market attention continued to focus upon the producer group, with traders searching for any signal that OPEC will formally, or informally, agree to increase supplies to the market before the next scheduled ministerial meeting, which is five months away in early June. However, before then, OPEC ministers will gather on 22 February in Riyadh to attend the IEF Extraordinary Ministerial Meeting marking the 20th anniversary of producer-consumer dialogue.

Market equanimity proved fleeting, however, as the crisis in Egypt escalated at end-month. Futures prices for benchmark crudes ended the month higher, with North Sea Brent posting much sharper gains against WTI. Brent crude rose by $4.65/bbl, to an average $96.91/bbl in January and was last trading around $100.50/bbl at the time of writing. By contrast, WTI prices in January were up on average by a more modest $0.35/bbl, to $89.58/bbl, as record levels of crude stocks at the Cushing storage facility, the delivery point of the NYMEX contract, added considerable downward pressure on the US benchmark. WTI was last trading at $87.20/bbl.





WTI's underpinning by local, US Midwestern fundamentals was acutely evident in January and early February, with the discount to Brent at an unprecedented $13.50/bbl in intra-day trade at one point. The WTI-Brent price spread deteriorated throughout the month, widening from an average -$4.82/bbl in the first week of January to -$10.04/bbl in the last week.

The massive overhang of crude stocks in the US Midcontinent is also exerting enormous pressure on the front end of the WTI futures curve, with the M1-M12 contango steadily widening throughout January, from around $4.70/bbl at the start of the month to more than $9.00/bbl by the end. That compares with an average $2.39/bbl in December. By early February, the WTI M1-M12 spread had widened to the deepest levels in more than two years, averaging $9.65/bbl. With few relief valves available via new pipelines to reduce the massive stock overhang in the Midcontinent, the inversion of the more normal WTI-Brent premium and the divergence in the two crudes' forward curves may persist for months or indeed years to come, especially as US refiners reduce demand for crude ahead of the peak turnaround season. That said, in the short term Midwest refiners maintained higher than expected runs in recent weeks. Longer term, crude pipeline capacity feeding from Cushing to the Gulf Coast and that taking Canadian crudes to the Pacific Coast may ultimately redress the logistical pressure on WTI.

Prompt Month Oil Futures Prices

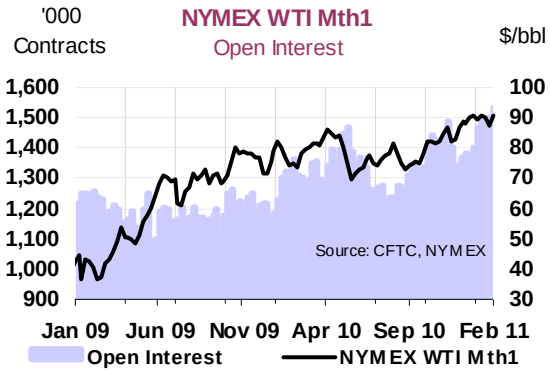
(monthly and weekly averages, $/bbl)

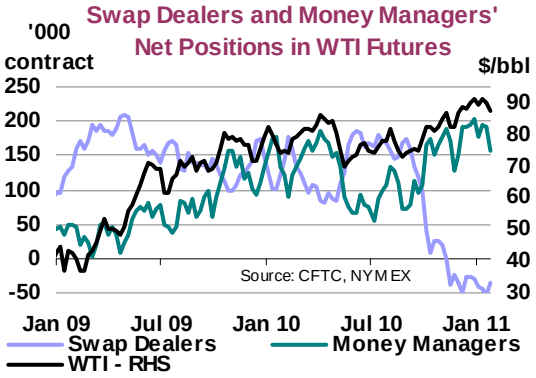
	Nov	Dec	Jan	Jan-Dec Avg Chg	% Chg	Week Commencing: 03 Jan	10 Jan	17 Jan	24 Jan	31 Jan
NYMEX										
Light Sweet Crude Oil	84.31	89.23	89.58	0.35	0.4	89.53	91.03	90.05	87.27	90.68
RBOB	91.87	99.04	102.56	3.52	3.4	102.00	103.62	103.34	101.01	104.56
No.2 Heating Oil	98.06	104.45	109.59	5.14	4.7	105.83	109.52	111.05	111.11	115.66
No.2 Heating Oil ($/mmbtu)	16.83	17.93	18.81	0.88	4.7	18.17	18.80	19.06	19.07	19.86
Henry Hub Natural Gas ($/mmbtu)	4.03	4.28	4.50	0.22	4.8	4.53	4.46	4.60	4.44	4.37
ICE										
Brent	86.16	92.25	96.91	4.65	4.8	94.34	97.63	97.51	97.32	101.34
Gasoil	98.56	104.08	108.92	4.84	4.4	105.47	108.64	110.28	110.40	115.09
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-1.84	-3.02	-7.33	-4.31		-4.82	-6.60	-7.46	-10.04	-10.66
NYMEX No.2 Heating Oil - WTI	13.74	15.22	20.01	4.80		16.30	18.49	21.00	23.83	24.98
NYMEX RBOB - WTI	7.56	9.81	12.98	3.17		12.47	12.59	13.29	13.74	13.88
NYMEX 3-2-1 Crack (RBOB)	9.62	11.61	15.32	3.71		13.75	14.56	15.86	17.10	17.58
NYMEX No.2 - Natural Gas ($/mmbt	12.80	13.65	14.32	0.67		13.64	14.34	14.46	14.64	15.49
ICE Gasoil - ICE Brent	12.40	11.82	12.01	0.19		11.13	11.00	12.76	13.09	13.76

Source: ICE, NYMEX

Futures Markets

Open interest in WTI futures contracts in January reached its highest level since September 2007. Open interest increased last month in both 'futures-only' and 'futures and futures-equivalent' options (hereafter combined) to 1.53 million and 2.77 million contracts, respectively. Producers increased their net short position during the month of January; they held 28.8% of the short and 17.9% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 30.2% and 32.1% of the open interest on the long side and short side, respectively, remained net short.





Managed money traders' net long exposure increased slightly in January to 176 448 futures contracts. The market share of managed money traders has fallen from 28.3% to 26.6% on the long side and from 16.4% to 15.1% on the short side. Other non-commercials, who accounted for 18.7% of open interest on the long side and 20.3% on the short side, remained net short in the market.

The NYMEX and the Intercontinental Exchange (ICE) issued their annual reports on trading volume in energy products. There is clear evidence that volume in energy market derivatives has gained momentum in 2010. Although NYMEX WTI is still the most liquid energy product, growth in Brent crude oil and other energy products traded on ICE is much stronger than for NYMEX energy products. The main reasons for the divergence in the growth rate of traded volumes can be attributed to: firstly, investor appetite for Brent over WTI, due to continued deep contango in WTI futures prices and the recent dislocation between Brent and WTI prices; secondly, possible strict position limits on energy products in the US offered by NYMEX; and thirdly, a diverse range of contracts offered by ICE.

A strong rally in commodity prices, particularly energy commodity prices, in December led to increasing investments from institutional as well as retail investors, on the premise that energy and commodities offer a diversification benefit and a hedge against inflation. The influx of commodity index money in futures and over-the-counter (OTC) markets in December 2010 in the long side reached an all-time record notional value of $283.7 billion and $211.1 billion in net notional value. Index investors added $5.0 billion to the Light Sweet Crude Oil market in December 2010, which rose to 622 000 futures equivalent contracts, or $57.4 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

01 February 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	274.9	441.6	-166.7	*Short*	↓ -15.4	↓ -19.4
Swap Dealers' Positions	232.5	262.5	-30.0	*Short*	↑ 5.4	↑ 10.9
Money Managers' Positions	239.2	62.7	176.4	*Long*	↑ 21.0	↑ 0.6
Others' Positions	85.8	109.5	-23.7	*Short*	↓ -11.6	↑ 2.7
Non-Reportable Positions	100.2	56.1	44.1	*Long*	↑ 0.6	↑ 5.3
Open Interest			**1531.9**		↑ 32.3	↑ 60.7

Source: CFTC

Pre-emptive Moves Against Speculation

Speculators have never been popular, and they may never have been as unpopular as they are today. Increasingly they are blamed for fluctuations in commodity prices, particularly in energy prices, even though a market lacking speculators to take the other side of price hedging transactions for physical market players would arguably be one that would be much more volatile.

Two of the most important functions of futures markets are the transfer of risk and price discovery. In a well-functioning futures market, hedgers, who are trying to reduce their exposure to price risk, will trade with someone, generally a speculator, who is willing to accept that risk by taking opposing positions. By taking the opposing positions, these traders facilitate the needs of hedgers to mitigate their price risk, while also adding to overall trading volume, which contributes to the formation of liquid and well-functioning markets.

However, the traditional speculative hypothesis stating that profitable speculation must involve buying when the price is low and selling when the price is high, has come under strong criticism. The critique originates from the observation that prices and non-commercial positions in energy commodities have been moving together since 2002. Accordingly, it is argued that excessive speculation by institutional investors caused energy prices to diverge from their fundamental values.

In order to combat excessive speculation and prevent market manipulation, the US CFTC, under the mandate given by the Dodd Frank Act, proposed on 13 January, 2010 hard position limits on commodity futures, options and swaps positions of speculators. Critics argued that there has yet to be a credible study which links the run up in commodity prices to trading strategies of speculators. However, the Commission justified its proposed rule as follows: “The Commission is not required to find that an undue burden on interstate commerce resulting from excessive speculation exists or is likely to occur in the future in order to impose position limits. Nor is the Commission required to make an affirmative finding that position limits are necessary to prevent the sudden or unreasonable fluctuations or unwarranted changes in prices or otherwise necessary for market protection. Rather, the Commission may impose position limits prophylactically, based on its reasonable judgment that such limits are necessary for the purpose of “diminishing, eliminating, or preventing” such burdens on interstate commerce that Congress has found result from excessive speculation”.

In seeking to prohibit excessive speculation and its possible effect on price volatility in futures markets, the Commission proposed a two-stage approach for hard position limits as preventive medicine for excessive speculation. In the first stage, the Commission will take over the existing spot-month limits set by exchanges. For example, NYMEX has a 3 000 contracts hard position limit for spot month NYMEX WTI, which now becomes the federal position limit. In the second stage, the Commission will make its own determination on the spot-month limit, any single-month and all-months-combined position limits across different trading venues once it collects enough data, especially from swap markets. The proposed rules call for spot-month

Pre-emptive Moves Against Speculation (continued)

position limits at 25% of deliverable supply. The rules also limit non-spot month and all-months-combined positions to 10% of open interest for the first 25 000 contracts owned by a trader and 2.5% thereafter. Bona fide hedging positions will not be counted towards the limits. Also, if a swap dealer's counter-party is a hedger or a swap dealer completes a trade on behalf of a bona fide hedger, then the swap dealer might use bona fide exemption for this specific trade and it will not be counted towards position limits.

Proponents have employed several arguments to justify the need for hard position limits on commodity derivatives markets. They argue that hard position limits on speculative activity ensure the effective functioning of the market by minimising price disruption that could be caused by excessive speculation. They further argue that a hard position limit is necessary to reduce concentration of market share in commodity markets. This will ensure that markets would be made up of a broad group of market participants with a diversity of views, thereby preventing distortion in market prices. The limit on the concentration of market share is also deemed necessary to cut systemic risk. Finally, they argue that rules-based hard position limits are preferable to position accountability levels in that they provide much more certainty as well as preventing arbitrary intervention in the market.

Market participants however have already raised concerns over some issues concerning the proposed rules. Regulators themselves express uncertainty over what the new position limits will bring to the market. As Michael Dunn, Commissioner at the US CFTC, put it "With such a lack of concrete economic evidence, my fear is that, at best, position limits are a cure for a disease that does not exist or at worst, a placebo for one that does." Market participants' main concerns include the following:

Lack of clarity on how the Commission reached its proposed position limit formula. The Commission has yet to provide a cost-benefit analysis for its proposed rule. Specifically, the Commission provides no evidence or justification that these limits are necessary to prevent the risks it has identified.

Hard position limits will severely constrain trading activity which would lead to increased, rather than reduced, volatility. Liquidity in futures markets, and especially in swaps markets, will, it is argued, be unnecessarily impaired. Producers and end users would have a smaller pool of counterparty firms to hedge their price risk with, which in turn increases the bid/ask spread, thereby creating more volatility. The proposed rule can also potentially constrain the size of trading entities. This will lead to market dependence on small speculators as institutional investors would be forced out of the market once they reach their respective position limit. This would lower liquidity and increase trading costs. Higher trading costs would, in turn, force some entities to establish smaller positions.

Classifying long-only index position as speculative will restrict access by many individual investors to commodity price exposure. Index funds aggregate the buying and selling decisions of small investors, who invest in commodities due to diversification benefits as well as a hedge against inflation. It is argued that denying the exemption on index funds position limits precludes small investors from a cost effective means of investing in commodities.

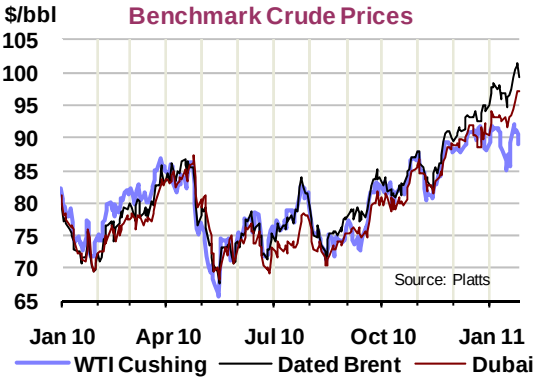
Position limits might drive some participants to other markets. Introducing non-universal position limits creates regulatory arbitrage opportunities as some market participants might move their trading activity to less regulated markets. For example, imposing limits on derivatives positions that Exchange Traded Funds (ETFs) can hold will lead to the creation of physical based ETFs that are not subject to position limits, which would eventually have the potential to distort prices.

Within-class position limits inefficiently constrain liquidity and hence increase the likelihood of large price fluctuations. The proposed rule imposes position limits on the individual classes as well as across different trading venues. For example, consider a market in which the position limit is 1 000 contracts. A speculator who is long in 500 futures contracts and short in 1 250 OTC contracts would have 750 net short positions. This trader would be within the all-months all-class limit; however, he/she would be in violation of the OTC class limit.

Meanwhile, on this side of the Atlantic, the European Commission and the UK's FSA convey two opposite views on hard position limits for commodities. The European Commission's consultation report, in line with the US CFTC, urges the need to consider hard position limits on spot month contracts but position management systems for all other contracts, similar to position accountability levels in US exchanges, which will authorise regulators to demand traders to reduce their positions if needed. On the other hand, the UK's FSA opposes hard position limits for commodities for both exchanges and OTC derivatives, arguing that a position management system is an appropriate tool to maintain fair, orderly and efficient markets.

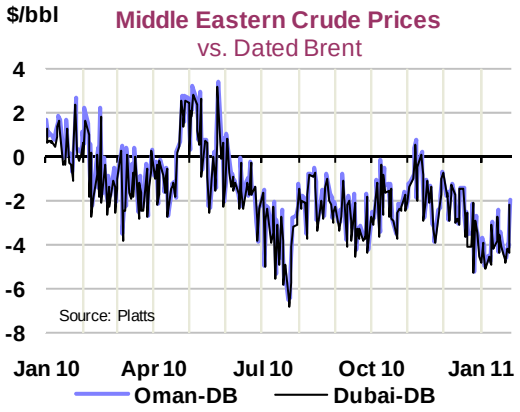
Spot Crude Oil Prices

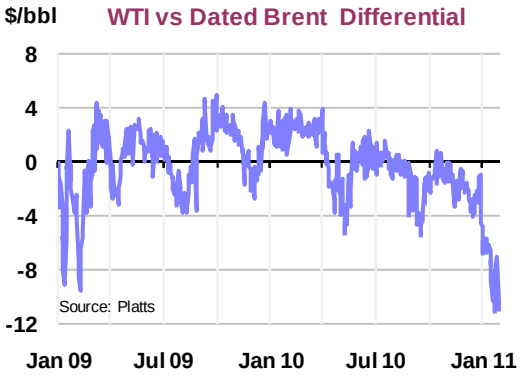
Spot crude markets rose on average by $3-5/bbl in January, with only depressed WTI posting smaller gains. Spot prices for lighter, distillate-rich crudes outpaced heavier sour grades as refiners maximised output of gasoil, diesel and jet kerosene. Heavier, sour crudes were relatively weaker due to a worsening fuel crack spread. Spot crude markets are likely to come under pressure near term given reduced refinery runs for scheduled turnarounds. Indeed, Saudi Arabia, Kuwait, Iran, Iraq, among others, have largely lowered official selling prices fro April liftings.



Once again, in January price trends for benchmark crudes diverged markedly, with spot prices for WTI up a marginal $0.31/bbl on the month, to an average $89.38/bbl. By contrast, Dated Brent crossed the $100/bbl marker at end-January although prices on average in January were lower at $96.54/bbl, an increase of around $5.20/bbl month-on-month.

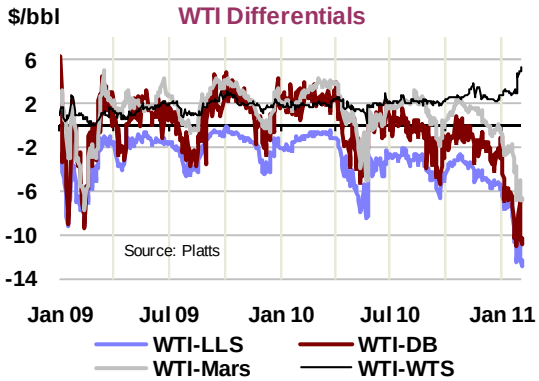
Spot prices for Dubai crude rose by $3.47/bbl on the month, to an average $92.52/bbl in January. Besides amplifying WTI's weakness, Brent's relative strength also distorted pricing relationships with other crudes, including Dubai.





In the US, bulging stocks at Cushing and increased flows of Canadian crude into the Midcontinent have triggered steep discounts for WTI relative to its refined value. The WTI-Brent price spread escalated throughout the month, widening to a peak close of $11.06/bbl on 27 January. This compares with an average -$7.16/bbl for the month, -$2.28/bbl in December and -$1.13/bbl in November.

WTI's price weakness has also sharply distorted price relationships with other domestic crudes. Markets have been largely self-correcting though, with differentials to other grades adjusted to compensate for the benchmark's weakness. WTI's discount to Light Louisiana Sweet (LLS) deepened to more than $12.00/bbl in early February, compared with an average $8.40/bbl in January and $5.25/bbl in December. Local refinery runs have remained resilient to try to take advantage of WTI-linked grades' price advantage.



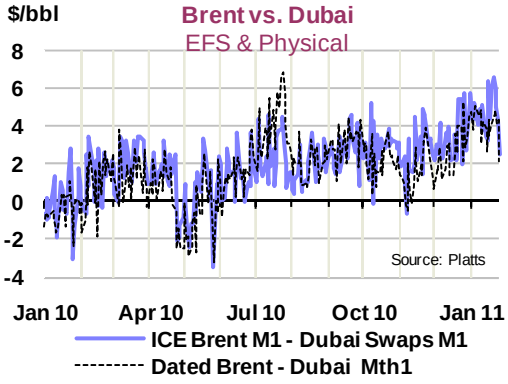
Further underscoring the market's adaptability, producers and traders have, at the margin, turned to shipping bargain-priced crude in the midcontinent, such as new Bakken shale from North Dakota, by rail tanks to the US Gulf Coast refining centre, where higher prices more than offset the transit costs. While

volumes are reportedly just 100 kb/d, there are a number of projects underway to boost the ability to make such rail shipments. The influx of new Canadian and Bakken shale into Cushing, Oklahoma is a contributing factor to the growing surplus at the pivotal terminal/storage area.

Few other relief valves are available near-term to ease the glut at Cushing, and proposed plans for a pipeline that would move crude directly from Canada to South Texas has run into permitting problems. TransCanada's Keystone XL line is designed to carry 510 kb/d of Canadian heavy crude but opposition groups argue that increasing US reliance on Canadian oil sands output can occur only at severe environmental cost. Proponents of the line counter that well to wheels emissions from oil sands output are not markedly higher than for conventional supplies.

In Asia, spot prices for regional light crudes posted the strongest gains, with Malaysian Tapis up by $4.39/bbl, to an average $100.35/bbl in January. However, by mid-month the crude's premium started to erode on weaker naphtha cracks.

Brent's lofty premium to Dubai crude has made Middle East crudes linked to Dubai more attractive in the region. The Dated Brent-Dubai premium steepened to just over $4.00/bbl last month versus $2.31/bbl in December. The Brent-Dubai EFS premium increased to an average $4.60/bbl in January compared to $3.30/bbl in December. Despite the steep price tag for crudes pegged to Brent, Chinese refiners appear willing to pay top dollar for lighter, distillate-rich African crudes given the country's strong demand for diesel.



Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec Avg Chg	%	Week Commencing: 03 Jan	10 Jan	17 Jan	24 Jan	31 Jan
Crudes										
Dated Brent	85.33	91.36	96.54	5.18	5.7	94.48	97.15	97.27	96.32	100.35
Brent (Asia) Mth1 adjusted	85.95	91.97	96.85	4.88	5.3	94.55	96.86	98.53	96.63	100.47
WTI (Cushing) Mth1 adjusted	84.20	89.08	89.38	0.31	0.3	89.56	91.00	89.68	86.80	90.72
Urals (Mediterranean)	84.74	89.64	93.72	4.07	4.5	92.06	94.63	94.19	93.22	97.31
Dubai Mth1 adjusted	83.65	89.05	92.52	3.47	3.9	91.06	92.66	93.02	92.65	95.74
Tapis (Dated)	89.98	95.96	100.35	4.39	4.6	98.59	100.36	101.45	100.27	103.46
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-1.13	-2.28	-7.16	-4.88		-4.92	-6.15	-7.59	-9.52	-9.63
Urals (Mediterranean)	-0.59	-1.71	-2.82	-1.11		-2.42	-2.52	-3.08	-3.11	-3.04
Dubai Mth1 adjusted - Dated Brent	-1.67	-2.31	-4.02	-1.72		-3.42	-4.50	-4.25	-3.67	-4.61
Tapis (Dated)	4.65	4.61	3.81	-0.80		4.11	3.21	4.18	3.95	3.12
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.36	-0.04	-0.01	0.02		0.11	0.52	0.11	-0.64	-0.35
Forward WTI Cushing Mth1-Mth2 adj	-0.56	-0.60	-1.32	-0.72		-1.12	-1.09	-1.01	-1.87	-2.60

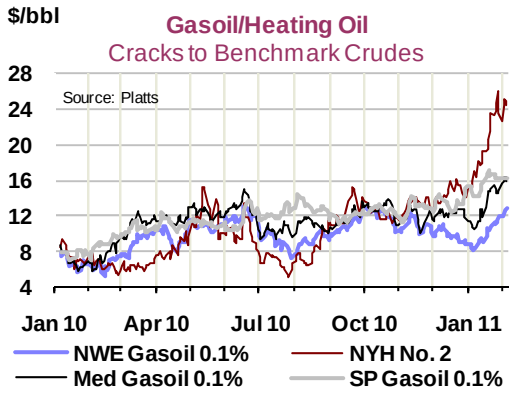
Source: Platts

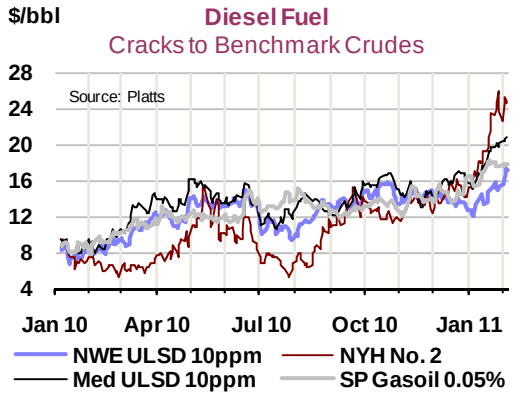
Spot Product Prices

Spot prices for refined products moved higher in January, with crack spreads for gasoline, gasoil and diesel, and kerosene strengthening in the US, Singapore and the Mediterranean. Crack spreads for middle distillates were supported by winter weather-related heating demand and reduced supplies due to refinery turnarounds. Global refinery throughput rates are estimated to have declined by 800 kb/d from December to January. A further 800 kb/d is expected to be shut-in for maintenance between January and February *(see Refining)*.

In addition, relatively steeper discounts for benchmark crudes WTI and Dubai against North Sea Brent inflated crack spreads versus these grades. By contrast, pricier North Sea Brent crude oil eroded gasoline crack spreads in Northwest Europe.

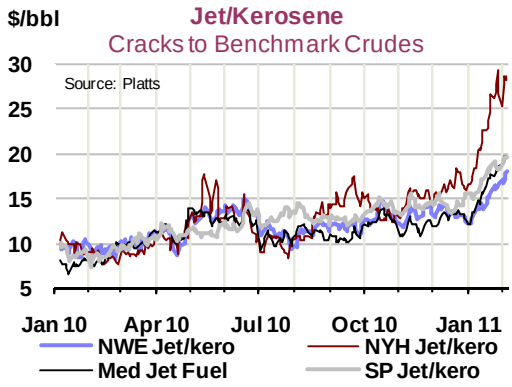
Gasoil crack spreads were robust in all major markets in January, with New York and Asia posting the strongest gains. In the US, blustery cold weather and record snow falls combined with relatively weaker WTI prices to boost crack spreads in New York by about $5.50/bbbl to almost $20/bbl in January, compared with $14.47/bbl in December and $13.09/bbl in November. At the US Gulf Coast, gasoil differentials for Mars rose by around $2.90/bbl, to around $15.00/bbl, while cracks for Light Louisiana Sweet (LLS) crude were up on average by $2.58/bbl, to $9.64/bbl, in January.

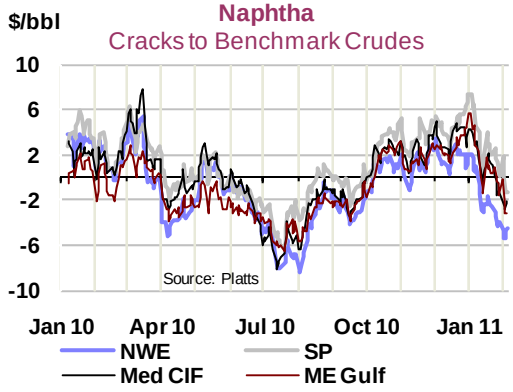




In Asia, robust Chinese demand and expectations that planned refinery turnarounds would significantly reduce supplies supported gasoil cracks in the region, with differentials to Dubai crude up by around $2.10/bbl to $15.67/bbl in Singapore, by around $2.40/bbl to $18.07/bbl in Japan and by $2.15/bbl to $15.15/bbl in South Korea.

In Europe, gasoil cracks posted more modest increases, with differentials to Urals rising by $1.45/bbl to $13.41/bbl on average in January. In Northwest Europe, relatively more expensive Brent curbed gains in cracks, which were up by just $0.22/bbl to $10.07/bbl. By contrast, diesel cracks posted higher month-on-month increases on stronger demand and expectations of tight supplies due to planned refinery maintenance, with differentials to Urals in the Mediterranean up on average by around $2.37/bbl to $18.10/bbl.





Exceptionally in January, **jet/kerosene fuel** cracks spreads were propelled higher on reduced supplies, as refiners maximised gasoil and diesel output, and by brisk demand. In New York, jet/kerosene differentials to WTI ballooned to $22.69/bbl on average last month compared with $16.30/bbl in December and around $14.85/bbl in November. In Europe, expectations for tighter supplies due to lower refinery throughput rates and reduced supplies from the Middle East buoyed jet fuel cracks in the Mediterranean, up by $3.37/bbl to $16.24/bbl.

In Asia, increased demand from airlines coupled with a significant increase in kerosene used as a heating fuel, especially in northern China, pushed crack spreads up by almost $3.00/bbl to $17.38/bbl on average in Singapore, by around $2.70/bbl to $17.67/bbl in Korea and by $2.40/bbl to $18.96/bbl in Japan.

After steadily rising since last autumn on stronger economic growth and robust petrochemical demand, **naphtha** cracks spreads weakened across the board in January. Planned maintenance work at crackers, coupled with increased use of relatively cheaper LPG as a feedstock combined to pressure naphtha markets. In Europe, naphtha cracks in the Mediterranean are down a steep 70%, to just $0.94/bbl on average last month. In Northwest Europe, naphtha cracks moved into negative territory, down a sharp $3.80/bbl to -$2.08/bbl. In Singapore, naphtha differentials to Dubai crude were off 40%, to $2.64/bbl.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec		Week Commencing:					Nov	Dec	Jan
				Chg	%	03 Jan	10 Jan	17 Jan	24 Jan	31 Jan			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	92.81	99.81	103.21	3.40	3.4	102.00	104.23	104.19	101.96	104.77	7.49	8.45	6.67
Naphtha	86.31	93.08	94.46	1.38	1.5	95.42	95.09	94.99	92.54	95.40	0.99	1.73	-2.08
Jet/Kerosene	98.57	104.73	111.45	6.72	6.4	107.60	111.32	112.48	112.67	117.72	13.25	13.37	14.91
ULSD 10ppm	99.59	105.09	110.79	5.70	5.4	106.96	111.18	111.87	111.57	116.83	14.26	13.73	14.25
Gasoil 0.1%	96.30	101.21	106.61	5.40	5.3	102.73	106.46	107.74	107.80	112.84	10.98	9.85	10.07
LSFO 1%	75.56	76.92	80.76	3.84	5.0	79.35	80.99	80.65	81.17	85.69	-9.77	-14.44	-15.78
HSFO 3.5%	73.51	75.59	79.89	4.31	5.7	79.06	79.66	79.91	80.28	84.26	-11.82	-15.77	-16.65
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	92.74	98.80	103.99	5.19	5.3	102.03	105.46	105.40	102.66	104.72	8.00	9.16	10.27
Naphtha	86.47	92.88	94.66	1.78	1.9	95.46	95.32	95.28	92.74	95.64	1.73	3.23	0.94
Jet Aviation fuel	96.55	102.51	109.96	7.45	7.3	105.66	109.69	111.37	111.29	116.71	11.81	12.87	16.24
ULSD 10ppm	99.28	105.37	111.81	6.44	6.1	107.57	111.67	113.20	113.11	117.84	14.54	15.73	18.10
Gasoil 0.1%	96.07	101.60	107.12	5.52	5.4	102.93	106.93	108.32	108.44	113.99	11.33	11.96	13.41
LSFO 1%	74.74	76.37	80.45	4.09	5.3	78.04	80.66	80.41	81.45	85.99	-10.00	-13.28	-13.27
HSFO 3.5%	71.81	73.19	78.39	5.20	7.1	76.65	77.80	78.50	79.50	83.96	-12.93	-16.46	-15.33
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	100.90	103.92	107.11	3.19	3.1	106.86	108.22	108.09	105.17	108.16	16.70	14.85	17.73
Unleaded	93.72	100.15	102.85	2.70	2.7	102.51	103.59	103.51	101.40	104.20	9.52	11.07	13.46
Jet/Kerosene	99.07	105.38	112.08	6.70	6.4	107.18	112.06	114.13	114.27	118.47	14.87	16.30	22.69
No. 2 (Heating Oil)	97.29	103.55	109.37	5.82	5.6	105.52	109.22	110.95	111.04	115.01	13.09	14.47	19.99
LSFO 1%†	75.82	77.79	78.88	1.09	1.4	77.81	78.79	78.24	79.66	85.50	-8.39	-11.28	-10.50
No. 6 3%†	73.52	76.23	79.11	2.89	3.8	77.60	79.06	78.68	80.09	85.09	-10.68	-12.85	-10.27
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	93.21	102.09	106.38	4.29	4.2	105.11	106.52	107.80	105.67	108.96	9.56	13.04	13.86
Naphtha	87.26	93.83	95.16	1.33	1.4	96.44	94.45	95.75	94.03	95.96	3.61	4.78	2.64
Jet/Kerosene	97.87	103.53	109.89	6.36	6.1	106.34	109.28	111.26	111.26	115.04	14.22	14.48	17.38
Gasoil 0.5%	96.52	102.61	108.19	5.58	5.4	105.36	107.65	109.71	108.96	111.97	12.87	13.56	15.67
LSWR Cracked	78.22	86.37	89.86	3.49	4.0	88.03	88.95	90.13	91.29	94.97	-5.44	-2.68	-2.65
HSFO 180 CST	76.35	78.79	82.51	3.71	4.7	80.63	82.00	83.26	83.24	87.46	-7.31	-10.25	-10.01
HSFO 380 CST 4%	76.84	79.60	83.90	4.29	5.4	81.96	83.48	84.76	84.53	88.35	-6.81	-9.44	-8.62

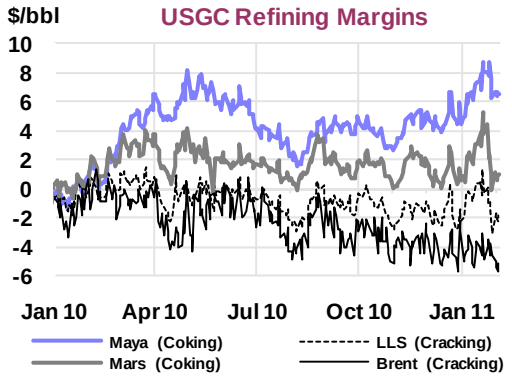
Source: Platts * CIF † Cargoes

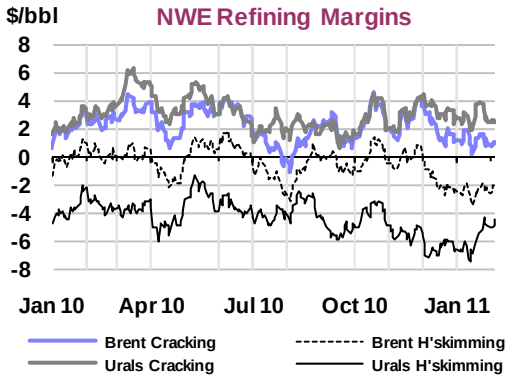
Refining Margins

Crude feedstock and product prices were volatile in January, resulting in diverging trends for refining margins. US Gulf Coast margins improved month-on-month, with the exception of Brent cracking margins, which were pressured by high Brent feedstock prices. Margins were supported by higher gasoline prices in the first half of the month and increasing diesel prices throughout January, which especially benefitted coking margins.

In Northwest Europe, refining margins all weakened month-on-month. Brent crude strengthened throughout January, putting pressure on margins, whereas refinery turnarounds in the Mediterranean

region capped Urals price increases. Product cracks, especially for middle distillates, improved in the second half of the month due to turnarounds, but product prices failed to keep up with the rapidly increasing crude prices at month-end, depressing margins again. Refining margins in the Mediterranean improved on average in January, taking advantage of lower priced Urals and higher product prices, both partly the result of the upcoming refining maintenance in the region.





In Singapore and China, refining margins generally weakened in the first part of the month, before improving in the second half on higher product cracks due to stronger demand and the upcoming maintenance season.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Nov 10	Dec 10	Jan 11		Jan 11-Dec 10	07 Jan	14 Jan	21 Jan	28 Jan	04 Feb
NW Europe	Brent (Cracking)	2.65	1.94	1.14	↓	-0.80	1.20	1.02	1.27	1.15	0.91
	Urals (Cracking)	2.94	3.32	2.87	↓	-0.45	2.69	2.25	3.62	3.04	2.48
	Brent (Hydroskimming)	-0.08	-1.77	-2.49	↓	-0.72	-2.51	-2.75	-2.48	-2.21	-2.20
	Urals (Hydroskimming)	-2.55	-3.53	-3.75	↓	-0.21	-3.95	-4.61	-3.17	-3.24	-3.58
Mediterranean	Es Sider (Cracking)	1.08	1.46	2.04	↑	0.59	1.24	1.68	2.58	2.63	2.00
	Urals (Cracking)	0.86	1.21	1.70	↑	0.49	1.02	1.12	2.23	2.37	1.86
	Es Sider (Hydroskimming)	-3.63	-4.51	-4.26	↑	0.25	-5.11	-4.79	-4.03	-3.27	-3.43
	Urals (Hydroskimming)	-5.44	-6.44	-5.95	↑	0.49	-6.53	-6.91	-5.74	-4.82	-4.87
US Gulf Coast	Bonny (Cracking)	-2.58	-2.51	-2.48	↑	0.03	-2.65	-2.57	-1.96	-2.65	-3.57
	Brent (Cracking)	-3.87	-4.08	-4.19	↓	-0.10	-4.22	-4.40	-3.90	-4.13	-5.19
	LLS (Cracking)	-1.66	-1.64	-0.60	↑	1.04	-1.34	-0.32	0.43	-0.69	-2.14
	Mars (Cracking)	-0.91	-1.90	-1.04	↑	0.87	-1.76	-1.30	-0.10	-0.61	-2.09
	Mars (Coking)	1.50	1.15	2.37	↑	1.22	1.27	2.24	3.73	2.73	0.73
	Maya (Coking)	4.24	4.94	6.88	↑	1.94	5.38	6.55	7.66	8.08	6.51
US West Coast	ANS (Cracking)	-1.61	-0.94	-1.99	↓	-1.05	-2.48	-3.60	-2.81	0.62	-0.59
	Kern (Cracking)	0.84	2.86	3.28	↑	0.42	2.43	3.29	1.99	4.58	7.12
	Oman (Cracking)	-2.95	-1.22	-2.35	↓	-1.13	-2.29	-2.80	-3.18	-1.70	-0.18
	Kern (Coking)	7.88	10.40	10.29	↓	-0.11	9.26	9.65	8.33	13.28	12.65
Singapore	Dubai (Hydroskimming)	-2.49	-3.05	-2.21	↑	0.84	-2.53	-2.80	-1.66	-1.88	-1.73
	Tapis (Hydroskimming)	-4.90	-4.11	-4.61	↓	-0.50	-4.40	-5.12	-4.74	-4.21	-4.60
	Dubai (Hydrocracking)	0.60	1.10	1.69	↑	0.60	1.55	1.13	2.30	1.80	1.58
	Tapis (Hydrocracking)	-2.57	-1.84	-2.58	↓	-0.74	-2.17	-3.00	-2.59	-2.51	-3.20
China	Cabinda (Hydroskimming)	-4.42	-2.26	-3.39	↓	-1.13	-2.73	-4.50	-3.28	-2.95	-3.30
	Daqing (Hydroskimming)	-3.83	-3.63	-4.27	↓	-0.64	-4.04	-5.11	-4.77	-3.41	-2.66
	Dubai (Hydroskimming)	-2.85	-3.32	-2.45	↑	0.87	-2.80	-3.05	-1.91	-2.10	-2.00
	Daqing (Hydrocracking)	0.85	1.16	-0.04	↓	-1.21	0.65	-0.70	-0.39	0.18	0.60
	Dubai (Hydrocracking)	0.34	0.93	1.51	↑	0.58	1.36	0.95	2.12	1.63	1.38

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.

Sources: IEA, Purvin & Gertz Inc.

Review of Refining Margin Model Changes for 2011

In this 2011 cycle Purvin & Gertz, Inc has incorporated its normal updating of the model series calculations to account for the Worldscale changes effective on 1 January of this year. This includes demurrage rates for the various sized vessels which are used to calculate the estimated lighterage/lightening costs for USGC deliveries primarily.

Several upgrades have been made with respect to operating costs in the models, primarily impacting upon the variable cost escalators in the models. A more representative escalator in calculating catalyst and chemical costs has been adopted. Data have shown that catalyst costs in particular have been understated to some degree in recent historical estimations and this index has been updated retroactively using the Nelson-Farrar Chemical Costs to establish this index. Previously, the models inflated these costs for margin calculations using general inflation.

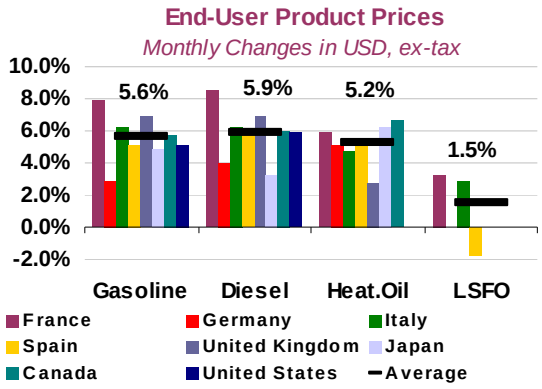
There are several other minor updates in the series, one related to power cost estimations for the Singapore margin series (retroactive to 2008) based on industry data. Certain consumer price index data are updated for the European models. Most of these factors have a minor impact on the margin series.

A major change in the West Coast index model designs is underway to best reflect the complex and continuing changes in gasoline quality, related to ethanol content in particular, which alters the basis of the refinery produced blending component. West Coast margins are calculated on a refinery basis and not at the terminal where finished product is blended. These updates are expected during the first half of this year, and will be announced and described when those changes occur. Some preliminary updates of the existing models have been made in this cycle, restating historical margins.

Historical series are now available for download at www.oilmarketreport.org. For further details on margins calculation methodologies, please contact Purvin & Gertz, Inc. at kdmiller@purvingertz.com.

End-User Product Prices in January

Average IEA end-user prices in US dollars, ex-tax rose by 4.5% in January. On this basis, price rises were reported across all surveyed products and countries, with the exception of Spain, which reported a 1.7% decrease in low-sulphur fuel oil prices (LSFO). Gasoline (5.6%), diesel (5.9%) and heating oil (5.2%) observed similar average price rises, while LSFO rose by only 1.5% across surveyed countries. Gasoline and diesel prices rose during January in the UK by a significant 6.8%, while year-on-year the increase was 21.5% and 26%, respectively. Meanwhile, France observed gasoline and diesel price increases of 7.9% and 8.5% respectively during the period, while y-o-y gains were 19% and 24%.

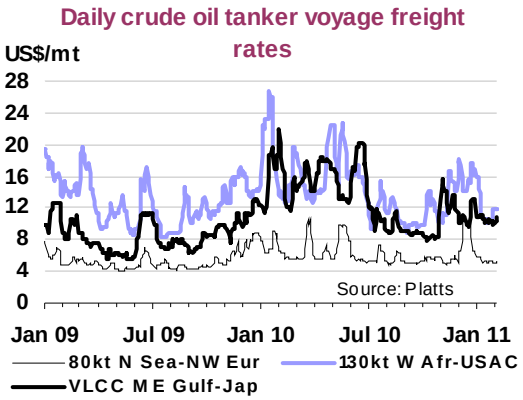


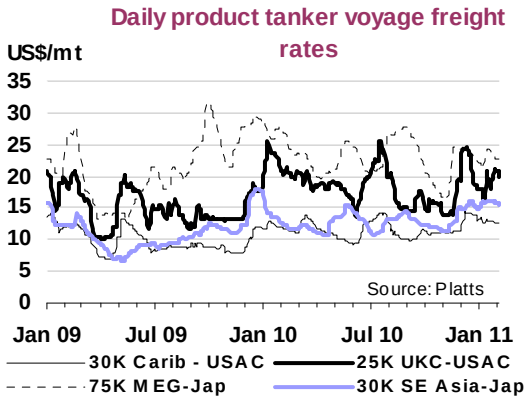
Regarding domestic heating oil in January, Canada (6.7%) reported the highest price rise among the surveyed countries. The UK registered the lowest monthly increment of 2.7% for January; but experienced the highest y-o-y rise (30.5%). Low-sulphur fuel oil for industry registered mild increases in France (3.3%) and Italy (2.9%).

Price changes in IEA countries measured in dollar terms are of course affected also by relative exchange rate shifts. A Comparison between January 2011 and year-ago shows the dollar stronger against the euro but weaker versus the Japanese yen and Canadian dollar. Not surprisingly therefore, dollar denominated price increases were less than in national currency for continental European countries, while the opposite held true for Japan and Canada. January y-o-y price changes in the UK measured between sterling and dollar values were more closely aligned.

Freight

Crude oil tanker rates continued their downward momentum in late-January but then recovered slightly by early-February following localised tonnage tightness and surging bunker fuel prices. The benchmark VLCC Middle East Gulf – Japan route softened to below $10/mt but then firmed to approximately $11/mt by early-February following a rush to fix cargoes before the Chinese New Year holidays.

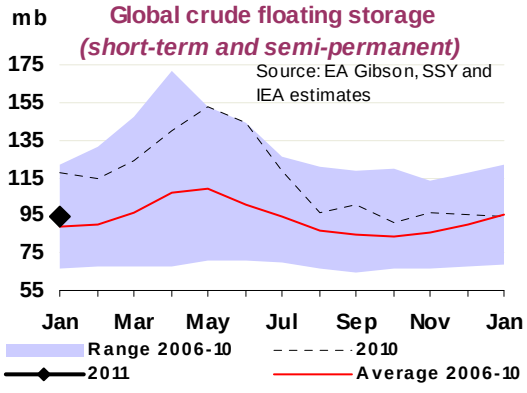




The Suezmax market appears to have shrugged off concerns of potential disruption in the Suez Canal, with no surges in rates reported for trades transiting the region. The benchmark Suezmax West-Africa – US Atlantic Coast route bottomed out at close to $10/mt in mid-January but then firmed following tighter fundamentals. European markets remained depressed but stable with the Aframax North Sea – North West Europe route remaining range-bound in January at between $5-$5.50/mt following low demand.

Clean product tanker rates fared little better than their dirty counterparts with only the transatlantic UK – US Atlantic Coast trade gaining out of the surveyed benchmark routes. This route stood at $20.80/mt on 1 February, approximately $2.80/mt higher than a month earlier following surging US East Coast gasoline imports. Despite brisk trade in South East Asian markets, rates on the Singapore – Japan route remained soft at close to $16/mt, while rates for Middle East Gulf-Japan rose to over $24/mt before gradually falling back to approximately $22.50 by early-February.

Short-term floating storage of crude and products stood at 55.1 mb at end-January (-1.2 mb m-o-m). Crude fell by 1.1 mb to 34.9 mb while products decreased by a slight 0.1 mb to 20.2 mb. While the absolute amount of crude has remained relatively stable, the geographical dynamics have shifted. All crude (2.2 mb) previously stored in Northwest Europe has now come ashore, while a 2.1 mb fall was reported in Asia Pacific. These declines were offset by Iranian storage which increased to 23.6 mb (+2.1 mb), while 1.2 mb is reportedly now stored off Southeast Africa. Meanwhile, a 1.5 mb build in refined products in Northwest Europe offset declines in the Mediterranean (-0.2 mb) and West Africa (-1.4 mb).



Data from Simpson, Spence & Young Shipbrokers indicate that, the dirty and clean fleets are forecast to increase by a net 64 and 42 vessels, respectively, by end-2011. With a flat contango currently reducing the economics of floating storage and the storage fleet numbering 42 at end-January, approaching a two-year low, the prospects of a respite from a bloated tonnage pool look bleak. Therefore, localised short-term tightness in fundamentals and high bunker fuel prices look the only likely supports for freight rates over the coming months.

REFINING

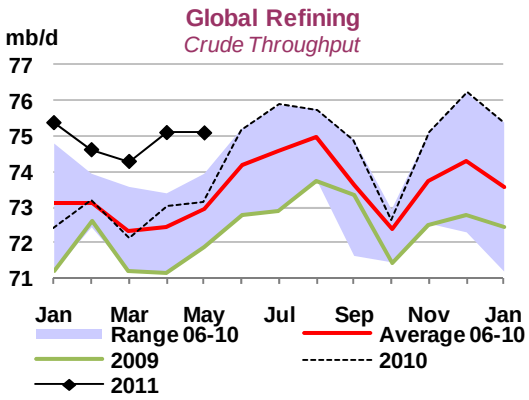
Summary

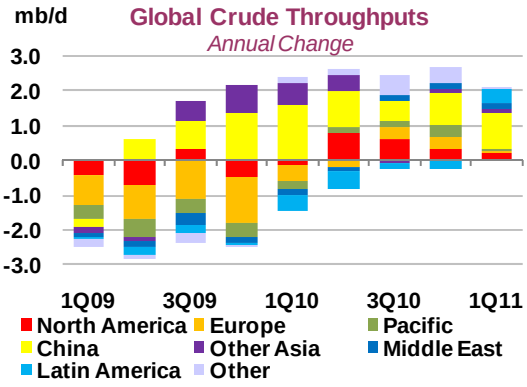
- **Global refinery crude throughputs for 4Q10 have been adjusted higher by 150 kb/d, to 74.7 mb/d,** approximately 2.4 mb/d above 4Q09. Higher Chinese and Indian crude runs in December, plus revised US November throughputs were the main contributors. Historical adjustments to some non-OECD European and Latin American countries provided a partial offset.

- **Global crude runs are estimated at 74.8 mb/d in 1Q11,** 130 kb/d less previously forecast, as higher expected runs in China and Latin America will likely now be offset by lower runs in Europe, the FSU and the Middle East. Stronger expected demand growth in China, as well as continuously high runs in recent months, underpin the revised Chinese forecast. A resumption of operations at refineries in Aruba and the Netherlands Antilles in January will likely boost Latin American runs from weak 2010 levels. Maintenance in the Middle East, the Mediterranean and the FSU in 1Q11 will partly offset these increases however.

- **OECD December throughputs rose by 730 kb/d from November, to average 37.5 mb/d.** The sharpest increase came in the US, which saw runs 315 kb/d higher, albeit this was only half the monthly rise indicated by preliminary weekly data. Japanese runs also saw significant gains, taking Pacific crude runs above 7.0 mb/d for the first time since February 2009. In all, December OECD runs were 1.8 mb/d higher than a year earlier.

- **November OECD yields** increased for all products except gasoline and 'other products'. Naphtha and gasoline showed the largest changes, as refiners, especially in Europe, increased naphtha production at the expense of gasoline.





Global Refinery Throughput

Global 4Q10 refinery crude runs have been lifted by 150 kb/d since last month's report, given higher throughputs in China and India in December, slightly stronger-than-expected runs in Africa, as well as revised runs for the US in November. 4Q10 runs are now estimated to have averaged 74.7 mb/d, 2.4 mb/d above a year earlier. However, a historical and downward reassessment of crude runs in non-OECD Europe and Latin America partially offset the increase. Chinese refinery runs posted yet another record high in December, despite signs from state refiners that they were planning lower operations. A sharp increase in Indian throughputs also helped lift Asian runs, as Reliance completed maintenance at its 660 kb/d domestic Jamnagar plant. Monthly US data for November lifted runs by some 300 kb/d above levels indicated by preliminary weekly data, moderating the sharp monthly increase in runs to a still-substantial 315 kb/d.

Global throughputs are expected to increase only slightly in 1Q11, to 74.8 mb/d on average, 130 kb/d less than last month's forecast. Higher runs in China and Latin America are more than offset by lower estimates for other regions. Chinese projections have been lifted, not only given recent high run rates, but also due to a now stronger expected demand profile. Latin American runs have been raised given the apparently successful restart of PDVSA's 320 kb/d Curaçao refinery and Valero's Aruba plant in January. Lower expected runs in the OECD (US and Europe) and the FSU, as well as the baseline adjustments made to non-OECD Europe, limit overall increases from 4Q10.

Global Refinery Crude Throughput[1]

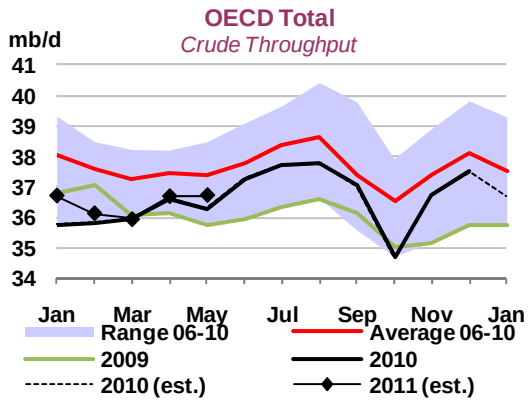
(million barrels per day)

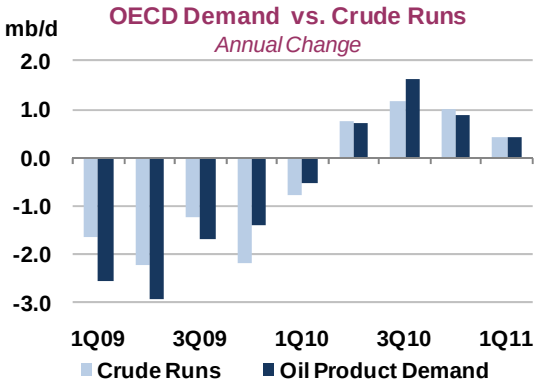
	3Q2010	Oct 10	Nov 10	Dec 10	4Q2010	Jan 11	Feb 11	Mar 11	1Q2011	Apr 11	May 11
North America	**18.1**	16.7	17.3	17.8	**17.3**	17.3	17.1	17.3	**17.3**	17.7	18.2
Europe	**12.8**	11.6	12.7	12.6	**12.3**	12.4	12.1	12.1	**12.2**	12.4	12.4
Pacific	**6.5**	6.3	6.8	7.0	**6.7**	7.0	6.9	6.5	**6.8**	6.6	6.1
Total OECD	**37.5**	**34.7**	**36.8**	**37.5**	**36.3**	**36.7**	**36.1**	**35.9**	**36.3**	**36.7**	**36.7**
FSU	**6.6**	6.3	6.5	6.5	**6.4**	6.3	6.3	6.1	**6.2**	6.1	6.3
Non-OECD Europe	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5
China	**8.4**	8.8	9.0	9.2	**9.0**	9.3	9.1	9.0	**9.1**	9.2	9.2
Other Asia	**8.6**	8.7	8.8	9.0	**8.8**	8.9	8.8	9.0	**8.9**	9.0	8.8
Latin America	**5.1**	5.1	5.1	5.1	**5.1**	5.3	5.5	5.5	**5.4**	5.5	5.5
Middle East	**6.2**	6.2	6.1	6.1	**6.1**	6.1	5.8	6.0	**6.0**	5.9	5.8
Africa	**2.5**	2.5	2.4	2.3	**2.4**	2.4	2.4	2.3	**2.3**	2.3	2.3
Total Non-OECD	**38.0**	**38.0**	**38.4**	**38.7**	**38.4**	**38.7**	**38.5**	**38.3**	**38.5**	**38.4**	**38.4**
Total	**75.5**	**72.7**	**75.1**	**76.2**	**74.7**	**75.4**	**74.6**	**74.3**	**74.8**	**75.1**	**75.1**

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude throughputs averaged 37.5 mb/d in December, 730 kb/d higher than November and 1.8 mb/d above a year earlier. The monthly increase was concentrated in North America, which saw runs rise by 470 kb/d month-on-month. An upward revision of some 300 kb/d to November US data moderated the sharp monthly increase earlier seen in weekly data. Japanese crude runs also rose in December, by some 270 kb/d, taking Pacific crude runs above 7.0 mb/d for the first time since February 2009.





OECD runs are expected to drop sharply from December highs in 1Q11, but remain flat on a quarterly basis, averaging 36.3 mb/d. Maintenance normally peaks in March in both Europe and North America, but somewhat later in the Pacific. Weekly data for the US already show significant declines in utilisation rates in early 2011, in particular on the Gulf and West Coasts. With increased runs expected in Latin America, US refiners will find less support from strong export markets seen in 2010. European runs, in particular in the Mediterranean, are expected to be cut by heavy maintenance.

Refinery Crude Throughput and Utilisation in OECD Countries

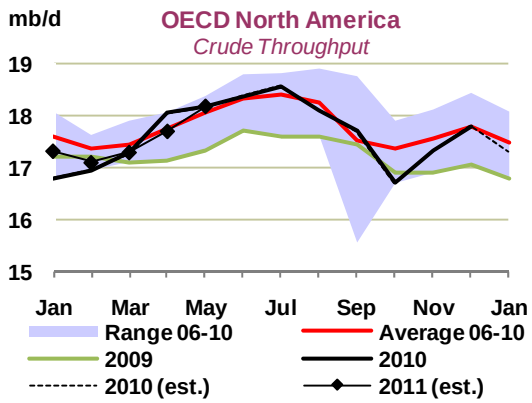
(million barrels per day)

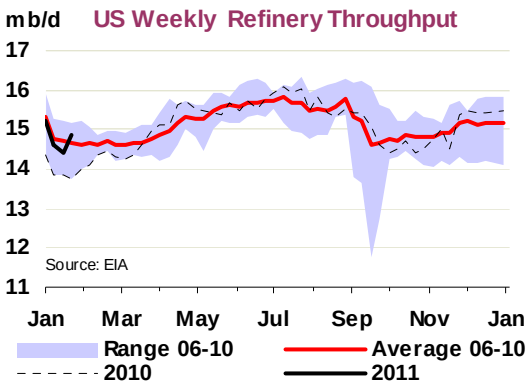
	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Change from Nov 10	Change from Dec 09	Utilisation rate[1] Dec 10	Utilisation rate[1] Dec 09
US[2]	15.52	15.11	14.74	14.00	14.63	14.94	0.31	0.96	85.3%	80.0%
Canada	1.86	1.87	1.78	1.63	1.71	1.76	0.05	0.00	96.2%	89.8%
Mexico	1.21	1.15	1.20	1.08	0.99	1.10	0.11	-0.23	65.0%	86.3%
OECD North America	**18.59**	**18.13**	**17.72**	**16.71**	**17.33**	**17.80**	**0.47**	**0.74**	**84.6%**	**81.4%**
France	1.45	1.50	1.51	0.64	1.39	1.43	0.04	0.09	77.5%	67.5%
Germany	1.99	2.04	2.05	1.99	2.06	2.00	-0.06	0.11	83.7%	79.0%
Italy	1.76	1.69	1.73	1.66	1.74	1.73	0.00	0.18	76.1%	68.4%
Netherlands	1.08	1.08	1.00	0.98	0.97	1.05	0.08	0.01	86.8%	85.7%
Spain	1.14	1.11	1.11	1.02	1.04	1.08	0.04	0.07	76.9%	77.9%
United Kingdom	1.47	1.45	1.43	1.41	1.39	1.40	0.01	-0.09	77.3%	83.1%
Other OECD Europe	4.07	4.01	3.85	3.92	4.08	3.95	-0.13	0.34	81.0%	75.7%
OECD Europe	**12.96**	**12.88**	**12.68**	**11.62**	**12.67**	**12.64**	**-0.03**	**0.71**	**80.0%**	**75.9%**
Japan	3.25	3.53	3.34	3.20	3.49	3.76	0.27	0.07	83.8%	78.3%
South Korea	2.27	2.46	2.53	2.49	2.53	2.57	0.04	0.29	94.0%	83.5%
Other OECD Pacific	0.68	0.77	0.76	0.66	0.74	0.72	-0.02	-0.03	85.2%	92.0%
OECD Pacific	**6.20**	**6.76**	**6.63**	**6.35**	**6.76**	**7.04**	**0.28**	**0.33**	**87.4%**	**81.3%**
OECD Total	**37.75**	**37.77**	**37.03**	**34.68**	**36.76**	**37.49**	**0.73**	**1.78**	**83.5%**	**79.5%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

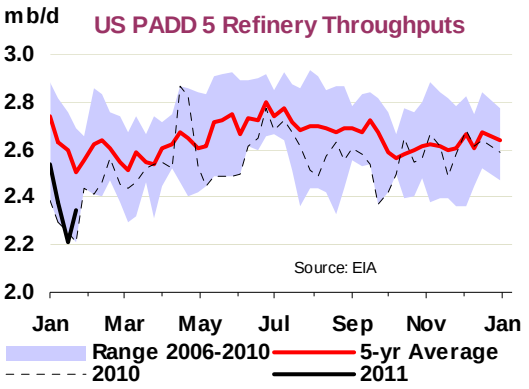
North American crude runs were up almost 0.5 mb/d from a month earlier in December. Growth came mostly from the US, but increases were also recorded in Mexico and Canada, where maintenance had cut runs in October and November. Revisions to US November throughputs, now some 300 kb/d higher than reported by weekly data, result in a more modest monthly increase in US runs of 315 kb/d, compared to 630 kb/d as indicated by preliminary weekly data.

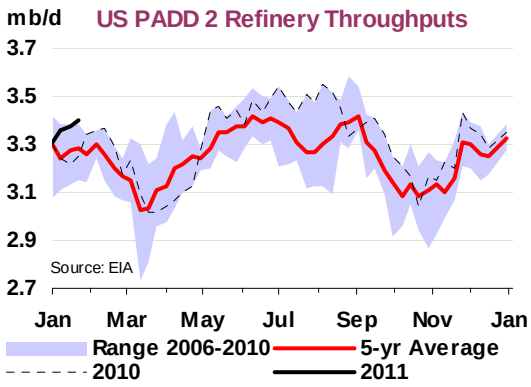




Weekly data for January suggest that refinery runs in the US fell back from the high levels of the end of the year, dropping by almost 600 kb/d from December (and falling by 200 kb/d more than expected). Refinery runs were 280 kb/d lower on both the Gulf Coast and the West Coast, while remaining relatively flat on average for the other regions. Gulf Coast refining margins generally improved in January, but remained negative for cracking. Several plants started their turnarounds including, among others, BP's Texas City, Conoco's Borger, Valero's Houston and Petrobras' Pasadena refineries.

More noteworthy, perhaps, is the fall in West Coast runs, to only 73.5% utilisation on average in January, compared with 81.7% in December. Part of the decline can be attributed to the supply disruptions of the ANS pipeline in Alaska, which caused a halt in operations at Flint Hill's 220 kb/d North Pole refinery in Alaska. Maintenance at Valero's Benicia and Shell's Anacortes plants on the West Coast also contributed, compounded by deteriorating regional cracking margins.





Runs in the Midcontinent held up, by contrast, averaging 90.2% utilisation in January, the highest in the country. PADD 2 refiners are encouraged to keep runs high by steep discounts for spot crudes, as the region struggles with excess supplies and a massive stock overhang. US refiner Valero said it was maximising sweet crude runs at Midcontinent refineries to benefit from the regional supply glut. Normally refiners would wind down runs at this time of the year, but cheap WTI has apparently led several refiners to delay maintenance in order to take advantage of the improved margins. Swelling regional product stocks could undermine product cracks and runs in coming months, however, unless demand picks up from current levels.

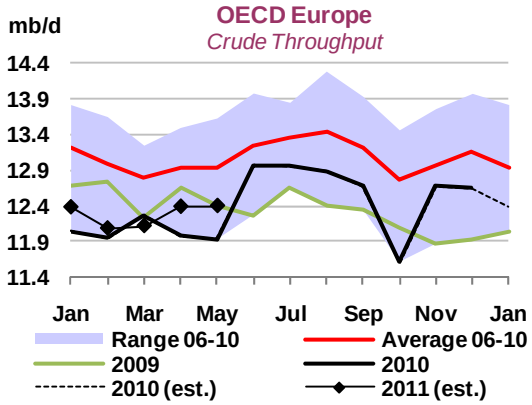
BP announced plans on 1 February that it hopes to divest half its US refining capacity by the end of 2012, making it the smallest refiner among the integrated majors. The company plans to sell its 475 kb/d Texas City refinery, which was the site of a major accident that killed 15 and injured 170 people in 2005, and its 265 kb/d Carson, California refinery along with its marketing interests. According to a company statement, the decision to sell the refineries is the result of a two-year review into improving the company's downstream assets portfolio and has nothing to do with the need to raise cash in the wake of the Macondo oil spill.

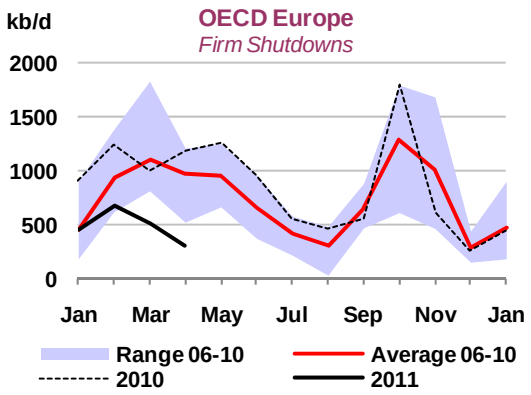
OECD European refinery runs for December were mostly flat from a month earlier, and in line with expectations. At 12.6 mb/d, regional runs were nevertheless some 700 kb/d above end-2009 rates. Runs in the Netherlands recovered somewhat, after refiners had operated at reduced rates since September, when Shell started maintenance at the catalytic cracker of its 412 kb/d Pernis refinery, Europe's largest. According to a company official, the catalytic cracker, which produces gasoline and diesel, was still not working in early February, and would not restart until at least the end of February.

Apart from the reduced runs at Pernis, regional maintenance in the first quarter is concentrated on the Mediterranean. Some estimates put a fifth of Mediterranean capacity closed in 1Q11, significantly

tightening local product supplies and boosting margins. Our own estimates of maintenance are somewhat lower than those quoted in the press, but include ERG's Isab Sud plant in Sicily, ENI's Taranto plant, Esso's Fos Sur Mer refinery in southern France, Greece's Thessalonika and Corinth refineries among the plants that are closing for maintenance or reducing rates.

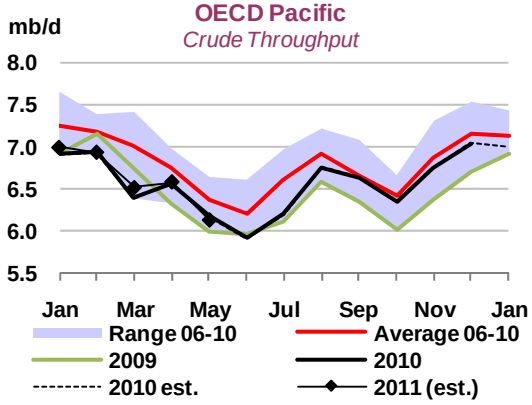
Since last month's report, LyondellBasel has announced it is considering closing the 105 kb/d Berre L'Etaing refinery in Southern France. If closed, the plant would be the third announced closure in France within a year. Total already closed its 140 kb/d Dunkirk refinery in early 2010, and will permanently reduce capacity at its Gonfreville refinery, while Petroplus recently confirmed that it intends to go ahead with the closure of its 85 kb/d Reichstett refinery in Eastern France announced in October last year. If the closures mentioned above are confirmed, total French refinery capacity will reduced from close to 2 mb/d in early 2010, to 1.56 mb/d once completed.

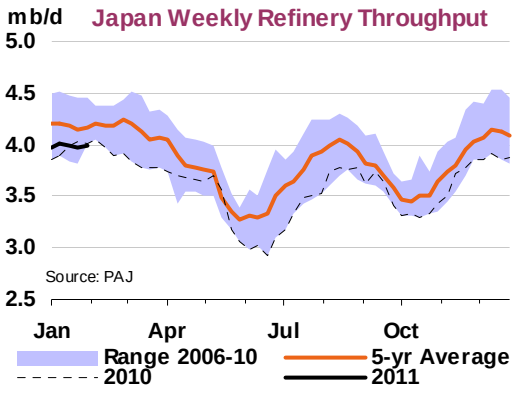




OECD Pacific crude runs averaged 7.0 mb/d in December, the highest since February 2009. Regional runs were 280 kb/d higher than November and 330 kb/d above a year ago, with the increase from a month earlier almost entirely accounted for by Japan, where maintenance ended. On an annual comparison basis however, growth is mostly coming from South Korea, supported by more robust domestic demand compared with its neighbour. Japanese oil product demand returned to its path of structural decline in the fourth quarter, after a temporary surge due to high temperatures over the summer.

Preliminary weekly data from the Petroleum Association of Japan (PAJ) show Japanese runs in January only slightly above expectations and closely in line with the previous year. Japanese refiner Idemitsu Kosan announced it is planning to raise 1Q11 throughputs 1% from a year earlier, and 70 kb/d above 4Q10, in order to meet increased export demand. A company official said supplies to the domestic market will continue to contract in the first quarter (-2% y-o-y) but strength in overseas markets was supporting runs. Australia's Caltex restored full operations at its 109 kb/d Lytton refinery on 24 January, after having been forced to shut on 5 January due to heavy rain and floods.

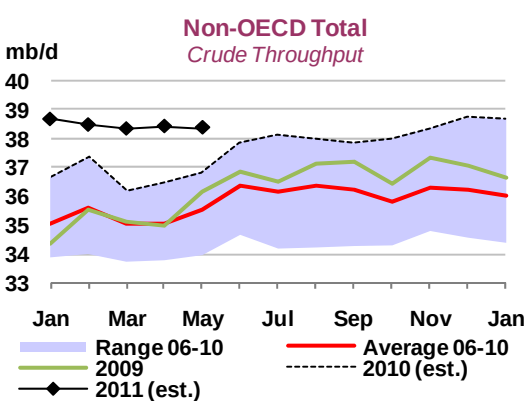


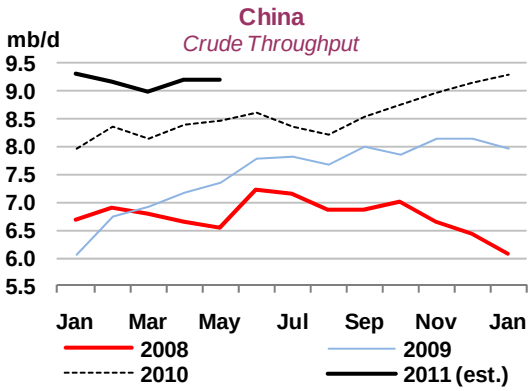


Non-OECD Refinery Throughput

Non-OECD refinery crude run estimates for 4Q10 are largely unchanged from last month's report, at 38.4 mb/d, as higher Chinese and Indian throughputs in December as well as slightly stronger African runs were more than offset by revisions to historical data for non-OECD Europe and Latin America. Chinese refiners processed at another record high level in December, despite plans to slow runs, and Indian runs rebounded sharply from maintenance lows seen in October and November. A reassessment of historical data for non-OECD Europe and Latin America, however, mostly offset the higher readings.

1Q11 non-OECD crude runs, on the other hand, have been lifted by close to 200 kb/d from last month's report to 38.5 mb/d on average. A stronger demand profile for China for 2011 leads us to expect runs to be sustained at high levels, though some questions regarding profitability with crude prices around $100/bbl, remain. Higher runs in Latin America further underpin the revised run estimates, given the apparent successful restart of PDVSA's Curaçao refinery in the Netherlands Antilles in January. The restart of Valero's Aruba refinery, which reached planned rates late January after having been shut since summer 2009, further adds to lifting Latin American runs above the depressed levels seen in most of 2010. The announcement by Hess that it will permanently shut parts of its 500 kb/d St Croix refinery in the US Virgin Islands will likely have a minimal effect on throughputs as the plant has been running at reduced rates for some time.

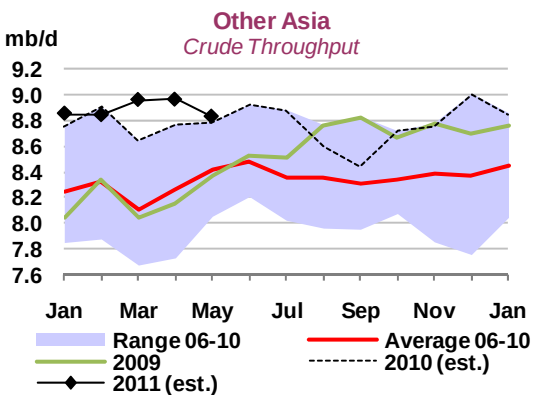


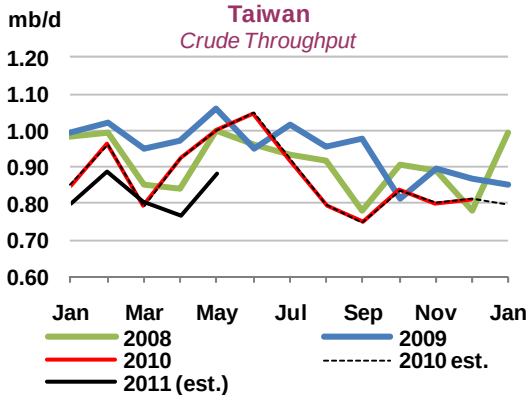


Chinese refiners surprised yet again to the upside in December, processing a record 9.156 mb/d of crude oil. The 200 kb/d monthly increase in throughputs came despite the country's largest refiners having signalled they were planning lower runs for that month. Year-on-year, runs were 1 mb/d higher, the strongest annual increase since May 2010. Refiners have been ramping up production to cope with diesel shortages triggered by increased demand from stand-alone power generators since late last autumn. According to customs statistics, China became a net importer of gasoil for the first time in more than two years in December. Preliminary plans are for another rise in runs in January, to 9.3 mb/d, according to industry surveys.

Total **Indian** refinery throughput is estimated to have averaged 4.1 mb/d in December (allowing for 660 kb/d runs at Jamnagar's export refinery - excluded from Ministry statistics - as reported in RILs quarterly earnings report). The sharp increase, of some 300 kb/d, was mostly due to an increase in runs at Reliance's domestic Jamnagar plant, which rose by 200 kb/d as maintenance was completed. The company shut a 330 kb/d crude distillation unit and a coker unit for 22 days in October-November. IOC's Panipat refinery, which was expanded to 300 kb/d in November from 240 kb/d previously, also contributed to the increase. However, private refiners Reliance and Essar's product exports dropped by 13.3% to 960 kb/d in January from December's high of over 1 mb/d.

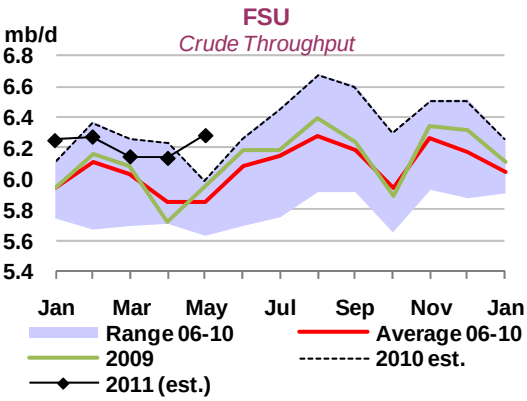
Industry sources have reported that India's Bharat Oman Refineries Limited will start commercial operations at its new Bina refinery in mid-February. The company started commissioning its 120 kb/d crude and vacuum distillation units in June 2010 but delays in setting up a captive power plant at the facility has postponed commercial start-up. Bina will refine a mix of 65% Arab Light and 35% Arab Heavy crude. Heavy maintenance in May will drag Indian runs lower. Amongst others, Essar will shut its Vadinar refinery for 35 days starting in May to expand capacity to 360 kb/d. The company plans to further boost capacity to 400 kb/d by September 2012 by debottlenecking some units.





Taiwanese runs for November were reported at only 800 kb/d, again about 100 kb/d lower than our expectations. Taiwan's largest refinery, Formosa's 540 kb/d Mailao plant, is still struggling to recover from a fire in July last year. The petrochemical company is planning to shut one of its three 180 kb/d CDUs and the 84 kb/d RFCC from mid-March for maintenance lasting 40 days, and run only at 300 kb/d while work is being done.

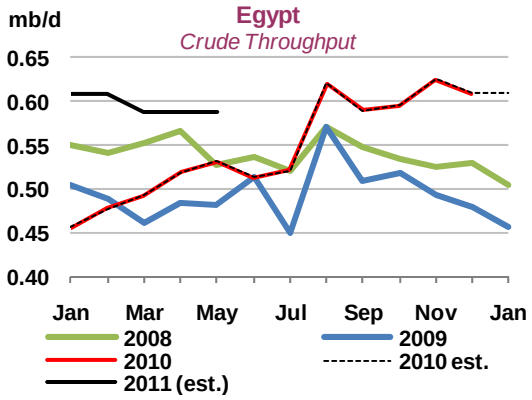
Russian crude runs averaged 5.1 mb/d in December, unchanged from November but 290 kb/d higher than a year earlier. Throughputs are expected to fall during the first quarter as maintenance picks up again after winter. The energy ministry and trade sources report that several crude units will be shut for maintenance in the first quarter, with more than 300 kb/d announced offline in March. **Kazakhstani** crude runs rose by almost 50 kb/d in December to average 300 kb/d as maintenance at PetroKazakhstan's Shimkent plant was completed.

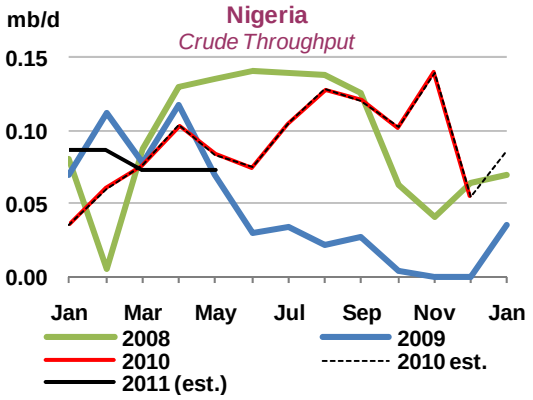


TNK-BP announced in January that it is considering shutting its 175 kb/d Lisichansk refinery in the **Ukraine** in the first quarter unless the government addresses what the company calls discriminatory market conditions. Ukrainian refineries face strong competition from oil product imports from neighbouring Belarus and Kazakhstan, who supply local markets with fuels made from cheaper foreign crude. The company has asked the government to impose import duties on oil products or give domestic refiners access to cheaper Ukrainian crude. Lukoil already closed its Odessa refinery for maintenance in 4Q10, several months earlier than planned, due to poor economics, and plans to run the refinery only in the second and third quarter when product demand is higher. The three-week long disruption of Russian crude deliveries to **Belarusian** refineries in January is thought to have had a limited impact on refinery operations given its relative short duration.

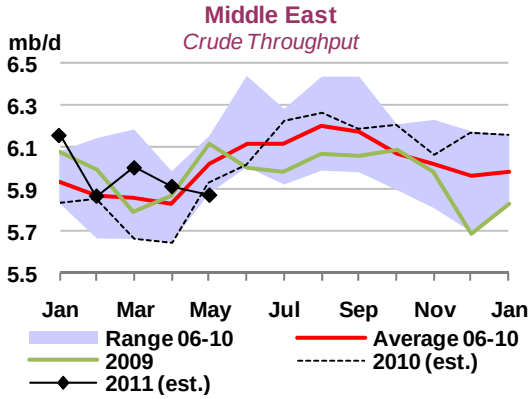
African crude runs continue to be supported by strong runs reported for **Egypt** since August 2010 (JODI data)**,** and there are no indications that recent turmoil are affecting runs. In **Nigeria**, however, runs

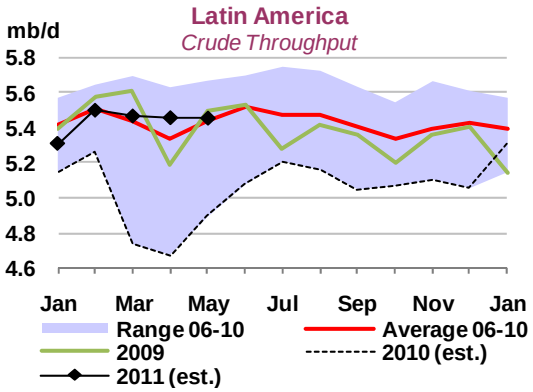
dropped sharply in December as both the Kaduna and Warri refineries had to be closed due to militant attacks on the pipeline that feeds both refineries. At 140 kb/d, November runs were the highest since July 2008, but then plummeted to only 55 kb/d in December following the attacks. Nigeria has a nameplate capacity of 445 kb/d, but the refineries only run around 30%. State-owned NNPC reportedly restored runs at the refineries at the end of January.





Middle Eastern crude runs have been revised slightly higher for December, given stronger Saudi throughputs. These averaged 1.85 mb/d in the month, the highest since August. Middle Eastern runs are expected to fall in 1Q11, as several plants shut for maintenance. In Saudi Arabia, Aramco has announced it will shut its 235 kb/d Yanbu refinery from early February for 39 days. It is also planning to shut one 150 kb/d crude unit at its Jubail refinery in late February for 45 days, as well as a full shut down of Petrorabigh (425 kb/d) from late April to end-May. Some maintenance shutdowns in Kuwait and Bahrain will further reduce regional product supplies.





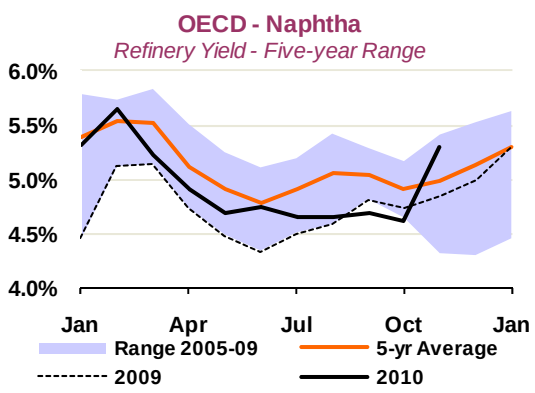
1Q11 Latin American crude run estimates have been lifted following the apparent successful restart of PDVSA's Curaçao refinery in the Netherlands Antilles. The plant, which has been closed since March 2010 due to power problems, reportedly restarted its crude units in January, though is still experiencing some problems with secondary units. Heavy rains and storms across **Venezuela** in late November/early December caused electrical faults and forced PDVSA to halt operations at its 310 kb/d Cardon refinery in late November, according to the state company. The nearby 645 kb/d Amuray and 146 kb/d El Palito refineries were also affected, with some units down. All refineries were reportedly operating normally in early December. Valero reported at the end of January that its 235 kb/d **Aruba** refinery had reached planned rates (we assume these to be 180 kb/d). On 4 February, however, the refinery was forced to shut, however, as the collapse of a freshwater storage tank damaged some oil products pipelines.

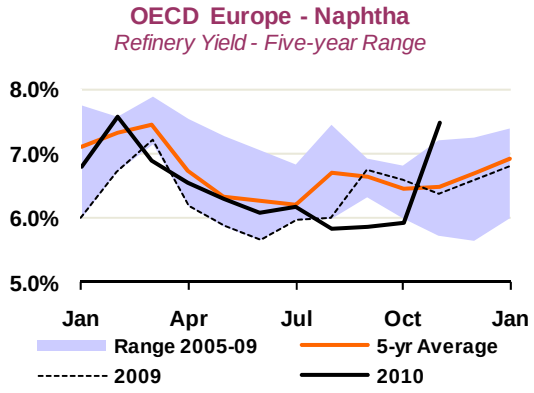
After several months with reduced runs, **Brazilian** crude throughputs reached a record high of 1.95 mb/d in November (90 kb/d higher than expectations and 160 kb/d above October). Hovensa, which is a joint

venture between US's Hess and Venezuela's PdV, announced that it will permanently shut 150 kb/d of crude capacity at its 500 kb/d St. Croix refinery in the **US Virgin Islands** by the end of March because of poor margins. The shutdown will not affect any of the upgrading units and will likely have a limited impact on operating rates as the refinery has been running at reduced rates for some time. According to the company's latest quarterly earnings report, the plant's crude runs averaged 384 kb/d in 4Q10.

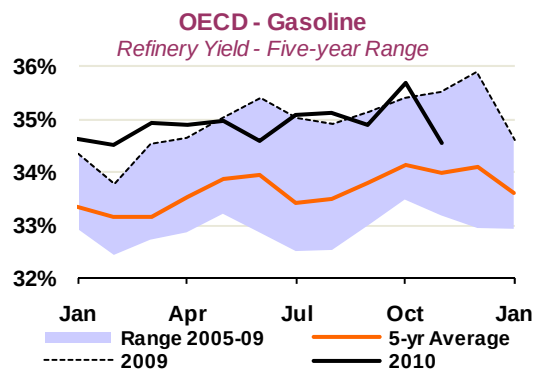
OECD Refinery Yields

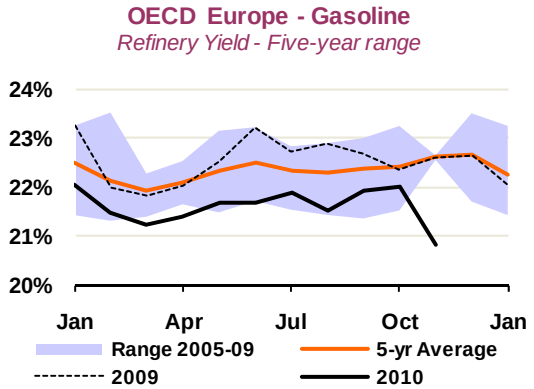
November OECD yields increased for all products except gasoline and other products. The largest changes were for naphtha and gasoline, where refiners, especially in Europe, increased naphtha production at the expense of gasoline. OECD naphtha yields increased by 0.7 percentage points (pp) to reach the upper range of the 5-year average. Yields increased in all three OECD regions, but the rise was particularly strong in OECD Europe where yields increased by 1.54 pp. High naphtha demand from the petrochemical industry as LPG prices were strong was the main reason behind the increase.





OECD gasoline yields fell by 1.1 pp in November, and again Europe posted the largest fall with a decrease of 1.18 pp, to an overall gasoline yields level below 21%. Low gasoline spreads, high stock levels and a partly closed arbitrage to the US are factors explaining the shift. The gasoil/diesel yields trended seasonally higher, with increases in OECD North America and OECD Europe, partly offset by a decrease in the Pacific. OECD fuel oil yields increased in all regions as runs in general were high in addition to an open arbitrage between the US Gulf and Asia, and high bunker fuel demand in Singapore.





OECD gross output rebounded from the low levels seen in October as French refineries came back after strike action. Gross output in OECD Europe increased by 974 kb/d from the previous month and was in November 571 kb/d higher than in November 2009, but still some 940 kb/d lower than the five-year average. However, gross output in OECD North America was 400 kb/d higher than the five-year average in November.

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

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.2	24.1	23.9	23.9	23.8	24.2	24.1	24.0
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.8	14.6	14.4	14.3	14.1	14.6	14.6	14.4
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.2	7.2	7.3	7.9	7.6
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.6	46.8	46.1	46.4	45.0	46.2	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.4	4.3	4.4	4.3	4.5	4.5	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	10.0	9.4	9.8	10.0	9.9	10.1	10.0
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.3	10.4	10.0	10.5	10.3	10.6	10.7	10.3	10.8	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.4	6.3	6.3	6.2	6.5	6.6	6.5	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.4	7.8	8.2	7.6	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.3
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.5	40.4	41.7	42.0	42.5	41.7	42.3	43.3	43.7	43.6	43.2
Total Demand[1]	86.7	86.1	84.4	84.2	85.4	85.9	85.0	86.4	86.9	88.6	89.3	87.8	88.7	88.4	89.8	90.2	89.3
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.3	14.1	14.2	13.8	13.9	14.2	14.0
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.5	19.1	18.9	18.9	18.5	18.5	19.0	18.7
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.8	13.5	13.8	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.4
Middle East	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.8	29.9	30.1	29.8	30.4	30.4	30.4	30.6	30.5
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.7	1.8	1.5	1.9	2.3	2.1	2.0
Total Non-OPEC[2]	50.9	50.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.2	52.8	53.2	53.2	53.6	54.0	53.5
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.2	52.8	53.2	53.2	53.6	54.0	53.5
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.1	29.3	29.5	29.2					
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.2	5.4	5.5	5.3	5.7	5.8	5.9	6.0	5.8
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.8	33.5	34.2	34.2	34.6	34.9	34.5					
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.8	33.5	34.2	34.2	34.6	34.9	34.5					
Total Supply[6]	85.5	86.4	84.3	84.6	85.5	86.2	85.2	86.5	87.1	87.5	88.2	87.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	1.0	-0.3	-0.8	0.0					
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.2	0.1	0.0					
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	1.0	-0.5	-0.7	0.0					
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2	-0.3	-0.2					
Miscellaneous to balance[7]	-1.0	-0.1	-1.5	0.0	-0.1	1.0	-0.1	0.2	-0.9	-0.5	-0.1	-0.3					
Total Stock Ch. & Misc	-1.2	0.3	-0.1	0.5	0.2	0.3	0.2	0.2	0.1	-1.1	-1.1	-0.5					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	30.9	28.7	28.0	28.6	28.6	28.5	28.9	28.9	30.4	30.6	29.7	29.8	29.4	30.3	30.2	29.9
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.6	28.4	29.1	28.1	29.9	30.5	29.4	29.6	29.2	30.1	30.0	29.7

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.2	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.2	0.1	0.1	0.2	0.2
Other Asia	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.2	-0.1	-0.2	-0.2
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.3	0.1	-	-	-	0.2	0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	0.4	0.1	0.1	-	-	0.4	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	0.2	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-					
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	0.2							
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-	-	-0.4	-0.1					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	0.4	0.1	-	-0.1	-	0.4	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-0.1	0.1	0.5	0.1	-	-0.1	-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

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.22	24.08	23.92	23.90	23.77	24.24	24.10	24.00
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.11	14.79	14.65	14.43	14.30	14.06	14.63	14.56	14.39
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.03	7.78	8.16	7.22	7.31	7.90	7.65
Total OECD	47.58	46.44	44.48	44.99	45.89	45.45	45.94	45.21	46.61	46.76	46.13	46.36	45.05	46.18	46.56	46.04
Asia	17.37	17.45	18.57	18.54	18.92	18.38	19.19	19.78	19.26	20.53	19.69	20.37	20.73	20.23	20.90	20.56
Middle East	7.01	6.76	7.28	7.73	7.10	7.22	7.14	7.54	7.97	7.29	7.49	7.36	7.76	8.21	7.56	7.73
Latin America	6.00	5.79	5.98	6.09	6.12	6.00	6.03	6.28	6.44	6.34	6.27	6.24	6.49	6.64	6.53	6.48
FSU	4.23	3.98	3.87	4.11	4.04	4.00	4.20	4.14	4.38	4.39	4.28	4.36	4.25	4.50	4.49	4.40
Africa	3.19	3.26	3.24	3.18	3.12	3.20	3.19	3.29	3.24	3.25	3.24	3.30	3.38	3.34	3.37	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.72	0.71	0.71	0.73	0.73	0.74	0.73
Total Non-OECD	38.55	37.99	39.68	40.39	40.01	39.53	40.44	41.74	42.00	42.52	41.68	42.34	43.34	43.65	43.59	43.24
World	86.13	84.43	84.16	85.37	85.91	84.98	86.38	86.95	88.61	89.29	87.82	88.70	88.39	89.83	90.15	89.27
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.40	19.25	19.20	19.10	19.55	19.36	19.31
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.07	8.92	8.86	8.85	8.59	8.89	8.80	8.78
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.23	10.03	9.39	9.79	10.03	9.89	10.11	9.96
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.52	4.42	4.69	3.89	4.04	4.40	4.25
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.14	3.39	3.34	3.56	3.55	3.23	3.51	3.46
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.19	3.14	3.06	3.07	3.02	3.28	3.22	3.15
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.80	2.78	2.72	2.70	2.81	2.89	2.88	2.82
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.05	2.49	2.67	2.52	2.91	3.22	2.68	2.83
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.25	2.24	2.23	2.21	2.19	2.24	2.23	2.22
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.35	2.25	2.36	2.21	2.14	2.33	2.26
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.13	2.14	2.17	2.20	2.16	2.19	2.18
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.81	1.79	1.81	1.77	1.73	1.75	1.74	1.75
Total	60.83	59.49	59.07	59.99	60.70	59.82	61.18	61.41	62.71	63.19	62.13	62.90	62.23	63.28	63.45	62.97
% of World	70.6%	70.5%	70.2%	70.3%	70.7%	70.4%	70.8%	70.6%	70.8%	70.8%	70.7%	70.9%	70.4%	70.4%	70.4%	70.5%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	4.1	2.3	2.7	1.3	0.0	0.1	0.1	0.4
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.9	-1.1	2.2	2.1	-0.4	0.9	-0.4	-1.1	-0.6	-0.3
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.6	1.7	-0.4	-1.4	-3.7	-1.6	-1.7
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.6	3.6	1.9	1.5	0.9	-0.3	-0.9	-0.4	-0.2
Asia	1.7	-0.8	4.8	6.7	12.6	5.8	10.0	6.5	3.9	8.5	7.2	6.2	4.8	5.0	1.8	4.4
Middle East	5.7	1.5	3.1	3.7	3.7	3.1	5.6	3.7	3.1	2.6	3.7	3.1	2.9	3.0	3.8	3.2
Latin America	5.6	-0.2	-1.2	-0.7	2.0	0.0	4.2	5.0	5.8	3.6	4.6	3.5	3.4	3.1	3.0	3.2
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.4	7.1	6.6	8.7	7.0	3.9	2.6	2.8	2.3	2.9
Africa	3.9	1.7	1.2	1.1	-3.2	0.2	-2.1	1.7	1.9	4.3	1.4	3.6	2.7	3.0	3.7	3.2
Europe	-0.4	-4.3	-0.8	-0.7	-6.5	-3.1	-6.3	-6.3	-3.1	0.4	-3.9	1.8	2.6	2.5	2.3	2.3
Total Non-OECD	3.3	-0.6	1.9	2.9	5.8	2.5	6.5	5.2	4.0	6.3	5.5	4.7	3.8	3.9	2.5	3.7
World	-0.6	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	3.9	3.3	2.7	1.7	1.4	1.0	1.7
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.95	0.53	0.62	0.32	0.00	0.02	0.01	0.09
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.73	-0.15	0.32	0.30	-0.06	0.13	-0.05	-0.16	-0.09	-0.04
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.04	0.13	-0.03	-0.10	-0.28	-0.13	-0.14
Total OECD	-1.77	-2.55	-2.91	-1.68	-1.38	-2.13	-0.51	0.73	1.62	0.87	0.68	0.42	-0.16	-0.43	-0.21	-0.10
Asia	0.29	-0.13	0.85	1.17	2.11	1.01	1.74	1.21	0.72	1.61	1.32	1.18	0.95	0.97	0.36	0.86
Middle East	0.38	0.10	0.22	0.27	0.26	0.21	0.38	0.27	0.24	0.19	0.27	0.22	0.22	0.24	0.28	0.24
Latin America	0.32	-0.01	-0.07	-0.05	0.12	0.00	0.24	0.30	0.35	0.22	0.28	0.21	0.21	0.20	0.19	0.20
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.27	0.35	0.28	0.16	0.11	0.12	0.10	0.12
Africa	0.12	0.06	0.04	0.03	-0.10	0.01	-0.07	0.05	0.06	0.13	0.05	0.11	0.09	0.10	0.12	0.11
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.02	0.00	-0.03	0.01	0.02	0.02	0.02	0.02
Total Non-OECD	1.22	-0.23	0.75	1.16	2.18	0.97	2.45	2.06	1.62	2.51	2.16	1.90	1.60	1.65	1.07	1.55
World	-0.55	-2.78	-2.16	-0.52	0.80	-1.16	1.95	2.78	3.24	3.38	2.84	2.32	1.44	1.22	0.86	1.46
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.04	0.01	0.04	0.07	0.07	0.09	0.07
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.01	0.04	0.01	0.00	0.11	0.04
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.04	-0.02	-0.03	0.02	-0.02
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.08	0.02	0.03	0.06	0.04	0.22	0.09
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.32	0.09	0.22	0.15	0.16	0.28	0.21
Middle East	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.10	-0.03	-0.15	-0.16	-0.14	-0.16	-0.15
Latin America	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.02	-0.02	-0.02	0.01	-0.01	-0.03	-0.03	-0.03	-0.03	-0.03
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.01	0.04	0.01	0.00	0.02	0.01	0.06	0.02
Africa	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.03	0.01	-0.02	-0.01	-0.01	0.04	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.02	0.00
Total Non-OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01	0.32	0.08	0.02	-0.03	-0.01	0.22	0.05
World	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.03	0.40	0.09	0.06	0.03	0.03	0.44	0.14
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.40	0.10	0.06	0.03	0.06	0.04	0.05

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	4Q09	1Q10	2Q10	3Q10	Sep 10	Oct 10	Nov 10 [2]	Latest month vs. Oct 10	Latest month vs. Nov 09
North America											
LPG&Ethane	2.79	2.84	3.17	3.18	2.53	2.67	2.72	2.76	2.84	0.08	-0.45
Naphtha	0.33	0.39	0.32	0.40	0.42	0.42	0.40	0.35	0.37	0.02	0.04
Motor Gasoline	10.56	10.65	10.52	10.22	10.81	10.91	10.75	10.67	10.49	-0.18	0.06
Jet/Kerosene	1.62	1.66	1.57	1.62	1.66	1.70	1.66	1.64	1.64	0.00	0.08
Gasoil/Diesel Oil	4.61	4.80	4.72	4.80	4.70	4.77	4.92	4.83	4.98	0.15	0.37
Residual Fuel Oil	0.93	0.97	0.93	0.99	0.96	0.94	0.95	0.89	1.05	0.16	0.17
Other Products	2.46	2.60	2.31	2.36	2.70	2.81	2.77	2.52	2.48	-0.04	0.26
Total	23.30	23.92	23.55	23.58	23.78	24.22	24.19	23.67	23.84	0.18	0.53
Europe											
LPG&Ethane	0.92	0.92	0.89	0.98	0.94	0.85	0.84	0.84	0.92	0.08	0.06
Naphtha	1.11	1.21	1.15	1.27	1.15	1.21	1.21	1.18	1.28	0.10	0.07
Motor Gasoline	2.29	2.20	2.20	2.06	2.27	2.33	2.31	2.17	2.15	-0.02	-0.05
Jet/Kerosene	1.27	1.27	1.24	1.20	1.24	1.38	1.37	1.32	1.25	-0.07	0.03
Gasoil/Diesel Oil	6.02	6.14	6.09	6.11	5.86	6.15	6.53	6.44	6.41	-0.02	0.59
Residual Fuel Oil	1.43	1.29	1.39	1.33	1.21	1.29	1.31	1.31	1.29	-0.02	-0.08
Other Products	1.45	1.40	1.39	1.21	1.44	1.58	1.65	1.50	1.50	0.00	0.05
Total	14.49	14.43	14.35	14.17	14.11	14.79	15.24	14.75	14.81	0.06	0.67
Pacific											
LPG&Ethane	0.86	0.84	0.87	0.90	0.83	0.79	0.84	0.70	0.85	0.15	0.05
Naphtha	1.63	1.69	1.71	1.76	1.60	1.65	1.68	1.73	1.78	0.05	0.06
Motor Gasoline	1.55	1.57	1.57	1.52	1.52	1.66	1.60	1.53	1.60	0.06	0.08
Jet/Kerosene	0.85	0.88	0.99	1.15	0.71	0.65	0.70	0.77	0.97	0.20	0.07
Gasoil/Diesel Oil	1.60	1.61	1.68	1.64	1.55	1.56	1.57	1.60	1.74	0.14	0.10
Residual Fuel Oil	0.75	0.73	0.71	0.77	0.67	0.74	0.73	0.67	0.71	0.04	-0.03
Other Products	0.42	0.47	0.45	0.45	0.42	0.56	0.59	0.37	0.51	0.14	0.08
Total	7.66	7.78	7.99	8.19	7.32	7.60	7.72	7.37	8.16	0.79	0.41
OECD											
LPG&Ethane	4.58	4.60	4.93	5.05	4.30	4.31	4.40	4.29	4.61	0.32	-0.34
Naphtha	3.06	3.29	3.18	3.43	3.16	3.28	3.29	3.26	3.43	0.17	0.17
Motor Gasoline	14.39	14.42	14.30	13.79	14.60	14.90	14.67	14.38	14.24	-0.14	0.09
Jet/Kerosene	3.73	3.81	3.80	3.98	3.62	3.73	3.74	3.73	3.86	0.13	0.17
Gasoil/Diesel Oil	12.23	12.56	12.49	12.56	12.11	12.48	13.03	12.87	13.13	0.26	1.07
Residual Fuel Oil	3.12	2.99	3.04	3.10	2.85	2.97	3.00	2.87	3.05	0.18	0.07
Other Products	4.33	4.47	4.14	4.02	4.56	4.95	5.02	4.39	4.50	0.11	0.38
Total	45.45	46.13	45.89	45.94	45.21	46.61	47.14	45.79	46.81	1.02	1.61

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2009	2010	4Q09	1Q10	2Q10	3Q10	Sep 10	Oct 10	Nov 10 [2]	Oct 10	Nov 09
United States[3]											
LPG	2.05	2.11	2.41	2.39	1.80	2.00	2.06	2.04	2.10	0.06	-0.43
Naphtha	0.25	0.26	0.25	0.27	0.28	0.28	0.25	0.22	0.24	0.01	-0.01
Motor Gasoline	9.00	9.07	8.94	8.68	9.22	9.31	9.17	9.10	8.93	-0.18	0.02
Jet/Kerosene	1.41	1.46	1.39	1.42	1.46	1.48	1.46	1.45	1.45	0.00	0.08
Gasoil	3.63	3.78	3.70	3.79	3.70	3.76	3.90	3.77	3.89	0.12	0.29
Residual Fuel Oil	0.51	0.56	0.51	0.58	0.53	0.54	0.56	0.51	0.63	0.12	0.18
Other Products	1.92	2.01	1.73	1.80	2.11	2.19	2.15	1.91	1.90	-0.01	0.25
Total	18.77	19.25	18.93	18.93	19.10	19.57	19.55	19.01	19.13	0.12	0.38
Japan											
LPG	0.49	0.47	0.51	0.53	0.46	0.43	0.45	0.37	0.46	0.10	0.02
Naphtha	0.73	0.78	0.80	0.84	0.71	0.74	0.74	0.82	0.83	0.01	0.01
Motor Gasoline	0.99	1.00	1.00	0.96	0.97	1.08	1.04	0.96	1.00	0.04	0.03
Jet/Kerosene	0.55	0.55	0.64	0.81	0.43	0.36	0.40	0.43	0.61	0.18	0.02
Diesel	0.40	0.38	0.43	0.38	0.35	0.38	0.40	0.36	0.40	0.04	-0.01
Other Gasoil	0.44	0.46	0.46	0.53	0.43	0.42	0.44	0.42	0.48	0.06	0.05
Residual Fuel Oil	0.40	0.39	0.38	0.39	0.36	0.42	0.43	0.36	0.38	0.02	0.01
Other Products	0.37	0.38	0.38	0.34	0.33	0.50	0.53	0.32	0.42	0.10	0.06
Total	4.37	4.42	4.60	4.79	4.04	4.33	4.44	4.03	4.59	0.56	0.19
Germany											
LPG	0.09	0.10	0.09	0.10	0.10	0.10	0.10	0.08	0.08	0.00	0.00
Naphtha	0.37	0.40	0.38	0.43	0.37	0.41	0.39	0.39	0.43	0.05	0.04
Motor Gasoline	0.47	0.46	0.47	0.42	0.48	0.49	0.49	0.48	0.46	-0.01	-0.02
Jet/Kerosene	0.19	0.18	0.19	0.17	0.19	0.20	0.20	0.20	0.18	-0.02	-0.01
Diesel	0.64	0.67	0.66	0.60	0.68	0.71	0.75	0.72	0.74	0.02	0.06
Other Gasoil	0.41	0.43	0.36	0.46	0.33	0.45	0.55	0.50	0.45	-0.05	0.18
Residual Fuel Oil	0.15	0.14	0.14	0.14	0.13	0.15	0.15	0.15	0.14	-0.01	0.00
Other Products	0.11	0.09	0.11	0.05	0.11	0.12	0.13	0.12	0.10	-0.02	-0.02
Total	2.44	2.49	2.39	2.38	2.39	2.63	2.76	2.63	2.59	-0.04	0.23
Italy											
LPG	0.10	0.11	0.12	0.14	0.10	0.09	0.10	0.08	0.11	0.03	0.00
Naphtha	0.09	0.12	0.09	0.11	0.12	0.12	0.11	0.11	0.11	0.00	0.01
Motor Gasoline	0.25	0.23	0.24	0.22	0.24	0.25	0.24	0.20	0.23	0.03	0.00
Jet/Kerosene	0.09	0.10	0.09	0.09	0.11	0.12	0.12	0.11	0.09	-0.02	0.01
Diesel	0.49	0.50	0.50	0.47	0.50	0.51	0.53	0.50	0.51	0.01	0.02
Other Gasoil	0.13	0.12	0.16	0.13	0.10	0.11	0.13	0.15	0.14	-0.01	0.00
Residual Fuel Oil	0.21	0.15	0.19	0.15	0.14	0.15	0.14	0.13	0.12	-0.01	-0.06
Other Products	0.16	0.17	0.14	0.13	0.16	0.21	0.21	0.21	0.21	0.00	0.05
Total	1.53	1.50	1.54	1.45	1.47	1.55	1.58	1.49	1.52	0.03	0.04
France											
LPG	0.09	0.11	0.09	0.14	0.09	0.09	0.10	0.10	0.13	0.03	0.04
Naphtha	0.14	0.13	0.14	0.15	0.15	0.13	0.13	0.10	0.12	0.02	-0.06
Motor Gasoline	0.20	0.19	0.19	0.17	0.20	0.20	0.20	0.18	0.18	0.00	0.00
Jet/Kerosene	0.15	0.15	0.14	0.14	0.15	0.16	0.16	0.14	0.14	0.00	0.00
Diesel	0.66	0.68	0.68	0.64	0.69	0.70	0.72	0.70	0.66	-0.04	0.01
Other Gasoil	0.31	0.29	0.33	0.35	0.21	0.26	0.33	0.29	0.28	-0.01	0.04
Residual Fuel Oil	0.10	0.09	0.10	0.11	0.09	0.08	0.08	0.07	0.08	0.01	-0.01
Other Products	0.18	0.17	0.15	0.16	0.19	0.19	0.21	0.15	0.18	0.03	0.03
Total	1.83	1.81	1.82	1.85	1.77	1.82	1.93	1.74	1.77	0.04	0.06
United Kingdom											
LPG	0.16	0.13	0.14	0.13	0.15	0.11	0.11	0.12	0.12	0.01	-0.01
Naphtha	0.02	0.02	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.00	-0.01
Motor Gasoline	0.37	0.35	0.35	0.35	0.36	0.35	0.36	0.35	0.34	-0.02	-0.04
Jet/Kerosene	0.34	0.33	0.34	0.35	0.30	0.33	0.34	0.34	0.36	0.02	0.03
Diesel	0.45	0.46	0.44	0.47	0.46	0.47	0.47	0.48	0.47	0.00	0.00
Other Gasoil	0.10	0.11	0.09	0.11	0.10	0.13	0.12	0.10	0.10	0.00	0.01
Residual Fuel Oil	0.07	0.06	0.07	0.06	0.06	0.06	0.06	0.08	0.07	-0.01	-0.02
Other Products	0.16	0.16	0.15	0.14	0.16	0.16	0.15	0.17	0.17	-0.01	0.02
Total	1.67	1.63	1.61	1.65	1.62	1.63	1.64	1.66	1.64	-0.02	0.01
Canada											
LPG	0.34	0.33	0.34	0.35	0.35	0.28	0.28	0.32	0.33	0.01	-0.01
Naphtha	0.05	0.08	0.05	0.08	0.08	0.09	0.10	0.08	0.08	0.00	0.01
Motor Gasoline	0.73	0.74	0.72	0.70	0.75	0.77	0.76	0.73	0.71	-0.02	0.01
Jet/Kerosene	0.12	0.11	0.10	0.11	0.11	0.12	0.12	0.10	0.10	0.00	0.00
Diesel	0.23	0.22	0.23	0.23	0.23	0.23	0.24	0.21	0.21	0.00	-0.02
Other Gasoil	0.28	0.32	0.31	0.32	0.29	0.31	0.32	0.35	0.37	0.02	0.06
Residual Fuel Oil	0.09	0.10	0.09	0.11	0.10	0.09	0.09	0.10	0.12	0.03	0.02
Other Products	0.30	0.32	0.32	0.30	0.32	0.36	0.35	0.33	0.33	0.00	0.03
Total	2.15	2.23	2.17	2.19	2.23	2.25	2.25	2.21	2.25	0.04	0.10

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.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	3Q10	4Q10	1Q11	2Q11	3Q11	Nov 10	Dec 10	Jan 11
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.18	8.30				8.23	8.33	8.33
Iran	3.74	3.70		3.69	3.67				3.68	3.68	3.66
Iraq	2.43	2.36		2.34	2.43				2.42	2.45	2.66
UAE	2.27	2.31		2.33	2.31				2.29	2.32	2.37
Kuwait	2.01	2.03		2.03	2.03				2.02	2.05	2.05
Neutral Zone	0.54	0.53		0.54	0.54				0.54	0.54	0.54
Qatar	0.80	0.80		0.80	0.81				0.82	0.82	0.82
Angola	1.77	1.77		1.71	1.65				1.66	1.62	1.65
Nigeria	1.82	2.08		2.15	2.21				2.18	2.26	2.24
Libya	1.55	1.55		1.56	1.56				1.56	1.56	1.58
Algeria	1.25	1.25		1.26	1.27				1.27	1.27	1.27
Ecuador	0.47	0.47		0.46	0.47				0.47	0.48	0.48
Venezuela	2.15	2.23		2.23	2.20				2.19	2.20	2.21
Total Crude Oil[6]	28.69	29.21		29.27	29.46				29.33	29.57	29.85
Total NGLs[1,6]	4.81	5.29	5.84	5.37	5.48	5.70	5.79	5.93	5.48	5.48	5.70
Total OPEC[6]	33.49	34.50		34.64	34.94				34.81	35.05	35.55
OPEC: Historical Composition[6]	33.49	34.50		34.64	34.94				34.81	35.05	35.55
NON-OPEC[2]											
OECD											
North America	13.63	14.10	14.02	14.09	14.34	14.16	13.83	13.92	14.48	14.32	14.11
United States[5]	7.44	7.80	7.78	7.80	7.97	7.83	7.81	7.65	8.01	7.93	7.80
Mexico	2.97	2.95	2.91	2.94	2.92	2.94	2.92	2.88	2.88	2.95	2.94
Canada	3.22	3.35	3.34	3.35	3.44	3.39	3.10	3.38	3.59	3.44	3.36
Europe	4.52	4.16	4.06	3.76	4.19	4.17	4.03	3.91	4.19	4.15	4.05
UK	1.47	1.37	1.32	1.21	1.36	1.34	1.33	1.25	1.37	1.37	1.26
Norway	2.39	2.15	2.11	1.94	2.18	2.18	2.06	2.04	2.16	2.14	2.15
Others	0.67	0.64	0.63	0.61	0.65	0.64	0.64	0.62	0.67	0.65	0.63
Pacific	0.65	0.61	0.60	0.61	0.57	0.54	0.60	0.63	0.58	0.54	0.52
Australia	0.55	0.51	0.51	0.52	0.48	0.45	0.50	0.54	0.50	0.45	0.42
Others	0.10	0.10	0.09	0.10	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total OECD	18.80	18.87	18.69	18.47	19.10	18.87	18.46	18.46	19.25	19.01	18.68
NON-OECD											
Former USSR	13.28	13.57	13.71	13.55	13.72	13.80	13.75	13.54	13.71	13.74	13.81
Russia	10.21	10.45	10.52	10.44	10.54	10.54	10.51	10.49	10.55	10.49	10.54
Others	3.07	3.12	3.20	3.11	3.18	3.27	3.25	3.06	3.17	3.25	3.27
Asia	7.49	7.76	7.94	7.84	7.87	8.01	7.90	7.95	7.95	7.84	8.00
China	3.89	4.10	4.30	4.14	4.22	4.33	4.27	4.33	4.29	4.16	4.32
Malaysia	0.74	0.72	0.66	0.70	0.71	0.67	0.66	0.65	0.71	0.71	0.68
India	0.80	0.86	0.93	0.88	0.91	0.92	0.92	0.92	0.92	0.92	0.91
Indonesia	0.98	0.98	0.94	0.98	0.95	0.96	0.95	0.92	0.95	0.98	0.97
Others	1.08	1.10	1.12	1.13	1.08	1.12	1.10	1.12	1.08	1.08	1.13
Europe	0.14	0.14	0.13	0.14	0.13	0.13	0.13	0.13	0.14	0.13	0.13
Latin America	3.88	4.07	4.35	4.09	4.07	4.18	4.32	4.43	4.14	4.07	4.14
Brazil[5]	2.03	2.14	2.29	2.13	2.17	2.18	2.26	2.35	2.18	2.25	2.18
Argentina	0.72	0.69	0.70	0.70	0.64	0.69	0.70	0.70	0.69	0.55	0.67
Colombia	0.67	0.79	0.91	0.79	0.82	0.85	0.91	0.93	0.83	0.83	0.84
Others	0.45	0.45	0.45	0.46	0.44	0.46	0.46	0.45	0.44	0.45	0.46
Middle East[3]	1.67	1.70	1.71	1.70	1.71	1.71	1.71	1.71	1.71	1.71	1.71
Oman	0.81	0.86	0.91	0.87	0.88	0.90	0.90	0.92	0.88	0.89	0.89
Syria	0.38	0.39	0.37	0.39	0.39	0.37	0.37	0.37	0.39	0.39	0.37
Yemen	0.29	0.26	0.25	0.26	0.25	0.26	0.25	0.25	0.25	0.25	0.26
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.18	0.18	0.19	0.19	0.19
Africa	2.61	2.60	2.63	2.60	2.59	2.61	2.62	2.65	2.58	2.59	2.60
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.63	1.61	1.66	1.61	1.60	1.62	1.64	1.68	1.59	1.60	1.61
Total Non-OECD	29.07	29.84	30.48	29.90	30.08	30.45	30.44	30.42	30.24	30.09	30.40
Processing Gains[4]	2.25	2.30	2.35	2.33	2.31	2.33	2.34	2.37	2.31	2.31	2.33
Global Biofuels[5]	1.57	1.80	1.97	2.13	1.73	1.53	1.94	2.34	1.72	1.57	1.56
TOTAL NON-OPEC[6]	51.69	52.82	53.48	52.83	53.23	53.18	53.17	53.59	53.52	52.98	52.97
Non-OPEC: Historical Composition[6]	51.69	52.82	53.48	52.83	53.23	53.18	53.17	53.59	53.52	52.98	52.97
TOTAL SUPPLY	85.18	87.32		87.46	88.17				88.33	88.03	88.52

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Aug2010	Sep2010	Oct2010	Nov2010	Dec2010*	Dec2007	Dec2008	Dec2009	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	502.3	503.5	515.0	498.8	476.1	422.2	467.9	470.2	0.40	0.14	-0.17	-0.30
Motor Gasoline	252.1	249.6	240.4	242.7	249.1	245.9	242.9	253.4	0.06	-0.15	0.05	-0.01
Middle Distillate	247.5	243.7	235.8	235.3	237.4	208.1	217.0	239.7	-0.26	0.16	0.14	-0.07
Residual Fuel Oil	46.7	48.8	49.4	48.0	47.4	47.6	44.1	44.4	0.05	0.02	-0.02	-0.01
Total Products[3]	738.5	731.0	709.0	702.7	691.1	666.5	683.6	696.3	-0.25	0.42	0.21	-0.43
Total[4]	1400.6	1396.4	1388.3	1361.7	1323.9	1229.1	1301.3	1309.1	0.14	0.71	0.12	-0.79
Europe												
Crude	348.5	318.8	336.8	323.6	325.9	327.9	342.0	332.6	-0.02	0.13	-0.26	0.08
Motor Gasoline	94.1	94.4	95.7	95.4	93.6	107.2	101.1	100.8	0.03	-0.09	-0.01	-0.01
Middle Distillate	288.1	277.8	279.8	282.8	283.4	238.0	275.5	287.0	-0.04	0.03	-0.09	0.06
Residual Fuel Oil	72.8	74.9	70.8	68.7	68.0	77.8	79.7	71.8	0.02	0.04	-0.03	-0.08
Total Products[3]	565.6	557.8	554.0	554.4	552.9	533.5	572.6	572.2	-0.04	0.00	-0.11	-0.05
Total[4]	983.2	942.4	957.0	946.7	944.8	936.6	989.1	971.7	0.01	0.08	-0.41	0.03
Pacific												
Crude	161.7	155.8	158.3	165.0	166.2	161.4	162.6	160.5	0.05	0.02	-0.11	0.11
Motor Gasoline	23.9	23.9	24.6	24.5	23.3	22.4	20.6	22.9	0.02	0.01	-0.03	-0.01
Middle Distillate	63.8	66.4	67.5	65.2	59.0	70.5	64.8	62.2	-0.05	0.00	0.09	-0.08
Residual Fuel Oil	20.6	21.9	20.1	19.4	19.0	21.4	20.0	18.6	0.02	0.01	0.01	-0.03
Total Products[3]	177.0	177.7	182.3	178.8	163.0	175.7	174.0	160.9	-0.03	0.11	0.11	-0.16
Total[4]	409.1	402.7	410.3	414.9	399.1	406.6	406.6	383.2	0.03	0.21	-0.03	-0.04
Total OECD												
Crude	1012.5	978.1	1010.1	987.3	968.1	911.5	972.6	963.3	0.43	0.29	-0.54	-0.11
Motor Gasoline	370.1	367.9	360.6	362.6	366.0	375.5	364.6	377.1	0.11	-0.23	0.02	-0.02
Middle Distillate	599.3	587.8	583.1	583.3	579.8	516.6	557.3	588.9	-0.35	0.19	0.14	-0.09
Residual Fuel Oil	140.1	145.6	140.4	136.1	134.4	146.8	143.8	134.9	0.09	0.07	-0.04	-0.12
Total Products[3]	1481.1	1466.6	1445.3	1435.8	1407.1	1375.7	1430.2	1429.4	-0.33	0.53	0.20	-0.65
Total[4]	2792.9	2741.5	2755.5	2723.4	2667.8	2572.2	2697.0	2664.0	0.18	0.99	-0.32	-0.80

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Aug2010	Sep2010	Oct2010	Nov2010	Dec2010*	Dec2007	Dec2008	Dec2009	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	726.6	726.5	726.6	726.6	726.6	696.9	701.8	726.6	0.00	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	182.9	182.0	186.6	186.2	186.2	184.6	186.8	184.2	0.04	-0.03	-0.04	0.05
Products	235.3	235.4	226.2	231.2	231.2	235.6	228.6	240.8	-0.01	-0.03	-0.02	-0.05
Pacific												
Crude	387.0	381.9	387.1	387.1	389.0	385.1	387.2	389.0	0.00	0.02	-0.10	0.08
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1296.4	1290.5	1300.3	1299.9	1301.8	1266.6	1275.9	1299.8	0.04	0.00	-0.13	0.12
Products	257.3	257.4	248.2	253.2	253.2	256.5	249.7	262.8	-0.01	-0.03	-0.02	-0.05
Total[4]	1555.1	1549.3	1549.7	1554.4	1556.3	1524.1	1526.6	1564.1	0.03	-0.04	-0.15	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 COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2009		End March 2010		End June 2010		End September 2010		End December 2010 [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	192.6	87	195.1	83	197.1	84	195.1	-	-	-
Mexico	44.7	21	51.5	24	54.4	26	49.0	-	-	-
United States[4]	1778.4	95	1781.4	94	1840.7	94	1858.7	-	-	-
Total[4]	2037.7	87	2050.1	86	2114.3	87	2124.9	88	2052.4	86
Pacific										
Australia	40.3	43	41.5	44	42.7	45	41.1	-	-	-
Japan	588.8	123	581.5	144	597.1	138	581.8	-	-	-
Korea	155.0	67	163.6	75	167.3	78	173.5	-	-	-
New Zealand	8.1	51	8.1	59	8.9	57	8.2	-	-	-
Total	792.2	97	794.7	109	816.0	107	804.6	100	808.2	99
Europe[5]										
Austria	21.2	81	22.7	85	20.1	69	18.9	-	-	-
Belgium	34.4	53	35.3	69	37.8	64	34.3	-	-	-
Czech Republic	21.5	124	21.7	106	20.4	99	21.1	-	-	-
Denmark	25.5	154	27.2	171	28.2	160	24.8	-	-	-
Finland	33.1	151	32.5	171	28.5	138	28.5	-	-	-
France	174.9	94	171.8	97	170.1	93	163.4	-	-	-
Germany	284.1	120	287.7	120	281.0	107	283.9	-	-	-
Greece	35.1	85	35.6	104	33.9	97	36.3	-	-	-
Hungary	14.3	115	16.8	115	17.0	107	15.9	-	-	-
Ireland	11.4	66	12.7	79	12.8	84	11.4	-	-	-
Italy	125.6	87	129.2	88	132.5	85	126.6	-	-	-
Luxembourg	0.8	14	0.8	13	0.7	12	0.7	-	-	-
Netherlands	135.7	135	131.0	123	138.8	135	120.9	-	-	-
Norway	21.9	112	21.1	93	22.1	112	20.8	-	-	-
Poland	63.2	125	62.5	115	63.8	106	64.2	-	-	-
Portugal	26.2	99	23.4	85	24.9	88	22.8	-	-	-
Slovak Republic	8.3	109	9.5	122	9.3	99	8.6	-	-	-
Spain	132.6	91	132.0	93	134.1	94	133.0	-	-	-
Sweden	39.5	110	39.3	109	35.4	99	34.4	-	-	-
Switzerland	37.0	155	37.8	158	38.1	142	37.7	-	-	-
Turkey	57.6	119	58.1	96	58.4	87	58.5	-	-	-
United Kingdom	94.4	57	93.3	58	96.0	59	94.4	-	-	-
Total	1398.2	99	1402.0	99	1403.7	95	1361.2	93	1363.5	95
Total OECD	4228.1	92	4246.8	94	4334.0	93	4290.8	92	4224.1	91
DAYS OF IEA Net Imports[6]	-	144	-	145	-	147	-	146	-	-

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 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4299	1547	2752	97	35	62
2Q2009	4322	1561	2761	96	35	61
3Q2009	4341	1564	2777	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4247	1567	2680	94	35	59
2Q2010	4334	1563	2771	93	34	59
3Q2010	4291	1549	2741	92	33	59
4Q2010	4224	1556	2668	91	34	58

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 4Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Sep 10	Oct 10	Nov 10	Year Earlier Nov 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.53	0.56	0.69	0.73	0.70	0.67	0.81	0.41	0.40
Europe	0.70	0.70	0.59	0.61	0.55	0.64	0.74	0.77	0.64	0.81	0.71	0.10
Pacific	1.19	1.22	1.28	1.32	1.25	1.17	1.15	1.13	1.03	1.50	1.45	0.05
Saudi Medium												
North America	0.56	0.64	0.40	0.34	0.38	0.36	0.33	0.39	0.36	0.35	0.36	-0.01
Europe	0.05	0.05	0.02	0.02	-	0.00	-	-	-	-	-	-
Pacific	0.34	0.39	0.34	0.33	0.33	0.37	0.30	0.28	0.33	0.47	0.40	0.06
Saudi Heavy												
North America	0.09	0.07	0.03	0.03	0.02	0.02	0.03	0.02	-	-	-	-
Europe	0.11	0.09	0.02	0.01	0.00	0.00	0.00	0.00	-	-	0.02	-
Pacific	0.20	0.24	0.15	0.12	0.23	0.19	0.23	0.25	0.20	0.24	0.12	0.11
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.40	0.42	0.43	0.29	0.25	0.20	0.33	0.41	-0.08
Europe	0.30	0.21	0.12	0.06	0.06	0.09	0.13	0.04	0.11	0.09	0.11	-0.02
Pacific	0.17	0.15	0.24	0.27	0.35	0.19	0.26	0.32	0.44	0.39	0.13	0.26
Iraqi Kirkuk												
North America	-	0.08	0.06	0.04	0.01	0.03	0.05	0.04	0.04	0.02	0.03	-0.01
Europe	0.11	0.23	0.31	0.29	0.33	0.27	0.25	0.31	0.21	0.29	0.22	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.20	0.24	0.33	0.18	0.16	0.16	0.27	-0.12
Pacific	0.09	0.08	0.07	0.06	0.06	0.07	0.04	0.04	-	0.01	0.03	-0.01
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.37	0.35	0.47	0.70	0.66	0.54	0.30	0.39	-0.08
Pacific	0.64	0.61	0.57	0.56	0.61	0.44	0.53	0.57	0.50	0.48	0.54	-0.07
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.09	0.11	0.21	0.08	0.10	0.11	0.26	0.13	0.13
Europe	0.08	0.06	0.07	0.02	0.01	0.02	0.05	0.01	0.03	-	0.03	-
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.75	0.89	0.83	0.96	0.83	0.69	0.82	0.70	0.12
Europe	0.07	0.07	0.07	0.08	0.07	0.06	0.06	0.04	0.07	0.03	0.06	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.82	0.82	0.96	0.94	0.73	0.90	0.95	0.80	0.16
Europe	0.14	0.14	0.10	0.12	0.12	0.11	0.11	0.11	0.15	0.06	0.08	-0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.03	0.02	0.02	0.05	0.07	0.10	-	-
Europe	0.02	0.01	0.01	-	-	0.02	-	-	0.10	0.02	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.06	0.08	0.13	0.08	0.02	0.07	-	-	-
Europe	1.86	1.81	1.72	1.80	1.76	1.86	1.88	1.97	1.60	1.57	1.84	-0.27
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.67	0.55	0.64	0.64	0.64	0.56	0.45	0.61	-0.17
Europe	0.24	0.29	0.32	0.34	0.26	0.29	0.31	0.32	0.47	0.59	0.41	0.18
Pacific	0.01	-	0.00	0.01	-	-	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.21	0.24	0.29	0.25	0.25	0.20	0.23	0.21	0.02
Europe	0.07	0.14	0.13	0.15	0.07	0.09	0.09	0.06	0.09	0.10	0.07	0.04
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Sep-10	Oct-10	Nov-10	Year Earlier Nov-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	6717	7057	7902	7716	7333	6601	6611	6572	1%
Europe	9691	9776	8913	8676	8562	9160	9463	9033	8731	9446	8888	6%
Pacific	6718	6605	6082	6102	6445	5899	6161	6246	6052	6709	6118	10%
Total OECD	24622	24427	22322	21495	22063	22961	23340	22612	21383	22766	21914	4%
LPG												
North America	28	31	13	5	12	7	7	5	7	10	0	100%
Europe	278	268	249	261	286	269	226	234	229	349	268	30%
Pacific	557	589	529	529	534	600	533	503	580	594	591	0%
Total OECD	863	887	792	795	832	876	766	742	815	953	859	11%
Naphtha												
North America	40	56	22	12	23	28	59	50	48	45	4	1126%
Europe	283	298	312	388	444	393	345	322	318	430	436	-1%
Pacific	794	776	841	896	953	899	855	849	949	892	825	8%
Total OECD	1116	1130	1176	1296	1421	1320	1260	1221	1315	1367	1264	8%
Gasoline[3]												
North America	1128	1077	878	785	697	838	925	761	765	685	796	-14%
Europe	179	215	193	62	163	196	207	202	79	111	-15	na
Pacific	73	90	96	99	70	73	44	42	64	78	106	-27%
Total OECD	1380	1382	1166	946	931	1107	1176	1005	908	874	887	-2%
Jet & Kerosene												
North America	183	64	61	55	69	59	86	90	99	101	55	83%
Europe	373	401	451	444	439	358	475	546	405	425	386	10%
Pacific	43	34	53	48	46	37	29	28	46	51	35	43%
Total OECD	599	500	566	546	553	454	590	665	549	576	476	21%
Gasoil/Diesel												
North America	132	74	56	44	114	43	27	21	6	5	27	-80%
Europe	783	871	1033	1038	1132	885	931	1013	1217	1400	1064	32%
Pacific	91	119	87	114	88	121	88	95	84	106	86	23%
Total OECD	1005	1064	1177	1196	1333	1048	1046	1129	1306	1512	1177	28%
Heavy Fuel Oil												
North America	323	288	270	226	277	293	285	325	235	297	225	32%
Europe	436	458	533	543	564	545	504	591	534	435	621	-30%
Pacific	95	125	113	79	136	104	127	126	106	95	62	53%
Total OECD	854	871	917	848	978	941	915	1042	875	828	908	-9%
Other Products												
North America	1050	1078	870	756	676	782	852	789	963	892	859	4%
Europe	771	734	718	696	622	606	699	680	760	726	657	11%
Pacific	254	298	325	356	330	276	382	400	293	403	361	11%
Total OECD	2074	2110	1913	1809	1628	1665	1933	1870	2016	2021	1877	8%
Total Products												
North America	2883	2667	2171	1882	1868	2049	2240	2042	2122	2036	1966	4%
Europe	3102	3245	3491	3432	3650	3252	3387	3588	3540	3875	3416	13%
Pacific	1906	2032	2045	2121	2157	2110	2059	2044	2122	2218	2067	7%
Total OECD	7891	7944	7706	7435	7675	7411	7685	7673	7784	8130	7449	9%
Total Oil												
North America	11097	10713	9497	8600	8924	9952	9956	9375	8723	8647	8875	-3%
Europe	12793	13022	12404	12108	12212	12412	12850	12620	12271	13321	12303	8%
Pacific	8623	8637	8127	8223	8602	8008	8219	8290	8174	8927	8185	9%
Total OECD	32513	32371	30028	28931	29738	30372	31025	30285	29168	30895	29364	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.

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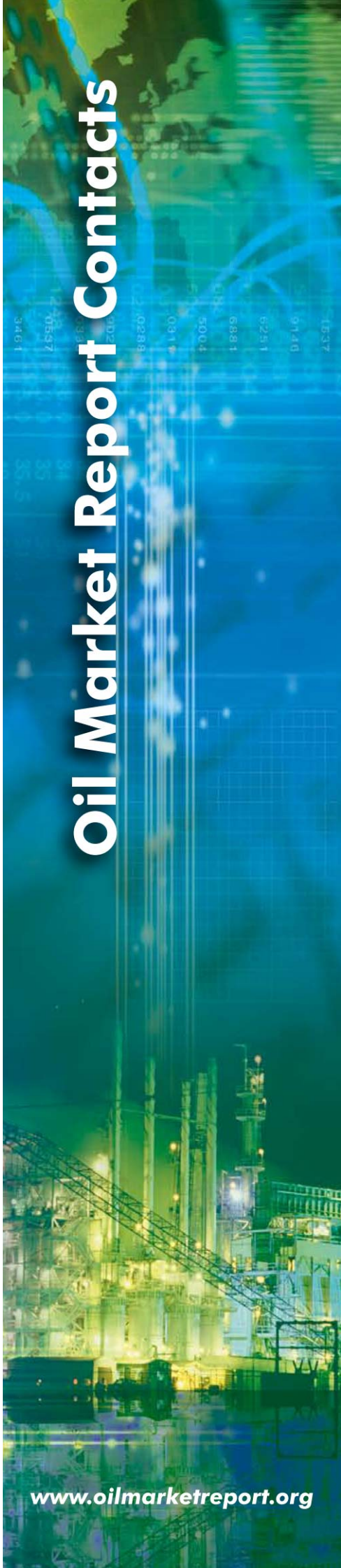
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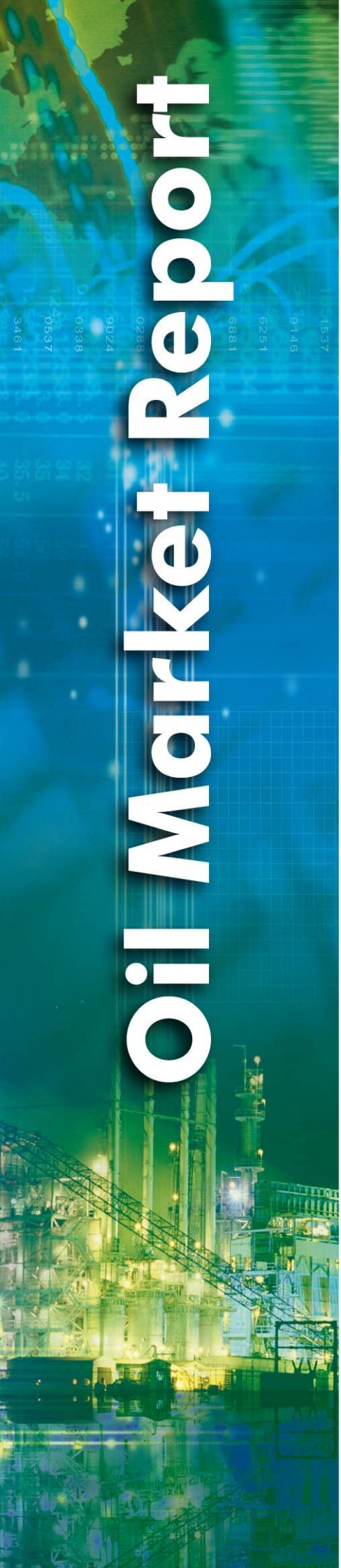
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (©2011 Platts - a division of McGraw-Hill Inc.).

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Next Issue: 15 March 2011





International Energy Agency

15 March 2011

HIGHLIGHTS

- **Political unrest in the Middle East and North Africa, currently focused on Libya, has injected volatility into futures markets**, with prices gyrating by an average $3/bbl daily. By mid-March benchmark crudes were trading $10-15/bbl above average February levels, with Brent last seen just shy of $114/bbl and WTI around $100/bbl.

- **Global oil product demand growth remains largely unchanged at 2.9 mb/d in 2010 and 1.4 mb/d in 2011,** but high oil prices entail significant downside risks to this year's outlook. Baseline changes in non-OECD Asia and stronger Middle East levels lift absolute demand slightly to 87.9 mb/d and 89.4 mb/d, in 2010 and 2011 respectively.

- **World oil supply rose to an all-time high of 89 mb/d** in February, up 0.2 mb/d from January. Non-OPEC oil supply rose 0.3 mb/d to 53.2 mb/d on re-instated Alaskan output. 2010 non-OPEC estimates are left unchanged at 52.8 mb/d, while the 2011 forecast is raised by 0.1 mb/d, to 53.6 mb/d, on stronger-than-expected Canadian output.

- **OPEC crude oil output in February fell by 95 kb/d to 30.05 mb/d.** A near 200 kb/d average monthly loss of Libyan supply was partly offset by higher production from Gulf states. OPEC's 'effective' spare capacity, excluding Libya, is now near 4.08 mb/d, its lowest since end-2008. The 'call on OPEC crude and stock change', revised up for 1Q11, is cut going forward, averaging 29.9 mb/d for 2011 overall.

- **Global refinery runs are expected to drop sharply through 1Q11** to reach a seasonal low of 73.5 mb/d in March, when refinery maintenance peaks, before rebounding to 75.3 mb/d in June. 1Q11 runs are forecast to average 74.6 mb/d (+2.0 mb/d y-o-y) rising to 74.8 mb/d (+1.0 mb/d y-o-y) in 2Q11.

- **January OECD industry inventories rose by 32.0 mb to 2 695 mb** and forward demand cover increased to 58.2 days. Preliminary February data point to a sharp 43.4 mb decline, while oil in short-term floating storage grew by 8 mb.

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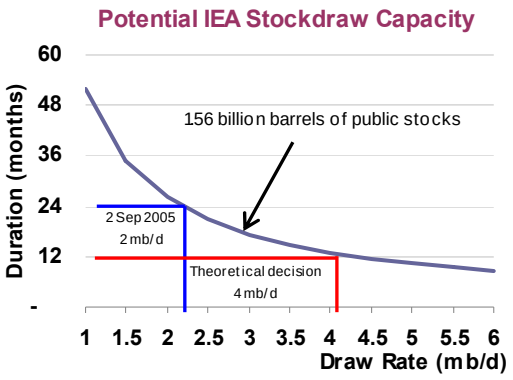
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EXPECT THE UNEXPECTED

When presenting our 2011 outlook in recent months, we have stressed that, despite price rises since September, there was no reason to view 2011 as 'just 2008 all over again'. After all, global demand growth is seen easing back to more sustainable levels (after rapid post-recessionary growth in 2010), spare capacity upstream and downstream remain abundant, and OECD stocks at 58 days of cover look ample. But the resurgent influence of geopolitical risk and natural disasters was also less prevalent back in 2008 than it is today. Unrest in the Caucasus, and Caribbean hurricanes in late-summer 2008 coincided with economic collapse, and so had only a fleeting impact on crude prices at the time.

We have noted before the tightening in 2H10 market fundamentals, as demand ran ahead of supply by a consistent 1.1 mb/d. So the price rise from $75/bbl to $95/bbl by end-2010 had a clear fundamentals underpinning. Further gains since then have fed off MENA region political unrest, despite a spare capacity cushion. Even though limited volumes of regional production are affected so far, market perception (even if misguided) that Saudi Arabian facilities, the bulwark of OPEC spare capacity, could be targeted, has brought the geopolitical risk premium back with a bang. In reality, only Libya's 1.6 mb/d of crude production is affected so far, but concerns over Shi'ite unrest in Bahrain spreading to Saudi Arabia, plus a shadow of instability over Iran, Iraq, Yemen and other regional producers, has sustained prices above $100/bbl. OPEC effective spare capacity at just over 4 mb/d remains a calming influence, but has nevertheless fallen to its lowest since late 2008. This has fed enthusiasm for oil as a longer-term store of value, and open interest in crude futures has soared. That may only have a marginal impact, but is one more factor explaining today's price levels.



Japan now begins the long road to recovery from last week's devastating earthquake and tsunami. Aside from a staggering death toll, the disaster raises questions over Japan's economic recovery, given the scale of devastation wreaked on industrial and port facilities. The situation will evolve in coming days, but at writing 9.7 GW of nuclear generation capacity (around 200 kb/d of oil input equivalent) and 1.4 mb/d of Japanese refining capacity is offline, some of it likely long-term. Yesterday's announcement that 8 mb of extra oil will be made available by relaxing industry stockholding requirements will help. A combination of oil (with plentiful spare generation capacity), gas and coal will help fill the power generation gap, notwithstanding thermal capacity and transmission infrastructure are also damaged. There is no way of knowing yet how Japanese oil demand will evolve short-term, so we refrain from adjusting our 2011 outlook. Things will become clearer as disaster relief proceeds and the pace of recovery can be better ascertained.

Turning back to Libya, importers have so far been comparatively relaxed about the loss of 1.3 mb/d of light, sweet crude supply, partly because early-year refinery maintenance is in full swing. The initial advances made by anti-Gaddafi rebels also persuaded some that this was likely to be a short fight. But harsh reality now suggests either a prolonged civil war, or a resurgent Gaddafi regime that might reinstate control over production and export facilities, but with supplies to the global and European market limited by sanctions. Market insouciance may change abruptly as April approaches, when global crude demand is expected to increase by around 1 mb/d as Atlantic Basin refinery maintenance ends. Saudi Arabia and other producers have increased supply, although gauging volumes has been difficult, and refiners have been wary of purchasing at inflated prices. And while actual threats to production elsewhere in MENA remain theoretical for now, these threats could keep market sentiment on the bullish side a while longer. The IEA maintains a watching brief in both the unfolding Libyan and Japanese situations, and can mobilise its 1.56 billion barrels of government strategic stocks in short order if market liquidity looks badly strained. But the fact that this is now being seriously considered shows how far we have come from earlier, more comforting days when a tranquil early-2011 oil market looked more likely.

DEMAND

Summary

- **Forecast global oil product demand for 2010 and 2011 is revised up by 90 kb/d on average** on baseline changes in non-OECD Asia and stronger-than expected readings in the Middle East. Global growth, however, remains largely unchanged. Oil demand, which averaged 87.9 mb/d in 2010 (+3.4% or +2.9 mb/d year-on-year), is expected to rise to 89.4 mb/d in 2011 (+1.6% or +1.4 mb/d year-on-year). However, persistently high oil prices entail significant downside risks to this year's prognosis.

- **Projected OECD oil demand remains largely unchanged for both 2010 and 2011.** Total OECD demand, which averaged 46.1 mb/d in 2010 (+1.5% or +0.7 mb/d year-on-year), is projected to fall to 46.0 mb/d in 2011 (-0.2% or -100 kb/d versus the previous year). The decline, however, could be larger if oil prices remain at high levels, although Japan's fuel oil and direct crude use for power generation may rise following the earthquake-induced outage of several nuclear plants.

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.3	3.4
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.7	30.4	30.2	30.1	30.2	30.9	30.5	30.4
Asia/Pacific	25.6	25.9	25.8	27.0	26.1	27.5	27.2	27.0	28.5	27.6	28.8	28.1	27.6	28.9	28.3
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.5	15.4	15.2	14.9	14.8	15.4	15.3	15.1
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.2	4.4	4.4	4.3	4.4	4.2	4.5	4.5	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.5	7.7	8.2	7.6	7.7
World	**84.5**	**84.2**	**85.4**	**86.0**	**85.0**	**86.5**	**87.1**	**88.7**	**89.4**	**87.9**	**89.0**	**88.4**	**89.9**	**90.1**	**89.4**
Annual Chg (%)	-3.2	-2.5	-0.5	1.0	-1.3	2.4	3.4	3.8	3.9	3.4	2.9	1.6	1.3	0.9	1.6
Annual Chg (mb/d)	-2.8	-2.1	-0.4	0.9	-1.1	2.0	2.8	3.3	3.4	2.9	2.5	1.4	1.2	0.8	1.4
Changes from last OMR (mb/d)	0.06	0.06	0.05	0.06	0.06	0.11	0.12	0.10	0.07	0.10	0.30	0.04	0.05	-0.03	0.09

- **Estimated non-OECD oil demand for 2010 and 2011 is raised by 100 kb/d on average.** Upward baseline revisions to several Asian countries (Hong Kong, Chinese Taipei and Thailand, from 2008 to 2010) and stronger December readings in a handful of Middle Eastern and FSU countries (Saudi Arabia, Iran, Iraq and Azerbaijan) have lifted estimated non-OECD demand for 2010 to 41.8 mb/d (+5.6% or +2.2 mb/d year-on-year). The prognosis for 2011 is also slightly adjusted up, in order to account for the baseline changes and on a higher prognosis for Chinese apparent demand, to 43.3 mb/d (+3.7% or +1.5 mb/d versus the previous year). However, rising oil prices and the ongoing turmoil in Middle Eastern and North African countries are a source of forecast uncertainty.

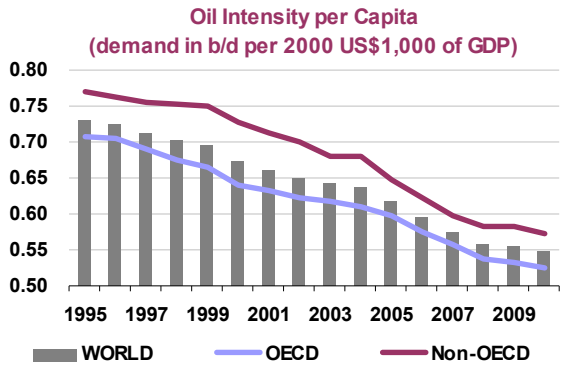
Global Overview

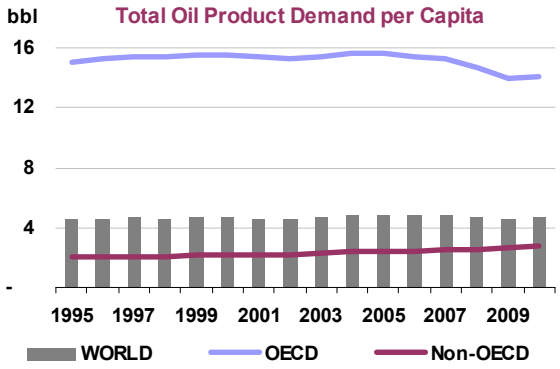
A pressing question in the minds of most analysts and policymakers is what impact high oil prices will have on global economic growth and inflation – and ultimately on oil demand. Indeed, after a period of remarkable stability from October 2009 to September 2010 within a relatively narrow band, oil prices (Brent) have risen by approximately 50% since then – first on very strong demand growth (4Q10) and, since early 2011 on increased regional geopolitical risk in North Africa and the Middle East, embodied by Libya's supply outage.

Empirically, past oil price shocks have shown a discernible effect on GDP. Supply shocks tend to be felt just a few months thereafter, while demand shocks usually have an impact roughly a year later. This suggests that if prices remain at current levels or rise further, by September 2011 – if not before – the global economy may feature a marked slowdown – and the more so because it would coincide with expected fiscal tightening (and possibly monetary as well, if inflationary expectations become entrenched) in the world's largest economies.

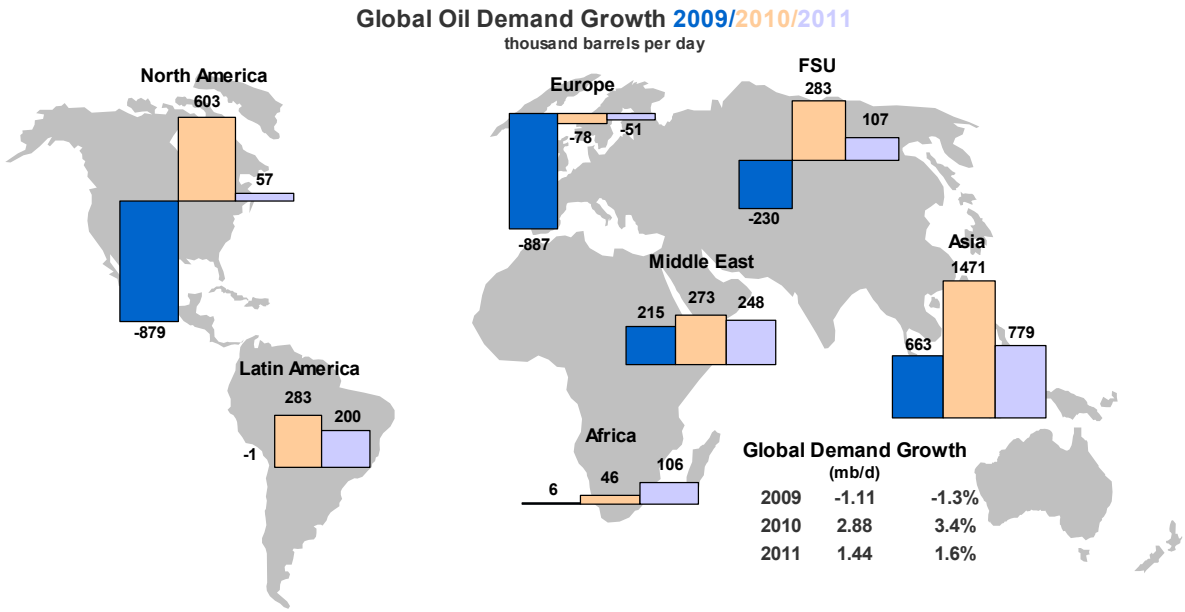
Unfortunately, estimating price impacts is notoriously difficult, because many variables are at play, particularly oil intensity, consumer behaviour and the degree to which international prices are passed through to domestic consumers. Still, diverse econometric studies suggest that a 10% increase in the price of oil could cut global GDP by anywhere between 0.2 and 0.7 percentage points after one year (and possibly by twice as much in the second year). Although the range is quite large, a simple calculation illustrates potential outcomes – and the huge uncertainty – for both economic growth and oil demand.

As an example, if current $115/bbl price levels that, as noted, are 50% above the relatively stable range evident for much of 2009-2010, were to be sustained, global GDP growth in 2011 could come in at anything between 1.0-3.5 percentage points below the IMF's assumed +4.3%. A low end of this range, implying global GDP growth of 3.4%, would cut oil demand growth from 1.6% to 1.3%, or 300 kb/d less than presently expected for this year. At the high end, with GDP growth curbed to barely 0.8%, oil demand growth would be nearly wiped out altogether, averaging only +260 kb/d.





The impact of such a price-induced economic slowdown would inevitably be felt most in more *oil-intensive* regions. Arguably, non-OECD countries would account for the greater share of any reduction in global oil demand that would occur as a result of lower economic growth, and the more so if rising prices render end-user subsidies financially unsustainable. However, in terms of *oil product demand per capita*, the OECD is possibly more vulnerable than non-OECD countries, as use per head is roughly five times higher on average – and almost nine times higher in the US and Canada, which feature the highest such metric within the OECD.



OECD

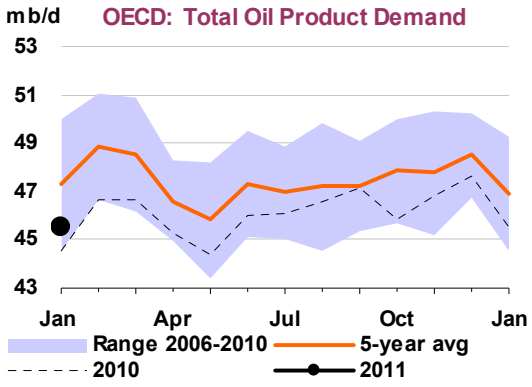
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 2.1% year-on-year in January, with all regions posting gains. Demand increased by 2.6% in **OECD North America** (which includes US Territories), 2.2% in **OECD Pacific** and 1.2% in **OECD Europe**, mostly driven by middle distillates. Indeed, jet fuel/kerosene, diesel and heating oil accounted for roughly two-thirds of total yearly growth – which, at +950 kb/d, was a shade below the symbolic +1.0 mb/d mark. This reflects both an economic recovery relative to a very weak baseline and much colder-than-normal temperatures.

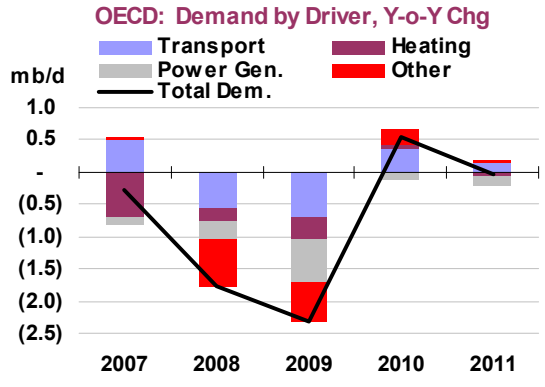
OECD Demand based on Adjusted Preliminary Submissions - January 2011
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.15**	**1.1**	**1.65**	**3.9**	**3.70**	**3.9**	**1.22**	**13.1**	**0.96**	**-6.4**	**6.07**	**3.78**	**23.75**	**2.6**
US50	8.65	1.3	1.45	4.1	3.16	4.0	0.72	15.5	0.65	-1.5	4.63	5.1	19.26	3.2
Canada	0.70	0.0	0.12	6.0	0.21	-3.6	0.35	10.5	0.09	0.6	0.74	3.1	2.21	2.5
Mexico	0.74	0.1	0.05	-3.2	0.28	9.5	0.12	9.5	0.15	-28.1	0.65	-4.0	2.00	-2.5
OECD Europe	**1.91**	**0.5**	**1.20**	**1.6**	**3.84**	**5.1**	**1.93**	**1.8**	**1.30**	**-6.9**	**3.32**	**0.4**	**13.51**	**1.2**
Germany	0.42	8.3	0.18	8.5	0.59	14.7	0.36	-12.1	0.14	-2.2	0.54	-1.6	2.23	2.7
United Kingdom	0.32	-4.2	0.34	-5.6	0.45	0.3	0.10	2.3	0.07	16.8	0.28	-0.9	1.56	-1.4
France	0.16	4.7	0.15	3.6	0.63	11.9	0.35	6.0	0.10	-23.6	0.42	-2.4	1.80	3.3
Italy	0.20	-3.9	0.08	0.6	0.43	3.8	0.11	-5.0	0.11	-25.7	0.38	6.8	1.32	-0.9
Spain	0.11	-3.1	0.10	9.0	0.41	0.1	0.23	-0.8	0.18	0.9	0.34	-1.8	1.37	-0.1
OECD Pacific	**1.44**	**1.0**	**1.27**	**4.6**	**0.91**	**0.6**	**0.61**	**-1.7**	**0.83**	**3.5**	**3.22**	**2.7**	**8.27**	**2.2**
Japan	0.90	0.3	0.86	2.9	0.35	1.4	0.49	-3.1	0.42	5.1	1.80	3.3	4.82	2.0
Korea	0.17	5.8	0.26	11.1	0.23	2.0	0.12	5.6	0.38	1.0	1.25	2.6	2.42	3.5
Australia	0.31	3.3	0.12	6.0	0.29	0.7	0.00	0.0	0.02	-18.5	0.15	-1.0	0.89	1.4
OECD Total	**13.50**	**1.0**	**4.12**	**3.4**	**8.44**	**4.1**	**3.77**	**4.6**	**3.09**	**-4.2**	**12.61**	**2.6**	**45.53**	**2.1**

* Including US territories

Revisions to December preliminary data were minor (-70 kb/d), showing that total OECD demand expanded by 1.9% year-on-year during that month, broadly in line with earlier estimates (+2.1%). The adjustments, however, were relatively significant in North America (-220 kb/d), as monthly US submissions proved much lower than preliminary weekly estimates, and in Europe (+120 kb/d), given stronger-than-anticipated naphtha and diesel demand.



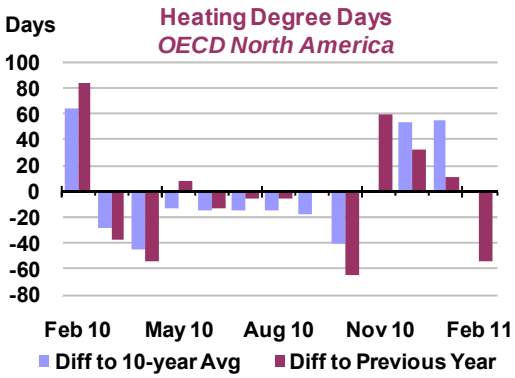


Based on the latest submitted data, OECD oil product demand is now estimated at 46.1 mb/d in 2010 (+1.5% or +680 kb/d year-on-year) and at 46.0 mb/d in 2011 (-0.2% or -100 kb/d versus the previous year). Both prognoses are largely unchanged versus our last report.

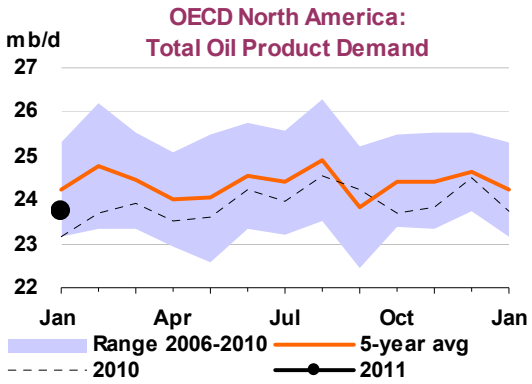
North America

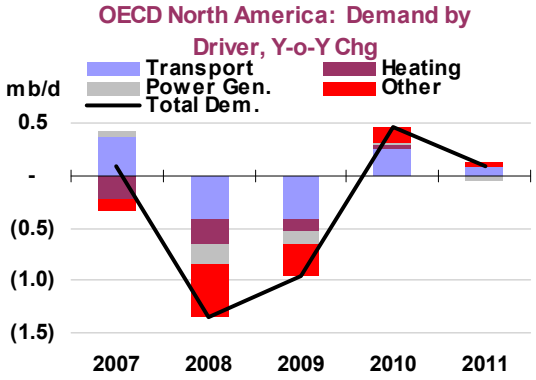
Preliminary data show oil product demand in North America (including US territories) rising by 2.6% year-on-year in January, following a 2.3% increase in December. January readings were boosted by cold

temperatures, though disruptive weather may have played an offsetting role in limiting transport demand growth. Economic conditions continue to improve, buoyed by strong industrial indicators and evidence of some recovery in the US labour market. Nevertheless, the impact of sharply rising gasoline prices coupled with anticipated structural efficiency gains should keep oil demand growth rates muted for much of the year.

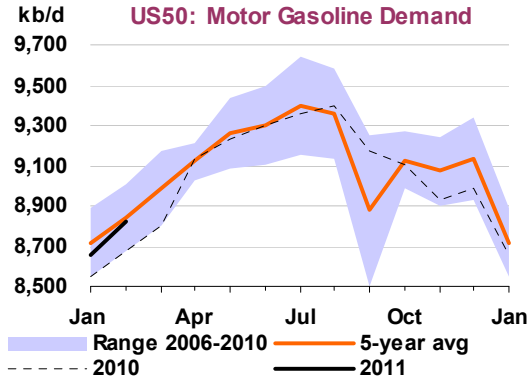


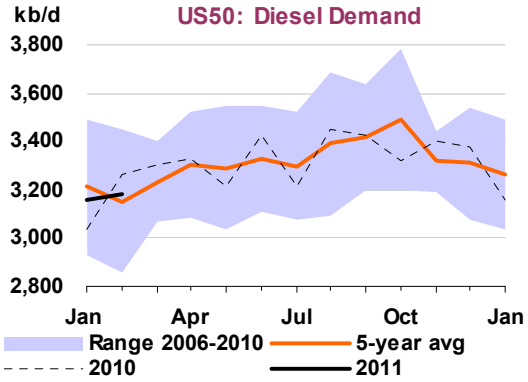
December data were revised down by 220 kb/d, led by lower readings for gasoline (-150 kb/d) and 'other products' (-235 kb/d), which offset higher estimates for diesel (+140 kb/d). Weekly to monthly revisions in the US led the December changes and, at -260 kb/d, were strongly negative for the first time since May 2010. As such, North American demand is now estimated at 23.9 mb/d in 2010 (+2.6% or +600 kb/d versus 2009 and 15 kb/d lower than our last report). Demand in 2011 is seen rising to 24.0 mb/d (+0.2% or +60 kb/d year-on-year and 40 kb/d lower than our last report).





Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 1.8% year-on-year in February, following a 3.2% rise in January. February readings featured a sharp gain in residual fuel oil (+51.5%, albeit from a very low base) and continued moderate growth in gasoline demand (+1.7%). During the last week of February, average retail gasoline prices rose by ¢19/gallon – the second largest weekly jump since 1990. As of early March, prices stood at over $3.50/gallon (up ¢75/gallon year-on-year). Yet recent weekly estimates have pointed to strengthening, rather than weakening, gasoline demand growth; still, given the volatility of such data, any definitive assessment is premature. Moreover, the speed and magnitude of the price rise may slow the seasonal increase. Given lower-than-expected January/February readings, our 2011 gasoline demand estimate has been revised down by 25 kb/d, now rising by a modest 0.3% versus 2010.

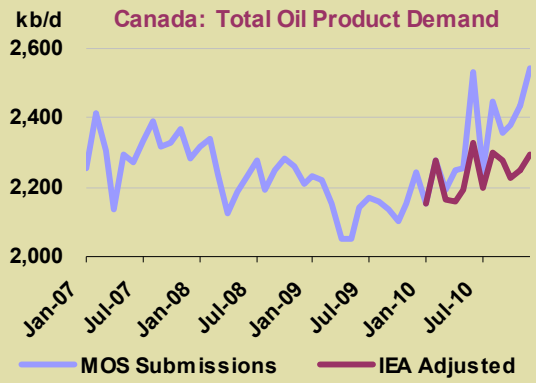


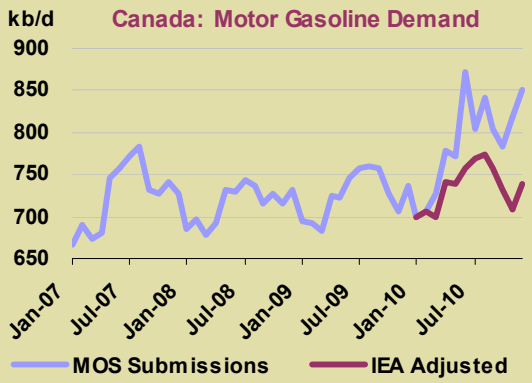


Meanwhile, questions also persist over diesel demand, with average retail prices approaching $3.90/gallon in early March. Preliminary weekly data suggest that middle distillate growth slowed down over January and February. Similarly, the Ceridian-UCLA Pulse of Commerce Index, which measures diesel demand through its payments system, points to slowing demand growth, with February readings up by 1.8% year-on-year, down from an average +4.7% over the previous three months. Industrial indicators, by contrast, paint a more optimistic picture. For example, purchasing managers' activity rose for the seventh consecutive month in February, intermodal rail traffic increased by 10.3% versus the previous year and the American Trucking Association's road freight tonnage index soared in January on a seasonally adjusted basis to its highest level since January 2008. The discrepancy between economic indicators and more tepid preliminary demand data may be due to greater efficiency – if so, it would suggest that the economy is better able to cope with rising prices when compared to 2008.

Canadian Puzzle

Canadian monthly submissions throughout 2010 have shown a volatile pattern. Unadjusted deliveries data suggest that Canadian oil demand grew by almost 9% year-on-year, with an 8.5% rise in gasoline. Although market sources have pointed to increased mining activity in the western part of the country as supportive of demand, with the Canadian economy expanding by only 2.9% in 2010, the headline oil demand growth rate implies an income elasticity that looks implausibly high. Before the economic crisis, Canadian demand was growing on average by 1.8% annually from 2000-2007 with GDP growth of 2.5%. While post-crisis demand may well be rebounding faster than long-term income relationships imply, the erratic nature of some products suggests deeper data series issues.



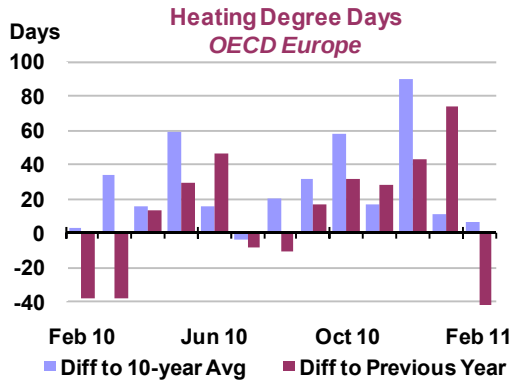


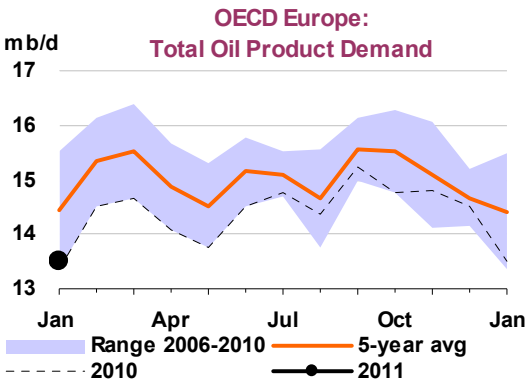
This raises the question of whether the reporting stems from categorisation issues, a series break or simply the collection challenges of Canada's vast territory. As a result, 2010 monthly demand estimates for gasoline, heating oil and 'other products' in this report have been adjusted on the basis of our own econometric model, with total oil demand growth assessed at a more reasonable 3.9% for the year. Forthcoming revisions will hopefully narrow the discrepancy between the two data series.

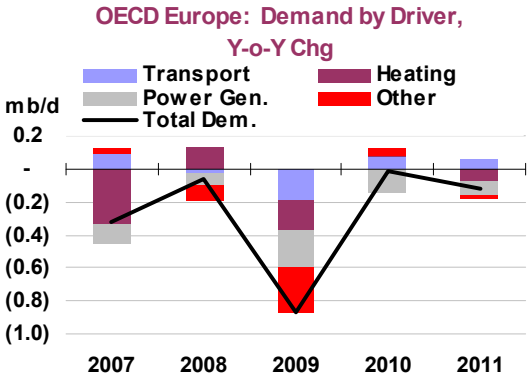
Europe

Preliminary inland data indicate that oil product demand in Europe rose by 1.2% year-on-year in January, largely boosted by on-road diesel. This stems mostly from a baseline effect: in January 2010, snowstorms were more disruptive to transportation activity than was the case this year. By contrast, even though temperatures were much colder than last year (with HDDs higher both versus the ten-year average and January 2010), heating oil deliveries rose by only 1.8%, equivalent to +35 kb/d. Although this weak performance may result from consumer stock draws, demand growth was similarly frail in December, suggesting that structural decline in heating oil use remains a feature of this market.

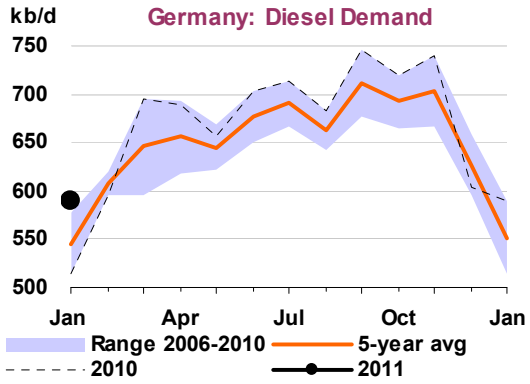
December's revisions to preliminary demand data (+120 kb/d) were largely concentrated in naphtha and diesel, indicating that demand growth was stronger than suggested by preliminary readings in that month (+2.5% versus +1.7%). Total oil product demand in OECD Europe thus averaged 14.4 mb/d in 2010 (-0.3% or -50 kb/d compared with the previous year and 10 kb/d higher than previously expected). The outlook for 2011 is broadly unchanged, with demand expected to continue declining (-0.5% or -70 kb/d versus 2010, and roughly 10 kb/d lower versus last month's report).

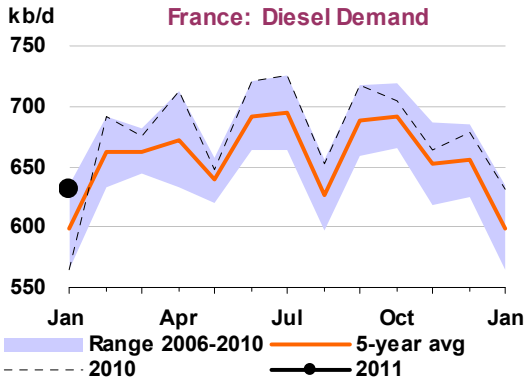






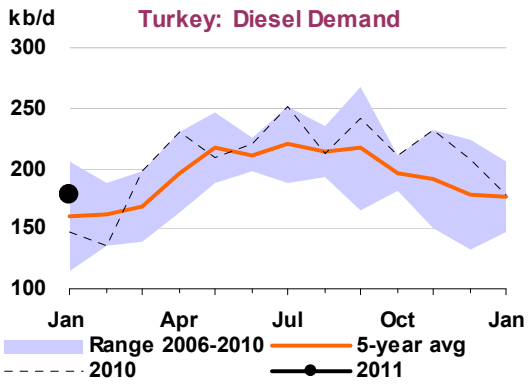
In terms of absolute growth, three countries clearly stand out. In **Germany**, oil product deliveries increased by 60 kb/d or 2.7% year-on-year in January, according to preliminary data, with strong demand for transportation fuels offsetting a decline in heating fuel deliveries.





In **France**, the picture was similar. Total oil demand also rose by almost 60 kb/d (+3.3%) on the back of strong diesel deliveries (and to a lesser extent, heating oil), which offset much lower readings for residual fuel oil (suggesting that natural gas and imported electricity met peak power needs). It should be noted, though, that in both countries temperatures were warmer than last year, yet broadly in line with the ten-year average.

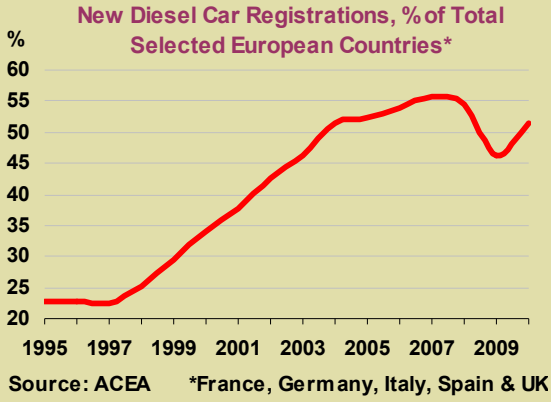
Finally, **Turkey** has featured remarkable oil demand growth over the past few months (+80 kb/d or 14.9% on

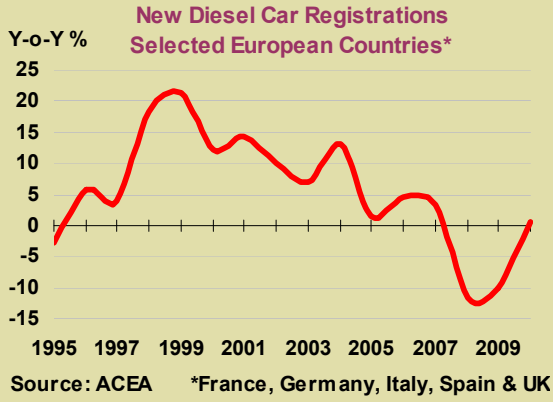


average since September). With gains concentrated mostly in industrial and transportation fuels (notably naphtha and diesel), this highlights the country's economic dynamism. We estimate that total demand expanded by as much as 16.4% in January to roughly 520 kb/d.

Back to Gasoline?

Over the past two years, the European vehicle fleet has seen some intriguing developments that – if sustained over the longer term – could eventually alter the structure of oil product demand on the continent. In 2009, for the first time since 2003, the share of diesel car registrations fell below 50% (46.3% for the main five markets, including France, Germany, Italy, Spain and the UK). Although registrations recovered somewhat in 2010, they were effectively flat on a yearly basis.

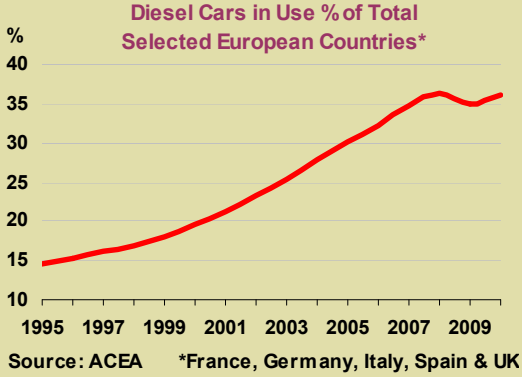


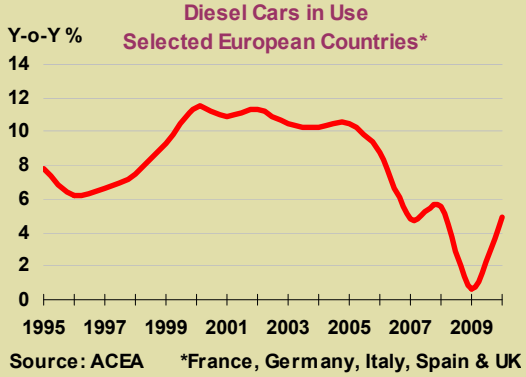


Does this mean that the much touted 'dieselisation' of Europe's passenger car fleet is over, as some observers have argued, thus heralding the triumphant return of gasoline-powered vehicles? As much as the surge in sales of small, cheap gasoline-powered models in 2009 was mostly due to temporary government incentives – the scrapping schemes set by various European governments to support their struggling car manufacturers as the recession hit – other factors suggest that the exponential growth of both diesel registrations and cars in use observed from 1995 to 2007 is indeed unlikely to resume.

Prosaically, this will depend upon relative prices. On the one hand, diesel cars are likely to become even more expensive than gasoline vehicles, especially as Euro 6 standards aimed at curbing nitrous oxide (NOx) emissions are implemented from 2014. According to some analysts, this could add as much as 5% to the cost of a new diesel car, also reducing its fuel efficiency, and making it uncompetitive for motorists driving less than 60,000 km over the first three years of the car's life (a metric deemed necessary to amortise the car's cost). This could be quite noticeable in the small-car segment, with price disparities likely to be significant.

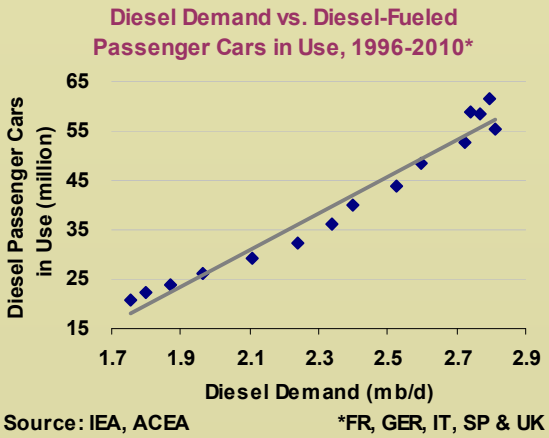
On the other hand, the retail price advantage of diesel over gasoline is likely to continue shrinking (diesel is currently about 10% cheaper, down from 15% in 2009). Even though wholesale diesel prices are higher, retail prices are lower because of sales tax differentials. However, mounting fiscal woes could prompt governments across Europe to reduce such differentials (taxes account for about 40% and 50% of end-user prices, for diesel and gasoline, respectively).





Back to Gasoline? (continued)

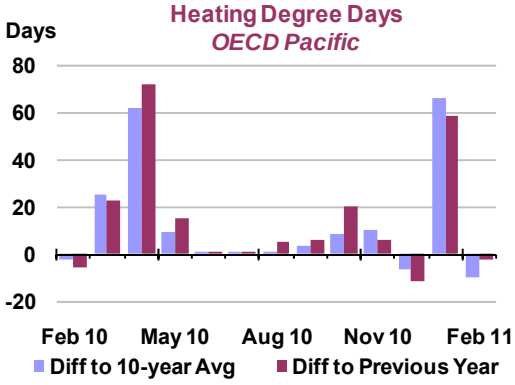
At first glance, should dieselisation be drawing to an end, the European refining industry, where distillate yields account for roughly half of total production, would be affected. Refiners would face a shrinking market amid higher supply competition from other regions. However, this possibility must not be exaggerated. First, in aggregate terms, the degree of fleet dieselisation should not be overstated – about two-thirds of the overall European fleet *in use* is gasoline-based, with the exception of two countries (France and, to a lesser degree, Spain), where diesel cars in use are at or slightly above 50%. Second, even though the number of diesel cars in use rose in 2010 after remaining virtually flat in recession-stricken 2009, the pace of growth has sharply decelerated since 2005. Finally, lower diesel demand growth in Europe would probably contribute to ease an otherwise tightening distillate market – and perhaps help avoid further oil price spikes in future.



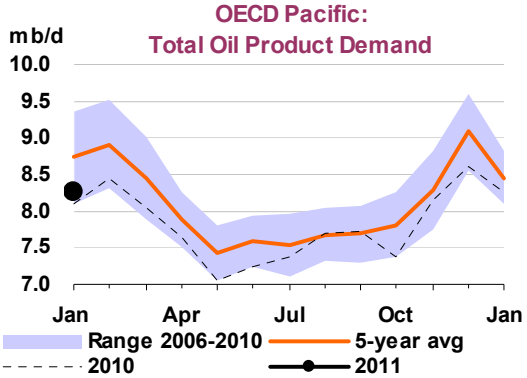
Source: IEA, ACEA *FR, GER, IT, SP & UK

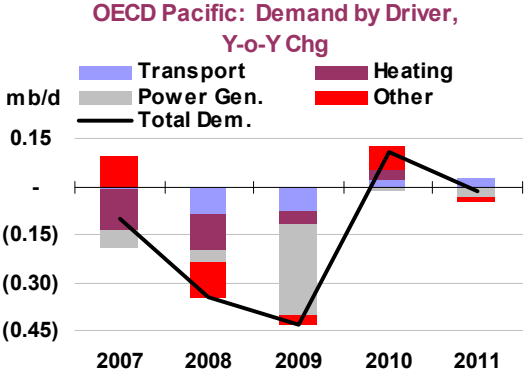
Pacific

Preliminary data show that oil product demand in the Pacific rose by 2.2% year-on-year in January, largely on heating and power generation fuels (respectively kerosene and residual fuel oil plus direct crude). This resulted from extreme temperatures; as a result of the cold wave that hit the region in that month, HDDs were sharply above both the ten-year average and the previous year.

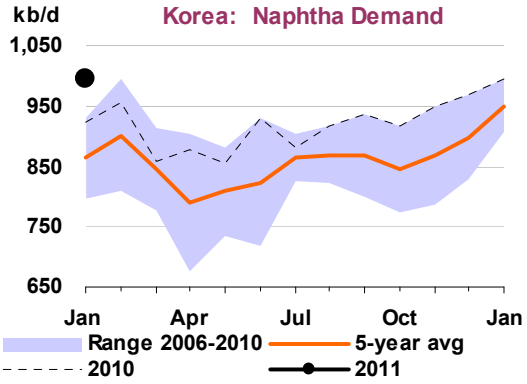


The revisions to preliminary December data were negligible (+30 kb/d) and essentially concentrated in Japan's heating oil and 'other products'. As such, our estimates of total OECD Pacific demand are virtually unchanged from last month's report, with demand averaging 7.8 mb/d in 2010 (+1.7% or +130 kb/d year-on-year) and falling further to 7.7 mb/d in 2011 (-1.1% or -90 kb/d year-on-year), assuming a return to normal weather conditions. At the time of writing, though, the effects of the massive earthquake that visited **Japan** on 11 March were still unclear and, as such, no allowance for this tragic event has yet been made in the forecast.





The weather effect was particularly noticeable in **Japan**, with direct crude burning rising markedly ('other products', which include direct crude, surged by 32.9% or almost 100 kb/d year-on-year in January, roughly matching the five-year average). More worryingly, perhaps, naphtha deliveries contracted by 10.3% or 90 kb/d. This is the second monthly fall in a row, and follows several months of sluggish demand growth, suggesting that the country's petrochemical industry is again lagging, probably due to vigorous competition elsewhere in Asia. Tellingly, naphtha demand in **Korea** jumped by 7.9% in January, reaching a new record high (a shade below 1.0 mb/d).

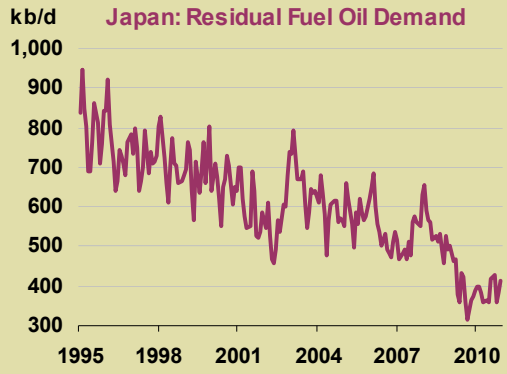


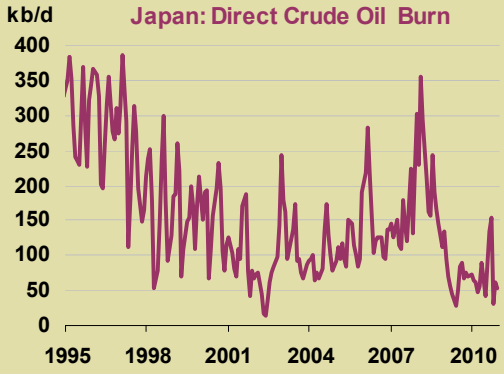
Japan Nuclear Outages Point to Increased Fuel Switching

The devastating earthquakes and tsunami that hit Japan on 11 March will have a profound impact on the country's power generation sector. As of 14 March, damage to the nuclear industry, which generates more than one quarter of Japan's total electricity, had forced the shutdown of 11 reactors representing 9.7 GW of capacity. An additional 8.5 GW of oil, gas and coal capacity was also shut-in, prompting the country's largest utility, TEPCO, to consider rolling blackouts.

The current situation remains fast changing and any estimate of its impact upon energy demand is premature. Nonetheless, short-term fuel switching within the power sector is likely to be significant, with oil, gas and coal all being used to make up for the loss in nuclear output, subject to regional generation capacity and transmission availability. Indeed, under normal operating conditions, the offline nuclear plants would generate some 60 TWh of electricity per year.

Nationwide, there appears to be ample spare oil-fired capacity to compensate for this 60 TWh loss, even with 3.8 GW idled by the earthquake. In 2009, only 30% of oil-fired capacity was used, producing just over 100 TWh of electricity with 360 kb/d of oil (crude oil and fuel oil) on average. Thus, if the 60 TWh shortfall were met entirely by oil, consumption would increase by roughly 200 kb/d on an annual basis. In previous episodes of nuclear power generation constraints in the mid-2000s, such as the 21-month outage of the 8.2 GW Kashiwazaki-Kariwa plant following the July 2007 earthquake, fuel oil and direct crude burning rose by around 250 kb/d versus an otherwise declining trend for both fuels.

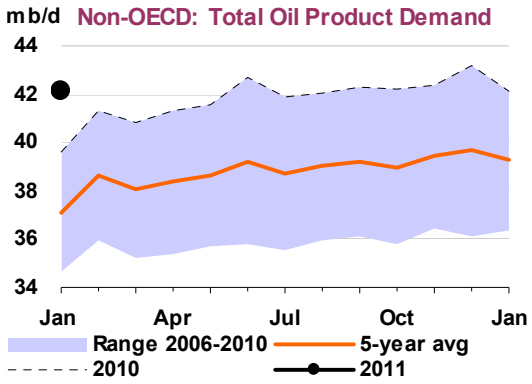


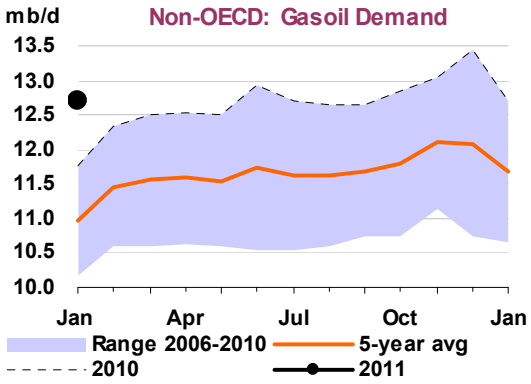


In practice, however, this power requirement is likely to be met by LNG and coal as well, though spare generation capacity appears to be more limited in both sectors. For example, the utilisation rate of major gas-fired power stations stood at around 55% in 2009, which is already relatively high for such type of plants. The generation of an extra 60 TWh using only gas would require plants to operate at near 70% of capacity, implying an additional 12 bcm of LNG per year (32 mcm/d).

Non-OECD

Preliminary demand data show that non-OECD oil demand growth slowed down slightly in January, (+6.4% or +2.5 mb/d year-on-year). Total January demand is estimated at 42.1 mb/d; meanwhile, December appraisals have been revised up by 240 kb/d to 43.2 mb/d (+7.7% or +3.1 mb/d year-on-year).





Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Nov-10	Dec-10	Jan-11	Dec-10	Jan-11	Dec-10	Jan-11
LPG & Ethane	4,332	4,399	4,385	164	176	3.9	4.2
Naphtha	2,959	2,948	2,906	231	85	8.5	3.0
Motor Gasoline	8,044	8,213	7,844	516	337	6.7	4.5
Jet Fuel & Kerosene	2,777	2,764	2,754	248	199	9.9	7.8
Gas/Diesel Oil	13,049	13,430	12,700	1,219	950	10.0	8.1
Residual Fuel Oil	5,696	5,726	5,827	209	368	3.8	6.7
Other Products	5,542	5,746	5,688	490	403	9.3	7.6
Total Products	**42,399**	**43,226**	**42,104**	**3,076**	**2,518**	**7.7**	**6.4**

All product categories continued to post strong growth in January. In relative terms, gasoil (+8.1% year-on-year), jet fuel/kerosene (+7.8%), 'other products' (+7.6%) and residual fuel oil (+6.7%) recorded the highest rates. However, gasoil led once again in terms of absolute growth (+950 kb/d, equivalent to roughly 38% of total growth), followed by 'other products' (+400 kb/d), residual fuel oil (+370 kb/d) and gasoline (+340 kb/d). Similarly, Asia remained the main driver of non-OECD oil demand growth. Yearly growth, at 1.5 mb/d (+8.2%), represented 61% of the total. In what has become a familiar pattern, China was the single largest contributor, representing 86% of Asia's increase and 52% of non-OECD growth.

Non-OECD: Demand by Region
(thousand barrels per day)

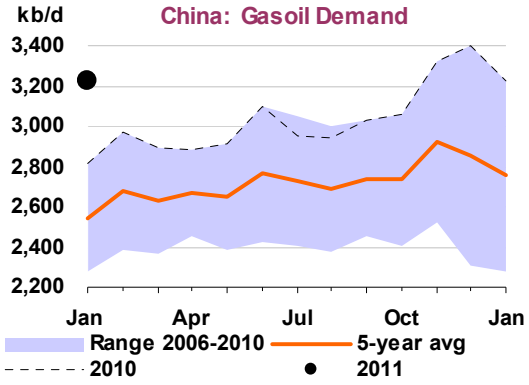
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Nov-10	Dec-10	Jan-11	Dec-10	Jan-11	Dec-10	Jan-11
Africa	3,262	3,253	3,335	165	247	5.3	8.0
Asia	20,552	20,943	20,238	1,843	1,528	9.7	8.2
FSU	4,358	4,499	4,246	428	143	10.5	3.5
Latin America	6,361	6,415	6,052	243	224	3.9	3.8
Middle East	7,119	7,402	7,511	375	351	5.3	4.9
Non-OECD Europe	745	714	722	22	26	3.2	3.7
Total Products	**42,399**	**43,226**	**42,104**	**3,076**	**2,518**	**7.7**	**6.4**

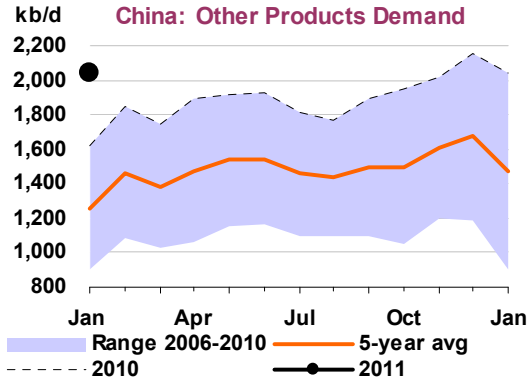
Given upward baseline revisions to several Asian countries (Hong Kong, Taiwan and Thailand, from 2008 to 2010) and stronger December readings in a handful of Middle Eastern and FSU countries (Saudi Arabia, Iran, Iraq and Azerbaijan), non-OECD demand is now estimated at 41.8 mb/d in 2010 (+5.6% or +2.2 mb/d year-on-year and 100 kb/d higher than previously predicted). The prognosis for 2011 is also slightly adjusted up, in order to account for the baseline changes and on a somewhat higher prognosis

for Chinese apparent demand, to 43.3 mb/d (+3.7% or +1.5 mb/d versus the previous year and +90 kb/d when compared to our last report).

China

China's apparent oil demand growth slowed down slightly in January (+15.3% year-on-year), with all product categories bar LPG posting strong gains. This appraisal, however, must be taken with caution: official statistics tend to be sketchy in January and February, given the Lunar New Year holidays. Figures for total refinery throughput, in particular, are often contradictory. Our current monthly estimate is based on figures by the National Bureau of Statistics released in mid-March, which indicate that throughput rose by 11.2% year-on-year in January (much lower than earlier company reports suggesting another sharp rise in runs). This results in a small upward revision to our assessment of expected apparent demand in 1Q11.





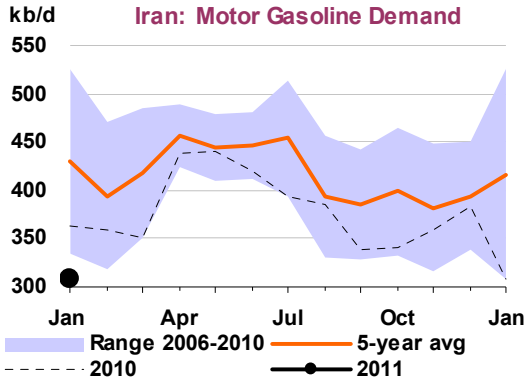
More interestingly, perhaps, in late February the National Development and Reform Commission (NDRC) hiked 'guidance' prices of gasoline, gasoil and jet fuel (an increase of 4.1%, 4.5% and 5.8%, respectively, relative to the last adjustment in late December). Despite mounting inflationary concerns, the increase suggests that the government is aware that domestic refineries may again become somewhat reluctant to supply the Chinese market if margins are not adequate. The hike, however, still lags international prices (actually, according to the price mechanism, it should have occurred in January). Therefore, a re-emergence of oil product shortages, as seen periodically over the past several years, cannot be entirely discounted, notably in drought-stricken northern China and, more generally, ahead of the resumption of economic activity after the Lunar New Year holiday lull. Still, the NDRC explicitly acknowledged in its accompanying statement the key role that independent refiners play in meeting domestic needs. The NDRC also argued that the price hike is intended to rein in consumption, although the impact may be blunted by still-buoyant economic growth and the ongoing subsidies enjoyed by key industrial and transport sector users.

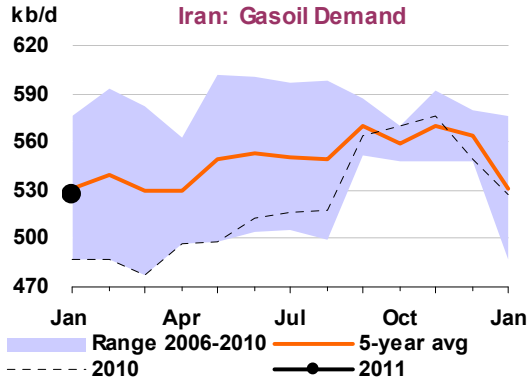
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	723	717	-15	-6	-2.1	-0.9
Naphtha	952	1,239	1,297	288	58	30.2	4.7
Motor Gasoline	1,507	1,573	1,686	67	112	4.4	7.2
Jet Fuel & Kerosene	335	373	403	38	30	11.4	8.2
Gas/Diesel Oil	2,699	3,023	3,233	324	210	12.0	7.0
Residual Fuel Oil	580	569	550	-11	-19	-1.9	-3.3
Other Products	1,559	1,878	2,100	318	222	20.4	11.8
Total Products	**8,369**	**9,377**	**9,985**	**1,009**	**608**	**12.1**	**6.5**

Other Non-OECD

According to preliminary data, last December's increase to subsidised gasoline and gasoil prices (+300% and +800%, respectively) had a lesser impact on **Iranian** demand than previously expected. Earlier reports reckoned that demand would contract by around 17% year-on-year in the case of gasoline and by some 10% for gasoil. In fact, demand fell by 7.0% and 5.2% year-on-year, respectively. On a monthly basis, however, gasoline demand actually *rose* (+7.3% from November), possibly indicating hoarding ahead of the price increase, before plummeting in January. Gasoil use, by contrast, decreased month-on-month in both December and January – but remains within the five-year average.



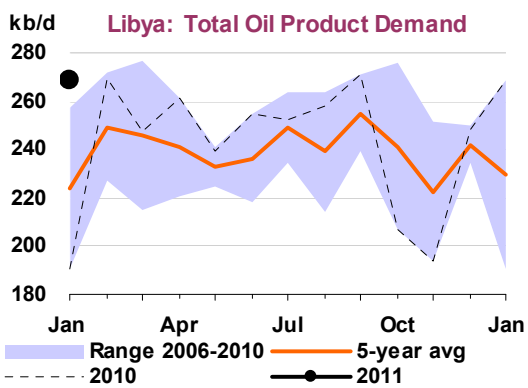


Iran: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	270	272	270	2	-2	0.8	-0.7
Naphtha	55	55	55	0	0	0.0	0.0
Motor Gasoline	403	381	341	-22	-40	-5.5	-10.6
Jet Fuel & Kerosene	118	118	117	-1	-1	-0.5	-0.6
Gas/Diesel Oil	532	521	508	-11	-13	-2.1	-2.5
Residual Fuel Oil	311	322	332	11	10	3.5	3.0
Other Products	142	142	142	1	0	0.4	-0.3
Total Products	**1,832**	**1,811**	**1,764**	**-21**	**-47**	**-1.1**	**-2.6**

Aside from data issues, the relatively muted impact of the price hike is probably related to both the nature and the usage of both fuels. Indeed, gasoline is mostly used by private motorists – arguably, with the exception of taxi drivers, this segment of the population can easily absorb the new price. By contrast, gasoil is mostly used by trucks and buses – which have effectively continued to benefit from subsidised fuel. In addition, the payment of direct cash handouts probably softened the initial blow. However, despite these somewhat better readings, we still expect Iran's overall oil product demand to decline in 2011.

Libya's descent into civil war is likely to affect the country's oil product demand in the medium term, although it is very difficult to estimate by how much at this point. In the short run, though, demand – which averaged some 270 kb/d in January, according to preliminary data – may actually be boosted by military operations. The use of planes, tanks and other military vehicles could support demand for gasoil (40% of total consumption in 2010), gasoline (11%) and jet fuel/kerosene (4%). However, power blackouts and subdued maritime traffic (largely due to falling crude oil



exports) may curb residual fuel oil use (27% of total demand). In addition, shortages may emerge as on domestic refinery outages and halted oil product imports. For now, given these uncertainties, we have left our estimates for Libya largely unchanged.

During previous episodes of domestic price rises in **Russia**, the government's Federal Antimonopoly Service (FAS) has targeted several of the five domestic majors (Surgutneftegaz, Rosneft and LUKoil, TNK-BP and Gazpromneft), which has eventually resulted in a partial reversal of such price adjustments. In early February, the FAS launched the third such investigation since 2008, this time against Surgutneftegaz, Rosneft and LUKoil on 'artificially' hiking prices since last October. Admittedly, the Russian oil product market has an oligopolistic structure – these five companies plus Bashneft reportedly account for some 85% of the country's oil product output and own about half of all service stations, as well as most storage facilities. Nonetheless, other factors are at play, including the sharp increase in international oil prices, winter seasonal peaks, the appreciation of the rouble and the extension of excise duties since the beginning of this year.

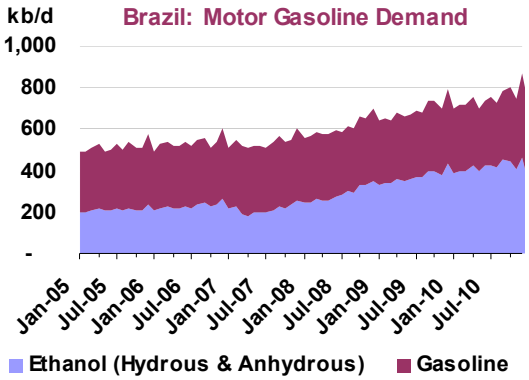
Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	303	318	329	15	11	5.0	3.5
Naphtha	258	268	278	10	10	3.9	3.7
Motor Gasoline	741	786	811	44	26	6.0	3.3
Jet Fuel & Kerosene	218	245	254	27	9	12.4	3.6
Gas/Diesel Oil	591	654	682	63	28	10.6	4.3
Residual Fuel Oil	214	244	213	29	-31	13.6	-12.7
Other Products	484	543	569	59	26	12.2	4.9
Total Products	**2,810**	**3,058**	**3,137**	**248**	**79**	**8.8**	**2.6**

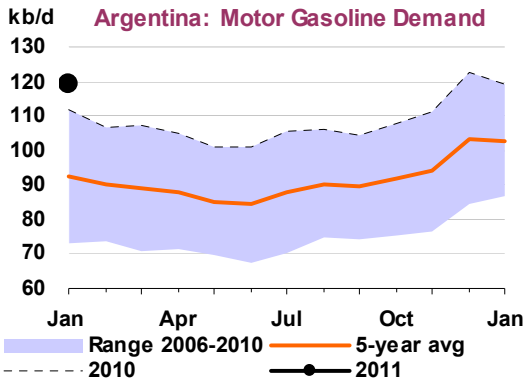
Source: Petromarket RG, IEA

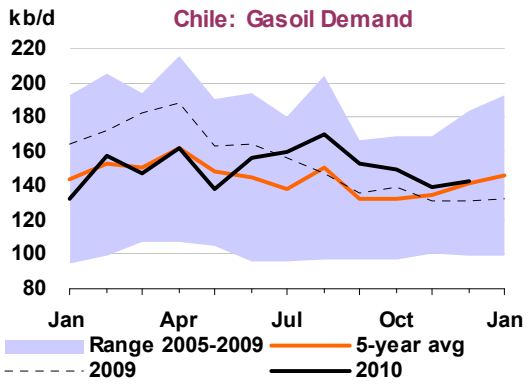
More importantly, perhaps, oil use has sharply rebounded. Russian demand surged by 8.8% (+250 kb/d) in 2010, following its recession-induced plunge in 2009 (-6.3%). The rebound was particularly strong for transportation fuels, with annual growth rates ranging from 6% to 12%. Although this is expected to moderate in 2011 (+2.6%), it will still be significant. However, if the government succeeds in capping domestic prices and eroding refining margins, shortages could emerge as refiners would arguably have greater incentives to export crude and oil products – and perhaps even curb domestic refinery runs.

In **Brazil**, gasoline demand (including ethanol) increased to a record high 920 kb/d (+6.1% year-on-year) in December – the seasonal high point of the year – following annual growth of 11.4% in November. Meanwhile, rising sugar prices have made hydrous ethanol less competitive versus oil-based gasoline. As such, ethanol consumption (by volume) accounted for just 51% of the total gasoline pool in December, down from 54% from May to September. With gasoline demand likely to remain strong in 2011 – we forecast growth of 5.1% – a tightened ethanol market may require sustained gasoline imports in 2011 for Brazil, which is normally a net-exporter.



The prospect of gasoline imports has also increased in **Argentina**. There, gasoline demand growth is expected to reach 7.0% year-on-year in 2011, following a rise of 10.9% in December. Although economic growth helps explain the rise in demand, price distortions also play a key role: Argentine motorists are shielded from increases at the pump by government-imposed price limits.





In **Chile**[*], meanwhile, questions persist over whether the country will face electricity rationing over the coming months due to low water levels in hydropower reservoirs, notably in the central grid (which serves 90% of the population). Recent government statements have played down the prospect of shortages with the implementation of other energy-saving measures, such as reducing electricity voltage and extending daylight savings time by three weeks. Moreover, rising LNG imports have accounted for an increasing portion of electricity generation (over 25% in January versus just 5% for diesel-fuelled power). However, given rising LNG prices and import capacity constraints, diesel imports may increase in the coming months if other measures fail to moderate power demand. Still, gasoil demand growth has slowed down in recent months, rising by only 2.3% year-on-year in December, and gasoil demand is expected to average 150 kb/d in 1Q11 – far below the 190 kb/d average seen during the southern hemisphere summer of 2007-2008.

The Gorilla in the Room: Subsidy Challenges

As international oil prices moved above the $100/bbl mark, the issue of fossil-fuel subsidies, notably for gasoline and diesel, has once again become pressing in many developing countries. However, the response to rising prices has been quite diverse. In a snapshot, developing countries fit in three broad categories. Of course, this taxonomy is not exhaustive and exclusive, as some countries may fit in several groups depending on the fuel. Moreover, the current arrangements may well change if international prices rise further.

First, there is a group of countries where end-user price liberalisation is largely non-existent. Governments maintain generous subsidies in place regardless of international prices in order to keep inflation in check and cultivate political allegiance and social stability, even if this implies a rising fiscal burden, as well as a huge waste. Saudi Arabia and Venezuela are two representative examples. Venezuelan consumers enjoy the world's cheapest gasoline and diesel – both priced some 98% below US levels (which are a good proxy of 'pure' market prices given low taxes). Saudi Arabia, due to its vast hydrocarbon endowment, is able to heavily cross-subsidise transportation fuels with the proceeds of crude oil sales.

A second group of countries features partial deregulation, with some product prices following more or less market trends and others remaining capped, reflecting the uncomfortable dilemma of having to choose between mounting fiscal deficits or control unpopular inflationary pressures. This is the case of many Asian countries, including Bangladesh, India, Indonesia, Iran, Pakistan and Sri Lanka, among others. Bangladesh and Sri Lanka, for example, allow gasoline prices to adjust over time, but keep diesel heavily subsidised in order to protect their farmers. Indonesia, meanwhile, is intent on curbing consumption and reducing imports of gasoline by allocating subsidies exclusively to public transportation vehicles and motorcycles. Iran has sharply raised gasoline and diesel prices and adjusted its quota system, but both fuels are still priced well below international levels. India has liberalised gasoline prices, but continues to subsidise diesel prices – a price differential that fosters purchases of diesel-powered vehicles and machinery, further compounding the subsidy burden. In January, Pakistan increased prices, decreased them a few days later and increased them yet again in early March, before halving them once more, reflecting the tenuous political standing of the current government.

[*] Although Chile, together with Estonia, Israel and Slovenia, is a new OECD member country, its oil market dynamics are discussed here as its supply and demand data remain for now embedded within our non-OECD model.

The Gorilla in the Room: Subsidy Challenges (continued)

Finally, there are countries where prices have been formally liberalised, but where the government still exerts considerable influence and *de facto* moderates price movements. This is done either by delaying long-due adjustments to wholesale prices (as in China or to a certain extent India for gasoline) or by forcibly persuading domestic private companies to keep prices low (Argentina, Russia).

End-User Prices & Subsidies for Selected Countries

Country	Diesel $/litre	Diesel % vs Int'l Mkt*	Gasoline $/litre	Gasoline % vs Int'l Mkt*	F'cast 2011 Inflation	Subsidy Mechanism	Source	Latest Prices
Bangladesh	$0.64	-30.5%	$1.07	-47.5%	6.9%	Subsidies for diesel; linked to agricultural sector	Reuters	Dec-09
China	$1.05	-35.1%	$1.00	-13.9%	4.3%	Price ceiling w ith adjustment mechanism	Reuters	Feb-11
India	$0.80	-20.1%	$1.23	-34.6%	9.3%	Subsidies for diesel, kerosene and cooking gas	Reuters, WSJ	Jan-11
Indonesia	$0.51	-66.8%	$0.51	-58.0%	6.9%	Targeted subsidy for gasoline	Reuters, Platts	Mar-11
Iran	$0.06	-74.6%	$0.39	-94.7%	8.5%	Price ceiling; sectoral quotas	Reuters	Dec-10
Malaysia	$0.58	-60.6%	$0.61	-52.9%	2.9%	Subsidies for gasoline, diesel and LPG	Reuters	Dec-10
Mexico	$0.77	-17.5%	$0.74	-21.3%	3.8%	Price ceiling w ith adjustment mechanism	Pemex	Jan-11
Pakistan	$0.86	-39.6%	$0.93	-29.3%	13.5%	Government-mandated price for gasoline & diesel	GIZ	Nov-10
Russia	$0.72	-53.8%	$0.84	-64.0%	9.6%	Formal market prices but government intervention	GIZ	Nov-10
Saudi Arabia	$0.07	-89.6%	$0.16	-94.5%	5.3%	Government-mandated price for gasoline & diesel	GIZ	Nov-10
Sri Lanka	$0.64	-34.4%	$1.01	-47.7%	7.0%	Unofficial subsidies	Reuters	Dec-09
Venezuela	$0.01	-97.5%	$0.02	-99.1%	28.7%	Government-mandated price for gasoline & diesel	Reuters, GIZ	Nov-10

*Singapore for Asia & the Middle East, US for the Americas and Europe for Russia

SUPPLY

Summary

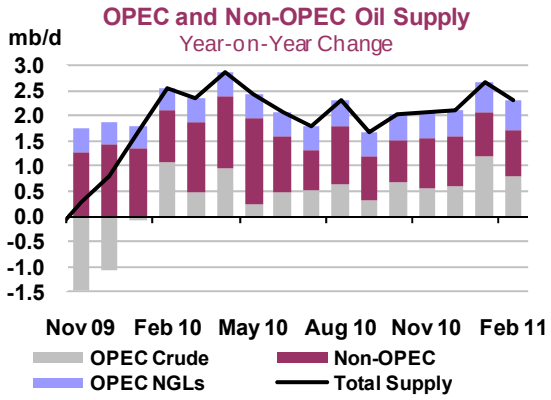
- **Global oil supply rose to an all-time high of just under 89 mb/d in February**, up by 0.2 mb/d from January due to higher non-OPEC output, while OPEC crude production was lower due to curtailed supply in Libya. Year-on-year, February global oil supply is 2.2 mb/d higher, with growth split relatively evenly between non-OPEC, OPEC crude and OPEC NGLs.

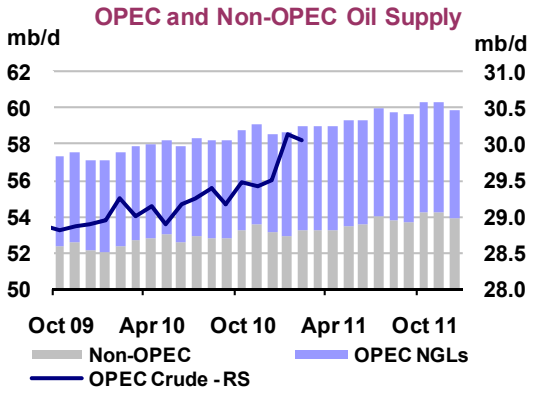
- **OPEC crude oil output in February was down marginally in the wake of the turmoil in Libya, off by just under 100 kb/d to 30.05 mb/d.** A near 200 kb/d loss of Libyan supply on average in February was partially offset by increased production from the group's Gulf members. OPEC's 'effective' spare capacity, which excludes Iraq, Nigeria, Venezuela and now Libya, is estimated at 4.08 mb/d, its lowest level since late-2008.

- **The outcome of the Libyan rebellion against Muammar Gaddafi's government hung in precarious balance at press time,** but what is becoming clearer is that the country's oil exports of some 1.3 mb/d will remain off the market for a considerable time due to both war-inflicted damage on oil infrastructure and international sanctions.

- **Non-OPEC oil supply rose by 0.3 mb/d to 53.2 mb/d in February** on re-instated Alaskan output after pipeline-related shut-ins in January and on higher estimated UK and FSU production. The 2010 production estimate is left unchanged at 52.8 mb/d, while the 2011 forecast is raised by 0.1 mb/d, to 53.6 mb/d, on stronger-than-expected Canadian output.

- **The 'call on OPEC crude and stock change' for 1Q11 is raised by 0.4 mb/d to 30.2 mb/d** due to higher forecast demand and lower non-OPEC supply. However, the 'call' for 2Q11 to 4Q11 is lowered by 0.2 mb/d on higher forecast non-OPEC supply.





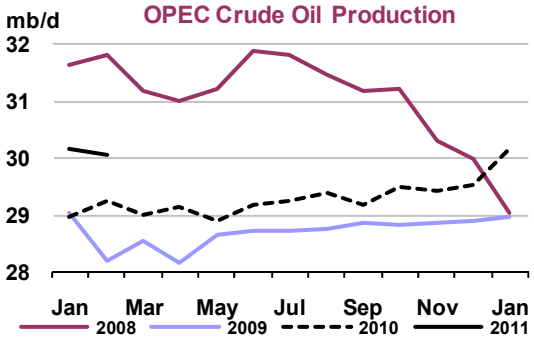
All world oil supply data for February discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, China, Peru and Russia are supported by preliminary February supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

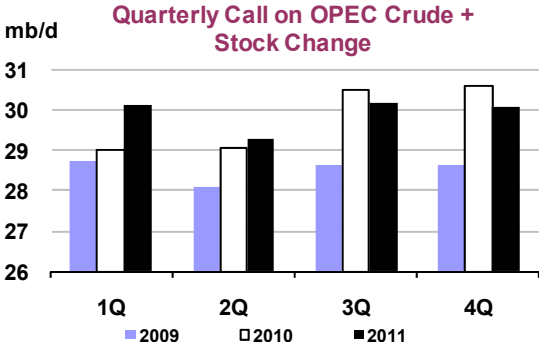
OPEC Crude Oil Supply

OPEC crude oil output in February was down marginally in the wake of civil unrest in Libya and the shut-in of around two thirds of the country's oil production by early March. A number of OPEC members have already stepped in to increase production to offset Libyan output in March and April, especially Saudi Arabia. However, with Libya now effectively in a state of full-scale civil war and production down to a trickle, other OPEC countries may need to further ramp up production in the weeks and months ahead to offset lost output of 1.5-1.6 mb/d (see *Libya's Uprising Sees Oil Supplies Dwindle*). The task is complicated by the fact that the bulk of Libya's output comprises relatively light, sweet crude, which will be difficult for Middle East Gulf producers to match.

In February total OPEC output fell by just under 100 kb/d to 30.05 mb/d, with a near 200 kb/d loss of Libyan supply on average in February partially offset by increased production from the group's Gulf members. January OPEC supply was revised up by 290 kb/d to 30.14 mb/d, mostly on higher estimates for Saudi Arabia and the UAE. OPEC-11 February output fell by 115 kb/d to 27.37 mb/d. Saudi Arabia, Kuwait, the UAE and Iran combined raised output by 230 kb/d month-on-month. By contrast, Nigeria and Angola saw lower output on technical problems and field maintenance work, down by a combined 160 kb/d.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC as a group appears unwilling to formally raise output targets ahead of the next scheduled ministerial meeting in Vienna on 2 June. That said, key Gulf producers led by Saudi Arabia with spare capacity are already ramping up output and are prepared to increase supplies further depending on market demand. Some other members, such as Iran, appear impotent to increase production given very limited spare capacity. OPEC's effective spare capacity, which excludes Iraq, Nigeria, Venezuela and now Libya, is estimated at 4.08 mb/d, with Saudi Arabia holding almost 80% at 3.2 mb/d *(see OPEC Crude Oil Production Capacity Hovers Near 4 mb/d)*. This is the lowest effective level since late 2008.

The 'call on OPEC crude and stock change' for 1Q11 is raised by 0.4 mb/d to 30.2 mb/d due to higher forecast demand and lower non-OPEC supply. However, the 'call' for 2Q11 was lowered by 0.2 mb/d and by 0.2 mb/d for 2H11 on higher forecast non-OPEC supply. The call for 2011 on average remains unchanged at 29.9 mb/d, compared with 29.8 mb/d for 2010.

Saudi Arabia increased output in February to an average 8.90 mb/d, up by 100 kb/d following an end-month ramp-up to around 9.1 mb/d in response to the Libyan crisis. January supply estimates were revised up by 200 kb/d, to 8.8 mb/d, after more complete tanker sailings data became available. OPEC's principal holder of spare capacity quickly moved to make more crude available to the market to offset shut-in Libyan supplies, but demand for extra barrels was limited near-term given the coincidence of the Libyan crisis with the peak of seasonal refinery maintenance in Europe and North America, as well as the quality mismatch between Libyan and Saudi Arabian crude. Instead, the Kingdom has placed additional volumes in storage in Europe and Japan ahead of stronger customer demand for April and May supplies.

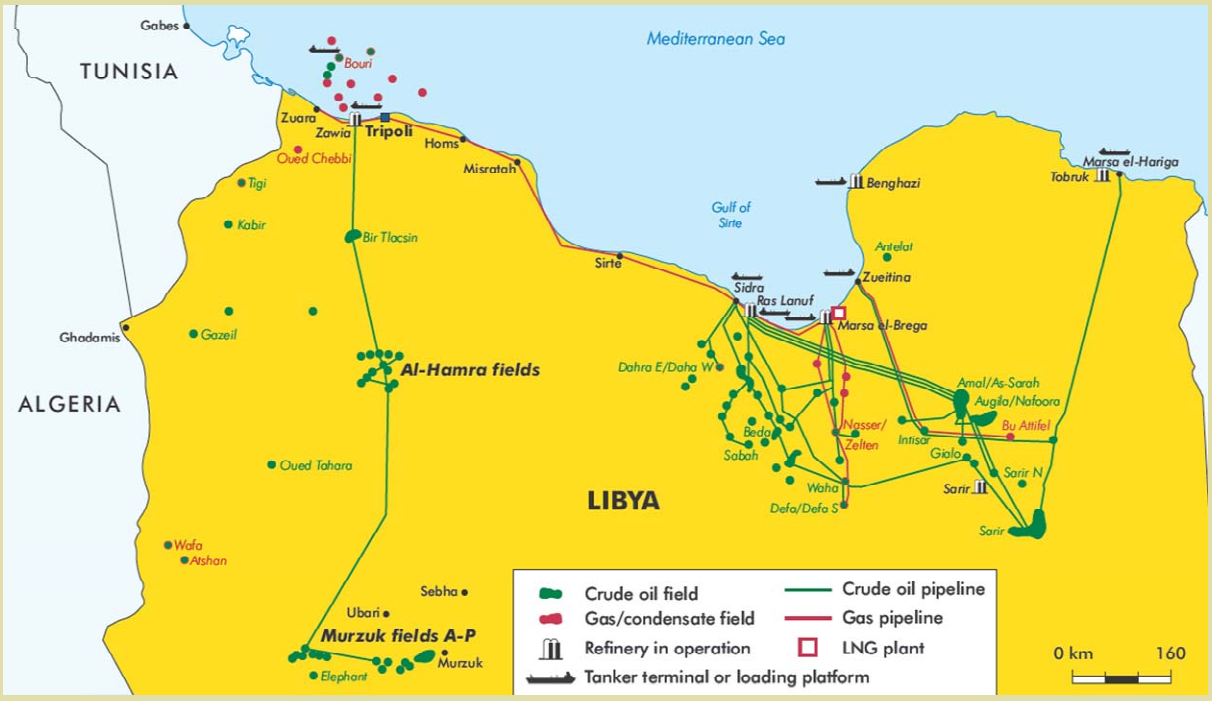
Libya's Uprising Sees Oil Supplies Dwindle

While the outcome of the Libyan rebellion against Muammar Gaddafi's government hung in precarious balance at press time, what is becoming clearer is that the country's oil production and exports could be off the market for many months due to both war-inflicted damage on oil infrastructure and international sanctions.

After weeks of intermittent production and tanker activity, oil exports have ground to halt in the wake of fierce fighting between the government's well-equipped forces and the more ill-equipped rebel groups. By 14 March, the out-gunned rebels had lost much ground taken over the past three weeks, with all but two of around a dozen key oil ports falling back into the hands of government forces. The government controls all the oil export terminals in the western region of the country, which account for just over 30% of total crude exports, which averaged just below 1.3 mb/d in 2010. In the eastern region of the country, where around 840 kb/d of crude exports flow from, government forces control four of the six main export terminals.

Libya's opposition was lobbying hard for the international community to impose a no-fly zone over the eastern region of the country. While the EU, US and other countries appeared divided on the issue, and indeed, concerned over the legitimacy of imposing a no-fly zone, the Arab League made a surprise formal request on 12 March to the United Nations (UN) for such a zone to be imposed. The Arab League's Secretary General Amr Moussa said that the Libyan government no longer had any legitimacy as a result of the "serious crimes and great violations" committed against its people. A no-fly zone would protect the opposition group's stronghold in the eastern flank of the country, as well the main producing and export region. Debate in the international community is ongoing. At the same time, however, government forces appear poised to move further east, and overrun the opposition group's remaining cities. However, it is likely production and exports will remain off the market for a considerable time (months rather than weeks) as international sanctions are tightened. Already many companies are unable to pay for Libyan crude given the freeze on assets directly or indirectly controlled by Gaddafi's family and government.

Libyan crude oil production levels have become progressively more opaque since the start of the revolt on 21 February, with limited information available following the mass evacuation of foreign workers, lack of communication channels and conflicting and incomplete data on port and export activity. Libyan oil supplies were down an estimated 195 kb/d on average for February, to 1.385 mb/d. While approximately half the country's output was halted in the first few weeks of the rebellion, by 11 March it appeared that production had slowed to a trickle, not least because of the fighting. Major oil companies operating in the country, including ENI, the Oasis Group, Total and Repsol, have all pulled out their staff and ratcheted down or shut-in production.



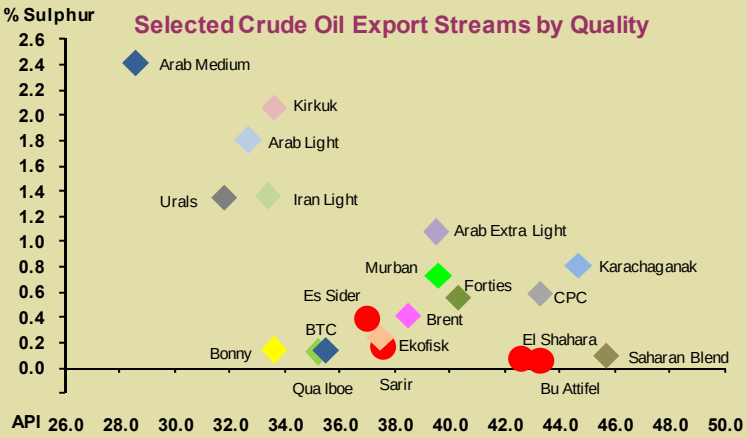
Libya's Uprising Sees Oil Supplies Dwindle (continued)

Indeed, it is understood that most oil field operations have been shut-in or sharply curtailed, with transport routes choked off. The country's main export stream, Es Sider, had to be shut-in after a critical pipeline was bombed by government forces.

Even though the government has regained a number of important oil installations, mounting international sanctions aimed at depriving the current regime of revenue to prosecute the war have prompted almost all international oil companies to stop trade with the regime. In addition, tanker insurance fees to lift volumes are now prohibitive after the insurance market added Libya to its high-risk list of ports to avoid (see *Freight*).

The shut-in of Libyan, light, low-sulphur crude is having the biggest impact on European refiners, who take over 85% of the country's exports. In 2010, Libya exported 1.1mb/d to IEA countries, with the biggest buyer Italy at around 370 kb/d, followed by France at 210 kb/d, Germany at 145 kb/d and Spain at about 140 kb/d. However, refiners have been comparatively relaxed about the loss of supplies so far, in part because European refinery maintenance is peaking in March, taking around 600 kb/d of primary capacity off line.

Libyan crudes are prized for their high gasoline, low-sulphur diesel and jet fuel yields. Given tightening global market for middle distillates, concerns have centred on a potential longer-term shortfall of low-sulphur middle distillates. Already the loss of Libyan crude in Europe is having a wider impact on crack spreads for diesel and gas oil.



Libya's largest export stream at an average 340 kb/d in 2010 is Es Sider with an API of 37° and sulphur content of 0.44%. The country's Amna crude exports average just under 220 kb/d last year with an API gravity of 36° and sulphur of 0.17%. Algerian, North Sea, West African and Caspian crudes, such as Azeri Light, are the closest quality replacements. Saudi Arabia has moved quickly to replace the lost Libyan supplies by ramping up production and creating two new hybrid crudes to mimic the lighter, lower-sulphur Libyan grades. One new lighter replacement crude from Yanbu has been developed from blending Arab Super Light and Arab Light to make a crude with an API of 44° and a sulphur content of 0.5%, similar to Libya's El Shahara and Mellitah crudes. North Sea and Urals are the readiest short-haul alternatives to Libyan supply in the Mediterranean but Aramco has also been able to increase it short-haul supplies to the region by ramping up throughput to Yanbu on the Red Sea with around 36-hour delivery time to Sidi Kerir at the Sumed. However, volumes are uncertain, and the key test of the impact of the Libyan crisis will be an expected 1 mb/d hike in global crude runs in April as Atlantic Basin refinery maintenance winds down.

Libyan Crude Oil Exports and Production Profile

Libyan Crude	Terminal	Location	2010 Exports (kb/d)*	API Gravity	% Sulphur	Port Control
Es Sider	Es Sider	East	341	37.0	0.44	Government
Amna	Ras Lanuf	East	217	36.0	0.17	Government
Sarir	Tabrouk	East	45	37.6	0.16	Opposition
Brega/Sirtica	Marsa al Brega	East	87	39.8/42.2	0.20/0.40	Government
Zuetina/Bu Attifel	Zuetina	East	147	41.5/43.4	0.31/0.06	Opposition
Total Eastern Region			**837**			
El Shahara	Zawia	West	206	42.6	0.07	Government
Al Jurf	Farwah FPSO	West	28	30.0	1.91	Government
Bouri	Bouri	West	48	26.3	1.91	Government
Mellitah	Mellitah (Al Wafa)	West	154	42.0	0.07	Government
Total Western Region			**436**			
TOTAL CRUDE			**1,273**			

**Source: Lloyds Marine Intelligence*

Around 6 mb of Arab Light are being shipped to Sumed storage in the Mediterranean, at least one tanker of Arab Light/Arab Extra Light was on its way to storage facilities in Northwest Europe and additional barrels are being sent to Okinawa in Japan.

Though Saudi/Libyan crude streams are an imperfect match, Aramco appears to be making every effort possible to compensate for the quality differences. The company has developed a lighter/sweeter crude blend to mirror more closely lost Libyan barrels by removing the Berri stream from the Arab Extra Light blend. The new special Arab Extra Light now has an API gravity of 41° and sulphur content of 0.7% compared with 39° API and 1.1% sulphur previously. Libyan Es Sider, the country's largest export stream, has an API of 37° and sulphur content of 0.44%. Saudi Aramco's other new, lighter replacement crude has been developed from blending Arab Super Light and Arab Light, with an API gravity of 44° and a sulphur content of 0.5%. Aramco has reportedly already sold one cargo of the new blend and plans to also place some of the grade closer to markets for late March and April.

OPEC Crude Production

(million barrels per day)

	Dec 2010 Supply	Jan 2011 Supply	Feb 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Feb 2011 Supply	End-2011 Sustainable Production Capacity	Production Capacity Chg 1Q11 vs 4Q11
Algeria	1.27	1.27	1.28	1.31	0.03	1.35	0.04
Angola	1.62	1.68	1.60	1.84	0.24	2.01	0.17
Ecuador	0.48	0.48	0.49	0.50	0.01	0.50	0.00
Iran	3.68	3.66	3.68	3.70	0.02	3.68	(0.02)
Kuwait[2]	2.30	2.31	2.38	2.55	0.17	2.55	0.00
Libya	1.56	1.58	1.39	1.80	0.42	1.82	0.02
Nigeria[3]	2.26	2.24	2.16	2.50	0.34	2.66	0.16
Qatar	0.82	0.82	0.82	1.00	0.18	0.98	(0.03)
Saudi Arabia[2]	8.50	8.80	8.90	12.10	3.20	12.10	0.00
UAE	2.38	2.44	2.48	2.70	0.22	2.74	0.04
Venezuela[4]	2.20	2.21	2.20	2.35	0.15	2.29	(0.07)
OPEC-11	**27.07**	**27.49**	**27.37**	**32.36**	**4.98**	**32.67**	**0.31**
Iraq	2.45	2.66	2.68	2.75	0.08	2.78	0.03
Total OPEC	**29.51**	**30.14**	**30.05**	**35.11**	**5.06**	**35.45**	**0.34**
(excluding Iraq, Nigeria, Venezuela & Libya					*4.08)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 250 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in February.

Iraqi production rose in February by 20 kb/d to 2.68 mb/d, largely due to the resumption of production from the northern Kurdish region of the country. Total exports were up by about 60 kb/d, to 2.21 mb/d, with shipments of Kirkuk crude oil from the Turkish Mediterranean port of Ceyhan up by 75 kb/d to 485 kb/d. However an explosion on the pipeline in early March has currently halted export flows.

After being shut-in since September 2009, an estimated 60-70 kb/d of crude from Taq Taq, Tawke and Khormala fields in the Kurdish region was blended into the Kirkuk stream for export. However, it is unclear if the new export crudes will continue to flow in the coming months. A framework agreement between Baghdad and the Kurdish Regional Government (KRG) over payment of crude oil exports from the Kurdish region was drafted last month but not finalised. Moreover, an agreement over the broader issue of legality of the production sharing contracts signed between the KRG and international oil companies is still being hammered out and it is unclear if companies will continue to export the new crudes from the Kurdish region without a final agreement inked.

Exports of Basrah crude from the southern ports were off by just under 20 kb/d, to 1.71 mb/d but still well above 2010 average levels of around 1.5 mb/d following increased output from the Rumaila and Zubair joint-venture projects. Following in the footsteps of BP-PetroChina at Rumaila and ENI at Zubair in recent months, ExxonMobil hit a milestone in early March by attaining its target to raise production at its West Qurna Phase One project by 10% above the 244 kb/d production baseline. Once the higher production has been maintained for 30 days, ExxonMobil and its partner Shell will start recovering development costs. The partnership is tasked with raising production at the West Qurna field to a massive 2.83 mb/d from the project baseline output of just over 240 kb/d.

Output from the **UAE** averaged 2.48 mb/d last month, up 40 kb/d over a revised January estimate of 2.44 mb/d, and the highest level since reduced output targets were implemented over two years ago. Early indications are that the Emirates plan to boost output to 2.5 mb/d for both March and April. Abu Dhabi's state oil company Adnoc last week eased cuts to contract allocations for heavier Zakum, Upper Zakum and Umm Shaif grades in the wake of the Libyan crisis but, unusually, officially left contract allocations for distillate-rich Murban crude unchanged. That said, refiners report state-owned Adnoc is offering more Murban on the spot market, with Indian refiners picking up some of the extra barrels.

Kuwait also increased output last month, up 70 kb/d to 2.38 mb/d. Kuwait appears to have only limited spare capacity to increase output further in the short term, potentially by around 200 kb/d.

Iranian output last month was up by 20 kb/d to 3.68 mb/d. Ship brokers report that Iranian crude oil supplies held in floating storage rose for the third month running, in part due to unattractive price formulas, sanction-related payment problems and weaker demand for the poorer quality Iranian crude during the seasonal refinery maintenance period. Iranian floating storage rose by 6.5 mb, to 30.1 mb at end-February.

Angola's crude production fell by 80 kb/d, to 1.6 mb/d from an upward revised 1.68 mb/d in January. Angolan output has been running well below planned levels in recent months, with technical problems last month at the Chevron-operated Blocks 0 and 14 reducing supply by a combined 50 kb/d, while a further 30 kb/d was shut-in at Blocks 15 and 17. Loading schedules for March indicate exports will recover to over 1.7 mb/d in March before falling back again in April. The Greater Plutonio complex is scheduled for a complete shut-in in April while it undergoes extensive repair to its water injection system. Field maintenance work is also scheduled at the Total-operated Dalia system in April.

Nigerian February supply was off 80 kb/d, to around 2.16 mb/d, in part due to planned field maintenance work, which includes the Qua Iboe fields. Output is forecast to fall further in March due to scheduled work at the offshore Bonga field. However, April volumes should recover by a sharp 300 kb/d, which could help alleviate the shortage of similar quality Libyan grades.

At least on paper, Nigeria holds the promise of bringing online spare capacity over the next couple of months if needed. Much will depend on the political environment surrounding the upcoming presidential elections set for 9 April and the government's continued success in maintaining the fragile ceasefire accord with former Niger Delta militants. Past experience would suggest a resurgence in violence and possible knock-on effect on crude production during the election period, but so far a relative calm has prevailed. Increased investments by companies to reinstate shut-in production may also hinge on the passing of a compromise version of the controversial Petroleum Investment Bill ('PIB'), considered equitable to both the government and international oil companies operating in the country. The current administration of President Goodluck Jonathan has said it aims to pass the 'PIB' before the elections but there have been countless pronouncements over the past year that legislators would soon vote into law the new 'PIB', with odds now it will likely be delayed until after the April elections.

OPEC Crude Oil Spare Production Capacity Hovers Near 4 mb/d

The loss of Libyan crude supplies has concentrated the market's attention on the producer group's available spare production capacity. Not unexpectedly, industry estimates of OPEC's capacity vary widely. While higher OPEC production and a hiatus in capacity expansion has reduced effective spare capacity to around 4 mb/d, available supplies are still well above the sub 2 mb/d lows seen in 2008 and at mid-decade.

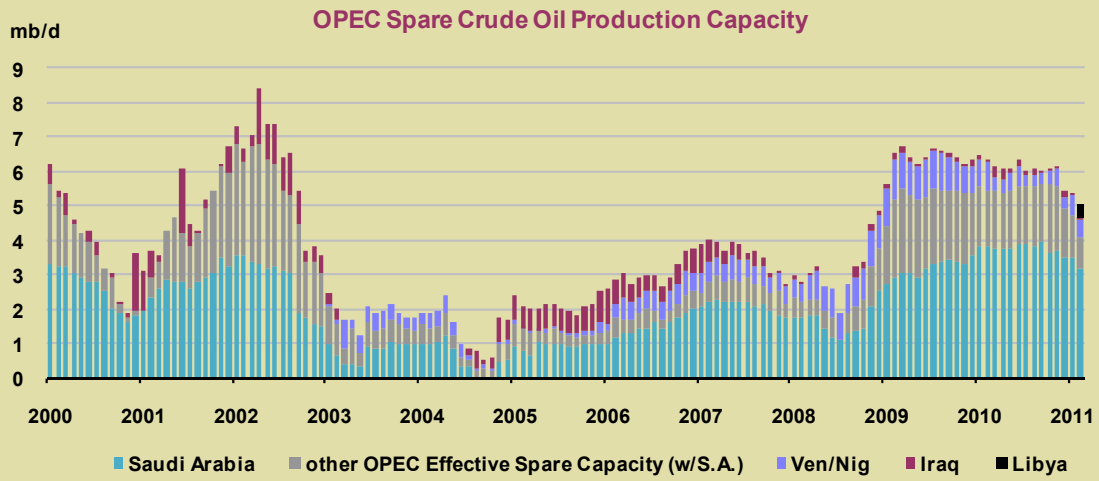
The IEA assesses current installed OPEC crude production capacity at just over 35 mb/d. We define spare capacity as oil that could theoretically be produced at the wellhead within 30 days and sustained at that level for 90 days. Installed capacity takes no account of short-term constraints such as maintenance or logistical issues. However, prevailing physical limitations on gas flaring and other technical issues are accounted for, with the result that our numbers aim to represent sustainable output potential, rather than short-term surge capacity.

Capacity estimates are updated periodically throughout the year, with a more exhaustive update done on a bi-annual basis in the *Medium-Term Oil & Gas Markets* report (*MTOGM*). Our capacity estimates are based on latest reliable estimates of field capability net of assumed mature field decline. While national and international companies regularly elaborate on the technical details of flagship new field developments, many are reticent to provide field-specific data on older facilities. The lack of transparency surrounding field operational details among many producers makes assessing precise capacity levels very difficult. (This is an issue not just limited to OPEC producers; some non-OPEC countries also suffer from the same opacity).

In an effort to provide a more realistic snapshot of current upstream supply flexibility, we calculate an estimated "effective spare capacity" measure, in addition to the headline spare capacity number. This excludes notional spare capacity in countries that we deem might struggle to increase production in the short term due to uncertainty over the technical state of apparently idled nameplate capacity, security issues or unrest in key producing or export areas. While other analysts prefer to simply cite existing production as *de facto* capacity for some of these countries, we prefer to show a range for spare capacity, which reflects the inherent uncertainty in this particularly opaque area of oil market accounting.

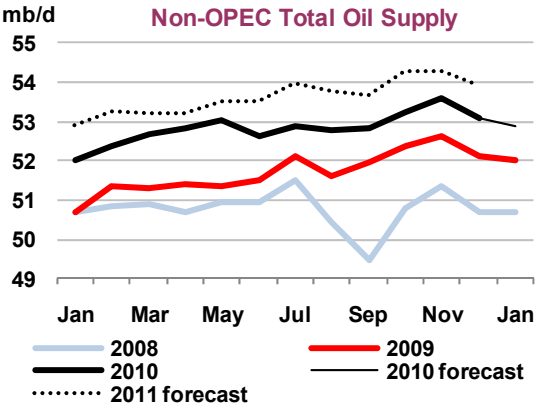
OPEC's February 'effective' spare capacity, which excludes Iraq, Nigeria, Venezuela and now Libya, is estimated at 4.08 mb/d, which is about 1 mb/d below the level implied by installed nameplate capacity. Saudi Arabia holds almost 80% of available capacity at 3.2 mb/d.

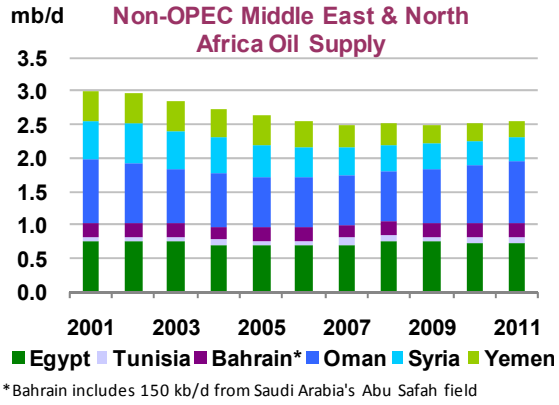
Looking forward, we see OPEC crude capacity increasing by just under 340 kb/d over the course of 2011, to 35.45 mb/d. However, almost all of the capacity increase reflects planned ramp up in new production started in 2010, with only several small projects in Nigeria expected online in 2011. As noted above, a more stable political and operating climate in both Nigeria and Iraq could potentially add a further 250 kb/d to 500 kb/d capacity in the second half of the year, but this is not presently included in our estimates.



Non-OPEC Overview

Non-OPEC oil supply rose 0.3 mb/d to 53.2 mb/d in February on the reinstatement of Alaskan output after pipeline-related shut-ins in January, and on higher estimated UK and FSU production. However, even as Alaskan production increased again, production shut-ins affected February output in Australia, Azerbaijan, Canada, Colombia, Indonesia, Norway and the UK.





Following the ousting of President Mubarak in February, the situation in Egypt appears to have calmed. While gas exports to Jordan and Israel have not yet resumed, following sabotage on the pipeline, oil production and operations remain unaffected. But February saw ongoing protests in many other countries in the wider North Africa/Middle East region, including non-OPEC oil producers Bahrain, Oman and Yemen, even though no shut-ins to oil production in any of these countries have been reported. Although dwarfed by their OPEC neighbours, collective non-OPEC production by the six major producers (the four above, plus Syria and Tunisia) in North Africa/Middle East averaged 2.5 mb/d in 2010.

Sources of Incremental 2011* Non-OPEC Oil Production

Country	Field	Estimated API°	Estimated Sulphur %	Incremental Production (kb/d)
Australia	Van Gogh	45.7	0.05	22
Australia	Pyrenees	18.6	0.31	47
Australia	Montara	42.3	0.05	35
Brazil	Cachalote	19.0	0.90	73
Brazil	Lula (ex-Tupi)	28.0	0.70	50
Brazil	Chinook/Peregrino	15.0	0.90	82
Brazil	Marlim Sul 3 (P-56)	15.0	0.90	60
Canada	Athabasca Oil Sands/Jackpine exp	31.4	0.12	80
Ghana	Jubilee	37.5	0.25	117
Norway	Gjoa	33.4	0.18	34
Norway	Skarv	32.7	0.19	30
Russia	Vankor	34.8	0.62	80
Russia	Yuri Korchagin	31.8	1.35	42
US	Nikaitchuq	31.0	1.02	25

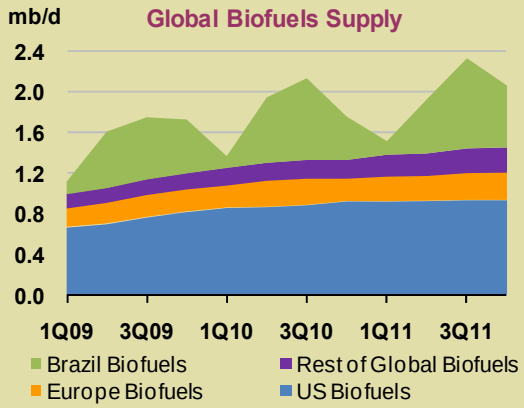
* 4Q2011 vs. 4Q2010 production

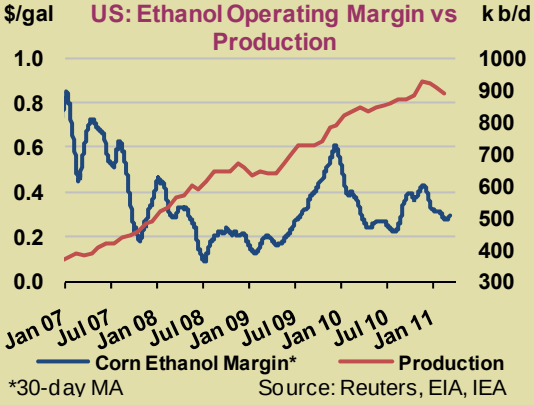
Looked at in the context of ongoing Libyan oil supply disruption, overall non-OPEC supply appears likely to remain broadly flat through mid-year, with seasonal field maintenance offsetting a typical mid-year increase in Brazilian ethanol supplies. Intra-year growth from non-OPEC looks likely to be loaded towards the end of 2011, when new Brazilian deepwater supply is brought online. Implicitly, we assume that non-OPEC producers hold no spare capacity, discounting volumes shut-in for technical or weather-related issues. Thus, in the case of a sustained production shut-in in Libya, there appears to be little scope for a surge in output by non-OPEC producers with similar high-quality crude grades, such as in the Caspian or North Sea. Nonetheless, 2011 will see gross additions due to new field start-ups or ongoing ramp-up at a number of key producers (see table). These add up to around 780 kb/d of mixed quality supply.

After Strong 2010, Global Biofuels Supply Growth to Slow in 2011

Despite high oil prices and a small baseline revision, the global biofuels supply outlook looks increasingly tenuous with surging food prices. Global output should expand by 160 kb/d to 2.0 mb/d in 2011, but this is a slower pace than the 250 kb/d increase estimated for 2010. Moreover, while many producers and processes remain competitive, regional policy developments, demand uncertainty and persistent overcapacity, particularly in the biodiesel sector, may limit production gains.

In the US, where corn prices have soared to over $7/bushel, producers still enjoy acceptable margins with rising ethanol values, low natural gas prices and by-product revenues supporting production at 900 kb/d for January and February. Still, weekly output declined through much of February. Moreover, Congress continues to discuss limits to the 45 cent/gallon blenders' tax credit due to expire at end-2011, clouding investment prospects. The approval of a 15% ethanol blend for post-2000 cars in January has raised demand potential, and the EPA has signalled it would finalise labelling and registration this spring. Yet, other logistical hurdles suggest that a full roll-out may occur over a matter of years rather than months.

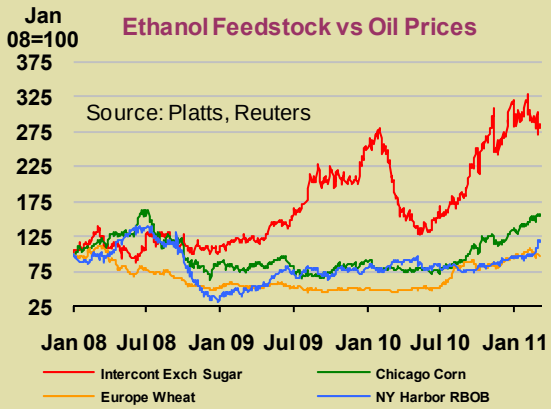


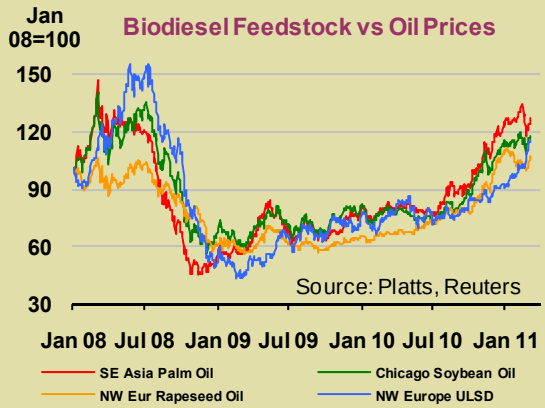


In Germany, ethanol demand prospects have soured with the introduction of a 10% blend designed to meet a 2011 government target of 6.25% for all petrol sold. Consumers have avoided the new blend, favouring more expensive E5 or regular gasoline, largely out of perceived fears of engine damage. As such, suppliers have signalled reluctance to advance the roll-out. Yet, the government has insisted the blend introduction would continue, bolstered by an expanded information campaign to assuage consumer concerns.

In Brazil, rising sugar prices, amid seasonally low production, pushed hydrous ethanol prices above the point of competitiveness (70%) versus gasoline in many regions. Total ethanol consumption (hydrous and anhydrous) accounted for 51% of gasoline demand in December, down from an average of 54% during the prior six months. With producers likely to maximise sugar versus ethanol production in 2011, ethanol balances should remain tight as total gasoline consumption increases by 5.1% year-on-year.

Finally, Neste started shipping renewable diesel from its new 15 kb/d plant in Singapore – the world's largest. With palm oil prices near record highs and biodiesel demand weak in Asia due to relatively few mandates, such a capacity addition may further weaken regional margins. Still, demand may yet get a boost. Malaysia has signalled that it will follow through with plans to implement a 5% biodiesel mandate in June coupled with subsidies to keep biodiesel level with diesel prices at the pump.





Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.2	14.0	14.1	14.4	14.2
Europe	4.9	4.5	4.3	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.1	4.1	3.9	4.1	4.1
Pacific	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6
Total OECD	**19.1**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.5**	**19.2**	**18.9**	**18.9**	**18.6**	**18.7**	**19.1**	**18.8**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.7	13.6	13.8	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.6	3.6	3.6	3.5	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.7**	**29.9**	**30.0**	**29.8**	**30.4**	**30.5**	**30.4**	**30.6**	**30.5**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.1	2.0
Total Non-OPEC	**51.1**	**51.4**	**51.9**	**52.4**	**51.7**	**52.4**	**52.8**	**52.8**	**53.3**	**52.8**	**53.1**	**53.4**	**53.8**	**54.2**	**53.6**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.3	1.4	1.0	0.9	1.1	0.8	0.6	1.0	0.9	0.8
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	0.3	0.2	0.2	0.2

Non-OPEC supply estimates for 2010 are left unchanged at 52.8 mb/d, while the 2011 estimate is adjusted 0.1 mb/d higher to 53.6 mb/d on robust recent Canadian production. Annual growth is thus raised to 0.8 mb/d in 2011, from 0.7 mb/d estimated in last month's report and the 1.1 mb/d growth seen in 2010. Incremental output is expected from Latin America (+305 kb/d), China (+170 kb/d), the FSU (+150 kb/d) and global biofuels (+160 kb/d), while decline is most pronounced in OECD Europe (-90 kb/d) and Other Asia (-70 kb/d).

OECD

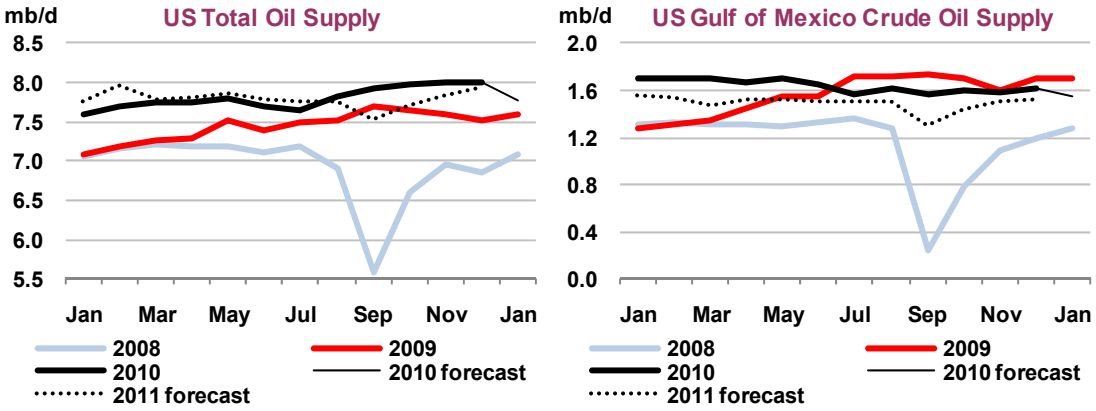
North America

US – February Alaska actual, others estimated: Preliminary data indicate that US total oil supply picked up by 190 kb/d in February, to just under 8 mb/d, as Alaskan output returned to normal. January had seen oil production in Alaska fall by 170 kb/d as a pipeline leak shut-in production. February also saw the start-up of the Nikaitchuq field in Alaska, operated by ENI, which will have a peak capacity of 30 kb/d.

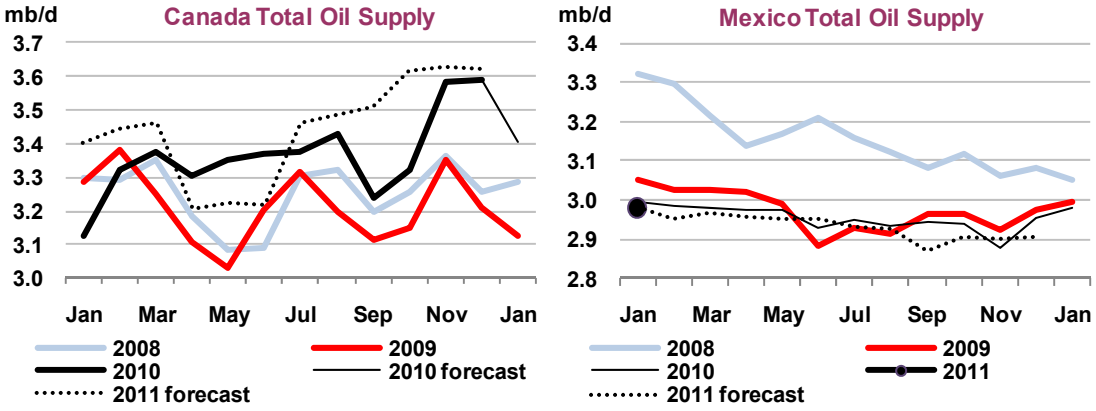
In late February, the US offshore regulator, the Bureau for Ocean Energy Management (BOEM) issued its first new deepwater drilling permit for the Gulf of Mexico since a previous drilling moratorium was lifted on 12 October last year. This was widely welcomed by industry, as was the hint by BOEM that other, pending, permits will follow in "weeks and months to come". Industry and some politicians are clamouring for a resumption of deepwater activity, while the BOEM has been tasked with ensuring offshore activities are more closely monitored. One new requirement by those requesting drilling permits – the need to submit detailed plans in the case of an eventual oil spill – is made easier to fulfil now that there are two competing systems in place. One is based on plans put forward by Helix Energy Solutions, part of the group which supplied some of the key ships used in the Macondo relief effort. The other is the Marine Well Containment Company (MWCC), a new outfit set up by a group of major oil companies active in the Gulf and led by ExxonMobil.

We maintain our view that existing delays to projects in the US Gulf will cause 2011 production to be around 100 kb/d lower than previously assumed. A combination of high oil prices, the highlighting of oil markets' sensitivity to the supply disruption in Libya and the need to create jobs in the US mean that there is intense pressure to resume drilling activity in the US Gulf of Mexico. Thus there remains upside potential to US oil production, if permitting were to accelerate and lead to a resumption of activities. We see production in the Gulf remaining relatively flat over the course of this year, averaging 1.5 mb/d, down from 1.65 mb/d in 2010. BP announced maintenance at its huge 250 kb/d Thunder Horse complex around March, which will likely cause a brief dip in regional output.

Average total US production estimates for 2010 and 2011 are left unchanged, with production seen at 7.8 mb/d in both years. Lower Alaskan, Californian and Gulf of Mexico production levels are offset by higher Texan and other Lower-48 states' onshore production, as well as higher NGL and other liquids.



Canada – Newfoundland January actual, others December actual: Canadian oil supply remained curtailed in January and February, averaging 3.4 mb/d, as CNRL's 110 kb/d Horizon upgrader stayed offline following a fire. Two of the four cokers in the facility are only lightly damaged and are assumed to resume production in 2Q11. The other two cokers will reportedly restart in the third quarter. In addition, Husky saw nearly half of its capacity at an 82 kb/d upgrader shut-in in early February, also due to a fire. November's total Canadian production high of 3.6 mb/d was however confirmed, and preliminary data indicate that output stayed similarly high in December. Upward revisions of 150 kb/d to December stemmed from higher-than-expected NGL, conventional crude and syncrude production. 2Q11 is expected to see production dip further, as seasonal maintenance at oil sands facilities takes place. But 3Q11 and 4Q11 output will see output gains. 2010 oil production averaged 3.37 mb/d, while 2011 output is revised up by 100 kb/d to 3.44 mb/d on stronger-than-expected recent production and evidence that new oil sands projects are proceeding apace.



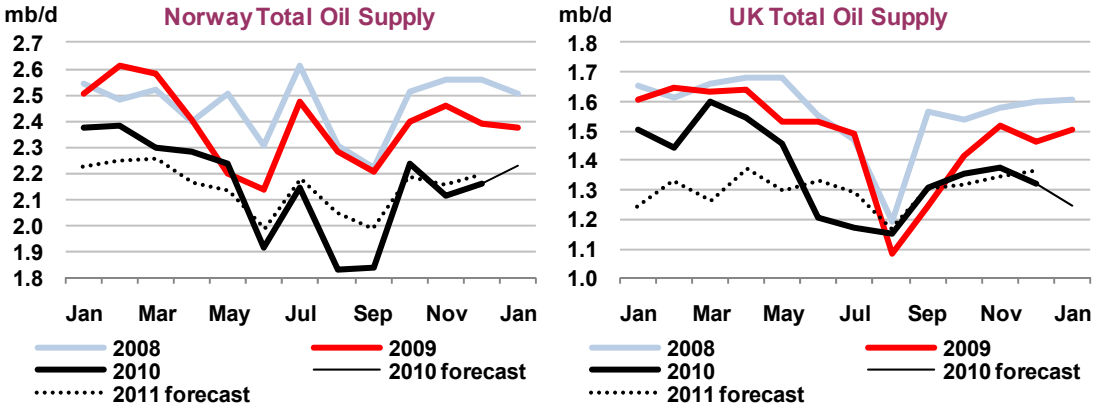
Mexico – January actual: Mexican oil production in January was reported at just under 3 mb/d, its highest since February 2010, and 35 kb/d higher than expected. Production from the large Ku-Maloob-Zaap (KMZ) and Cantarell fields was steady month-on-month in February, at 840 kb/d and 450 kb/d respectively, while NGL output picked up slightly. National oil company Pemex announced it would resume deepwater drilling near the maritime border with the US, in the Perdido Belt. This is possible now that the recently formed National Hydrocarbons Commission (CNH) has released new regulations, requiring a tightening of safety procedures and a financial plan to cover the cost of any spill.

At the same time, however, Pemex announced a dramatic planned cut-back in drilling, especially onshore at the complex Chicontepec oil field and the Burgos gas field. Pemex nonetheless expects a

slight rise in crude production in 2011, to 2.63 mb/d, from 2010 average output of 2.58 mb/d. Our own estimates see a further decline, if significantly slower than in previous years, to 2.56 mb/d in 2011. NGL production averages another 380 kb/d in both years.

North Sea

Norway – December actual, January provisional: Norwegian oil production averaged 2.24 mb/d in January and February, a rise from December's 2.16 mb/d and on average 65 kb/d higher than expected. The small 10 kb/d Trym field started production in February, adding to recently online Gjøa (50 kb/d capacity), Vega (25 kb/d) and Morvin (35 kb/d). 2011 should also see the start-up of the Oselvar (13 kb/d), Yme (40 kb/d) and Skarv (80 kb/d) fields. Estimated 2010 Norwegian oil production is left unchanged at 2.15 mb/d, expected to stay at the same level in 2011 as growth from new fields offsets decline and with some ongoing problems at older fields.



UK – December actual: Following a dip to 1.25 mb/d in January, February production in the UK is expected to pick up again to 1.33 mb/d. December output is revised down 45 kb/d to 1.32 mb/d. The Gryphon FPSO was taken offline in February after storm damage, and will reportedly be down for several months. The Gryphon field produced an average 15 kb/d in 2010. The Schiehallion field continues to suffer problems, with production averaging only 5 kb/d in June-November 2010, compared to an average 35 kb/d in the first five months of last year and 60 kb/d in April 2010. We expect production to return to more normal levels around mid-year. 2010 UK oil production is expected to average 1.37 mb/d, while downward revisions to 1Q11 result in a net adjustment of -15 kb/d to the 2011 forecast, and output is now expected to decline to 1.30 mb/d.

Pacific

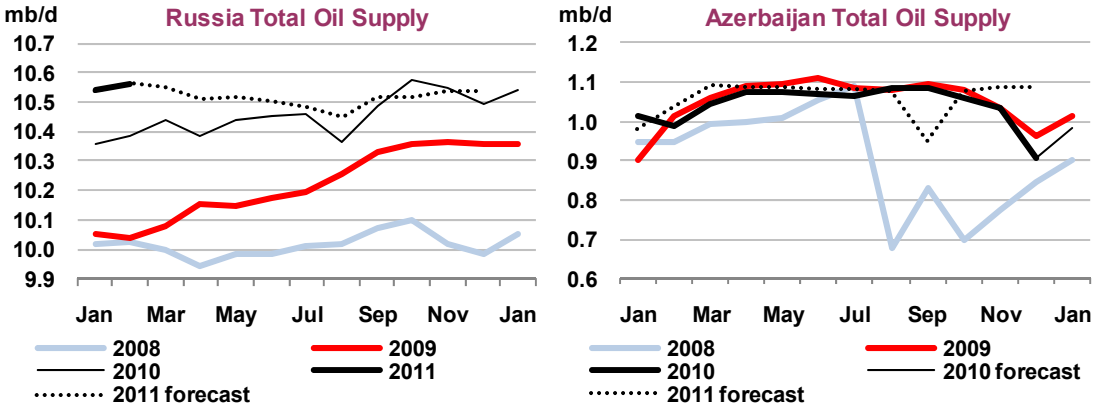
Australia – December actual: Australian production, hit successively by cyclones in recent months, fell to an estimated 415 kb/d in February. In addition, the Cossack field was shut-in for three months, while its FPSO is replaced, reportedly cutting output by 35 kb/d. From a depressed estimated average of 465 kb/d in 1H11, production is expected to recover to an average 560 kb/d in the second half of the year, as production facilities return to normal operations and output at the new Pyrenees and Van Gogh fields ramps-up. The delayed Montara field is now expected to come onstream in 3Q11, adding 35 kb/d capacity. Annual Australian oil production is expected to remain steady at 515 kb/d in 2010 and 2011.

Former Soviet Union (FSU)

Russia – January actual, February provisional: While January production levels were unrevised at 10.54 mb/d, Russian production in February was 45 kb/d higher than expected, at 10.56 mb/d, its highest since October 2010, when output reached an all-time post-Soviet high. January saw production at Rosneft's large Vankor field rise to 280 kb/d, its first increase after very steady production at an

average 265 kb/d in 2H10. The field came onstream two years ago and is around half-way towards reaching peak capacity of 500 kb/d in the course of 2014, though complaints about the high tax burden had prompted threats by Rosneft to slow development. 2010 Russian oil production averaged 10.45 mb/d, forecast to rise to an average 10.51 mb/d in 2011.

Following January's announcement of BP-Rosneft's tie-up (see *BP-Rosneft Deal Opens Up Arctic and Thaws Relations with IOCs?* in report dated 10 February 2011), February saw Total buying into Novatek, hoping to reach a 20% stake by 2014. Combined with its share in the Shtokman project, this makes Total the second-largest foreign investor in Russia, behind BP. The Shtokman project meanwhile, saw its final investment decision (FID) postponed yet again.



Azerbaijan – December actual: In December, Azerbaijani production fell a sharp 125 kb/d to 905 kb/d due to problems at the Chirag field, part of the offshore Azeri-Chirag-Guneshli (ACG) complex. The field reportedly remained at least partly shut-in in January and February. Azerbaijan's 2011 oil production is expected to average 1.06 mb/d, only marginally higher than in 2010.

FSU net oil exports fell to 9.5 mb/d in January, 140 kb/d below December's downward-revised value. This fall was led by a 310 kb/d decrease in crude oil, total shipments of which amounted to 6.5 mb/d in January. Seaborne cargoes of crude oil fell by 500 kb/d, likely explained by a sharp hike in the Urals-linked Russian crude export duty to $318/tonne. Consequently Baltic loadings fell by an acute 240 kb/d, largely due to lower exports at Primorsk. Loadings there are likely to remain low throughout 1Q11 due to ice disruption. Additionally, liftings from Ceyhan (the end-point of the BTC pipeline) fell 150 kb/d on the month after production problems in Azerbaijan. These falls were partially offset by the start-up of the ESPO spur to China which pumped 310 kb/d in January. However, seaborne cargoes of ESPO from Kozmino fell to 285 kb/d (-40 kb/d m-o-m), their lowest level since February 2010. This is expected to be a short-term phenomenon, with the Kozmino loading schedule showing an uptick towards the end of 1Q11. An historical revision has been made to crude oil exported by Transneft from December 2009 onwards; monthly quantities have been raised by 280 kb/d on average. This revision amounts to a reclassification of non-Transneft volumes and does not affect total crude exports.

Exports of products to non-FSU destinations increased by 180 kb/d in January led by increases in gasoil and 'other products'. Shipments of gasoil increased seasonally by 120 kb/d whilst the rise in 'other products' was led by gasoline. Russian volumes were hiked after the Kremlin passed a new law prohibiting the domestic sale of gasoline not complying with the Euro 3 (80-octane) standard. Although most Russian refiners already produce gasoline according to this specification, it is likely that the increase results from tank emptying and that these exports headed for Africa or Asia where many countries still use inferior gasoline.

In late January the much delayed Ust-Luga terminal on the Gulf of Finland shipped its first cargo of fuel oil. This terminal is the latest step in Russia's moves to reduce reliance on transit states, and is expected to divert Russian cargoes away from ports in Latvia, Estonia and Lithuania. Additionally, at the end of the year, crude is expected to be shipped from the port upon completion of the BPS-2 pipeline.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

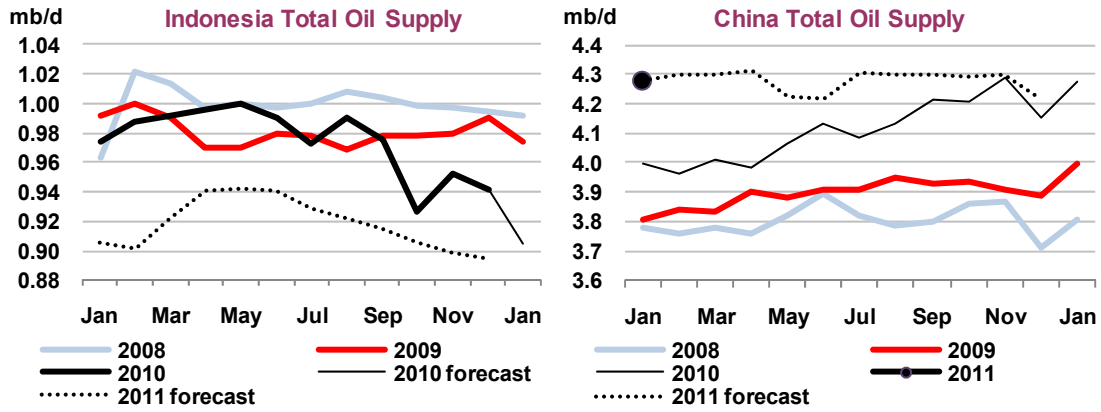
	2009	2010	1Q2010	2Q2010	3Q2010	4Q2010	Nov 10	Dec 10	Jan 11	Latest month vs. Dec 10	Latest month vs. Jan 10
Crude											
Black Sea	2.21	1.96	1.78	1.99	2.08	1.98	1.90	2.15	2.11	-0.03	-0.07
Baltic	1.62	1.58	1.60	1.61	1.56	1.55	1.48	1.66	1.42	-0.24	-0.26
Arctic/FarEast	0.46	0.72	0.71	0.76	0.66	0.76	0.75	0.76	0.67	-0.09	0.00
BTC	0.78	0.76	0.69	0.79	0.80	0.77	0.76	0.76	0.62	-0.15	-0.06
Crude Seaborne	**5.07**	**5.02**	**4.77**	**5.15**	**5.10**	**5.06**	**4.89**	**5.33**	**4.82**	**-0.51**	**-0.39**
Druzhba Pipeline	1.12	1.14	1.13	1.10	1.17	1.14	1.18	1.11	1.16	0.05	-0.02
Other Routes	0.37	0.39	0.44	0.37	0.40	0.35	0.36	0.33	0.47	0.15	0.06
Total Crude Exports	**6.56**	**6.55**	**6.34**	**6.62**	**6.68**	**6.56**	**6.43**	**6.77**	**6.45**	**-0.31**	**-0.35**
Of Which: Transneft	4.14	4.21	4.20	4.21	4.28	4.14	4.07	4.23	4.19	-0.04	-0.05
Products											
Fuel oil	1.15	1.24	1.13	1.28	1.31	1.23	1.27	1.21	1.19	-0.02	0.02
Gasoil	1.15	1.13	1.20	1.14	1.09	1.10	1.05	1.12	1.24	0.12	-0.02
Other Products	0.69	0.64	0.73	0.63	0.62	0.59	0.59	0.62	0.70	0.08	-0.02
Total Product	**2.99**	**3.02**	**3.06**	**3.06**	**3.02**	**2.92**	**2.91**	**2.95**	**3.13**	**0.18**	**-0.03**
Total Exports	**9.55**	**9.57**	**9.41**	**9.68**	**9.70**	**9.48**	**9.34**	**9.71**	**9.58**	**-0.13**	**-0.38**
Imports	0.04	0.06	0.05	0.04	0.08	0.08	0.09	0.07	0.08	0.01	0.04
Net Exports	**9.51**	**9.51**	**9.36**	**9.64**	**9.62**	**9.40**	**9.25**	**9.64**	**9.50**	**-0.14**	**-0.42**

Sources: Petro-Logistics, IEA estimates

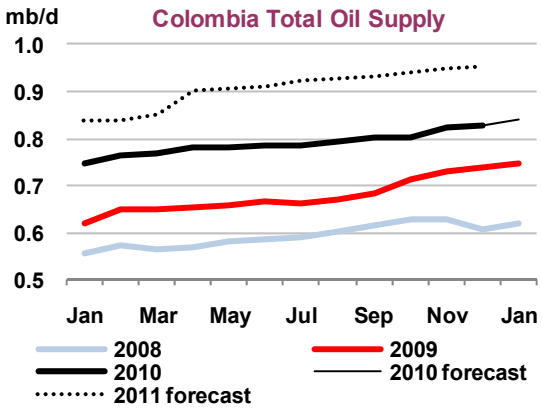
Note: Transneft data has been revised to exclude Russian CPC volumes.

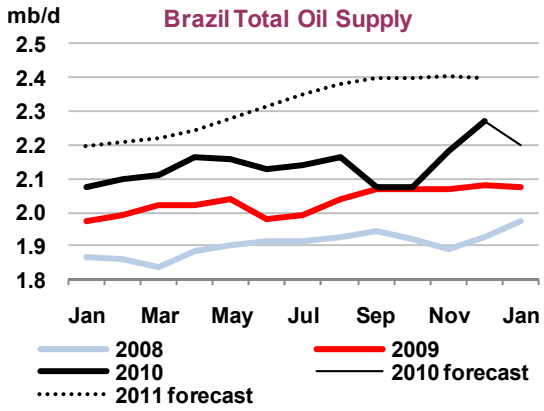
Other Non-OPEC

Indonesia – December actual: Indonesian oil production levels were revised down sharply in December (-35 kb/d) and in January/February (-60 kb/d each), on reports of heavy rains curbing production. Early-year oil supply is now seen around 900 kb/d. Lower 1Q11 output and reports that ramp-up at the large Banyu Urip (Cepu) field will be further delayed, result in 2011 average production being adjusted down by 20 kb/d, to 920 kb/d, a decline from 975 kb/d in 2010.



Brazil – December actual: Brazilian oil production reached a new high of 2.27 mb/d in December, up from 2.18 mb/d in November and around 25 kb/d higher than expected. In January/February, production was curbed slightly after a fire on the offshore Cherne 2 platform, but normal operations have now resumed. The higher production is carried through the forecast, resulting in estimated 2011 oil supply of 2.32 mb/d. This is up from 2.14 mb/d in 2010, as new offshore fields come online, including Chinook/Peregrino and Marlim Sul 3, and existing ones, including Lula (ex-Tupi) increase production. Brazil remains the single-largest source of non-OPEC supply growth in 2011, with expected incremental output of 180 kb/d.





Colombia – December actual, January preliminary: Colombian oil production continues to rise, and reached new highs of 830 kb/d in December and 840 kb/d in January. In February and early March, the Transandino and Caño Limon crude pipelines briefly halted flows after bombings. Both are key export pipelines taking crude from Colombia's oil-producing hinterland to coastal export terminals. One of the reasons Colombia has been able to boost oil production in recent years has been because of an improved security situation. Colombian production is forecast to rise from 790 kb/d in 2010 to 905 kb/d in 2011.

OECD STOCKS

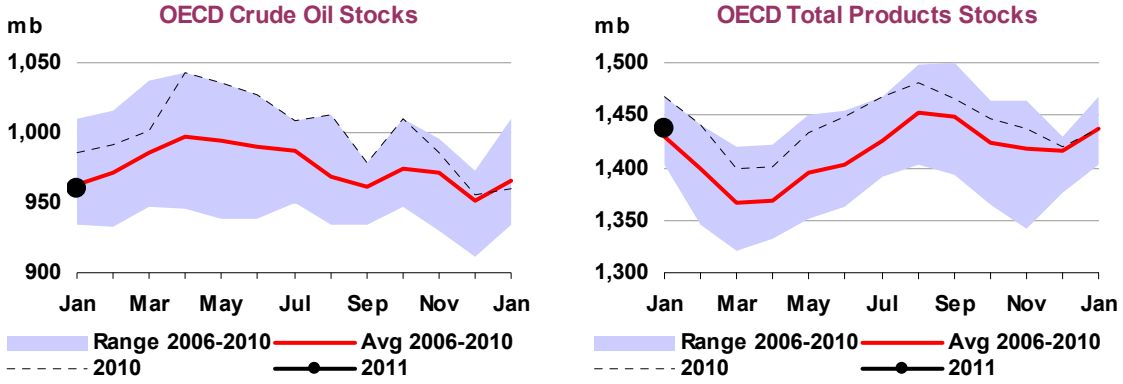
Summary

- **OECD industry inventories rose by 32.0 mb to 2 695 mb in January**, broadly in line with the five-year average 40.2 mb stock-build. Sharp seasonal gains in gasoline and middle distillates drove the increase, while a stronger-than-average decline in 'other products' provided partial offset.

- **OECD forward demand cover rose to 58.2 days in January**, 2.4 days above the five-year average, aided by seasonal restocking. Stock cover increased from 57.4 days in December, which was the lowest level since November 2008.

- However, **OECD stocks reversed the trend in February and preliminary data point to a 43.4 mb draw**, driven by 'other products' and middle distillates. This monthly drop was sharper than the 25.4 mb five-year average decline observed during 2006-2010.

- **Short-term oil floating storage rose to 62 mb in February**, from 55 mb in January, driven by increases in the Middle East Gulf and Northwest Europe. Crude floating storage rose by 5 mb to 40 mb, while offshore products edged 1 mb higher to 21.5 mb.



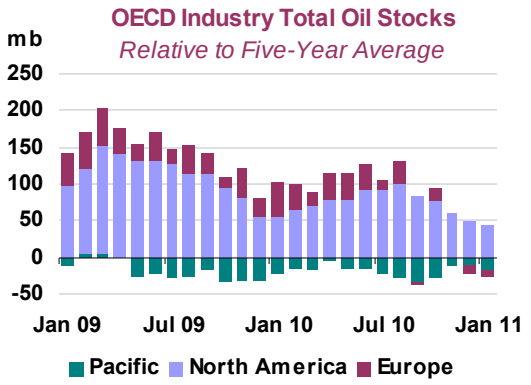
OECD Inventories at End-January and Revisions to Preliminary Data

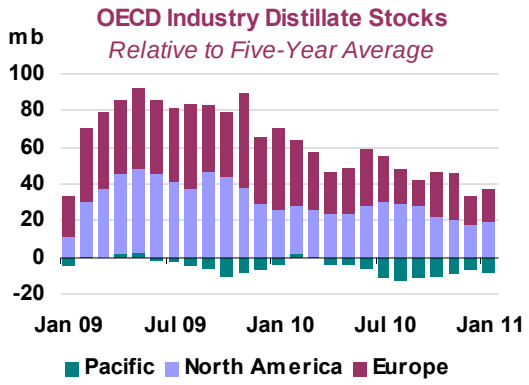
Commercial oil inventories in the OECD countries rose by 32.0 mb to 2 695 mb in January 2011. Sharp builds in gasoline, middle distillates and 'other oils' raised inventory levels, but a stronger-than-seasonal draw in 'other products' moderated the increase. Geographically, the largest builds occurred in Europe, where distillates flourished as the contango structure in ICE gasoil futures provided better incentives for storage. Nevertheless, the overall January gain was lower than the five-year average 40.2 mb stock-build and the OECD inventory surplus to the five-year average levels narrowed from 25.0 mb in December to 16.9 mb in January. Yet, a 13.0 mb increase in distillate holdings widened the surplus for those products, especially in Europe. 'Other oils' surged by 10.4 mb from close to average levels to the highest January readings since 1998 and thus increased their surplus to the average to 11.8 mb.

Preliminary Industry Stock Change in January 2011 and Fourth Quarter 2010

	January (preliminary) *(million barrels)*				January (preliminary) *(million barrels per day)*				Fourth Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**5.5**	**4.2**	**-5.8**	**3.9**	**0.18**	**0.14**	**-0.19**	**0.13**	**-0.31**	**0.04**	**0.03**	**-0.24**
Gasoline	19.9	1.3	1.7	22.8	0.64	0.04	0.05	0.74	0.01	0.03	-0.01	0.03
Middle Distillates	0.6	11.8	0.6	13.0	0.02	0.38	0.02	0.42	-0.07	-0.01	-0.07	-0.15
Residual Fuel Oil	0.4	2.1	-0.3	2.1	0.01	0.07	-0.01	0.07	0.01	-0.08	-0.03	-0.10
Other Products	-22.5	-0.1	2.0	-20.5	-0.72	0.00	0.07	-0.66	-0.27	0.02	-0.04	-0.28
Total Products	**-1.6**	**15.1**	**4.0**	**17.5**	**-0.05**	**0.49**	**0.13**	**0.56**	**-0.32**	**-0.04**	**-0.15**	**-0.50**
Other Oils[1]	5.7	0.6	4.1	10.4	0.19	0.02	0.13	0.34	-0.17	0.05	0.01	-0.11
Total Oil	**9.6**	**20.0**	**2.4**	**32.0**	**0.31**	**0.65**	**0.08**	**1.03**	**-0.80**	**0.05**	**-0.11**	**-0.86**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.





January restocking and lower demand estimates for the following three months lifted OECD forward cover to 58.2 days, 2.4 days above the five-year average. Fuel oil cover gained 2.7 days as its demand is expected to decline, while a sharp drop in 'other product' inventories reduced forward demand cover by 1.2 days. Stock cover rose from 57.4 days in December, which was the lowest level in the past two years.

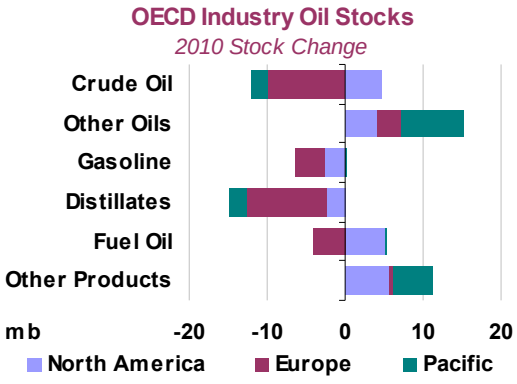
Revisions versus 10 February 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Nov 10	Dec 10	Nov 10	Dec 10	Nov 10	Dec 10	Nov 10	Dec 10
Crude Oil	**0.0**	**-1.4**	**-1.4**	**-3.2**	**0.0**	**-7.9**	**-1.4**	**-12.4**
Gasoline	0.0	1.6	0.9	3.4	0.0	-0.2	0.9	4.9
Middle Distillates	0.0	-0.1	1.0	-6.5	0.0	0.7	1.1	-5.9
Residual Fuel Oil	0.0	2.1	0.7	-0.4	0.0	-0.1	0.7	1.6
Other Products	-0.1	7.2	-0.4	5.1	0.0	0.6	-0.5	12.9
Total Products	**-0.1**	**10.7**	**2.2**	**1.6**	**0.0**	**1.1**	**2.2**	**13.5**
Other Oils[1]	0.2	-9.9	-0.3	3.9	0.0	-0.2	0.0	-6.2
Total Oil	**0.1**	**-0.5**	**0.5**	**2.3**	**0.0**	**-7.0**	**0.7**	**-5.2**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

The January stock-build partially mitigated a sharper-than-seasonal 79.0 mb decline in OECD inventories in 4Q10, exacerbated by downward revision to December OECD stocks. Upon receipt of more complete OECD data, total oil holdings were revised 5.2 mb lower in December, thus implying a stock-draw of 61.5 mb. Nevertheless, OECD stocks contracted by 1.4 mb in 2010 as a whole, with declines in crude oil, gasoline and distillates outweighing gains in 'other oils' and 'other products'. However, our global supply and demand balance implies a 200 mb stock-draw in 2010. With a negligible portion coming from the OECD and an estimated 66 mb from offshore stocks and oil in transit, the remaining 133 mb suggest a strong unaccounted for degree of non-OECD destocking and/or statistical difference.

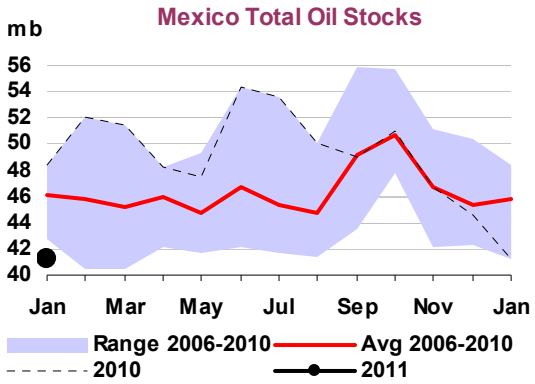


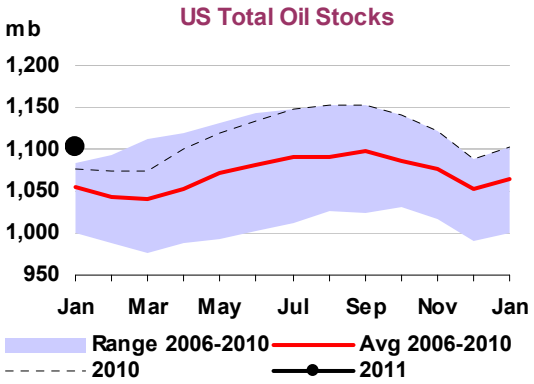
OECD inventories reversed their course in February as unrest in Libya, refinery maintenance and stronger demand ate into stock holdings. Preliminary data point to a precipitous 43.4 mb draw, much sharper than the 25.4 mb five-year average decline. In contrast with a 9.5 mb build seen over the past five years, crude oil stocks fell by 2.1 mb. The onset of unrest in Libya in February halted a portion of light sweet crude supplies to Europe and refiners struggled to source future supplies of similar quality crude elsewhere. Seasonal refinery maintenance certainly eased initial pressure, but drained product stocks, especially 'other products' and distillates. Yet, oil inventories in short-term floating storage grew by 8 mb as crude in the Middle East Gulf, most probably Iranian, increased. Products moved offshore in Northwest Europe and the US Gulf, but some barrels were offloaded in the Mediterranean and Africa. Overall, crude floating storage increased from 35 mb in January to 40 mb in February, while products edged 1 mb higher to 21.5 mb.

Analysis of Recent OECD Industry Stock Changes

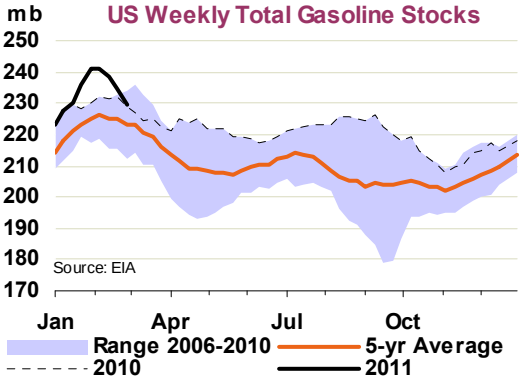
OECD North America

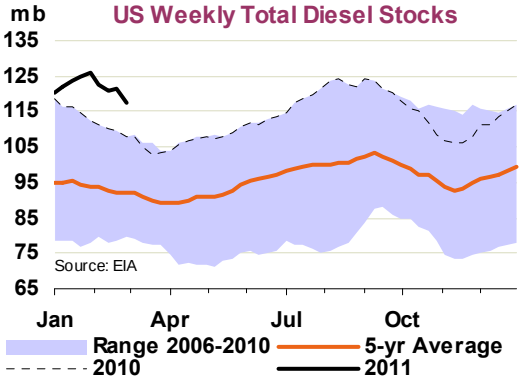
Commercial oil inventories in North America rose by 9.6 mb in January to 1 333 mb, less than the five-year average 16.2 mb stock-build. Surging gasoline stocks drove this monthly gain, but additions to crude and 'other oils' (consisting of NGLs and feedstocks) also contributed. Meanwhile, a 22.5 mb draw in 'other products' provided partial offset.



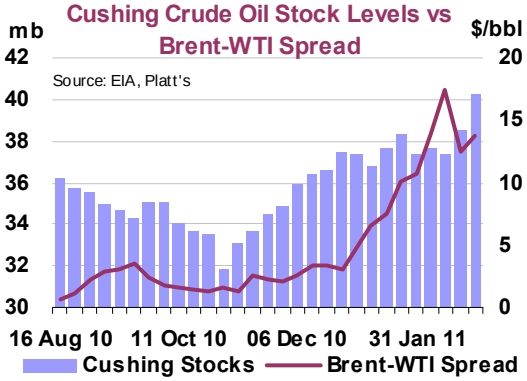


In Mexico, oil stocks fell by 3.3 mb in January, driven by a further draw in crude oil. Three sharp consecutive monthly declines shaved crude oil inventories by a third, to 16.9 mb in January. Meanwhile in the US, oil stocks increased by 12.9 mb in January, in line with the five-year average levels. Continued cold January weather with strong snowstorms led to a draw in 'other products', especially propane, which fell by a sharper-than-seasonal 23.7 mb. This draw balanced a 20.1 mb gain in gasoline and small builds in middle distillates and fuel oil. A rebound in seaborne imports to the US Gulf lifted crude oil 9.3 mb higher and 'other oils' added a further 5.7 mb.





US restocking dissipated in February as weekly data from the US EIA show US inventories dropped by a sharp 29.2 mb. Commercial crude inventories in the US rose by 3.6 mb in February, as elevated imports of Canadian crude into the landlocked US Midwest continued at a time when regional refiners cut runs. Stocks at Cushing, Oklahoma, the delivery point of NYMEX WTI futures, broke one record after another and ended at 40.2 mb in the week to 4 March. Persistently high crude oil stocks in the US Midwest, and Cushing in particular, have severely pressured WTI prices, which have been trading at a discount to Brent since mid-August 2010.

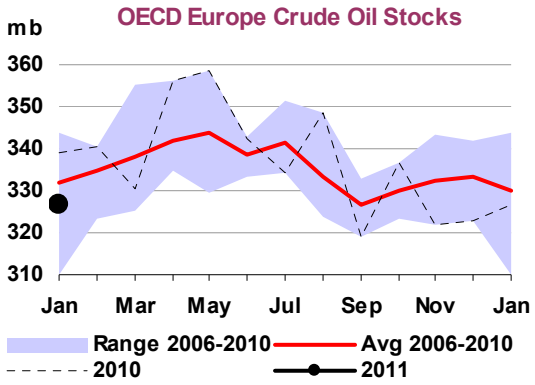


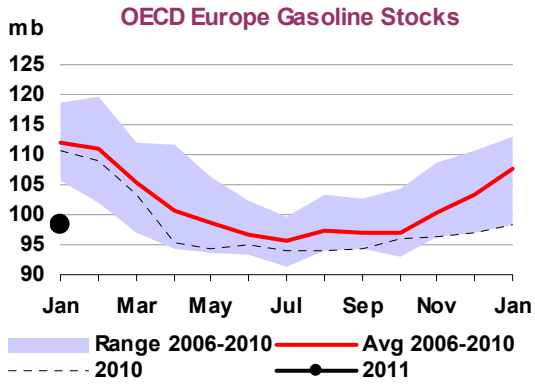
Refinery maintenance, lower imports and marginally stronger demand sent products 32.5 mb lower in February, with 'other products', gasoline and middle

distillates posting the largest declines. Gasoline stocks reached all time highs by mid-February, but subsequent stronger transport fuel demand around the President's Day holiday curtailed 7.3 mb of gasoline stocks by end-month. Diesel stocks drew sharply by 6.2 mb, contributing to a 9.6 mb reduction in middle distillates, while industry holdings of heating oil declined by 1.1 mb. Meanwhile, the US Department of Energy sold almost 1 mb of heating oil from the Northeast Home Heating Oil Reserve as part of its plan to convert existing stocks into ultra-low-sulphur product.

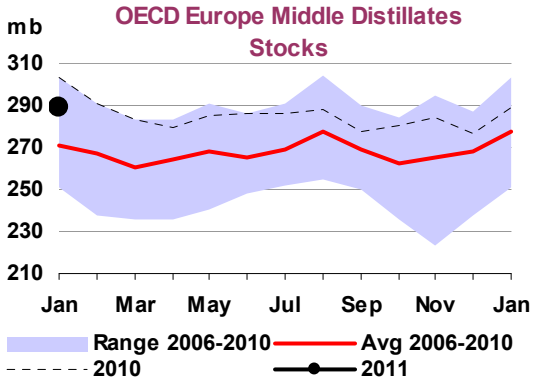
OECD Europe

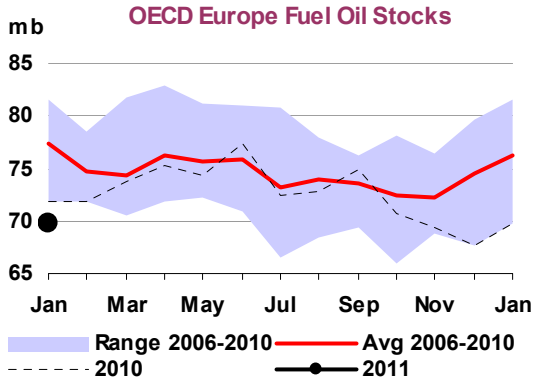
Industry oil stocks in OECD Europe grew by 20.0 mb to 967 mb in January, broadly in line with the 16.9 mb seasonal increase. Crude inventories rose by 4.2 mb, following a 3.8 mb gain in 4Q10. Crude stocks stood at 327 mb or 26.9 days of forward crude runs cover in January. Meanwhile, stronger-than-seasonal build in distillates lifted total products by 15.1 mb to only 0.4 mb below their five-year average.



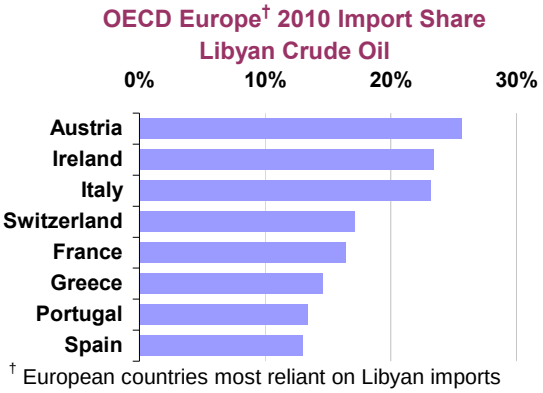


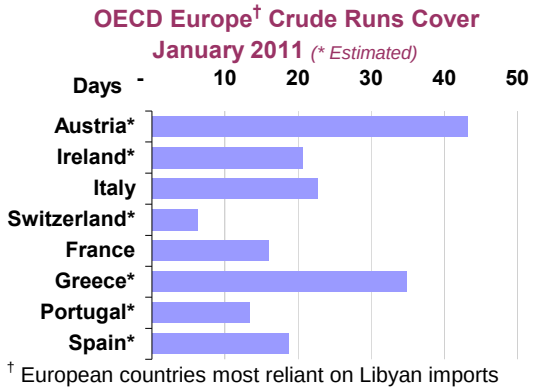
Gasoline inventories rose by less than the seasonal average in 4Q10 due to stronger exports, especially to the Middle East. A similarly mild January build (+1.3 mb) brought gasoline stocks out of the five-year range to their lowest January level on record. Seasonal distillate restocking brought January levels 11.8 mb higher, following a counter-seasonal winter weather-related draw in the previous month. German end-user heating oil stocks stood at 57% of capacity in December, but January data have been delayed. We estimate that relatively high heating oil prices discouraged consumer buying and they most probably continued running down their accumulated inventories.





February preliminary data from Euroilstock point to an 8.6 mb stockdraw in the EU-15 and Norway, with the sharpest declines in crude and fuel oil. Fuel oil stocks fell by 3.6 mb and stocks held in Northwest European independent storage also dropped significantly as fuel oil arbitrage provided incentives to ship the product to Asia-Pacific. Crude oil stocks fell by 4.8 mb, declining in the Netherlands, Scandinavia, Spain and the UK. Italian crude inventories rose in February, despite the uncertainty about crude supplies from Libya due to political unrest.

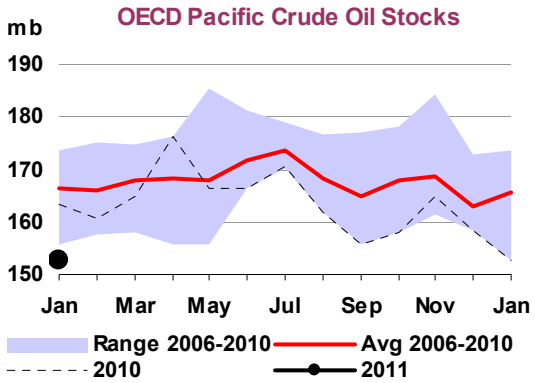


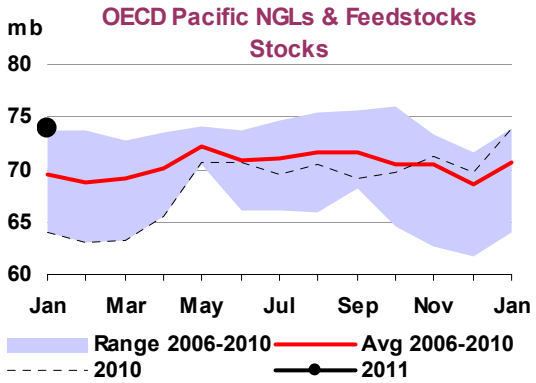


It is worth noting the relative import dependence on Libyan crude for key European countries, and compare this with forward stock cover based on anticipated refinery crude runs accounting for the maintenance. Greece and Austria look to have ample stocks at present to fill the gap left by shuttered Libyan supplies, whereas refiners in Switzerland, Portugal, France and Spain look rather more exposed. Yet, the quality breakdown of commercial crude oil stocks is unknown and replacing higher quality light sweet Libyan crude poses concerns, especially to refiners maximising transport fuel output.

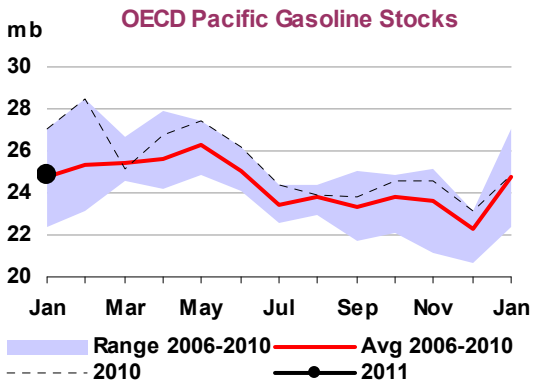
OECD Pacific

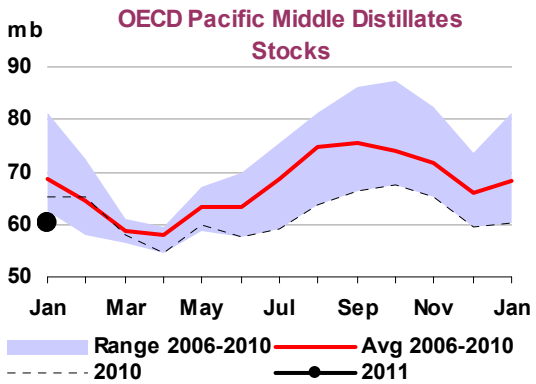
Industry oil stocks in the Pacific rose by 2.4 mb to 395 mb in January, driven by stronger-than-seasonal increases in 'other oils' and 'other products'. Over the past five years, commercial oil stocks rose by 7.1 mb on average. This year, higher refinery runs reduced crude oil holdings by 5.8 mb, dropping below the five-year range. 'Other oils', consisting of NGLs and feedstocks, built strongly to the top of the five-year average range in January.



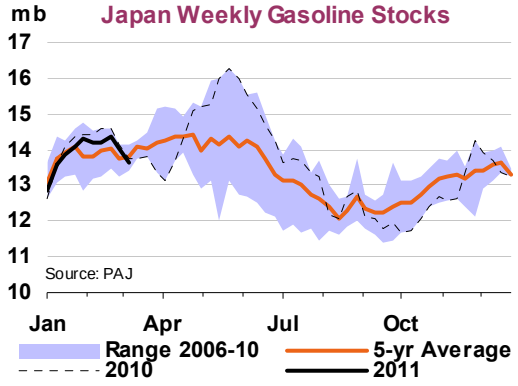


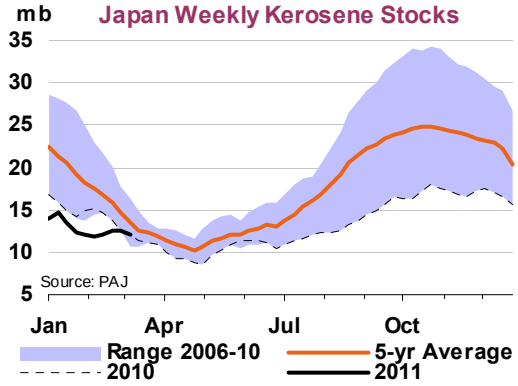
Oil product stocks rose by 4.0 mb on stronger builds of 'other products'. Gasoline and distillates rose month-on-month, albeit by less than the seasonal average, following 4Q10 declines due to higher product exports to neighbouring countries.





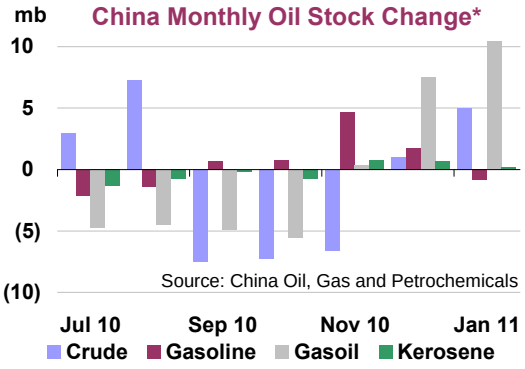
Japanese industry inventories fell by 5.6 mb in February, according to weekly data from the Petroleum Association of Japan (PAJ). Crude oil stocks edged 0.9 mb lower, while declines in all product categories bar kerosene curbed products by 3.4 mb. Kerosene, a primary heating fuel in Japan, rose counter-seasonally by 0.6 mb, buffering tumbling gasoil, gasoline and jet fuel stocks. Meanwhile, in a response to the devastating earthquake and tsunami that hit Japan on 11 March, the country's government has temporarily lowered industry stockholding obligations by 3 days for a month starting 14 March (see *Japan's Refineries Hit by Earthquakes and Tsunami*).



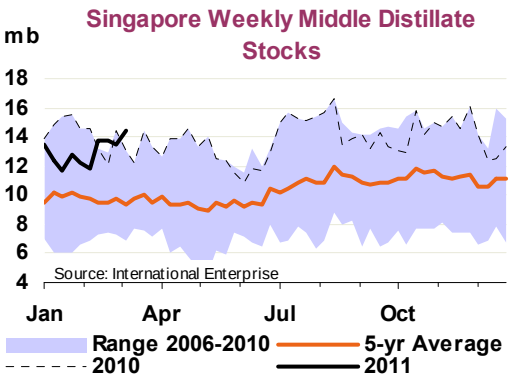


Recent Developments in China and Singapore Stocks

According to *China Oil, Gas & Petrochemicals* (China OGP), Chinese commercial oil inventories rose by the equivalent of 18.0 mb, to approximately 345 mb in January (data are reported in terms of percentage stock change). Soaring imports drove commercial crude oil stocks 2.5% (5.0 mb) higher. Product inventories rose by around 13.0 mb, driven by a 25% (13.6 mb) gasoil increase due to restocking as domestic diesel shortages eased at end-2010. In addition, gasoline stocks fell by 1.4% (0.8 mb) and kerosene holdings increased by 1.3% (0.2 mb). Meanwhile, Chinese strategic petroleum reserves (SPR) reportedly amount to 30 days' consumption with crude oil accounting for 75%.



*Since August 2010, COGP only reports percentage stock change

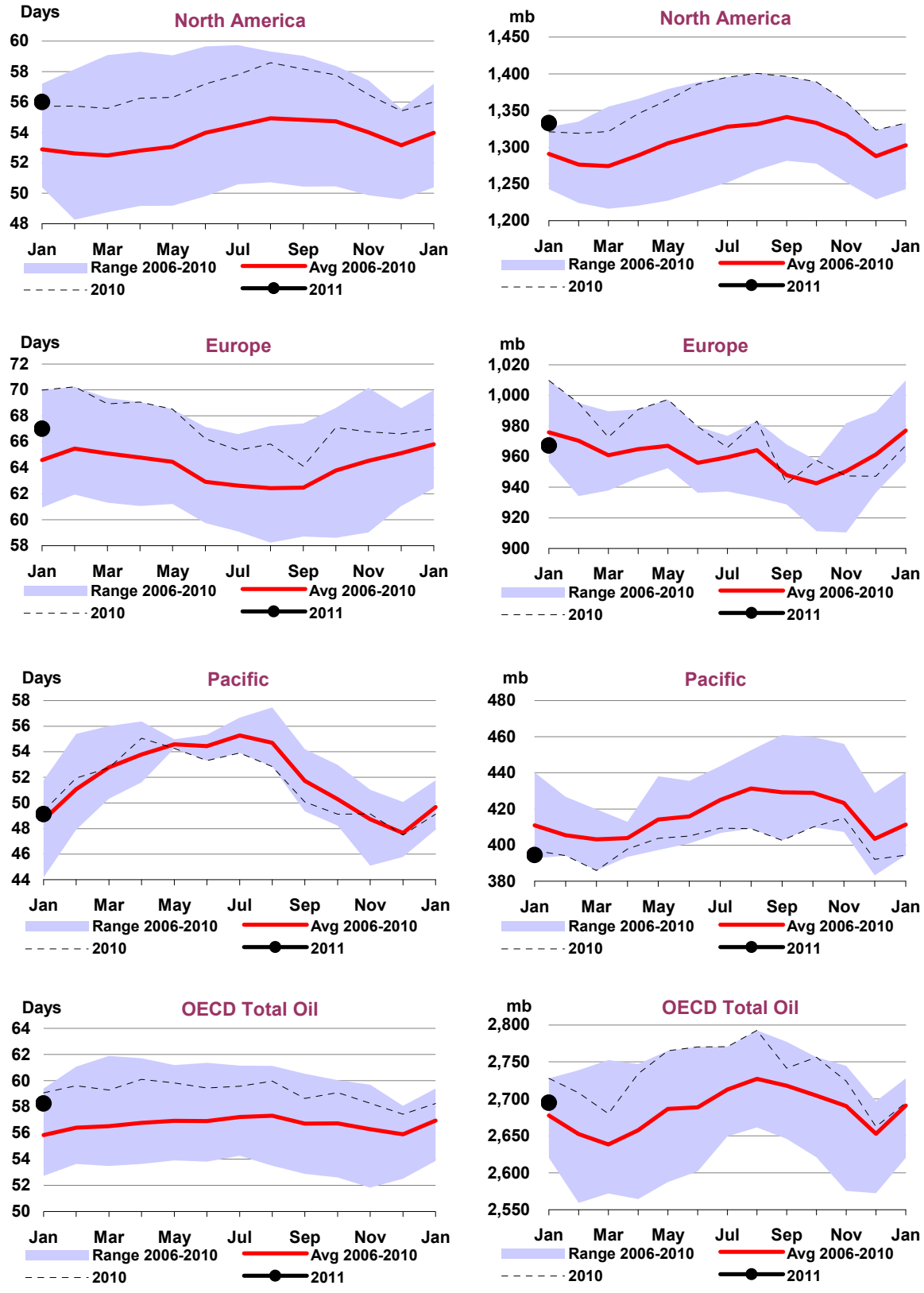


Singapore onshore inventories grew by 3.1 mb in February, led by sharp builds in middle distillate stocks. Light distillate and fuel oil stocks rose by 0.3 mb and 0.5 mb, respectively. Yet, robust domestic runs and stronger imports from neighbouring countries, mainly from Korea and India, lifted middle distillate inventories by 2.2 mb.

Regional OECD End-of-Month Industry Stocks

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

Days[1] **Million Barrels**



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

PRICES

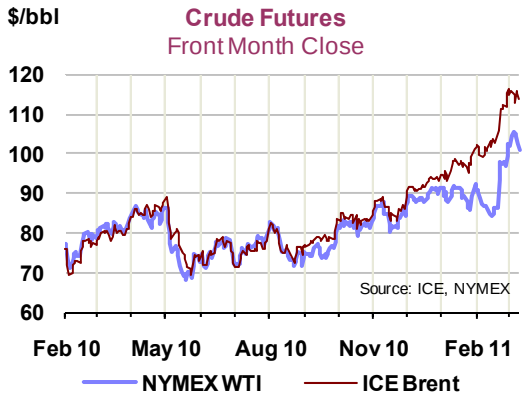
Summary

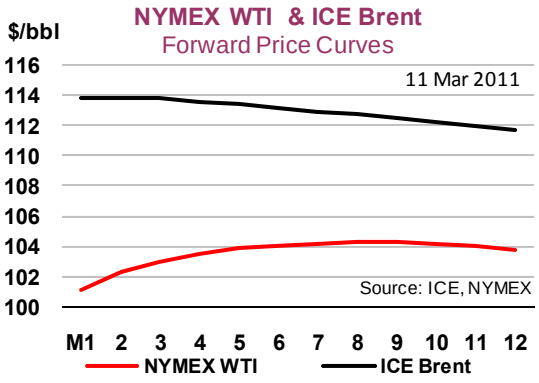
- **Oil futures prices have tracked the escalating political unrest in the Middle East and North Africa, with benchmark crudes trading $15-20/bbl above end-2010 levels.** While political risks appear to be a prominent feature of futures market for now, the shut-in of more than 1 mb/d of Libyan crude as the country teeters on the brink of civil war provides more immediate physical underpinnings. Oil prices have gyrated by an average $3/bbl on any given day, but by early March benchmark futures Brent was last trading just shy of $114/bbl while WTI was around $100/bbl at writing.

- **Spot prices for benchmark crudes rose on average between $7.00-7.50/bbl in February, and by early March had jumped by a further $10-15/bbl in the wake of the Libyan crisis**. The loss of light, low-sulphur Libyan oil supplies to the market is having the most pronounced impact on sweet/sour price spreads. However, so far, the extensive refinery maintenance schedules for February and March have muted the impact of the lost barrels.

- **With surging crude prices outstripping product price gains at end-February, refining margins were weaker for most benchmark crudes in the Atlantic basin but mixed in the Asia-Pacific region.** In general, margins for complex refineries fell the most, as light and middle distillates prices lagged the crude gains. Simple refineries fell less as fuel oil cracks were supported by strong Asian demand.

- **Crude oil tanker rates experienced resurgence across all benchmark routes in February on increased demand from Asia, weather-related disruptions in Northwest Europe as well as the Libyan crisis**. The VLCC Middle East Gulf – Japan route surged from $10/mt to $18/mt following a post-Chinese New Year holiday demand increase that considerably tightened available tonnage East of Suez.





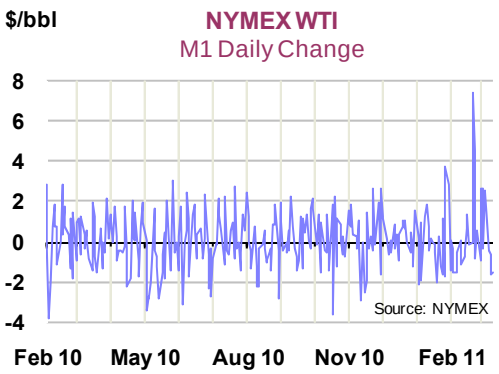
Market Overview

Escalating political unrest in the Middle East and North Africa has injected a high degree of volatility in futures markets since the start of the year, with benchmark crudes trading $15-20/bbl above end-2010 levels. While political risk issues appear to be a prominent feature of futures market for now, the shut-in of more than 1 mb/d of Libyan crude as the country teeters on the brink of civil war provides a more immediate physical underpinning.

Japan's catastrophic earthquake and tsunami had the immediate impact of countering upward price pressure from Libya. The natural disaster is reverberating across the energy chain, including the shut-in of around one-third of the country's refineries. The loss of refining capacity will reduce crude needs near term and replacing lost nuclear power generation is expected to add upward pressure on low-sulphur fuel oil supplies (see *Japan Nuclear Outages Point to Increased Fuel Switching*).

While prices have gyrated by an average $3/bbl on any given day, by early March benchmark futures prices were trading $10-15/bbl above average February levels. Brent was last trading just shy of $114/bbl while WTI was around $100/bbl at press time.

Since the start of the Libyan revolt on 21 February, market sentiment has ebbed and flowed with the days' news cycle on unfolding events between government forces and the opposition groups. Accurate information on the country's oil production operations has been severely limited following the mass evacuation of foreign workers, lack of communication channels and conflicting and incomplete data on port and export activity. Latest information available indicates Libyan crude production appears to be running below 500 kb/d, or a loss of more than 1 mb/d from January's estimated output of 1.58 mb/d.



International efforts to isolate the current regime politically and financially have also led to new sanctions that have severely constrained crude and product flows in and out of the country. A full-blown civil war could mean a permanent production shut-in for an indefinite period (see *Libya's Uprising Sees Oil Supplies Dwindle*). European refiners nonetheless indicate that there is ample crude supply in the market until at least the end of March.

Large-scale seasonal maintenance at refineries in Europe and the US has limited demand for prompt crude supplies. The loss of light, low-sulphur Libyan crude oil supplies to the market is having the biggest impact on Mediterranean refiners, which process 85% of the country's crude. While the sweet-sour spreads are widening as expected, it remains to be seen whether alternative supplies can match an expected sharp run up in global crude runs in April. Led by Saudi Arabia, OPEC has informally increased production to replace Libyan crude, while making efforts to offset the quality mismatch. Saudi Arabia has ramped up output to over 9 mb/d and has introduced two new crude blends closer in characteristics to Libyan grades than their normal export blends.

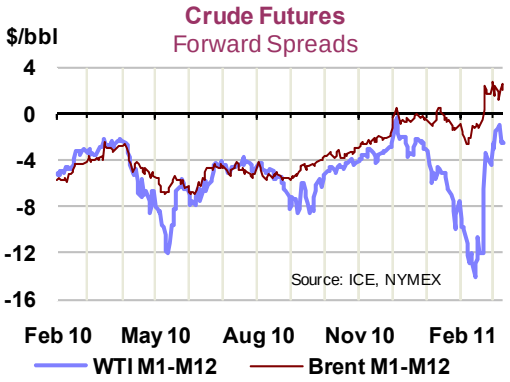
Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

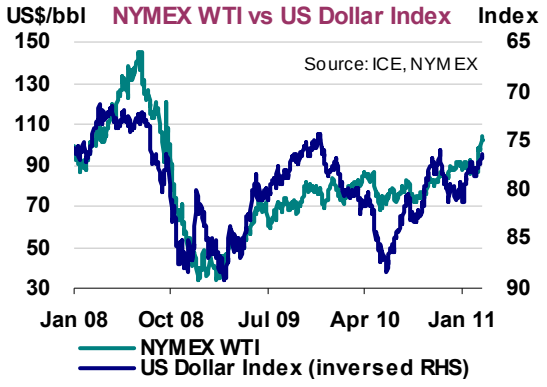
	Dec	Jan	Feb	Feb-Jan Avg Chg	% Chg	Week Commencing: 07 Feb	14 Feb	21 Feb	28 Feb	07 Mar
NYMEX										
Light Sweet Crude Oil	89.23	89.58	89.74	0.16	0.2	86.69	85.34	96.71	101.03	103.74
RBOB	99.04	102.56	107.20	4.64	4.3	104.21	106.09	113.12	124.45	125.87
No.2 Heating Oil	104.45	109.59	116.64	7.05	6.0	114.35	115.08	120.81	127.22	127.86
No.2 Heating Oil ($/mmbtu)	17.93	18.81	20.02	1.21	6.0	19.63	19.76	20.74	21.84	21.95
Henry Hub Natural Gas ($/mmbtu)	4.28	4.50	4.04	-0.46	-11.5	4.02	3.91	3.89	3.86	3.89
ICE										
Brent	92.25	96.91	104.03	7.12	6.8	100.66	102.72	109.25	114.87	114.66
Gasoil	104.08	108.92	118.22	9.30	7.9	115.36	117.48	122.38	128.83	129.77
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-3.02	-7.33	-14.29	-6.96		-13.97	-17.39	-12.55	-13.83	-10.92
NYMEX No.2 Heating Oil - WTI	15.22	20.01	26.90	6.88		27.66	29.74	24.10	26.19	24.12
NYMEX RBOB - WTI	9.81	12.98	17.46	4.48		17.52	20.76	16.41	23.41	22.13
NYMEX 3-2-1 Crack (RBOB)	11.61	15.32	20.60	5.28		20.90	23.75	18.97	24.34	22.80
NYMEX No.2 - Natural Gas ($/mmbt	13.65	14.32	15.99	1.67		15.61	15.84	16.85	17.98	18.06
ICE Gasoil - ICE Brent	11.82	12.01	14.19	2.18		14.70	14.76	13.12	13.96	15.11

Source: ICE, NYMEX

However, reflecting market uncertainty on the severity and duration of supply outages in Libya, the forward price curve for WTI M1-M12 has come in sharply, narrowing from just over $12.40/bbl in mid-February to just $1.95/bbl in the second week of March. The M1-M12 Brent contract moved out of contango and into backwardation again at the onset of hostilities in Libya, averaging around $1.60/bbl in the closing days of February and a stronger $2.10 in the first ten days of March.



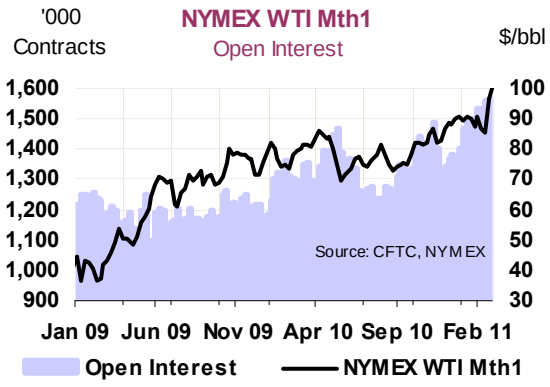
Markets will be closely watching the international community as it weighs its options for dealing with the crisis in coming days and weeks. At the same time, focus will also be on the impact of the Japanese crisis on the economy and financial markets.

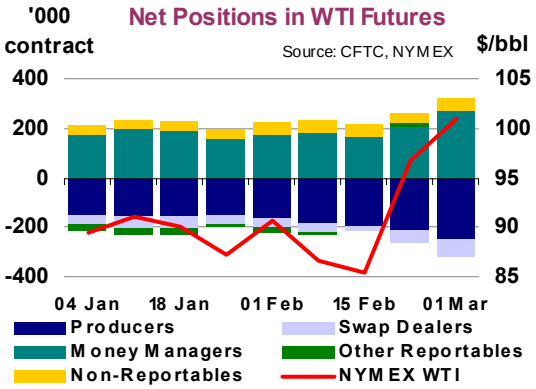




Futures Markets

Open interest in WTI futures contracts reached yet another record high level in February, fuelled by the Libyan crisis and regional unrest. Open interest increased in February in both futures-only and futures and futures-equivalent options (thereafter combined) to 1.57 million and 2.94 million contracts, respectively. Producers increased their net short position during February; they held 29.7% of the short and 13.9% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 28.8% and 33.5% of the open interest on the long side and short side, respectively, remained net short.





Managed money traders' net long exposure increased by more than 50% in February to an all-time high of 268 622 futures contracts. The market share of managed money traders has risen from 26.6% to 29.8% on the long side and has fallen from 15.1% to 12.7% on the short side. They were also very active

in the options market especially immediately after the start of the Libyan crisis. With the expectation of higher oil prices, they increased their outright delta-adjusted gross long position by 29%. There was also some short covering by managed money traders as reflected by a decline of 63% of gross short contracts. Other non-commercials, who accounted for 20.5% of open interest on the long side and 20.3% on the short side, reinforced a recent trend of dwindling net short by adding 19 400 gross long contracts.

Meanwhile, open interest decreased slightly in NYMEX RBOB futures while combined open interest increased by 2 900 contracts. In February, open interest in NYMEX heating oil declined by 1.9% to 300 541 contracts while open interest in natural gas markets increased by close to 18.1% to 982 208 contracts.

Index investors continued to increase their exposure in commodities in January 2010. They added another $4.8 billion to the WTI Light Sweet Crude Oil market in January 2010, which rose to an all-time high of 663 000 futures equivalent contracts, or $62.2 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

01 March 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	218.5	465.4	-246.9	*Short*	↓ -29.4	↓ -80.2
Swap Dealers' Positions	214.3	287.1	-72.8	*Short*	↓ -31.4	↓ -42.7
Money Managers' Positions	293.9	25.3	268.6	*Long*	↑ 62.6	↑ 92.2
Others' Positions	105.2	101.9	3.3	*Long*	↓ -9.7	↑ 27.0
Non-Reportable Positions	109.5	61.7	47.8	*Long*	↑ 7.9	↑ 3.7
Open Interest			**1569.5**		↑ 62.9	↑ 37.6

Source: CFTC

Volatility: Not Unique to Exchange-Traded Commodities

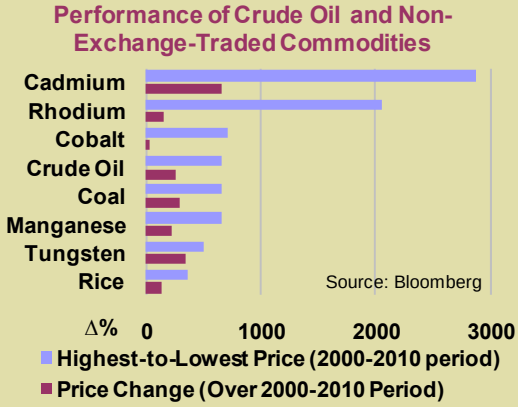
Fluctuations in commodity prices, particularly in crude oil prices, have been hotly debated in recent years. Some argue that underlying market fundamentals, especially the unexpectedly strong demand shock attributed to continued strong economic growth in Asia and other emerging economies, is the main reason for the resurgence of commodity prices and for the fluctuations in prices since 2004. Others argue that speculative activity in commodity derivatives markets is the main force behind surging commodity prices. They further claim that commodities have become a new asset class in investors' portfolios, and prices are now more affected by macroeconomic news rather than by commodity-specific physical market conditions.

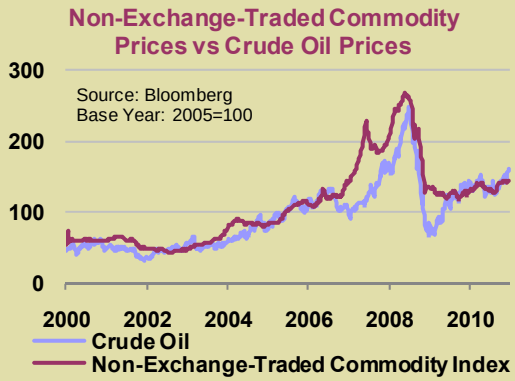
Policy makers have responded with a slew of proposals to control futures market activity. Aside from the questions that such measures raise in terms of market function, liquidity, price discovery and ultimately price volatility, they are premised on a view that commodities traded on futures exchanges are intrinsically more volatile than those which are not. This is problematic.

The Onion Futures Act, which has prohibited the trading of onion futures in the US ever since it was passed in 1958, is a good example illustrating why volatility cannot be reduced by merely prohibiting some traders or all futures contracts. Empirical research suggests that prices and volatility in onion markets were higher post-Act than before the Act's implementation. A more recent example can be found in India, which banned financial trading in most agricultural products – yet found out that prices continued to rise in 2008.

In order to compare price movements and volatility between non-exchange-traded commodities and crude oil prices, we constructed a weekly spot price series for an equally weighted basket of non-exchange-traded commodities. By focusing on non-exchange-traded commodities, we seek to ensure that the fluctuations of the basket's price do not stem from changes in the activities of financial institutions in commodity futures markets. Our composite basket includes seven commodities: rice, coal, manganese, rhodium, cadmium, cobalt and tungsten. Although futures exist on rough rice and Appalachian coal, the CFTC's Commitments of Traders reports show that the open interest and the number of traders in these contracts are small, therefore we also include these commodities in our index to allow a more diversified index across commodities.

Volatility: Not Unique to Exchange-Traded Commodities (continued)

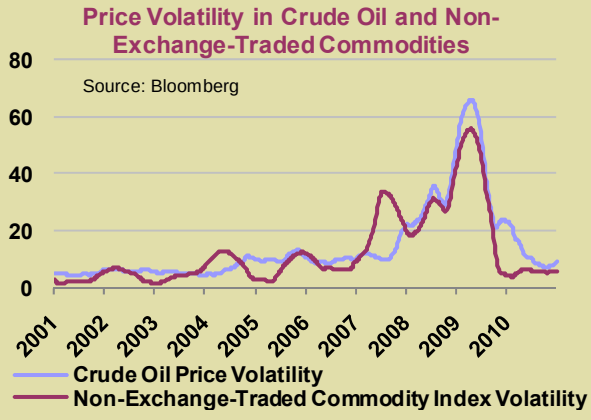




A visual comparison of the non-exchange-traded commodity price index, as well as crude oil price series, supports the notion that, starting in 2003 and more strongly after 2004, a demand shock pushed upward the prices of most commodities. A large change in the growth rate of the index is visible, with sustained growth and few price decreases from 2003 to August 2008. More importantly, prices for non-exchange-traded commodities rose faster than crude oil prices between 2006 and 2008. The plot also shows that commodity prices (of both crude oil and non-exchange-traded commodities) declined sharply amid the economic contraction of autumn 2008 and stabilised after 2009. Interestingly, one could argue that the fall in crude prices to below $40/bbl in early 2009 was something of an under-shoot, and that subsequent recovery has been more in line with the strengthening evident across commodities in light of the economic recovery. Across the commodities, we see that some non-exchange-traded commodities prices have risen more than the crude oil price. While rhodium and cadmium experienced more than a 2000% change in prices when measured in percent change between the highest and lowest observed prices between 2000 and 2010, crude oil prices rose by 663% on the same basis.

In terms of volatility, measured by the one-year moving average standard deviation of prices, the plot also shows that volatility in both crude oil prices and non-exchange-traded commodities rose sharply after 2006.

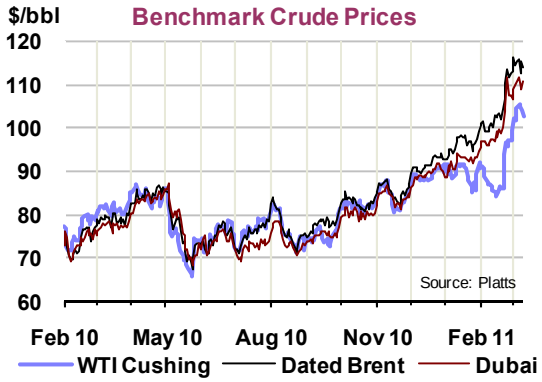
Non-exchange-traded commodities' index volatility experienced a large spike in early 2007 while crude oil prices were still relatively stable. That being said, unusually high volatility in commodity markets post-2007 does not appear unique to crude oil traded on exchanges. Other commodities that are not traded in exchanges experienced similar fluctuations and price surges in the second part of the 2000s. Moreover, volatility declined for both crude and non exchange-traded commodities once again through 2010. This is not to say that the trading of futures and derivatives contracts on exchanges has no impact on price levels and volatility. But it does suggest that a more holistic and refined set of policy responses than simply 'driving out the speculator' may be needed to achieve more stable and predictable markets.

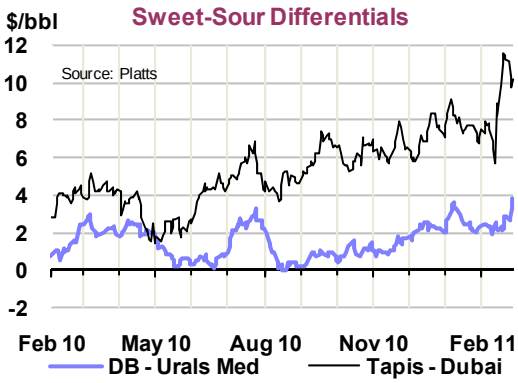


Spot Crude Markets

Spot prices for benchmark crudes rose on average between $7.00-7.50/bbl in February but by early March had jumped by a further $10-15/bbl in the wake of the Libyan crisis. The loss of light, low-sulphur Libyan oil supplies to the market is having the most pronounced impact on sweet/sour price spreads. However, so far, the extensive refinery maintenance scheduled for February and March has muted the impact of the lost barrels, with March needs largely covered before the onset of the crisis. European refiners in the Mediterranean take 85% of Libya's crude, and the near total shut-down will alter normal trade patterns in coming weeks and months as European refiners adjust their crude slate to adapt to

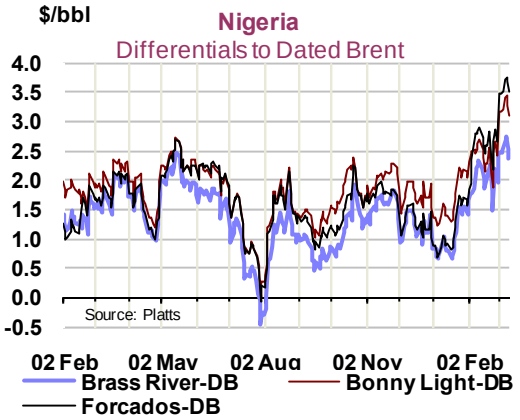
fewer sweet cargoes. Mediterranean refiners are looking to secure similar grades such as Nigerian Qua Iboe or Azeri Light, though exports of the latter are expected to be down almost 15% in April from March levels due to field production problems.

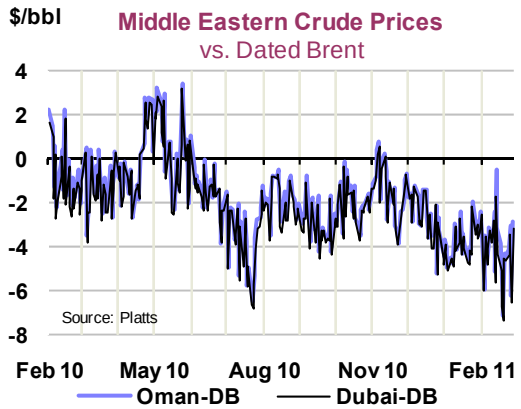




The price spread in the Mediterranean for Nigerian Bonny Light – Russian Urals widened to over $6/bbl by the second week of March compared to around $4.75/bbl before events hotted up in Libya. While only very limited volumes of Libyan crude head east of Suez, with China the main buyer, there was a knock-on effect for the sweet/sour spread in the Asia-Pacific region as lighter, low-sulphur barrels became dearer. The price spread for very light, low-sulphur Malaysian Tapis versus heavier, sourer Dubai jumped to around $11/bbl in the first 10 days of March compared with a pre-crisis February average of about $7.25/bbl.

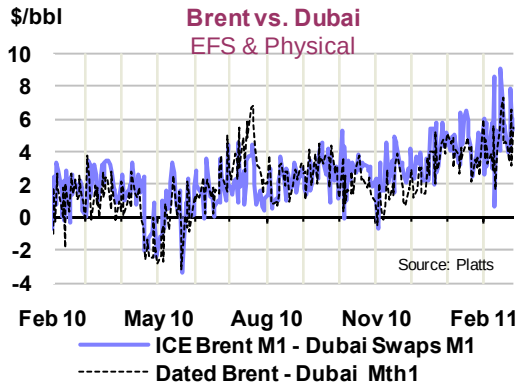
While the sweet-sour spreads are widening as expected, European refiners are reporting that there is no shortage of crude on offer but are barrel picking for the most attractively priced crudes. Refiners are now buying April/May supplies and there appears to be an extra 300 kb/d available from Nigeria, which is similar in quality to the lost Libyan barrels. Nigeria had reduced volumes of Bonga and Qua Iboe crude available in February and March due to field maintenance work but output will be restored for April liftings. However, there is growing concern over the flow of Russian exports of both crude and products after dozens of vessels were trapped in ice at Russian ports this past week *(see Non-OPEC, FSU Exports*).

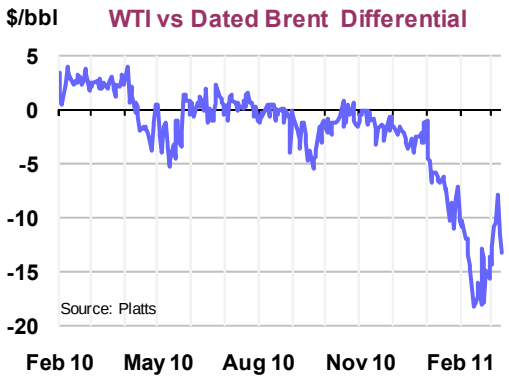




Saudi Aramco also moved quickly to increase supplies to the market for March and April in an effort to compensate for shut-in Libyan crude. The Kingdom has added an additional 8-10 mb of crude available to refiners and plans to hold unsold barrels in floating storage or leased tank facilities in the Mediterranean, Northwest Europe and Okinawa. However, so far demand from refiners has been tepid given reduced refinery throughput rates as well as a quality mismatch with lighter, sweet Libyan crude. Although European runs are expected to begin rising again from April, high crude prices and weak margins may prompt some European refiners to cap utilisation rates in the coming months.

Given that Saudi Arabian and Libyan crude streams are a poor match, Aramco is offering a lighter/sweeter crude blend to mirror more closely lost Libyan barrels. A new special Arab Extra Light blend was developed by removing the Berri stream, which raised the API gravity to 41° versus 39° and lowered the sulphur content to 0.7% compared with 1.1% previously. Another lighter, sweet replacement crude has been developed with an API gravity of 44° and a sulphur content of 0.5%. This blend compares to an API of 43.3° and sulphur content of 0.06%. for Libya's Bu Attifel crude. However, the volumes of these new grades made available are not known.





Spot prices for heavier Middle East barrels have lagged the gains in lighter crudes, given stronger demand for distillate-rich crudes as refiners maximised output of gasoil, diesel and jet kerosene. Dubai's discount to Dated Brent widened to just over $5.00/bbl in early March compared with around $3.50/bbl on average in February.

Record levels of crude oil stocks at the landlocked Cushing, Oklahoma storage depot continued to exert downward pressure on WTI. The WTI-Dated Brent price spread widened to a peak of -$18.23/bbl on 15 February. The WTI discount to dated Brent in February averaged -$14.19/bbl compared with -$7.16/bbl for January and -$2.28/bbl in December.

Spot Crude Oil Prices and Differentials

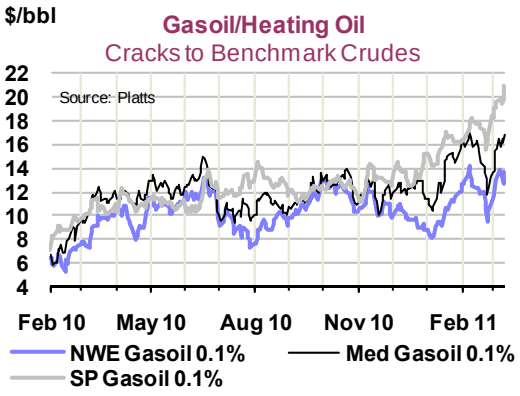
(monthly and weekly averages, $/bbl)

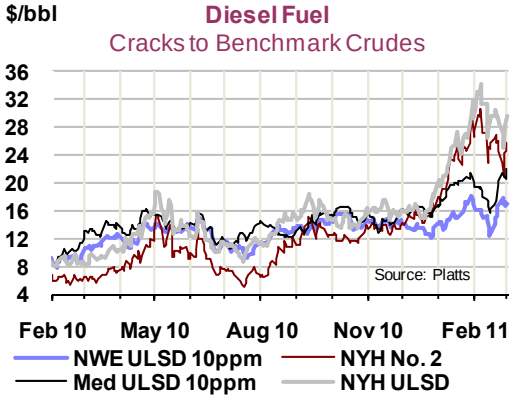
	Dec	Jan	Feb	Feb-Jan Avg Chg	%	Week Commencing: 07 Feb	14 Feb	21 Feb	28 Feb	07 Mar
Crudes										
Dated Brent	91.36	96.54	103.76	7.22	7.5	99.93	102.81	109.28	114.43	114.39
Brent (Asia) Mth1 adjusted	91.97	96.85	104.35	7.49	7.7	100.72	102.46	109.23	114.59	114.73
WTI (Cushing) Mth1 adjusted	89.08	89.38	89.57	0.19	0.2	86.70	85.35	95.78	101.08	103.65
Urals (Mediterranean)	89.64	93.72	101.48	7.77	8.3	97.60	100.72	107.34	112.31	111.46
Dubai Mth1 adjusted	89.05	92.52	100.24	7.72	8.3	96.72	98.47	105.61	108.78	109.77
Tapis (Dated)	95.96	100.37	107.76	7.39	7.4	103.83	106.12	112.86	119.81	120.15
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-2.28	-7.16	-14.19	-7.03		-13.23	-17.46	-13.50	-13.36	-10.73
Urals (Mediterranean)	-1.71	-2.82	-2.28	0.55		-2.32	-2.08	-1.94	-2.13	-2.93
Dubai Mth1 adjusted - Dated Brent	-2.31	-4.02	-3.52	0.50		-3.20	-4.33	-3.67	-5.65	-4.61
Tapis (Dated)	4.61	3.83	4.00	0.17		3.90	3.31	3.58	5.38	5.77
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.04	-0.01	-0.45	-0.44		-0.50	-0.61	-0.38	0.04	-0.12
Forward WTI Cushing Mth1-Mth2 adj	-0.60	-1.32	-2.69	-1.37		-3.36	-3.20	-1.46	-1.40	-1.14

Source: Platts

Spot Product Prices

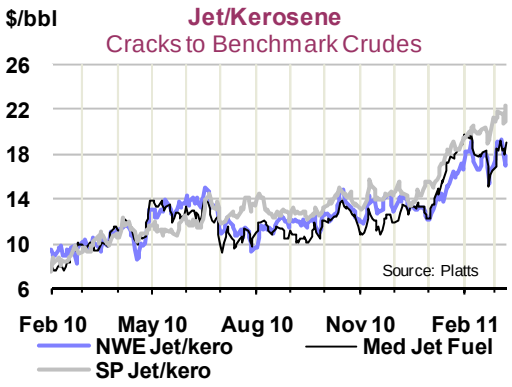
Spot prices for middle distillates and fuel oil rose in all major markets in February, up by around 8-14% on the month. Reduced refinery throughput rates due to maintenance work and stronger demand were behind the increases. Albeit still negative with the exception of low-sulphur fuel oil in New York, fuel oil cracks posted the largest improvement on the month, up between 10-14%, on increased demand for bunker fuel.





By contrast, prices for gasoline and naphtha were up by only 3-5%. Crack spreads increased for gasoil, diesel and kerosene in all regions in February but weakened at end-month as crude surged ahead on developments in Libya. By the second week of March, however, concern over availability of replacement barrels for Libya's light, sweet crude saw cracks recover.

The disproportionate impact of Libyan crude production shut-ins on European refiners has amplified market attention on potential product dislocations and shortages in the region. Middle distillates were already supported by a tightening of supply as refiners started maintenance and stronger demand but crack spreads for diesel, gas oil and jet fuel strengthened further in March on fears of potential shortages in the coming weeks and months. That said, overall middle distillate stocks in OECD Europe are hovering near the top of the five-year range after a seasonal restocking in January, ahead of refinery turnarounds.



In the Mediterranean, jet fuel cracks posted the strongest increases, up by $1.92/bbl to $18.17/bbl, the highest levels since late 2008. Crack spreads for diesel posted a $0.90/bbl gain to just under $19/bbl on average in February and gas oil rose by $1.71/bbl to $15.11/bbl. Both products improved further in early March. In Northwest Europe, gas oil crack spreads were up just over $2/bbl to $12.13/bbl while diesel rose by $1.51/bbl to $15.75/bbl.

Middle distillate cracks posted similar gains in Singapore, with jet fuel cracks up by $2.56/bbl to $19.9/bbl while gasoil firmed by $1.55/bbl to $17.22/bbl.

Spot Product Prices

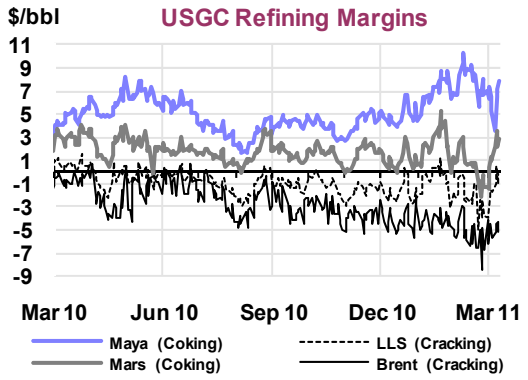
(monthly and weekly averages, $/bbl)

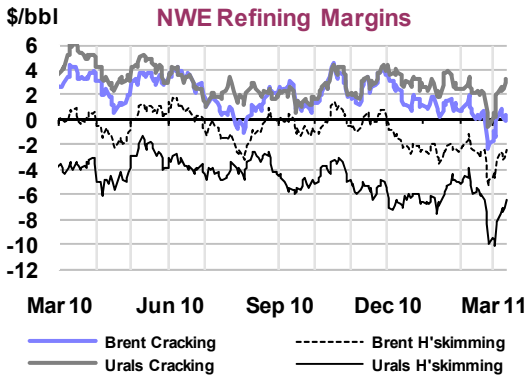
	Dec	Jan	Feb	Feb-Jan Chg	Feb-Jan %	Week Commencing: 07 Feb	14 Feb	21 Feb	28 Feb	07 Mar	Dec	Jan	Feb
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	99.81	103.21	108.22	5.01	4.9	104.49	107.42	113.81	119.33	120.69	8.45	6.67	4.46
Naphtha	93.08	94.46	97.45	2.99	3.2	94.20	95.80	102.00	109.44	109.28	1.73	-2.08	-6.31
Jet/Kerosene	104.73	111.45	121.08	9.63	8.6	118.09	119.72	126.13	132.44	132.53	13.37	14.91	17.32
ULSD 10ppm	105.09	110.79	119.51	8.72	7.9	117.14	118.59	123.08	130.11	131.55	13.73	14.25	15.75
Gasoil 0.1%	101.21	106.61	115.88	9.28	8.7	113.29	114.95	119.96	126.51	127.72	9.85	10.07	12.13
LSFO 1%	76.92	80.76	90.37	9.61	11.9	86.42	90.41	96.09	99.21	102.80	-14.44	-15.78	-13.39
HSFO 3.5%	75.59	79.89	88.16	8.27	10.3	84.76	88.57	92.82	94.19	94.20	-15.77	-16.65	-15.60
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	98.80	103.99	108.41	4.42	4.3	105.07	108.16	113.62	117.13	119.16	9.16	10.27	6.93
Naphtha	92.88	94.66	97.50	2.84	3.0	94.40	95.99	101.77	108.56	108.70	3.23	0.94	-3.99
Jet Aviation fuel	102.51	109.96	119.65	9.69	8.8	116.66	118.59	124.18	129.70	130.08	12.87	16.24	18.17
ULSD 10ppm	105.37	111.81	120.48	8.66	7.7	118.12	119.64	124.01	130.65	132.65	15.73	18.10	18.99
Gasoil 0.1%	101.60	107.12	116.59	9.47	8.8	114.18	115.96	120.00	126.28	127.42	11.96	13.41	15.11
LSFO 1%	76.37	80.45	89.91	9.46	11.8	85.88	89.27	95.72	99.14	102.71	-13.28	-13.27	-11.57
HSFO 3.5%	73.19	78.39	87.16	8.77	11.2	84.59	87.57	90.60	93.05	94.22	-16.46	-15.33	-14.32
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	103.92	107.11	111.02	3.90	3.6	107.92	109.86	117.31	123.29	125.27	14.85	17.73	21.45
Unleaded	100.15	102.85	106.56	3.71	3.6	103.84	105.23	112.39	118.62	119.57	11.07	13.46	16.99
Jet/Kerosene	105.38	112.08	121.19	9.11	8.1	118.10	119.27	127.23	136.06	139.18	16.30	22.69	31.62
No. 2 (Heating Oil)	103.55	109.37	116.14	6.77	6.2	113.86	114.38	120.45	126.97	127.36	14.47	19.99	26.57
LSFO 1%†	77.79	78.88	90.09	11.20	14.2	87.02	90.48	95.85	99.23	102.53	-11.28	-10.50	0.52
No. 6 3%†	76.23	79.11	88.73	9.62	12.2	86.42	88.58	93.71	97.06	99.25	-12.85	-10.27	-0.84
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	102.09	106.38	111.84	5.46	5.1	108.32	109.57	116.80	120.74	121.85	13.04	13.86	11.60
Naphtha	93.83	95.16	97.87	2.71	2.8	95.03	95.46	102.19	108.82	109.54	4.78	2.64	-2.37
Jet/Kerosene	103.53	109.89	120.18	10.28	9.4	116.91	118.44	125.19	130.08	131.23	14.48	17.38	19.94
Gasoil 0.5%	102.61	108.19	117.46	9.27	8.6	114.41	116.17	122.04	127.68	129.72	13.56	15.67	17.22
LSWR Cracked	86.37	89.86	98.76	8.90	9.9	97.28	98.40	101.21	101.66	102.15	-2.68	-2.65	-1.48
HSFO 180 CST	78.79	82.51	93.88	11.37	13.8	91.22	93.77	97.75	98.67	98.86	-10.25	-10.01	-6.36
HSFO 380 CST 4%	79.60	83.90	94.50	10.60	12.6	91.29	94.35	98.76	100.02	99.51	-9.44	-8.62	-5.74

Source: Platts * CIF † Cargoes

Refining Margins

With surging crude prices outstripping product price gains in February, refining margins were weaker for most benchmark crudes in the Atlantic basin but mixed in the Asia-Pacific region. In general, margins for complex refineries fell the most as light and middle distillates prices lagged behind crude price gains. Simple refineries did better as fuel oil cracks were supported by strong Asian demand. Refining margins in both Europe and the US improved in early March, however, on stronger product cracks as the turnaround season in the Atlantic basin further tightened supply.





In Northwest Europe (NWE), cracking margins fell on average by $1/bbl in February, whereas hydroskimming margins were off a smaller $0.30/bbl, supported by a narrowing fuel oil discount. However, volatility over the month was high, with margins improving slightly in the first week of February, before falling steeply in the second half of the month as the rise in product prices failed to keep pace with the rapid run-up in crude prices in response to the Libyan crisis.

European gasoline cracks turned weaker in February as cold weather dampened demand and there were limited export possibilities both to West Africa and the US East Coast. Middle distillates cracks fared better on strong demand and as ongoing maintenance tightened supply in both NWE and the Mediterranean.

Mediterranean refining margins followed the same pattern, although the Urals hydroskimming margin fell to a record low of -$9.10/bbl in the first week of March, pressured by a widening fuel oil discount as high Russian runs increased supplies and the arbitrage to Asia closed. However, by the second week of March, margins improved significantly, lifted by the increase in product prices.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Dec 10	Jan 11	Feb 11		Feb 11-Jan 11	11 Feb	18 Feb	25 Feb	04 Mar	11 Mar
NW Europe	Brent (Cracking)	1.94	1.15	0.19	↓	-0.96	1.16	0.28	-1.11	-0.76	0.31
	Urals (Cracking)	3.33	2.88	1.89	↓	-0.99	2.70	2.22	0.62	1.04	2.71
	Brent (Hydroskimming)	-1.77	-2.49	-2.85	↓	-0.36	-1.89	-2.73	-4.17	-4.05	-2.84
	Urals (Hydroskimming)	-3.53	-3.75	-4.03	↓	-0.29	-3.22	-3.49	-5.40	-5.80	-4.37
Mediterranean	Es Sider (Cracking)	1.46	2.05	0.90	↓	-1.15	1.87	1.06	-0.51	-1.31	1.68
	Urals (Cracking)	1.21	1.71	0.67	↓	-1.04	1.81	0.97	-1.13	-1.49	0.64
	Es Sider (Hydroskimming)	-4.51	-4.25	-4.51	↓	-0.25	-3.74	-4.46	-5.74	-6.70	-3.29
	Urals (Hydroskimming)	-6.44	-5.95	-6.21	↓	-0.27	-4.94	-5.79	-8.37	-9.11	-7.04
US Gulf Coast	Bonny (Cracking)	-2.56	-2.53	-4.08	↓	-1.56	-3.01	-4.44	-4.88	-3.82	-3.64
	Brent (Cracking)	-4.12	-4.23	-5.44	↓	-1.22	-4.21	-5.56	-6.34	-5.31	-4.93
	LLS (Cracking)	-1.69	-0.65	-2.21	↓	-1.56	-1.27	-2.21	-3.02	-3.07	-0.68
	Mars (Cracking)	-1.94	-1.07	-1.90	↓	-0.83	-0.84	-1.39	-3.07	-3.76	-1.11
	Mars (Coking)	1.13	2.40	0.57	↓	-1.82	1.90	0.64	-0.78	-0.46	2.34
	Maya (Coking)	4.95	7.01	7.88	↑	0.87	8.99	8.66	7.11	6.76	6.10
US West Coast	ANS (Cracking)	-0.87	-1.94	3.45	↑	5.39	2.66	6.66	5.02	-1.79	-3.27
	Kern (Cracking)	2.92	3.33	10.17	↑	6.84	10.35	13.58	10.01	3.45	-1.33
	Oman (Cracking)	-1.15	-2.30	0.32	↑	2.62	0.08	1.23	0.09	2.71	2.50
	Kern (Coking)	10.31	10.16	18.54	↑	8.38	17.90	22.22	20.87	15.26	10.33
Singapore	Dubai (Hydroskimming)	-3.06	-2.22	-1.76	↑	0.46	-1.11	-1.25	-2.91	-2.53	-3.02
	Tapis (Hydroskimming)	-4.12	-4.63	-5.03	↓	-0.40	-3.74	-4.87	-6.21	-9.09	-8.22
	Dubai (Hydrocracking)	1.07	1.67	1.16	↓	-0.51	1.82	1.27	0.03	1.23	1.25
	Tapis (Hydrocracking)	-1.86	-2.62	-3.61	↓	-0.99	-2.50	-3.68	-4.49	-6.56	-5.42
China	Cabinda (Hydroskimming)	-2.27	-3.40	-3.88	↓	-0.48	-1.81	-3.74	-6.02	-8.71	-8.13
	Daqing (Hydroskimming)	-3.64	-4.28	-2.00	↑	2.28	-0.98	-1.01	-3.10	-5.53	-5.21
	Dubai (Hydroskimming)	-3.33	-2.46	-2.16	↑	0.31	-1.47	-1.80	-3.34	-2.92	-3.48
	Daqing (Hydrocracking)	1.15	-0.06	1.12	↑	1.18	1.75	1.66	0.55	-0.90	-0.33
	Dubai (Hydrocracking)	0.91	1.49	0.83	↓	-0.66	1.53	0.80	-0.31	0.91	0.86

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.

Sources: IEA, Purvin & Gertz Inc.

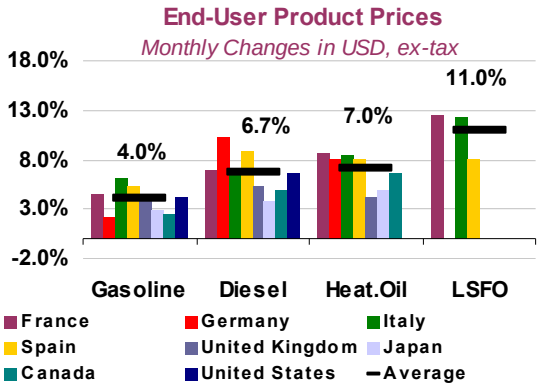
At the US Gulf Coast, all cracking margins fell in February with average losses from $2-$5/bbl. Bonny Light and LLS-based margins posted the largest losses as the premiums for light sweet crudes increased due to the shortfall of Libyan crude. High runs at those US refineries able to take advantage of the lower priced WTI as well as high imports from Europe pressured US gasoline cracks, increasing the losses at cracking units.

On the US West Coast, the situation was completely different, with refining margins posting large gains in February. The gains were due to a combination of widening discounts for crude feedstock and product cracks being stronger in this part of the US due to tighter supply. In March however, both gasoline and fuel oil cracks fell leading to falling margins.

In Asia, margins diverged in February. Singapore refining margins fell slightly, but losses were less than in Europe and the US, due to a narrowing fuel oil discount and a firm gasoil crack as demand was high and the start-up of spring turnarounds tightened supply. But a widening fuel oil discount in March led to increased losses, with Tapis margins plummeting to -$9.10/bbl in the first week of the month, also spurred by wider differentials for light-sweet Tapis crude.

End-User Product Prices in February

End-user prices for selected IEA countries continued their three-month upward rally during February. Gasoline prices rose on average by 4% month-over-month (m-o-m) and by 26% year-on-year (y-o-y). Diesel was up 6.7% m-o-m and 36% y-o-y. With respect to the remaining surveyed products, heating oil and low-sulphur fuel oil (LSFO) experienced price hikes of 7% and 11% m-o-m, respectively. On a yearly basis, heating oil rose by 34% and LSFO by 24%.

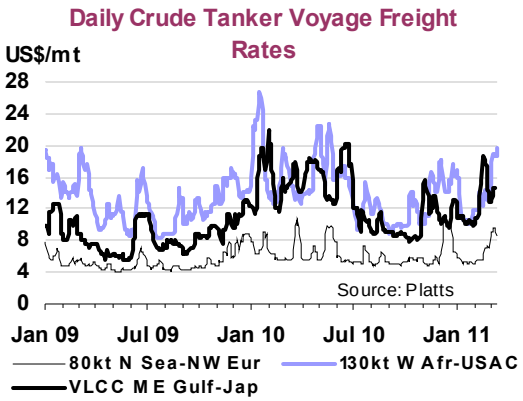


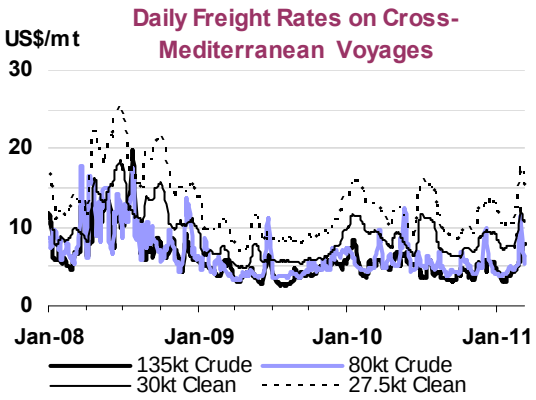
Italy saw the strongest increases, with gasoline up by 6.1%, diesel by 6.5% and heating oil by 8.5%. In Germany, gasoline prices saw the smallest increments among the survey countries, up by 2.2%, but posted the largest diesel increase, up 10.4%. Prices for automotive diesel rose across the board for surveyed countries. Beside the German increase, Spanish diesel was up by 8.9% and Italy a smaller 6.5% rise. Outside Europe, end-user prices posted smaller increases. In Japan prices rose for gasoline by 2.8%, diesel by 3.8% and heating oil by 4.9%. Canada registered the lowest gasoline price rise at just 2.5% and the second lowest diesel price increment at 4.9%.

Freight

Crude oil tanker rates experienced a resurgence across all benchmark routes in February on increased demand from Asia, weather-related disruptions in Northwest Europe and the crisis unfolding in Libya. The VLCC Middle East Gulf – Japan route surged from $10/mt to $18/mt following a post-Chinese New Year holiday demand increase that considerably tightened available tonnage East of Suez and drew some vessels from the Atlantic into the market. However, as demand waned, the market softened and rates fell back to below $15/mt by early March.

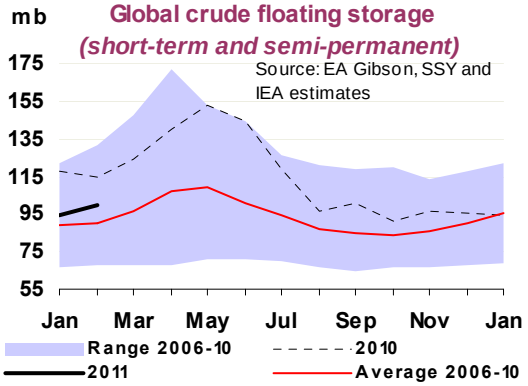
Suezmax rates 'piggybacked' those of the VLCCs. As tonnage of the larger vessels tightened, charterers split cargos onto 1 mb Suezmaxes. In the Atlantic basin, Suezmax rates climbed to $19/mt in early-March as tonnage has remained scarce. In Northwest Europe rates also climbed in response to tightening ice-class requirements in the Baltic. At the time of writing, the Gulf of Finland was completely covered by ice, delaying vessels and tightening tonnage. Consequently the benchmark Aframax UK – NW Europe route had surged to $10/mt by early March, nearly double the normal rates.





In the Mediterranean, Aframax and Suezmax crude tanker markets surged following the onset of unrest in Libya. Rates for cross-Mediterranean Aframax voyages climbed from $5/mt to a high point of $11.5/mt in the first week of March, the highest level since May 2010, following an increase insurance premiums for vessels calling in Libya and delays caused by uncertainty surrounding the status of Libyan ports and the coincidental onset of bad weather in the Mediterranean. However, in the second week of March the situation in Libya became clearer, the weather improved and many traders shied away from Libyan crude in light of sanctions. Consequently, many of the waiting tankers were released into the tonnage pool with subsequent downward pressure on rates, resulting in the cross-Mediterranean Aframax rate plummeting to below $6/mt.

Concerns over Libya also rolled into product tanker markets where a surge in Mediterranean markets drew in vessels normally operating in Atlantic basin markets with an ensuing significant rise, in response to rapidly tightening fundamentals, in these markets. In the event of a prolonged disruption to Libyan exports, it is suggested that Aframax rates will suffer since their demand will be reduced whilst VLCC rates could be underpinned by their increased use to deliver extra Saudi supplies.



By end-February, crude and products in short-term floating storage had risen to 61.8 mb (+6.7 mb), driven by a 6.5 mb increase in Iranian crude. As such, VLCCs deployed for storage increased by 3 to 19, the highest level since end-September 2010 with the total storage fleet now standing at 47 vessels.

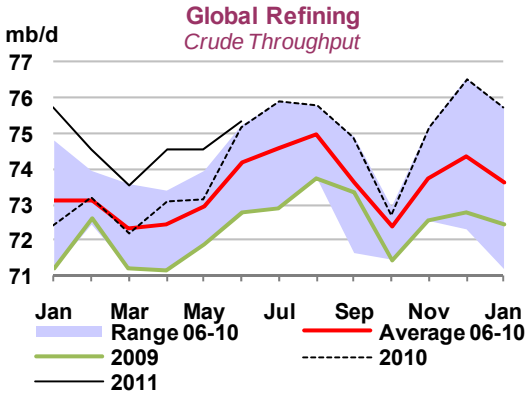
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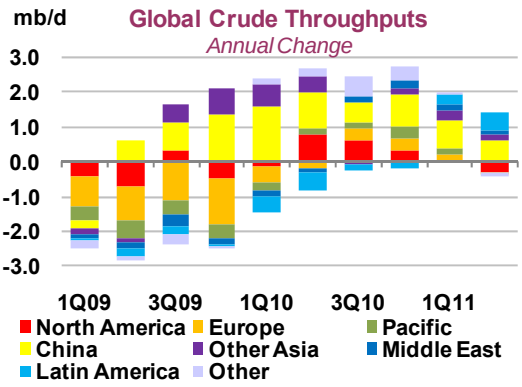
Summary

- **Global crude throughputs in 1Q11 are revised down by 165 kb/d to average 74.6 mb/d** since last month's report, on lower estimated Chinese runs for January and weaker US runs in February. Slightly higher throughputs in Other Asia, Europe and the Pacific partly offset the downward change. 1Q11 runs nevertheless retained annual growth above 2.0 mb/d, of which the non-OECD accounted for 80%.

- **Global refinery runs are expected to drop sharply through 1Q11,** to reach a seasonal low point of 73.5 mb/d in March before picking up steam again ahead of summer and reaching 75.3 mb/d in June. In all, 2Q11 throughputs, at 74.8 mb/d, are estimated at 0.2 mb/d above 1Q11, as sharply higher runs in the US are offset by seasonally lower OECD Pacific activity. Non-OECD runs are estimated to trend sideways overall, at 38.4 mb/d.

- **OECD crude throughputs** averaged 36.9 mb/d in January, 640 kb/d less than in December, but 220 kb/d above our previous assessment. Higher than anticipated runs in both Europe and the Pacific were offset by downwardly revised Mexican figures. The monthly declines came almost entirely from the US, which saw runs drop sharply. In all, January runs were still 1.2 mb/d above the same month a year earlier. Preliminary data indicate OECD runs dropped a further 810 kb/d in February as seasonal maintenance intensified.





Global Refinery Throughput

Global refinery throughputs have been revised down by 165 kb/d for 1Q11 on lower Chinese runs in January, disrupted operations in Libya and Iraq in February and March, and weaker-than-expected US runs in February. Slightly higher-than-forecast runs in Europe and the Pacific, as well as sustained high rates in India, Brazil, Russia and Saudi Arabia, provided partial offset. Globally, runs are expected to fall sharply over February and March, as maintenance lowers runs in the Atlantic Basin and cuts rates in the Middle East.

It is likely that the earthquake that hit Japan on 11 March will have a significant impact on refinery operations for months to come. It was reported that six refineries, with a combined capacity of almost 1.4 mb/d had halted operations on the morning of the quake (*see Japan's Refineries Hit by Earthquakes and Tsunami*). Until the damage can be assessed, however, we retain our previous forecast, noting that Japanese runs will be lower in March and possibly beyond that, should the facilities have been damaged. In all, 1Q11 global crude runs average 74.6 mb/d, 2.0 mb/d above a year earlier, and 200 kb/d below the previous quarter. From April onwards however, global crude runs are expected to rebound sharply as turnarounds are completed in the US and refiners ramp up to meet peak summer demand. Global 2Q11 runs are estimated to average 74.8 mb/d, 0.2 mb/d higher than 1Q11 and 1.0 mb/d above a year earlier.

Global Refinery Crude Throughput[1]

(million barrels per day)

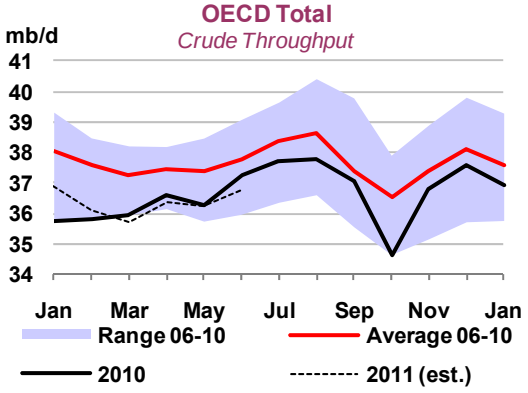
	Nov 10	Dec 10	4Q2010	Jan 11	Feb 11	Mar 11	1Q2011	Apr 11	May 11	Jun 11	2Q2011
North America	17.3	17.9	**17.3**	17.2	16.7	17.1	**17.0**	17.6	18.0	18.2	**17.9**
Europe	12.7	12.7	**12.3**	12.6	12.3	12.0	**12.3**	12.1	12.2	12.5	**12.3**
Pacific	6.8	7.0	**6.7**	7.1	7.1	6.5	**6.9**	6.6	6.0	6.0	**6.2**
Total OECD	**36.8**	**37.6**	**36.3**	**36.9**	**36.1**	**35.7**	**36.2**	**36.3**	**36.2**	**36.8**	**36.4**
FSU	6.5	6.5	**6.4**	6.4	6.3	6.1	**6.3**	6.1	6.3	6.4	**6.3**
Non-OECD Europe	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**
China	9.0	9.2	**9.0**	8.8	9.2	8.9	**9.0**	9.2	9.2	8.9	**9.1**
Other Asia	8.8	9.1	**8.9**	9.1	8.9	9.0	**9.0**	9.1	8.9	9.0	**9.0**
Latin America	5.1	5.2	**5.1**	5.3	5.3	5.4	**5.3**	5.3	5.5	5.5	**5.4**
Middle East	6.1	6.2	**6.2**	6.2	6.0	5.7	**6.0**	5.9	5.9	6.1	**6.0**
Africa	2.5	2.3	**2.4**	2.5	2.3	2.0	**2.3**	2.0	2.2	2.2	**2.1**
Total Non-OECD	**38.4**	**39.0**	**38.5**	**38.8**	**38.4**	**37.8**	**38.4**	**38.2**	**38.4**	**38.6**	**38.4**
Total	**75.2**	**76.5**	**74.8**	**75.7**	**74.5**	**73.5**	**74.6**	**74.5**	**74.6**	**75.3**	**74.8**

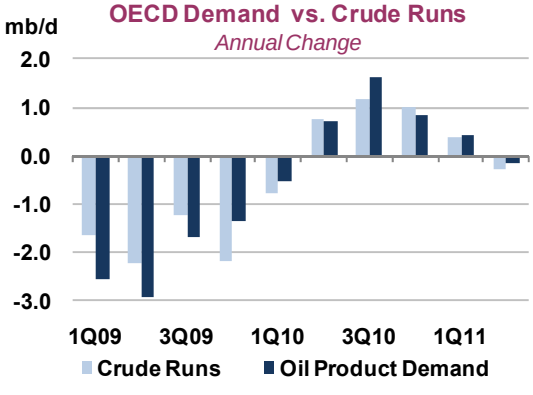
1 Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude runs fell by 640 kb/d in January, to average 36.9 mb/d, but retained annual growth of some 1.2 mb/d. The decline was almost entirely accounted for by the US, which saw throughputs plunge from December's high 85% to only 82% utilisation. European runs fell by 80 kb/d as a maintenance shutdown of Portugal's largest refinery lowered the regional total. In the Pacific, stronger Japanese runs were mostly offset by lower runs elsewhere. Total OECD crude runs are estimated to have fallen a further 810 kb/d in February, with particularly steep drops again registered in North America. According to preliminary data from Euroilstock, European runs also fell further, to an estimated 12.3 mb/d.

The impact of the disruption to Libyan oil supplies has so far been tempered by the seasonal lull in crude oil demand and relatively healthy inventories ahead of the crisis. Refining margins indeed plummeted as the steep crude price increases far outpaced increases registered for refined products. Several refiners stated that in the short term they were more concerned over refining profitability than access to crude, and said they would have to lower throughputs unless margins improved. Runs are nevertheless expected to pick up sharply from April onwards, when both North America and Europe complete their spring turnaround schedule and start preparing for the peak summer demand season. If Libyan supplies are still shut-in, which looks increasingly likely, the competition for feedstocks, in particular light, low-sulphur crudes, might again force feedstock prices prohibitively higher. Unless accompanied by similar moves in transport fuel prices, this may force some refiners to cut runs.





Refinery Crude Throughput and Utilisation in OECD Countries

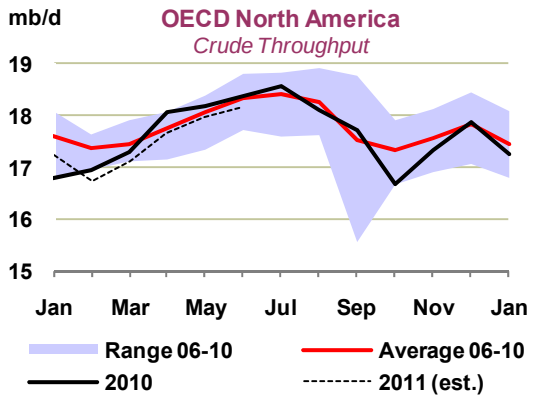
(million barrels per day)

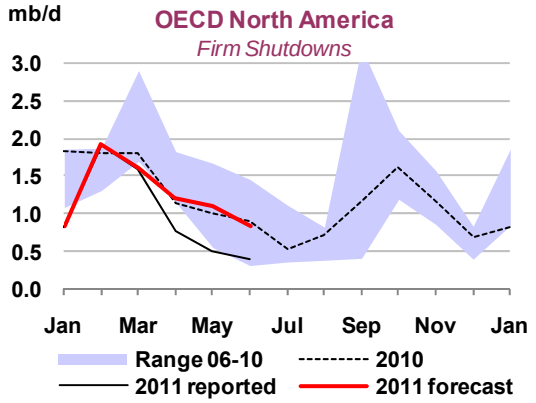
	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Change from Dec 10	Change from Jan 10	Utilisation rate[1] Jan 11	Utilisation rate[1] Jan 10
US[2]	15.11	14.74	14.00	14.63	14.96	14.36	-0.60	0.69	82.0%	77.6%
Canada	1.87	1.78	1.59	1.71	1.81	1.76	-0.05	-0.05	96.3%	92.2%
Mexico	1.15	1.20	1.08	0.99	1.10	1.12	0.02	-0.20	66.2%	85.9%
OECD North America	**18.13**	**17.72**	**16.68**	**17.33**	**17.87**	**17.24**	**-0.63**	**0.44**	**82.0%**	**79.5%**
France	1.50	1.51	0.64	1.39	1.43	1.42	-0.01	0.19	81.3%	67.0%
Germany	2.04	2.05	1.99	2.06	1.99	1.98	-0.01	0.06	83.1%	80.4%
Italy	1.69	1.73	1.66	1.74	1.80	1.78	-0.02	0.17	77.9%	70.3%
Netherlands	1.08	1.00	0.98	0.97	1.01	1.03	0.02	-0.01	85.4%	86.5%
Spain	1.11	1.11	1.02	1.04	1.08	1.07	-0.01	0.01	76.3%	81.6%
United Kingdom	1.45	1.43	1.41	1.39	1.40	1.47	0.08	0.08	81.5%	77.0%
Other OECD Europe	4.01	3.85	3.92	4.09	3.94	3.81	-0.13	0.02	78.1%	78.5%
OECD Europe	**12.88**	**12.68**	**11.62**	**12.68**	**12.65**	**12.58**	**-0.08**	**0.53**	**80.0%**	**76.9%**
Japan	3.53	3.34	3.20	3.49	3.72	3.85	0.13	0.07	85.9%	79.7%
South Korea	2.46	2.53	2.49	2.53	2.57	2.54	-0.03	0.17	93.0%	86.9%
Other OECD Pacific	0.77	0.76	0.66	0.74	0.75	0.71	-0.04	-0.04	84.4%	89.5%
OECD Pacific	**6.76**	**6.63**	**6.35**	**6.76**	**7.04**	**7.10**	**0.06**	**0.19**	**88.1%**	**83.0%**
OECD Total	**37.77**	**37.03**	**34.64**	**36.78**	**37.56**	**36.92**	**-0.64**	**1.16**	**82.4%**	**79.3%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

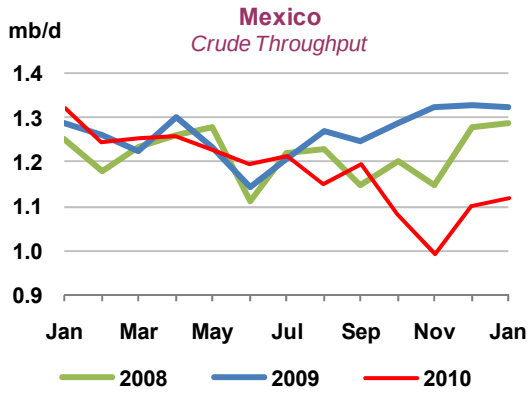
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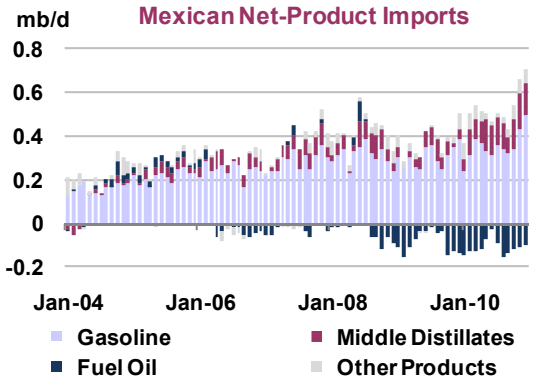
North American crude runs fell by 630 kb/d in January, to average 17.2 mb/d, on lower **US** throughputs. Runs fell by 280 kb/d on both the Gulf Coast and the West Coast, while remaining relatively flat on average for the other regions. Gulf Coast refining margins generally improved in January, but remained negative for cracking. Several plants started their turnarounds, including among others BP's Texas City, Conoco's Borger, Valero's Houston and Petrobras' Pasadena refineries. West Coast runs dropped in part due to the supply disruptions of the ANS pipeline in Alaska, which caused a halt in operations at some plants. Maintenance at Valero's Benicia and Shell's Anacortes plants on the West Coast also contributed, compounded by deteriorating regional cracking margins.



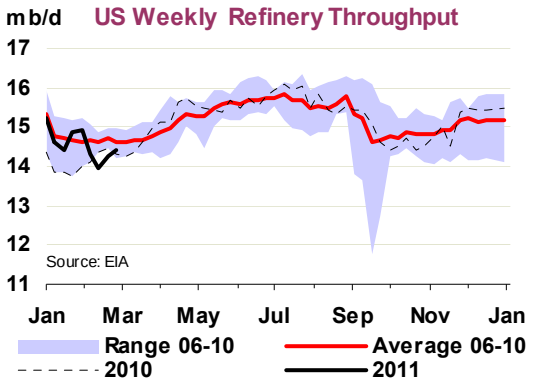


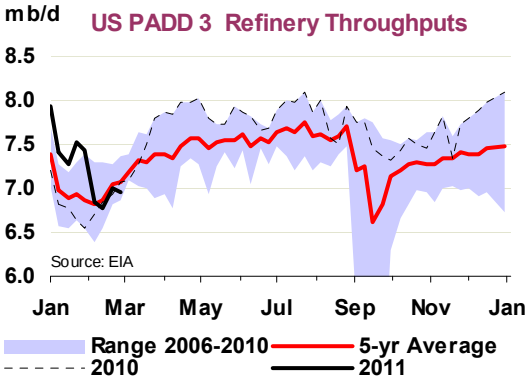
Mexican crude runs remained weak in January, averaging a preliminary 1.1 mb/d. Throughputs lagged year-ago levels by about 250 kb/d in the fourth quarter, as the Madero and Salina Cruz refineries were undertaking some maintenance work. The extended work and low utilisation rates of the Mexican refineries are exacerbating the country's need to import petroleum products from the US. In December 2010, Mexico's net imports averaged 600 kb/d, of which 490 kb/d of gasoline.



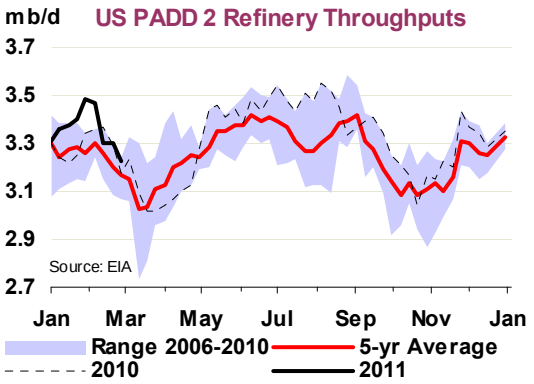


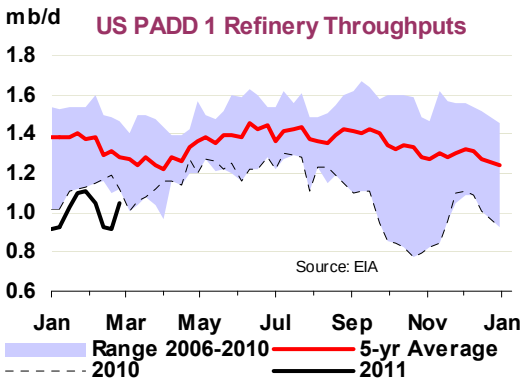
According to weekly data from the EIA, US refinery runs plunged another 0.5 mb/d in February, a much steeper decline than expected. US Gulf Coast runs fell most sharply, not only as maintenance picked up, but also on deteriorating margins. We estimate that more than 1 mb/d of capacity was offline on the Gulf Coast in February, compared to some 400 kb/d in January. While significant capacity is expected to be brought back in March, cracking margins for Bonny, Brent, LLS and Mars all remained firmly in the red early month, suggesting the ramp-up could be slower than otherwise would have been the case.





Refiners in the Midwest were able to take advantage of WTI's weakness relative to other crudes and resulting healthy product cracks. Regional crude throughputs hit almost 3.5 mb/d in early February before sliding as planned turnarounds got underway. Products supplied from refiners on the East Coast were also constrained, supporting regional product cracks. In addition to the permanent closures, which have reduced regional capacity by 400 kb/d since 2009 (including Valero's Delaware refinery which is planned to restart in 2011), maintenance at Sunoco' 335 kb/d Philadelphia and 180 kb/d Marcus Hook refineries in Pennsylvania lowered operating rates.

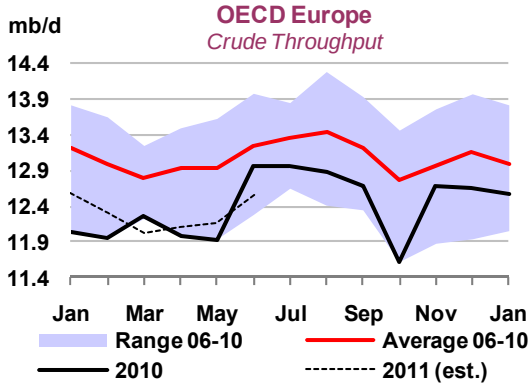


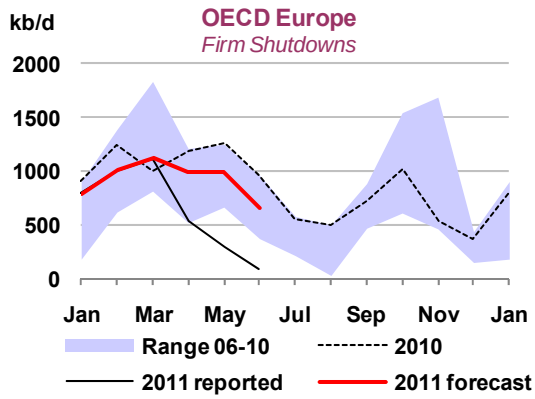


European crude throughputs averaged 12.6 mb/d in January, 200 kb/d higher than our previous estimate. Italy saw the largest revision, though French, Dutch and UK runs were also higher. According to preliminary data from Euroilstock, operations slowed further in February as maintenance picked up. Runs fell by 265 kb/d in all, notably in Italy (-105 kb/d), Germany (-85 kb/d), Spain (-85 kb/d) and the UK (-65 kb/d). A recovery in Portuguese runs, as maintenance at Galp's 220 kb/d Sines refinery was completed, provided some offset. We estimate that a total of 1.0 mb/d of capacity was shut in February, up just over 200 kb/d from January.

Runs are expected to fall again in March, on still higher maintenance, weaker margins and in some cases lack of feedstocks. Regional maintenance is slightly higher than in February, but the focus shifts from the Mediterranean to Northwest Europe. The Swiss branch of Libyan oil company Tamoil was the first refiner to announce it was running lower volumes because of weak margins and because they were struggling to replace lost Libyan volumes in March. Several other refiners have indicated they were considering run cuts due to poor economics in late-February/early-March. While most refiners have been able to source enough crude to replace lost Libyan volumes, or had enough stocks to maintain operations for the time being, the competition for feedstocks has been pushing up crude prices much more sharply than product prices, causing refinery margins to plummet. However, improved diesel cracks more recently have helped lift margins.

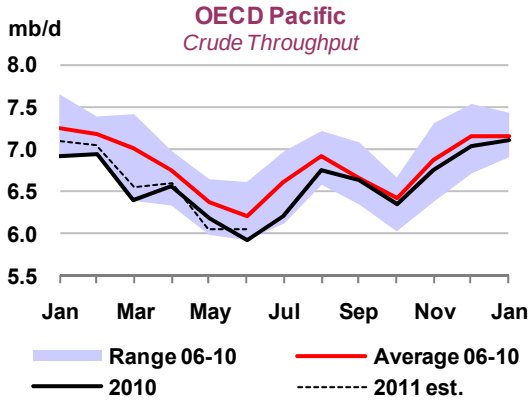
On 10 March, the workers at Petroplus' Reichstett refinery in eastern France went on strike, blocking oil product deliveries out of the terminal, in protest against the company's plan to shut the plant from the end of March. The refinery has a capacity of 85 kb/d and is the second in France to announce closure due to unfavourable economics and market conditions, following Total's closure of its Dunkirk plant in 2010.

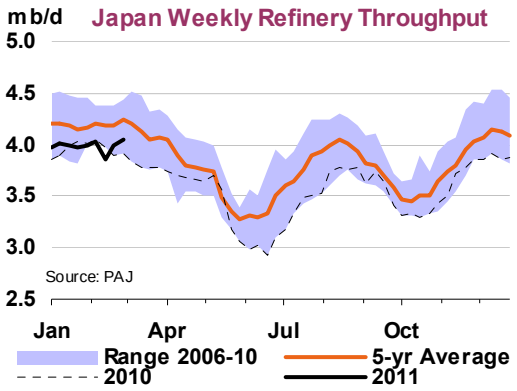




Pacific crude runs averaged 7.1 mb/d in January, about 100 kb/d higher than forecast and the highest since February 2009**. Japanese** crude throughputs hovered above 3.8 mb/d for both January and February for the first time in two years also (weekly data includes some NGLs, here estimated at 180 kb/d, and are thus reported around 4.0 mb/d). Winter heating demand and relatively robust exports have been supporting runs lately, though the impending maintenance season will normally cut runs from next month onwards to peak in June. At the time of writing, it was unclear whether Japan's refining industry sustained significant damage when an earthquake with a magnitude 8.9 on the Richter scale hit the country early on 11 March (see *Japanese Refiners hit by Earthquakes and Tsunami*). Until the damage can be assessed, we refrain from adjusting the forecast, yet note that runs will likely be lower than currently shown here.

South Korean runs continued to be supported by strong domestic demand (+3.9% y-o-y in January) and higher product exports (+20.1% y-o-y in January), averaging about 2.5 mb/d for the fifth consecutive month in January. SK Energy and Hyundai Oilbank are scheduled to start maintenance in March, suggesting runs could fall from current levels. **Australian** runs for December were higher than expected, and led the regional upward revision, suggesting that the impact of the floods there were less severe than first thought.



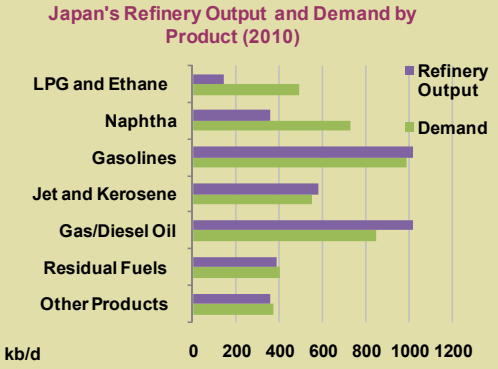


Japan's Refineries Hit by Earthquakes and Tsunami

The devastating earthquake and tsunami that hit Japan on 11 March is having a severe impact on the country's refinery industry. At least six of the country's 27 refineries, with a combined capacity of 1.4 mb/d or 31% of the country's total, halted operations in the aftermath of the disaster, severely curtailing domestic product supplies. As it is still too early to ascertain the damage sustained by the facilities and the likely duration of the closures, we have refrained from making an adjustment to our global throughputs forecast, but will update when the situation becomes clearer. No major damage to facilities has yet been reported, though a fire that broke out at the storage tanks at Cosmo's 220 kb/d Chiba refinery, was still not extinguished on Monday.

Japanese Refining Capacity Shut on 14 March 2011

Company	Plant	Capacity
JX Nippon Oil & Energy	Sendai	145
JX Nippon Oil & Energy	Kashima	253
JX Nippon Oil & Energy	Negishi	270
Cosmo Oil	Chiba	220
Chiba	Kyokuto	175
Tonen General	Kawasaki	335
Total Capacity Shut		**1398**
Total Japanese Crude Distillation Capacity		4516
Percentage Shut		31%



Japan, the fifth largest refiner in the world (ranking behind the US, China, Russia and India in terms of throughputs in 2010), is entirely dependent on imports for its refinery feedstocks. In 2010, Japan imported 3.7 mb/d of crude oil, mostly from the Middle East. The largest sources of supply were Saudi Arabia (29%), the UAE (21%), Qatar (12%), Iran (7%) and Russia (7%). Japan also imported some 1 mb/d of refined products, mostly naphtha and LPG, while product exports – largely middle distillates - stood at some 350 kb/d in 2010.

In addition to the refinery shutdowns, nearly a quarter of Japan's ethylene cracker capacity has been shut, causing Asian naphtha cracks to tumble. Reportedly, 1.71 million tonnes per year (t/y), or 23% of the overall 7.3 million t/y ethylene capacity in Japan was closed due to the disaster, creating a glut in Asian naphtha markets. Japan is a large regional buyer, importing around 465 kb/d of naphtha in 2010, or around 57% of its demand.

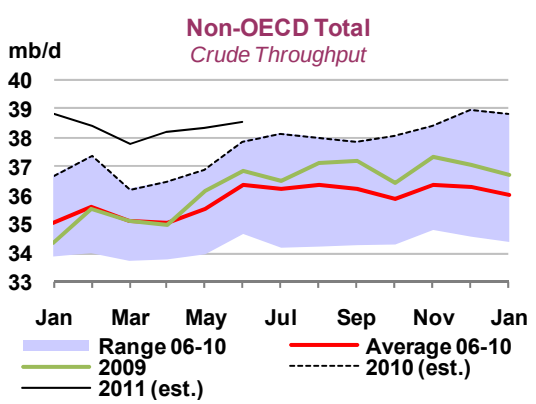
One of the 10 governmental oil stockpiling sites, located at Kuji, was also affected by the tsunami. This site, which has underground storage facilities, is currently out of operation. However, only some 11 mb, or 3% of total public stocks, are stored at this site. In addition to holding government stocks, Japan also places a minimum stockholding obligation on industry. As of December 2010, the country held some 590 mb of oil stocks (320 mb of government oil stocks and some 270 mb of industry stocks), equivalent to 170 days of net imports. Government stocks managed by JOGMEC (stockholding agency of Japan) are almost all crude oil.

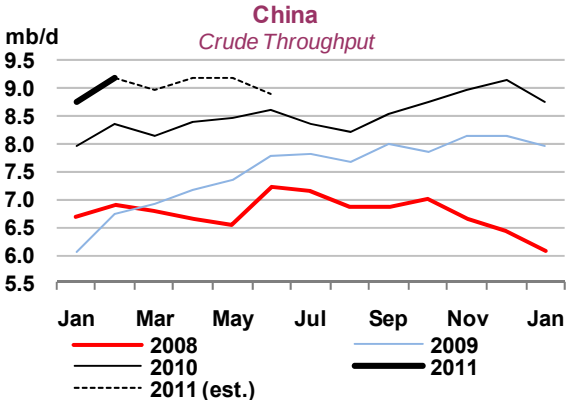
The Japanese government has temporarily relaxed industry stockholding requirements, lowering stockholding obligations by 3 days for a month starting 14 March, making some 8 mb available to markets. Ample stock levels mean that the key problem is rather ensuring supplies can be delivered to the worst affected areas.

Non-OECD Refinery Throughput

Non-OECD refinery crude throughputs have been revised 145 kb/d lower for 1Q11, to 38.4 mb/d, on the back of sharply lower Chinese crude runs in January. While all preliminary surveys and company statements had signalled a monthly increase in Chinese runs in January, official data released on 11 March showed runs instead plummeted, leading to a significant downward adjustment (-540 kb/d). Reduced runs in the Middle East and Africa, notably Iraq and Libya, in March also drag our forecast lower. These downward adjustments are, however, partly offset by higher Indian and Russian throughputs in January, as well as continuously strong runs in Brazil.

Looking ahead, 2Q11 non-OECD runs are expected to trend sideways overall, averaging 38.4 mb/d. Lower runs in Africa, where the closure of almost the entire refining sector of Libya is expected to drag runs lower are offset by slightly stronger runs in China and Latin America. Runs in the Middle East are expected to be depressed due to heavy maintenance, while increased capacity in India will likely offset some seasonal shutdowns planned there. Annual growth for the non-OECD as a whole slows to 1.3 mb/d, from 1.6 mb/d in 1Q11, dominated by China and Latin America (which is rebounding from exceptionally low runs in early 2010), and to a lesser degree Other Asia and the FSU.

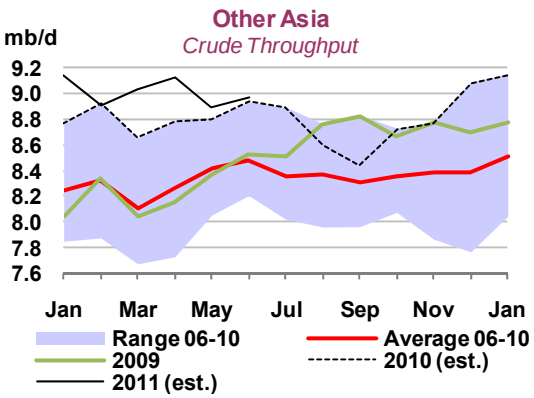


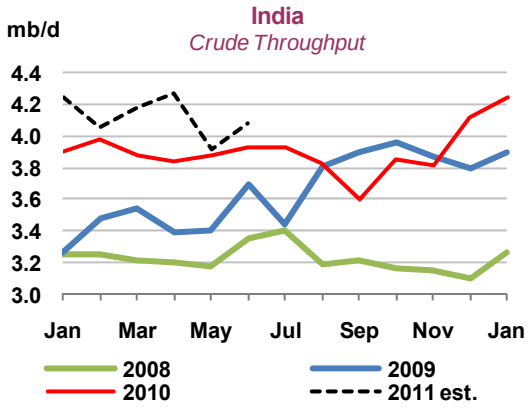


Official data released by the National Bureau of Statistics show Chinese crude throughputs falling by 400 kb/d in January, to 8.8 mb/d, compared to a previous assessment of a 140 kb/d monthly increase. February runs were also reported in the same update, putting these at 9.2 mb/d, in line with our previous forecast. Runs are expected to fall back again in March as some refiners undertake maintenance, and also as current high crude prices cut refining margins. There have been reports that Sinopec has had to hand out subsidies to encourage additional gasoline supplies, amid market tightness due to strong domestic aromatics demand. The head of PetroChina announced in March that the company was making refining losses with crude prices above $90/bbl, suggesting incentives to keep rates high are diminishing unless product prices are raised as well. For 2010 as a whole, Chinese refiners processed 8.5 mb/d of crude oil, an impressive 1.0 mb/d higher than a year earlier. According to the National Development and Reform Commission, the industry booked Yuan 69.4 billion ($10.54 billion) of profits for the year, 3.8% lower than 2009, as domestic product prices lagged international crude markets.

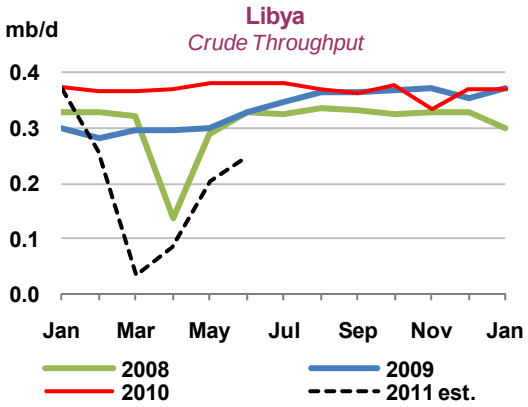
In **Other Asia**, runs are estimated to have reached a record high in January, underpinned by strong Indian throughputs. These averaged 4.2 mb/d, including an assumed 660 kb/d level for Reliance's export refinery, which is not included in Ministry statistics. January runs were 120 kb/d higher than December's levels and 345 kb/d above a year earlier. Runs are estimated to have dropped in February, as Reliance shut a 180 kb/d FCC unit for maintenance. Indeed, preliminary product export estimates support the lower numbers, showing a 250 kb/d drop in product exports in February compared to January. Partially offsetting the maintenance, however, the 120 kb/d Bina refinery reportedly started commercial

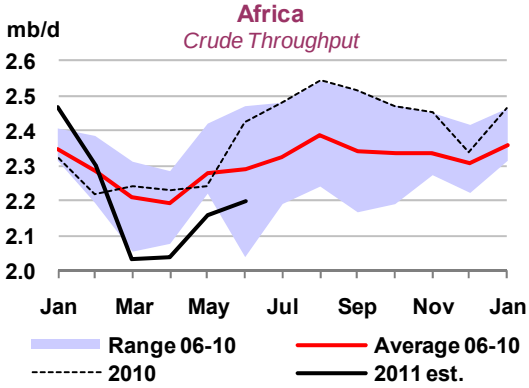
operations in mid-February. Looking ahead, runs are expected to drop again in May/June when Essar completely shuts its 280 kb/d Vadinar refinery for 35 days. The company will raise the plant's crude distillation capacity to 360 kb/d during this period.





The uprising in Libya is not only affecting the country's crude supplies and European refiners, but also domestic refinery operations. Libya has five refineries with a combined capacity of 380 kb/d. Recently, the two largest plants, accounting for 90% of the country total, have been shut. The 220 kb/d Ras Lanuf refinery halted operations in late February, and most personnel have left. On 11 March, it was reported that Gaddafi's forces bombed the plant and surrounding oil storage tanks. The extent of the damage, and likely duration of the outage is not yet clear. The 120 kb/d Zawia plant had to temporarily shut last week, after having operated at reduced rates due to lack of feedstocks for some time, as nearby bombings and heavy fighting made continued operations unsafe. The latter plant has reportedly restarted operations. Domestic fuel shortages will soon become an issue, at least if the port situation does not improve allowing product imports to resume. Libya imported some 80 kb/d of oil products in 2010, and exported around 100 kb/d of largely jet and fuel oil to OECD countries (mainly Italy).

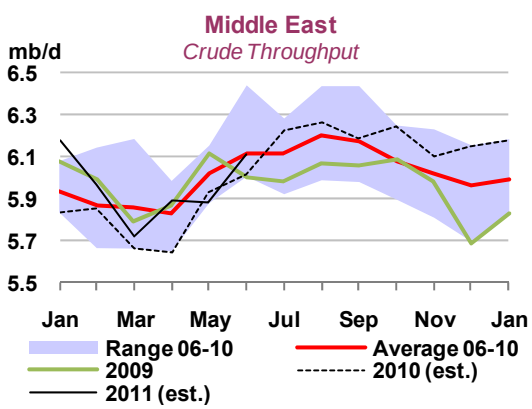


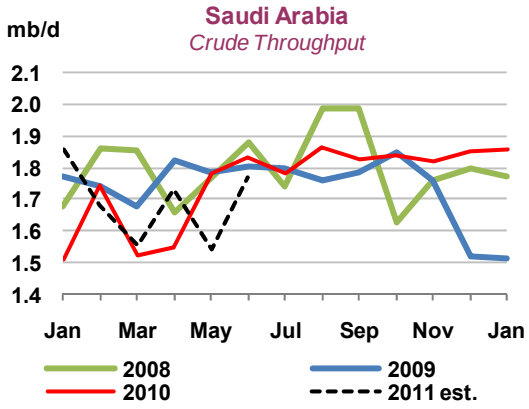


Middle Eastern crude runs for January are estimated at 6.2 mb/d, unchanged from December, but 50 kb/d higher than our previous assessment. Runs likely dropped significantly over February and March, as several large refineries were undertaking maintenance. In **Saudi Arabia**, Saudi Aramco started maintenance at its 235 kb/d Yanbu plant in February and March and is planning a complete shutdown of its 305 kb/d Jubail joint venture plant from March, reducing naphtha supplies to Asia as a result. The Kingdom's 400 kb/d Rabigh refinery is planning a complete shutdown for 30 days from end-April and through most of May. Some maintenance in Bahrain, Kuwait and the UAE is expected to have further reduced regional runs in the first quarter.

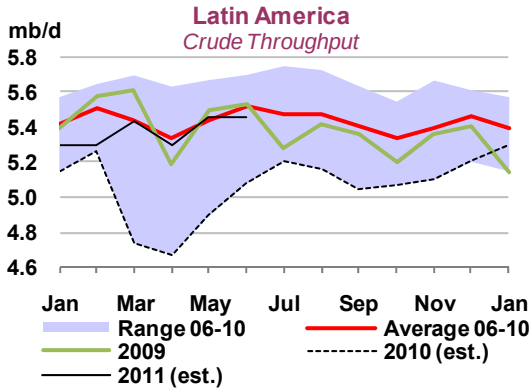
Iraq's 310 kb/d Baiji refinery, the country's biggest, had to shut a 150 kb/d crude unit on 26 February after an attack on the plant. The refinery had already shut a 70 kb/d unit for maintenance. The extent of

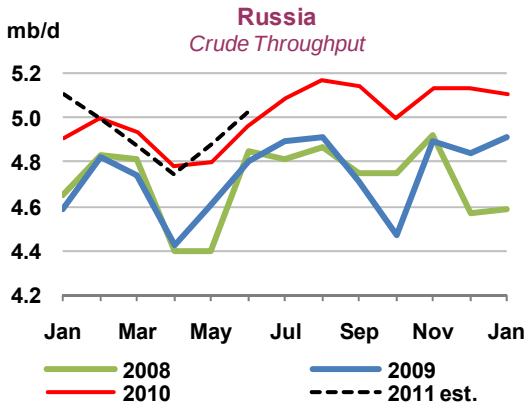
the damage is not yet confirmed, but the refinery reportedly managed to restore partial operations within a few days. We assume the plant will run at reduced rates until the unit can be repaired, estimated to take at least 45 days by one of the refinery's managers.





In **Latin America**, **Brazilian** crude runs averaged 1.9 mb/d in December, flat from a month earlier and 100 kb/d higher than the previous year (and +50 kb/d compared to previous forecast). We have lifted the forecast somewhat to reflect the recent higher run rates. Valero announced in early March that its 235 kb/d Aruba refinery was back at "planned rates" after having had to shut down on 7 February after a freshwater tank collapsed damaging some oil product pipelines. We assume planned rates at 190 kb/d, or 80% utilisation.



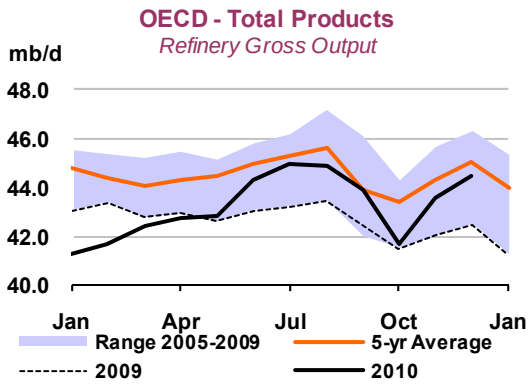


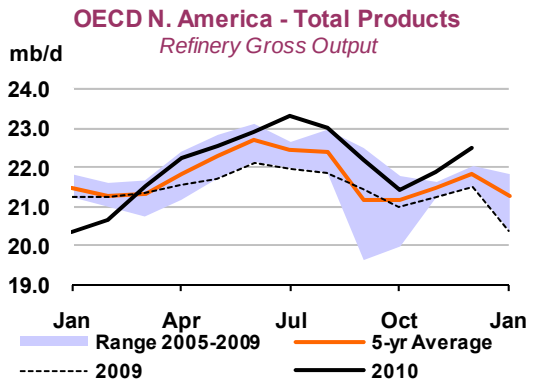
Russian crude runs continue to exceed expectations, and were reported at 5.1 mb/d for January, up 200 kb/d from a year earlier and 130 kb/d above our previous forecast. Production of gasoline fell by 4.6% m-o-m according to the Energy Ministry, while gasoil dropped 0.7% and fuel oil 2.8%. Rosneft reportedly ceased production of 80-octane gasoline at its Samara, Achinsk and Komsomosk refineries due to the recent introduction of tighter fuel specifications, dragging down overall gasoline production.

In **Belarus**, the Mozyr refinery started processing Azeri oil in early March. The Azeri oil is part of a swap agreement with Venezuela. Under the contract, Belarus will receive 4 mt (or 80 kb/d) of Azeri light oil from Socar Resources, to be transported to the refinery via the Odessa-Brody pipeline and a reversed part of the Druzhba pipeline. In return, Socar will take Venezuelan crude supposed to be processed in Belarus, in an attempt to ease its dependence of Russian crude in accordance with a deal between Minsk and Caracas. According to the head of the company, Socar will ship the Venezuelan Santa Barbara crude to the US.

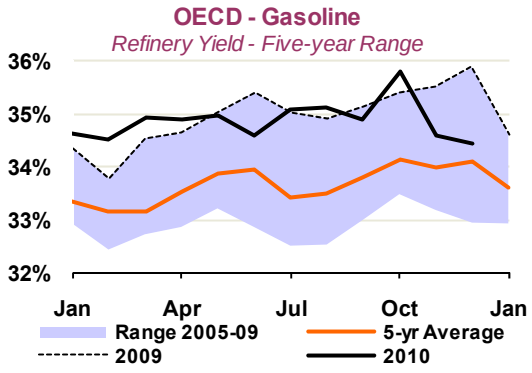
OECD Refinery Yields

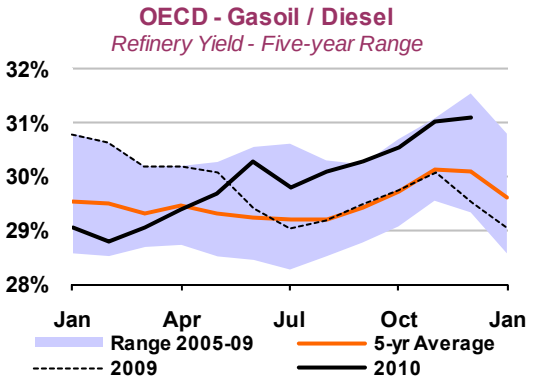
December OECD yields increased for all products except naphtha, gasoline and other products. December gross output increased 0.9 mb/d from the previous month, on higher gross output in OECD North America and OECD Pacific. Unusually high runs in the US lifted the North American output, as refiners profited from strong December margins due to in particular higher heating oil cracks and relatively weak US crude prices. Output from European refineries was unchanged vs. November, and still in the lower half of the five-year average.





OECD gasoline yields fell further in December, thereby continuing the shift down seen in November. Yields fell in both OECD North America and OECD Pacific, and were unchanged in OECD Europe.





The decrease in OECD Pacific was in line with seasonal patterns as Japanese and Korean refineries focus on kerosene production for heating purposes in the winter months. In OECD Europe, refiners took advantage of the high naphtha cracks, which continued to strengthen in December, and kept naphtha outputs higher at the expense of gasoline. In OECD North America, gasoline yields fell further from November, and were in line with the five year average, quite contradictory to the peak seen in December last year. As gasoline cracks were weak due to high stock levels, refiners instead increased gasoil/diesel yields, as cold weather boosted heating oil cracks and demand from Latin America remained strong.

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

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.2	24.0	23.9	23.9	23.7	24.2	24.0	24.0
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.8	14.7	14.4	14.2	14.1	14.6	14.6	14.4
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.3	7.3	7.4	7.9	7.7
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.6	46.7	46.1	46.4	45.1	46.2	46.5	46.0
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.2	4.4	4.4	4.3	4.4	4.2	4.5	4.5	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	10.0	9.4	9.9	10.0	9.9	10.1	10.0
Other Asia	9.5	9.6	10.0	10.2	9.9	10.2	10.1	10.4	10.5	10.1	10.5	10.4	10.6	10.8	10.4	10.8	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.4	6.4	6.3	6.2	6.5	6.6	6.5	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.5	7.7	8.2	7.6	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.3	3.4
Total Non-OECD	37.3	38.6	38.1	39.7	40.4	40.1	39.6	40.6	41.9	42.1	42.6	41.8	42.6	43.4	43.7	43.6	43.3
Total Demand[1]	86.7	86.1	84.5	84.2	85.4	86.0	85.0	86.5	87.1	88.7	89.4	87.9	89.0	88.4	89.9	90.1	89.4
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.2	14.0	14.1	14.4	14.2
Europe	5.0	4.7	4.9	4.5	4.3	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.1	4.1	3.9	4.1	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6
Total OECD	19.5	18.7	19.1	18.6	18.6	18.9	18.8	19.1	18.8	18.5	19.2	18.9	18.9	18.6	18.7	19.1	18.8
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.8	13.7	13.6	13.8	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.6	3.6	3.6	3.5	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.9	30.0	29.8	30.3	30.5	30.4	30.6	30.5
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.1	2.0
Total Non-OPEC[2]	50.9	50.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.1	53.4	53.8	54.2	53.6
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.4	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.1	53.4	53.8	54.2	53.6
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.1	29.3	29.5	29.2					
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.2	5.4	5.5	5.3	5.7	5.8	6.0	6.0	5.9
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.8	33.5	34.2	34.3	34.6	35.0	34.5					
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.8	33.5	34.2	34.3	34.6	35.0	34.5					
Total Supply[6]	85.5	86.4	84.4	84.6	85.6	86.2	85.2	86.6	87.1	87.5	88.3	87.4					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	1.0	-0.3	-0.9	0.0					
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.2	0.1	0.0					
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	1.0	-0.5	-0.7	0.0					
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2	-0.3	-0.2					
Miscellaneous to balance[7]	-1.0	-0.1	-1.5	0.0	-0.1	1.0	-0.2	0.1	-0.9	-0.5	0.0	-0.4					
Total Stock Ch. & Misc	-1.2	0.3	-0.1	0.4	0.1	0.2	0.2	0.1	0.0	-1.2	-1.1	-0.6					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	31.0	28.7	28.1	28.6	28.6	28.5	29.0	29.0	30.5	30.6	29.8	30.2	29.2	30.1	30.0	29.9
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.6	28.4	29.1	28.1	29.9	30.5	29.4	29.9	28.9	29.8	29.7	29.6

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-
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	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	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	0.1	0.3	-	-	-	0.1
Total Demand	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	-	0.1	-	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.2	0.2	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.2	0.2	0.2	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	0.2	0.2	0.2	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	0.2	0.2	0.2	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-	0.1	-					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1					
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.1	0.1	0.1	-	0.1	0.4	-0.2	-0.2	-0.2	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-0.3	-0.2	-0.3	-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

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.23	24.01	23.90	23.88	23.74	24.22	23.99	23.96
Europe	15.36	14.89	14.27	14.47	14.36	14.49	14.17	14.11	14.79	14.69	14.44	14.22	14.05	14.63	14.59	14.37
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.04	7.79	8.26	7.26	7.35	7.93	7.70
Total OECD	47.58	46.44	44.48	44.99	45.90	45.45	45.94	45.21	46.62	46.75	46.13	46.36	45.05	46.20	46.51	46.03
Asia	17.38	17.50	18.62	18.60	18.98	18.43	19.31	19.91	19.36	20.49	19.77	20.51	20.80	20.29	20.93	20.63
Middle East	7.01	6.76	7.28	7.73	7.10	7.22	7.12	7.52	7.95	7.37	7.49	7.47	7.75	8.19	7.56	7.74
Latin America	6.00	5.79	5.98	6.09	6.12	6.00	6.03	6.28	6.44	6.36	6.28	6.24	6.49	6.64	6.54	6.48
FSU	4.23	3.99	3.87	4.11	4.04	4.00	4.21	4.15	4.38	4.40	4.29	4.35	4.24	4.49	4.49	4.39
Africa	3.19	3.26	3.24	3.18	3.12	3.20	3.19	3.29	3.24	3.26	3.25	3.34	3.37	3.34	3.35	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.72	0.71	0.72	0.72	0.72	0.74	0.73
Total Non-OECD	38.57	38.05	39.74	40.44	40.07	39.59	40.55	41.86	42.09	42.61	41.78	42.64	43.37	43.68	43.61	43.33
World	86.15	84.50	84.23	85.43	85.97	85.03	86.49	87.06	88.71	89.36	87.92	89.00	88.42	89.88	90.12	89.36
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.31	19.23	19.23	19.09	19.55	19.28	19.29
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.07	8.94	8.87	8.78	8.59	8.90	8.82	8.77
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.23	9.98	9.38	9.88	10.03	9.89	10.14	9.99
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.54	4.42	4.78	3.92	4.08	4.42	4.30
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.14	3.39	3.34	3.52	3.55	3.23	3.49	3.45
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.19	3.14	3.06	3.06	3.01	3.26	3.21	3.14
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.81	2.79	2.72	2.72	2.81	2.90	2.90	2.83
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.34	2.73	3.03	2.55	2.66	2.52	2.88	3.18	2.66	2.81
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.26	2.26	2.23	2.23	2.19	2.25	2.25	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.35	2.25	2.38	2.22	2.15	2.34	2.27
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.14	2.14	2.11	2.18	2.13	2.15	2.14
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.81	1.81	1.81	1.82	1.74	1.76	1.74	1.76
Total	60.83	59.49	59.07	59.99	60.70	59.82	61.16	61.39	62.70	63.19	62.12	63.02	62.21	63.27	63.41	62.98
% of World	70.6%	70.4%	70.1%	70.2%	70.6%	70.3%	70.7%	70.5%	70.7%	70.7%	70.7%	70.8%	70.4%	70.4%	70.4%	70.5%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	4.1	1.9	2.6	1.3	-0.2	-0.1	-0.1	0.2
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.9	-1.1	2.2	2.4	-0.3	0.4	-0.4	-1.1	-0.7	-0.5
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.7	1.7	0.8	-0.7	-3.2	-1.3	-1.1
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.6	3.6	1.9	1.5	0.9	-0.3	-0.9	-0.5	-0.2
Asia	1.8	-1.1	4.9	7.5	13.0	6.0	10.3	6.9	4.1	8.0	7.3	6.2	4.5	4.8	2.1	4.4
Middle East	5.7	1.5	3.1	3.7	3.7	3.1	5.3	3.4	2.8	3.9	3.8	4.9	3.0	2.9	2.5	3.3
Latin America	5.6	-0.2	-1.2	-0.7	2.0	0.0	4.2	5.0	5.8	3.9	4.7	3.5	3.3	3.1	2.9	3.2
FSU	2.7	-4.9	-6.7	-6.3	-3.8	-5.4	5.4	7.2	6.6	9.0	7.1	3.5	2.1	2.5	1.9	2.5
Africa	3.9	1.7	1.2	1.1	-3.2	0.2	-2.1	1.7	1.9	4.4	1.5	4.6	2.4	3.2	2.8	3.3
Europe	-0.4	-4.3	-0.8	-0.7	-6.5	-3.1	-6.3	-6.3	-3.1	1.0	-3.7	2.8	2.5	2.2	2.3	2.5
Total Non-OECD	3.3	-0.7	2.0	3.3	6.0	2.6	6.6	5.3	4.1	6.3	5.6	5.1	3.6	3.8	2.3	3.7
World	-0.6	-3.2	-2.5	-0.5	1.0	-1.3	2.4	3.4	3.8	3.9	3.4	2.9	1.6	1.3	0.9	1.6
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.96	0.46	0.60	0.30	-0.04	-0.02	-0.02	0.06
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.73	-0.15	0.32	0.34	-0.05	0.05	-0.06	-0.16	-0.11	-0.07
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.06	0.13	0.07	-0.05	-0.24	-0.11	-0.09
Total OECD	-1.77	-2.55	-2.91	-1.68	-1.37	-2.13	-0.51	0.72	1.63	0.85	0.68	0.42	-0.15	-0.42	-0.24	-0.10
Asia	0.30	-0.19	0.87	1.30	2.18	1.05	1.81	1.28	0.77	1.52	1.34	1.21	0.90	0.93	0.44	0.86
Middle East	0.38	0.10	0.22	0.27	0.26	0.21	0.36	0.25	0.22	0.27	0.27	0.35	0.22	0.23	0.19	0.25
Latin America	0.32	-0.01	-0.07	-0.05	0.12	0.00	0.24	0.30	0.36	0.24	0.28	0.21	0.21	0.20	0.18	0.20
FSU	0.11	-0.21	-0.28	-0.28	-0.16	-0.23	0.22	0.28	0.27	0.36	0.28	0.15	0.09	0.11	0.08	0.11
Africa	0.12	0.06	0.04	0.03	-0.10	0.01	-0.07	0.05	0.06	0.14	0.05	0.15	0.08	0.10	0.09	0.11
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.02	0.01	-0.03	0.02	0.02	0.02	0.02	0.02
Total Non-OECD	1.23	-0.28	0.78	1.28	2.25	1.01	2.50	2.11	1.65	2.54	2.20	2.08	1.51	1.59	1.00	1.54
World	-0.53	-2.83	-2.14	-0.40	0.88	-1.11	1.99	2.84	3.28	3.39	2.88	2.51	1.36	1.17	0.76	1.44
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.07	-0.02	-0.01	-0.04	-0.02	-0.10	-0.04
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.01	-0.08	-0.01	0.01	0.03	-0.01
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.10	0.05	0.04	0.03	0.05
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.02	0.00	0.00	0.00	0.02	-0.04	0.00
Asia	0.01	0.05	0.05	0.05	0.06	0.05	0.12	0.12	0.10	-0.04	0.08	0.15	0.07	0.06	0.03	0.08
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.02	-0.02	0.09	0.01	0.11	-0.02	-0.03	0.00	0.02
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.00
FSU	0.01	0.01	0.01	0.00	0.00	0.00	0.01	0.01	0.00	0.01	0.01	0.00	-0.01	-0.01	0.00	-0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	-0.01	0.00	-0.02	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.00
Total Non-OECD	0.02	0.06	0.06	0.05	0.06	0.06	0.11	0.12	0.09	0.09	0.10	0.29	0.03	0.03	0.01	0.09
World	0.02	0.06	0.06	0.05	0.06	0.06	0.11	0.12	0.10	0.07	0.10	0.30	0.04	0.05	-0.03	0.09
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.02	-0.05	0.02	0.12	0.08	0.04	0.05	0.06	0.04	0.01	0.04	0.19	-0.08	-0.05	-0.10	-0.01

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Oct 10	Nov 10	Dec 10 [2]	Latest month vs. Nov 10	Latest month vs. Dec 09
North America											
LPG&Ethane	2.79	2.85	3.18	2.53	2.67	3.03	2.76	2.86	3.46	0.60	0.15
Naphtha	0.33	0.40	0.40	0.42	0.42	0.35	0.35	0.37	0.33	-0.03	-0.01
Motor Gasoline	10.56	10.64	10.22	10.81	10.91	10.59	10.68	10.49	10.62	0.13	0.05
Jet/Kerosene	1.62	1.65	1.62	1.66	1.70	1.64	1.64	1.64	1.63	-0.01	0.04
Gasoil/Diesel Oil	4.61	4.82	4.80	4.70	4.77	5.00	4.84	4.96	5.21	0.25	0.32
Residual Fuel Oil	0.93	0.96	0.99	0.96	0.94	0.96	0.88	1.05	0.94	-0.11	-0.05
Other Products	2.46	2.58	2.36	2.70	2.81	2.44	2.53	2.48	2.33	-0.15	0.04
Total	23.30	23.90	23.58	23.78	24.23	24.01	23.68	23.84	24.51	0.67	0.54
Europe											
LPG&Ethane	0.92	0.92	0.98	0.94	0.85	0.92	0.84	0.92	1.02	0.09	0.05
Naphtha	1.11	1.21	1.27	1.15	1.21	1.23	1.18	1.28	1.22	-0.07	0.16
Motor Gasoline	2.29	2.20	2.06	2.27	2.33	2.12	2.17	2.15	2.05	-0.10	-0.11
Jet/Kerosene	1.27	1.27	1.20	1.24	1.38	1.27	1.32	1.25	1.23	-0.02	0.03
Gasoil/Diesel Oil	6.02	6.14	6.11	5.86	6.15	6.42	6.44	6.43	6.41	-0.02	0.24
Residual Fuel Oil	1.43	1.29	1.33	1.21	1.29	1.32	1.31	1.28	1.36	0.08	-0.02
Other Products	1.45	1.41	1.21	1.44	1.58	1.41	1.50	1.50	1.24	-0.26	0.00
Total	14.49	14.44	14.17	14.11	14.79	14.69	14.76	14.81	14.51	-0.30	0.35
Pacific											
LPG&Ethane	0.86	0.84	0.90	0.83	0.79	0.82	0.70	0.85	0.93	0.08	-0.06
Naphtha	1.63	1.69	1.76	1.60	1.65	1.77	1.73	1.78	1.78	0.00	0.03
Motor Gasoline	1.55	1.57	1.52	1.52	1.66	1.59	1.53	1.60	1.65	0.05	-0.01
Jet/Kerosene	0.85	0.88	1.15	0.71	0.65	0.99	0.77	0.97	1.22	0.24	-0.03
Gasoil/Diesel Oil	1.60	1.61	1.64	1.55	1.56	1.69	1.60	1.74	1.74	0.00	0.00
Residual Fuel Oil	0.75	0.73	0.77	0.67	0.74	0.72	0.67	0.71	0.78	0.07	0.01
Other Products	0.42	0.47	0.45	0.42	0.56	0.46	0.37	0.51	0.50	-0.01	0.03
Total	7.66	7.79	8.19	7.32	7.60	8.04	7.37	8.16	8.60	0.44	-0.02
OECD											
LPG&Ethane	4.58	4.61	5.05	4.30	4.31	4.78	4.30	4.63	5.40	0.77	0.14
Naphtha	3.06	3.30	3.43	3.16	3.28	3.34	3.26	3.43	3.33	-0.10	0.18
Motor Gasoline	14.39	14.40	13.79	14.60	14.90	14.31	14.38	14.23	14.31	0.08	-0.06
Jet/Kerosene	3.73	3.80	3.98	3.62	3.73	3.89	3.73	3.86	4.08	0.21	0.04
Gasoil/Diesel Oil	12.23	12.57	12.56	12.11	12.48	13.12	12.88	13.13	13.36	0.23	0.56
Residual Fuel Oil	3.12	2.98	3.10	2.85	2.97	2.99	2.87	3.04	3.08	0.04	-0.05
Other Products	4.33	4.46	4.02	4.56	4.95	4.32	4.40	4.49	4.07	-0.42	0.07
Total	45.45	46.13	45.94	45.21	46.62	46.75	45.81	46.81	47.63	0.82	0.88

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.
2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Oct 10	Nov 10	Dec 10 [2]	Latest month vs. Nov 10	Latest month vs. Dec 09
United States[3]											
LPG	2.05	2.11	2.39	1.80	2.00	2.26	2.04	2.10	2.63	0.53	0.13
Naphtha	0.25	0.27	0.27	0.28	0.28	0.23	0.22	0.24	0.23	-0.01	-0.03
Motor Gasoline	9.00	9.06	8.68	9.22	9.31	9.01	9.10	8.93	8.99	0.06	0.06
Jet/Kerosene	1.41	1.45	1.42	1.46	1.48	1.45	1.45	1.45	1.44	-0.01	0.04
Gasoil	3.63	3.80	3.79	3.70	3.76	3.94	3.77	3.89	4.15	0.26	0.29
Residual Fuel Oil	0.51	0.55	0.58	0.53	0.54	0.57	0.51	0.63	0.57	-0.06	-0.01
Other Products	1.92	1.99	1.80	2.11	2.19	1.86	1.91	1.90	1.78	-0.12	0.08
Total	18.77	19.23	18.93	19.10	19.57	19.31	19.01	19.13	19.79	0.66	0.55
Japan											
LPG	0.49	0.47	0.53	0.46	0.43	0.46	0.37	0.46	0.53	0.07	-0.08
Naphtha	0.73	0.78	0.84	0.71	0.74	0.82	0.82	0.83	0.81	-0.02	-0.02
Motor Gasoline	0.99	1.00	0.96	0.97	1.08	1.00	0.96	1.00	1.06	0.06	0.00
Jet/Kerosene	0.55	0.55	0.81	0.43	0.36	0.62	0.43	0.61	0.82	0.21	-0.05
Diesel	0.40	0.38	0.38	0.35	0.38	0.39	0.36	0.40	0.41	0.01	-0.02
Other Gasoil	0.44	0.46	0.53	0.43	0.42	0.48	0.42	0.48	0.53	0.05	0.03
Residual Fuel Oil	0.40	0.39	0.39	0.36	0.42	0.38	0.36	0.38	0.41	0.03	0.02
Other Products	0.37	0.39	0.34	0.33	0.50	0.39	0.32	0.42	0.42	-0.01	0.01
Total	4.37	4.42	4.79	4.04	4.33	4.54	4.03	4.59	5.00	0.41	-0.09
Germany											
LPG	0.09	0.10	0.10	0.10	0.10	0.08	0.08	0.08	0.09	0.01	0.00
Naphtha	0.37	0.40	0.43	0.37	0.41	0.41	0.39	0.43	0.41	-0.03	0.04
Motor Gasoline	0.47	0.46	0.42	0.48	0.49	0.45	0.48	0.46	0.41	-0.05	-0.04
Jet/Kerosene	0.19	0.19	0.17	0.19	0.20	0.18	0.20	0.18	0.17	-0.01	0.00
Diesel	0.64	0.67	0.60	0.68	0.71	0.69	0.72	0.74	0.60	-0.14	-0.01
Other Gasoil	0.41	0.43	0.46	0.33	0.45	0.47	0.50	0.45	0.47	0.02	0.07
Residual Fuel Oil	0.15	0.14	0.14	0.13	0.15	0.15	0.15	0.14	0.16	0.01	0.02
Other Products	0.11	0.09	0.05	0.11	0.12	0.10	0.12	0.10	0.06	-0.04	-0.01
Total	2.44	2.48	2.38	2.39	2.63	2.53	2.63	2.59	2.37	-0.22	0.07
Italy											
LPG	0.10	0.11	0.14	0.10	0.09	0.11	0.08	0.11	0.15	0.04	0.00
Naphtha	0.09	0.12	0.11	0.12	0.12	0.11	0.11	0.11	0.11	0.00	0.02
Motor Gasoline	0.25	0.23	0.22	0.24	0.25	0.23	0.20	0.23	0.25	0.01	-0.01
Jet/Kerosene	0.09	0.10	0.09	0.11	0.12	0.10	0.11	0.09	0.10	0.00	0.01
Diesel	0.49	0.50	0.47	0.50	0.51	0.50	0.50	0.51	0.49	-0.02	0.00
Other Gasoil	0.13	0.12	0.13	0.10	0.11	0.15	0.15	0.14	0.16	0.02	-0.02
Residual Fuel Oil	0.21	0.15	0.15	0.14	0.15	0.14	0.13	0.12	0.15	0.03	-0.04
Other Products	0.16	0.18	0.13	0.16	0.21	0.20	0.21	0.21	0.18	-0.02	0.08
Total	1.53	1.50	1.45	1.47	1.55	1.54	1.49	1.52	1.59	0.07	0.04
France											
LPG	0.09	0.11	0.14	0.09	0.09	0.13	0.10	0.13	0.15	0.02	0.04
Naphtha	0.14	0.14	0.15	0.15	0.13	0.11	0.10	0.12	0.12	0.00	0.02
Motor Gasoline	0.20	0.19	0.17	0.20	0.20	0.18	0.18	0.18	0.18	0.00	-0.02
Jet/Kerosene	0.15	0.15	0.14	0.15	0.16	0.14	0.14	0.14	0.14	0.00	0.00
Diesel	0.66	0.68	0.64	0.69	0.70	0.68	0.70	0.66	0.68	0.01	-0.01
Other Gasoil	0.31	0.29	0.35	0.21	0.26	0.33	0.29	0.28	0.40	0.12	-0.02
Residual Fuel Oil	0.10	0.09	0.11	0.09	0.08	0.09	0.07	0.08	0.12	0.04	0.01
Other Products	0.18	0.17	0.16	0.19	0.19	0.15	0.15	0.18	0.14	-0.04	0.00
Total	1.83	1.81	1.85	1.77	1.82	1.81	1.74	1.77	1.92	0.15	0.03
United Kingdom											
LPG	0.16	0.13	0.13	0.15	0.11	0.12	0.12	0.12	0.12	0.00	-0.02
Naphtha	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.00	-0.02
Motor Gasoline	0.37	0.35	0.35	0.36	0.35	0.34	0.35	0.34	0.32	-0.02	0.00
Jet/Kerosene	0.34	0.33	0.35	0.30	0.33	0.34	0.34	0.36	0.34	-0.02	-0.02
Diesel	0.45	0.46	0.47	0.46	0.47	0.46	0.48	0.47	0.42	-0.05	0.03
Other Gasoil	0.10	0.11	0.11	0.10	0.13	0.10	0.10	0.10	0.10	0.00	0.02
Residual Fuel Oil	0.07	0.06	0.06	0.06	0.06	0.07	0.08	0.07	0.06	-0.01	0.00
Other Products	0.16	0.16	0.14	0.16	0.16	0.16	0.17	0.17	0.15	-0.02	-0.01
Total	1.67	1.63	1.65	1.62	1.63	1.61	1.66	1.64	1.52	-0.12	-0.01
Canada											
LPG	0.34	0.33	0.35	0.35	0.29	0.35	0.32	0.35	0.37	0.03	0.01
Naphtha	0.05	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.08	0.00	0.01
Motor Gasoline	0.73	0.74	0.70	0.75	0.77	0.73	0.73	0.71	0.74	0.03	0.00
Jet/Kerosene	0.12	0.11	0.11	0.11	0.12	0.10	0.10	0.10	0.11	0.01	0.01
Diesel	0.23	0.22	0.23	0.23	0.23	0.21	0.23	0.21	0.19	-0.02	-0.02
Other Gasoil	0.28	0.32	0.32	0.29	0.31	0.36	0.33	0.36	0.39	0.03	0.03
Residual Fuel Oil	0.09	0.10	0.11	0.10	0.09	0.11	0.09	0.12	0.11	-0.01	0.03
Other Products	0.30	0.32	0.30	0.32	0.36	0.32	0.34	0.33	0.30	-0.03	-0.02
Total	2.15	2.23	2.19	2.23	2.26	2.26	2.23	2.25	2.29	0.04	0.05

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	3Q10	4Q10	1Q11	2Q11	3Q11	Dec 10	Jan 11	Feb 11
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.18	8.30				8.23	8.52	8.62
Iran	3.74	3.70		3.69	3.67				3.68	3.66	3.68
Iraq	2.43	2.36		2.34	2.43				2.45	2.66	2.68
UAE	2.27	2.31		2.33	2.33				2.38	2.44	2.48
Kuwait	2.01	2.03		2.03	2.03				2.03	2.03	2.10
Neutral Zone	0.54	0.53		0.54	0.54				0.54	0.56	0.56
Qatar	0.80	0.80		0.80	0.81				0.82	0.82	0.82
Angola	1.77	1.77		1.71	1.65				1.62	1.68	1.60
Nigeria	1.82	2.08		2.15	2.21				2.26	2.24	2.16
Libya	1.55	1.55		1.56	1.56				1.56	1.58	1.39
Algeria	1.25	1.25		1.26	1.27				1.27	1.27	1.28
Ecuador	0.47	0.47		0.46	0.47				0.48	0.48	0.49
Venezuela	2.15	2.23		2.23	2.20				2.20	2.21	2.20
Total Crude Oil[6]	28.69	29.22		29.27	29.48				29.51	30.14	30.05
Total NGLs[1,6]	4.81	5.30	5.86	5.38	5.49	5.71	5.80	5.95	5.49	5.71	5.71
Total OPEC[6]	33.50	34.52		34.65	34.96				35.00	35.86	35.76
OPEC: Historical Composition[6]	33.50	34.52		34.65	34.96				35.00	35.86	35.76
NON-OPEC[2]											
OECD											
North America	13.63	14.12	14.17	14.09	14.42	14.24	13.99	14.08	14.55	14.16	14.35
United States[5]	7.44	7.80	7.79	7.80	8.00	7.84	7.82	7.68	8.00	7.77	7.96
Mexico	2.97	2.95	2.93	2.94	2.92	2.97	2.95	2.91	2.95	2.98	2.95
Canada	3.22	3.37	3.44	3.35	3.50	3.44	3.22	3.48	3.59	3.40	3.44
Europe	4.53	4.15	4.06	3.76	4.17	4.15	4.05	3.94	4.10	4.10	4.20
UK	1.48	1.37	1.30	1.21	1.35	1.28	1.33	1.25	1.32	1.25	1.33
Norway	2.39	2.15	2.15	1.94	2.17	2.25	2.10	2.07	2.16	2.23	2.25
Others	0.67	0.63	0.61	0.61	0.64	0.63	0.62	0.61	0.62	0.63	0.63
Pacific	0.65	0.61	0.61	0.61	0.59	0.52	0.60	0.65	0.59	0.52	0.51
Australia	0.55	0.51	0.51	0.52	0.50	0.43	0.50	0.55	0.49	0.42	0.42
Others	0.10	0.10	0.10	0.10	0.09	0.10	0.10	0.10	0.10	0.10	0.10
Total OECD	18.81	18.89	18.84	18.47	19.18	18.91	18.65	18.66	19.23	18.77	19.07
NON-OECD											
Former USSR	13.28	13.56	13.70	13.55	13.66	13.76	13.75	13.56	13.58	13.68	13.78
Russia	10.21	10.45	10.52	10.44	10.54	10.55	10.50	10.48	10.49	10.54	10.56
Others	3.07	3.11	3.19	3.11	3.12	3.21	3.25	3.07	3.08	3.14	3.21
Asia	7.49	7.76	7.86	7.83	7.86	7.88	7.86	7.88	7.81	7.90	7.81
China	3.89	4.10	4.27	4.14	4.22	4.27	4.25	4.30	4.16	4.28	4.23
Malaysia	0.74	0.72	0.65	0.70	0.71	0.68	0.65	0.64	0.71	0.70	0.66
India	0.80	0.86	0.92	0.88	0.91	0.92	0.93	0.92	0.92	0.91	0.92
Indonesia	0.98	0.97	0.92	0.98	0.94	0.91	0.94	0.92	0.94	0.91	0.90
Others	1.08	1.10	1.09	1.13	1.08	1.10	1.09	1.09	1.08	1.11	1.10
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	3.88	4.08	4.38	4.09	4.10	4.21	4.35	4.46	4.16	4.18	4.20
Brazil[5]	2.03	2.14	2.32	2.13	2.18	2.21	2.28	2.38	2.27	2.20	2.21
Argentina	0.72	0.70	0.71	0.70	0.66	0.71	0.72	0.71	0.61	0.69	0.71
Colombia	0.67	0.79	0.91	0.79	0.82	0.84	0.91	0.93	0.83	0.84	0.84
Others	0.45	0.45	0.45	0.46	0.44	0.45	0.45	0.45	0.45	0.45	0.45
Middle East[3]	1.67	1.70	1.74	1.70	1.71	1.72	1.73	1.74	1.71	1.72	1.72
Oman	0.81	0.86	0.92	0.87	0.88	0.90	0.91	0.93	0.89	0.89	0.89
Syria	0.38	0.39	0.37	0.39	0.39	0.37	0.37	0.37	0.39	0.37	0.37
Yemen	0.29	0.26	0.25	0.26	0.25	0.26	0.25	0.25	0.25	0.26	0.26
Others	0.19	0.19	0.20	0.19	0.19	0.20	0.20	0.20	0.19	0.20	0.20
Africa	2.61	2.60	2.65	2.60	2.59	2.62	2.66	2.66	2.59	2.60	2.62
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.63	1.61	1.67	1.61	1.60	1.63	1.68	1.69	1.60	1.61	1.63
Total Non-OECD	29.07	29.83	30.47	29.91	30.05	30.33	30.49	30.45	29.98	30.22	30.27
Processing Gains[4]	2.25	2.30	2.35	2.33	2.31	2.33	2.34	2.37	2.31	2.33	2.33
Global Biofuels[5]	1.57	1.81	1.97	2.14	1.77	1.53	1.94	2.34	1.57	1.56	1.53
TOTAL NON-OPEC[6]	51.70	52.84	53.63	52.84	53.30	53.10	53.41	53.82	53.10	52.89	53.21
Non-OPEC: Historical Composition[6]	51.70	52.84	53.63	52.84	53.30	53.10	53.41	53.82	53.10	52.89	53.21
TOTAL SUPPLY	85.20	87.36		87.49	88.27				88.10	88.75	88.97

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Sep2010	Oct2010	Nov2010	Dec2010	Jan2011*	Jan2008	Jan2009	Jan2010	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	503.5	515.0	498.8	474.7	480.2	434.7	495.3	482.5	0.40	0.14	-0.17	-0.31
Motor Gasoline	249.6	240.4	242.7	250.7	270.6	262.4	249.8	265.8	0.06	-0.15	0.05	0.01
Middle Distillate	243.7	235.8	235.3	237.3	237.9	207.4	218.1	237.4	-0.26	0.16	0.14	-0.07
Residual Fuel Oil	48.8	49.5	48.0	49.5	49.8	47.0	40.8	48.1	0.05	0.02	-0.02	0.01
Total Products[3]	731.0	709.3	702.6	701.9	700.2	670.2	682.1	698.5	-0.25	0.42	0.21	-0.32
Total[4]	1396.5	1388.8	1361.9	1323.3	1332.9	1243.0	1327.5	1320.9	0.14	0.71	0.12	-0.80
Europe												
Crude	318.8	336.8	322.1	322.7	326.9	331.6	343.7	339.1	-0.02	0.13	-0.26	0.04
Motor Gasoline	94.4	96.0	96.3	97.0	98.3	113.1	105.6	110.8	0.03	-0.09	-0.01	0.03
Middle Distillate	277.8	280.4	283.8	277.0	288.7	251.2	274.2	303.7	-0.04	0.03	-0.09	-0.01
Residual Fuel Oil	74.9	70.6	69.4	67.6	69.7	78.1	80.2	71.8	0.02	0.04	-0.03	-0.08
Total Products[3]	557.8	554.6	556.6	554.6	569.7	556.8	570.7	598.7	-0.04	0.00	-0.11	-0.04
Total[4]	942.4	957.6	947.2	947.2	967.2	960.6	991.2	1009.7	0.01	0.08	-0.41	0.05
Pacific												
Crude	155.8	158.1	165.0	158.3	152.6	167.4	171.6	163.5	0.05	0.02	-0.11	0.03
Motor Gasoline	23.9	24.6	24.5	23.2	24.9	22.9	22.4	27.1	0.02	0.01	-0.03	-0.01
Middle Distillate	66.4	67.5	65.3	59.7	60.3	69.4	64.5	65.3	-0.05	0.00	0.09	-0.07
Residual Fuel Oil	21.9	20.1	19.4	18.9	18.6	20.0	20.7	18.9	0.02	0.01	0.01	-0.03
Total Products[3]	177.7	182.1	178.8	164.1	168.1	175.4	168.6	169.6	-0.03	0.11	0.11	-0.15
Total[4]	402.7	409.9	415.0	392.1	394.5	416.5	408.7	397.0	0.03	0.21	-0.03	-0.11
Total OECD												
Crude	978.1	1009.9	985.9	955.7	959.6	933.7	1010.6	985.0	0.43	0.29	-0.54	-0.24
Motor Gasoline	367.9	361.0	363.5	370.9	393.7	398.4	377.8	403.7	0.11	-0.23	0.02	0.03
Middle Distillate	587.8	583.8	584.3	573.9	586.9	527.9	556.8	606.4	-0.35	0.19	0.14	-0.15
Residual Fuel Oil	145.6	140.2	136.8	136.0	138.1	145.1	141.6	138.8	0.09	0.07	-0.04	-0.10
Total Products[3]	1466.6	1446.1	1438.0	1420.5	1438.0	1402.4	1421.4	1466.7	-0.33	0.53	0.20	-0.50
Total[4]	2741.6	2756.3	2724.1	2662.6	2694.6	2620.1	2727.3	2727.6	0.18	0.99	-0.31	-0.86

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Sep2010	Oct2010	Nov2010	Dec2010	Jan2011*	Jan2008	Jan2009	Jan2010	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	726.5	726.6	726.6	726.6	726.6	698.4	703.8	726.6	0.00	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	182.0	186.6	186.2	186.5	186.4	184.2	186.4	184.4	0.04	-0.03	-0.04	0.05
Products	235.4	226.2	231.2	234.9	234.9	234.6	232.9	240.9	-0.01	-0.03	-0.02	-0.01
Pacific												
Crude	381.9	387.1	387.1	389.6	389.5	385.1	389.2	389.0	0.00	0.02	-0.10	0.08
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1290.5	1300.3	1299.9	1302.5	1302.5	1267.6	1279.4	1300.0	0.04	0.00	-0.13	0.13
Products	257.4	248.2	253.2	256.9	256.9	255.5	254.0	262.9	-0.01	-0.03	-0.02	-0.01
Total[4]	1549.3	1549.7	1554.4	1560.7	1560.6	1524.8	1534.4	1564.3	0.03	-0.04	-0.15	0.12

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2009		End March 2010		End June 2010		End September 2010		End December 2010 [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	192.6	87	195.1	83	197.1	84	195.2	80	189.7	-
Mexico	44.7	21	51.5	24	54.4	26	49.0	23	44.5	-
United States[4]	1778.4	95	1781.4	94	1840.7	94	1858.7	97	1795.5	-
Total[4]	2037.7	87	2050.1	86	2114.3	87	2125.0	88	2051.9	86
Pacific										
Australia	40.3	43	41.5	44	42.7	45	41.1	41	38.4	-
Japan	588.8	123	581.5	144	597.1	138	581.8	128	589.7	-
Korea	155.0	67	163.6	75	167.3	78	173.5	74	165.4	-
New Zealand	8.1	51	8.1	59	8.9	57	8.2	51	8.2	-
Total	792.2	97	794.7	109	816.0	107	804.6	100	801.7	97
Europe[5]										
Austria	21.2	81	22.7	85	20.1	69	18.9	67	20.1	-
Belgium	34.4	53	35.3	69	37.8	64	34.3	53	33.6	-
Czech Republic	21.5	124	21.7	106	20.4	99	21.1	105	21.2	-
Denmark	25.5	154	27.2	171	28.2	160	24.8	145	25.4	-
Finland	33.1	151	32.5	171	28.5	138	28.5	124	27.5	-
France	174.9	94	171.8	97	170.1	93	163.4	90	168.2	-
Germany	284.1	120	287.7	120	281.0	107	283.9	112	286.5	-
Greece	35.1	85	35.6	104	33.9	97	36.3	94	34.3	-
Hungary	14.3	115	16.8	115	17.0	107	15.9	103	15.9	-
Ireland	11.4	66	12.7	79	12.8	84	11.4	66	9.8	-
Italy	125.6	87	129.2	88	132.5	85	126.6	82	133.3	-
Luxembourg	0.8	14	0.8	13	0.7	12	0.7	13	0.6	-
Netherlands	135.7	135	131.0	123	138.8	135	120.9	120	125.8	-
Norway	21.9	112	21.1	93	22.1	112	20.8	80	20.8	-
Poland	63.2	125	62.5	115	63.8	106	64.2	108	65.5	-
Portugal	26.2	99	23.4	85	24.9	88	22.8	86	22.9	-
Slovak Republic	8.3	109	9.5	122	9.3	99	8.6	101	8.3	-
Spain	132.6	91	132.0	93	134.1	94	133.0	92	133.2	-
Sweden	39.5	110	39.3	109	35.4	99	34.4	90	32.5	-
Switzerland	37.0	155	37.8	158	38.1	142	37.7	140	36.8	-
Turkey	57.6	119	58.1	96	58.4	87	58.5	98	58.5	-
United Kingdom	94.4	57	93.3	58	96.0	59	94.4	59	88.8	-
Total	1398.2	99	1402.0	99	1403.7	95	1361.2	92	1369.8	96
Total OECD	4228.1	92	4246.8	94	4334.0	93	4290.9	91	4223.3	91
DAYS OF IEA Net Imports[6]	-	144	-	145	-	147	-	146	-	145

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 2009 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4299	1547	2752	97	35	62
2Q2009	4322	1561	2761	96	35	61
3Q2009	4341	1564	2777	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4247	1567	2680	94	35	59
2Q2010	4334	1563	2771	93	34	59
3Q2010	4291	1549	2742	91	33	58
4Q2010	4223	1561	2663	91	34	57

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 4Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Oct 10	Nov 10	Dec 10	Year Earlier Dec 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.56	0.69	0.73	0.75	0.67	0.81	0.78	0.50	0.28
Europe	0.70	0.59	0.66	0.55	0.64	0.74	0.69	0.64	0.81	0.63	0.55	0.08
Pacific	1.22	1.28	1.21	1.25	1.17	1.15	1.26	1.03	1.50	1.27	1.37	-0.09
Saudi Medium												
North America	0.64	0.40	0.36	0.38	0.36	0.33	0.36	0.36	0.35	0.36	0.37	-0.01
Europe	0.05	0.02	0.00	-	0.00	-	-	-	-	-	0.04	-
Pacific	0.39	0.34	0.34	0.33	0.37	0.30	0.37	0.33	0.47	0.32	0.31	0.01
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.02	0.03	0.01	-	-	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	0.00	0.00	-	-	-	-	0.00	-
Pacific	0.24	0.15	0.22	0.23	0.19	0.23	0.21	0.20	0.24	0.20	0.14	0.06
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.42	0.43	0.29	0.29	0.21	0.33	0.35	0.46	-0.11
Europe	0.21	0.12	0.09	0.06	0.09	0.13	0.08	0.11	0.09	0.04	0.01	0.03
Pacific	0.15	0.24	0.29	0.35	0.19	0.26	0.38	0.44	0.39	0.32	0.39	-0.07
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.01	0.03	0.05	0.04	0.04	0.02	0.06	0.06	0.01
Europe	0.23	0.31	0.27	0.33	0.27	0.25	0.23	0.21	0.29	0.20	0.27	-0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.20	0.24	0.33	0.18	0.16	0.16	0.22	0.16	0.06
Pacific	0.08	0.07	0.04	0.06	0.07	0.04	0.01	-	0.01	0.02	0.10	-0.08
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.35	0.47	0.70	0.43	0.54	0.30	0.43	0.29	0.13
Pacific	0.61	0.57	0.52	0.61	0.44	0.53	0.52	0.50	0.48	0.57	0.58	0.00
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.11	0.21	0.08	0.16	0.11	0.26	0.13	-	-
Europe	0.06	0.07	0.02	0.01	0.02	0.05	0.01	0.03	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.89	0.83	0.96	0.75	0.69	0.82	0.74	0.82	-0.08
Europe	0.07	0.07	0.06	0.07	0.06	0.06	0.05	0.07	0.03	0.05	0.06	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.82	0.96	0.94	0.92	0.90	0.97	0.88	0.83	0.05
Europe	0.14	0.10	0.11	0.12	0.11	0.11	0.09	0.15	0.06	0.05	0.16	-0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.03	0.02	0.02	0.09	0.07	0.11	0.10	0.01	0.09
Europe	0.01	0.01	0.02	-	0.02	-	0.05	0.10	0.02	0.02	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.13	0.08	0.03	0.07	-	0.02	0.14	-0.12
Europe	1.81	1.72	1.80	1.76	1.86	1.88	1.71	1.60	1.57	1.96	1.83	0.12
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.55	0.64	0.64	0.57	0.56	0.45	0.71	0.77	-0.07
Europe	0.29	0.32	0.34	0.26	0.29	0.31	0.49	0.47	0.59	0.42	0.33	0.09
Pacific	-	0.00	-	-	-	-	-	-	-	-	0.02	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.24	0.29	0.25	0.22	0.20	0.23	0.23	0.31	-0.08
Europe	0.14	0.13	0.09	0.07	0.09	0.09	0.11	0.09	0.10	0.13	0.31	-0.19
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Oct-10	Nov-10	Dec-10	Year Earlier Dec-09	% change
Crude Oil												
North America	8046	7327	7319	7057	7902	7716	6600	6601	6611	6590	5981	10%
Europe	9776	8913	9073	8562	9160	9463	9096	8731	9368	9199	8616	7%
Pacific	6605	6082	6245	6445	5899	6161	6475	6052	6710	6672	6357	5%
Total OECD	24427	22322	22636	22063	22961	23340	22172	21383	22690	22460	21377	5%
LPG												
North America	31	13	8	12	7	7	6	7	10	2	8	100%
Europe	268	249	271	286	269	226	303	229	346	338	275	23%
Pacific	589	529	558	534	600	533	567	580	594	528	483	9%
Total OECD	887	792	837	832	876	766	876	815	949	867	765	13%
Naphtha												
North America	56	22	36	23	28	59	35	48	45	12	23	-46%
Europe	298	312	397	444	393	345	405	318	421	475	392	21%
Pacific	776	841	900	953	899	855	893	949	892	837	898	-7%
Total OECD	1130	1176	1333	1421	1320	1260	1332	1315	1358	1325	1313	1%
Gasoline[3]												
North America	1077	878	793	697	838	925	710	765	685	679	740	-8%
Europe	215	193	174	163	196	207	128	79	111	193	240	-20%
Pacific	90	96	64	70	73	44	68	64	78	63	91	-31%
Total OECD	1382	1166	1030	931	1107	1176	906	908	874	935	1071	-13%
Jet & Kerosene												
North America	64	61	75	69	59	86	85	99	99	57	36	60%
Europe	401	451	419	439	358	475	406	405	425	389	410	-5%
Pacific	34	53	40	46	37	29	47	46	49	45	68	-34%
Total OECD	500	566	534	553	454	590	537	549	573	491	514	-4%
Gasoil/Diesel												
North America	74	56	49	114	43	27	14	6	5	30	46	-34%
Europe	871	1033	1046	1132	885	931	1237	1217	1412	1087	942	15%
Pacific	119	87	98	88	121	88	96	84	106	98	109	-10%
Total OECD	1064	1177	1193	1333	1048	1046	1346	1306	1523	1216	1097	11%
Heavy Fuel Oil												
North America	288	270	277	277	293	285	254	235	297	231	257	-10%
Europe	458	533	533	564	545	504	518	534	435	582	529	10%
Pacific	125	113	117	136	104	127	101	106	95	102	113	-10%
Total OECD	871	917	927	978	941	915	873	875	827	914	900	2%
Other Products												
North America	1078	870	806	676	782	852	910	963	892	875	669	31%
Europe	734	718	670	622	606	699	751	761	713	779	660	18%
Pacific	298	325	335	330	276	382	352	293	403	363	384	-5%
Total OECD	2110	1913	1811	1628	1665	1933	2014	2017	2008	2017	1713	18%
Total Products												
North America	2667	2171	2044	1868	2049	2240	2014	2122	2035	1887	1779	6%
Europe	3245	3491	3509	3650	3252	3387	3747	3541	3862	3843	3449	11%
Pacific	2032	2045	2112	2157	2110	2059	2123	2122	2216	2035	2145	-5%
Total OECD	7944	7706	7665	7675	7411	7685	7885	7785	8112	7765	7373	5%
Total Oil												
North America	10713	9497	9363	8924	9952	9956	8615	8723	8646	8477	8183	4%
Europe	13022	12404	12582	12212	12412	12850	12844	12272	13230	13042	12064	8%
Pacific	8637	8127	8357	8602	8008	8219	8599	8174	8926	8707	8503	2%
Total OECD	32371	30028	30301	29738	30372	31025	30057	29169	30802	30225	28750	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.

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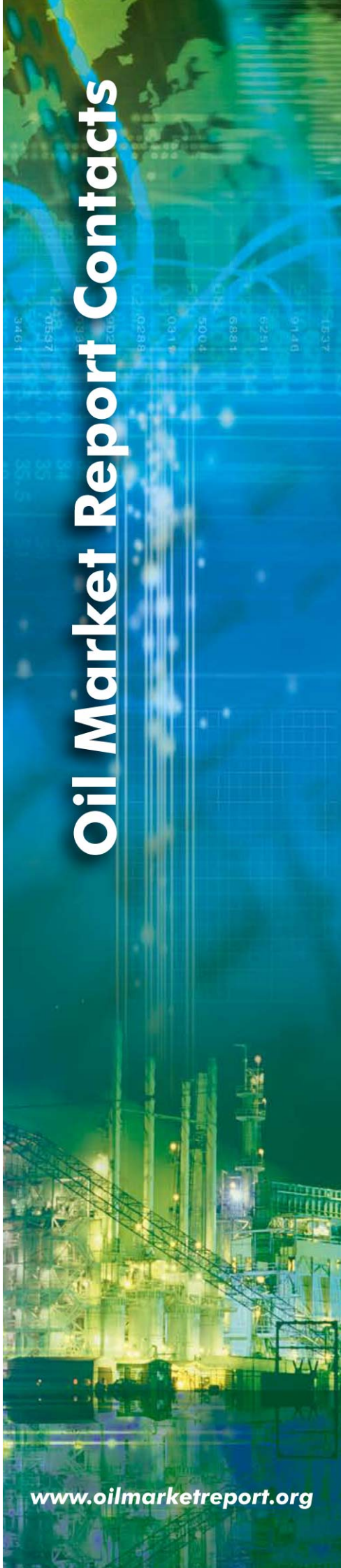
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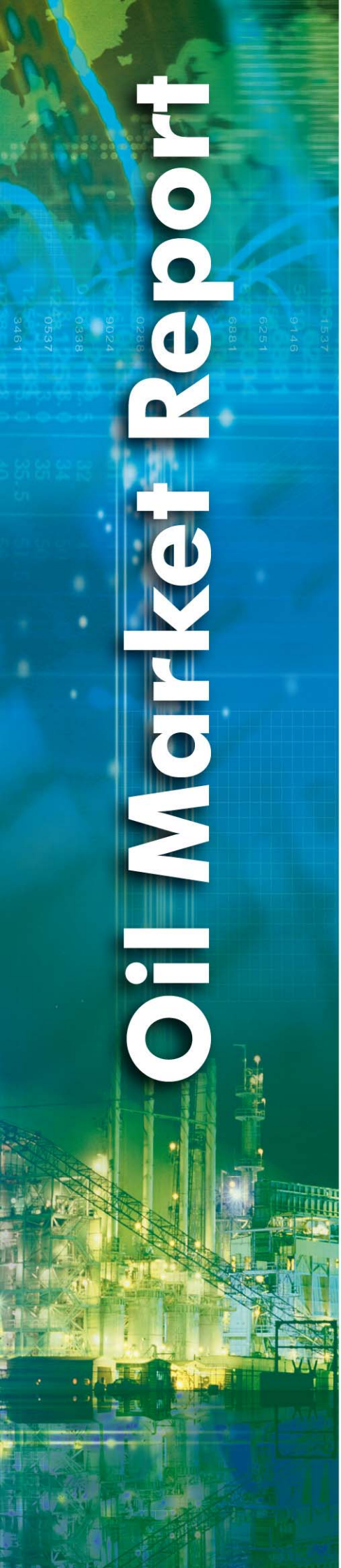
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of McGraw-Hill Inc.).

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Next Issue: 12 April 2011





International Energy Agency

12 April 2011

HIGHLIGHTS

- **Spot crude oil prices jumped 10-15% in March,** as outages from Libya and mounting unrest in the MENA region offset a seasonal drop in refinery runs. At writing, Brent futures stood near $126/bbl, with WTI at $112/bbl. Refining margins, notably for light, distillate-rich grades, remained weak as crude price gains outstripped those for products.

- **Global oil output fell 0.7 mb/d to 88.3 mb/d in March on reduced Libyan crude supply.** Non-OPEC production rose 0.2 mb/d to 53.3 mb/d, even as unrest and strikes in Yemen, Oman, Gabon and Ivory Coast shuts in an average 0.1 mb/d of crude in March and April. Non-OPEC 2010 supply is left at 52.8 mb/d, while stronger Canadian production lifts the outlook by 0.1 mb/d to 53.7 mb/d for 2011.

- **OPEC crude supply fell by 890 kb/d in March to 29.2 mb/d,** on a near-70% drop in Libyan output. Effective OPEC spare capacity stands at 3.91 mb/d, with Saudi Arabia accounting for 3.2 mb/d. The 'call on OPEC crude and stock change' is cut by 0.4 mb/d for 1Q11 to 29.8 mb/d. The average 'call' for 2011 is also 29.8 mb/d, unchanged from 2010 but 0.6 mb/d above March OPEC production.

- **Global product demand remains unchanged for 2010 and 2011, at 87.9 mb/d (+2.9 mb/d year-on-year) and 89.4 mb/d (+1.4 mb/d) respectively.** Higher anticipated post-earthquake Japanese oil use for power generation and reconstruction offsets downward non-OECD adjustments. Preliminary January and February data suggest that high prices are already starting to dent demand growth.

- **OECD industry stocks fell by 50.8 mb to 2 676 mb, or 59.2 days, in February**, driven by sharp product draws due to seasonal refinery turnarounds. March data point to an 8.1 mb draw in US and European inventories, while oil held in short-term floating storage rose.

- **Global crude run estimates are lowered by 270 kb/d for 2Q11**, largely due to the Japanese earthquake. Offsetting factors, in Japan and elsewhere, could mitigate the impact of a continuing loss of about 600 kb/d of refining capacity into 2Q. In all, global runs are seen averaging 74.5 mb/d in 2Q11, down from 74.6 mb/d in 1Q11.

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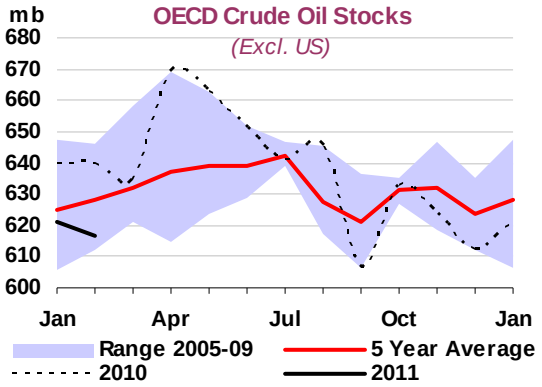
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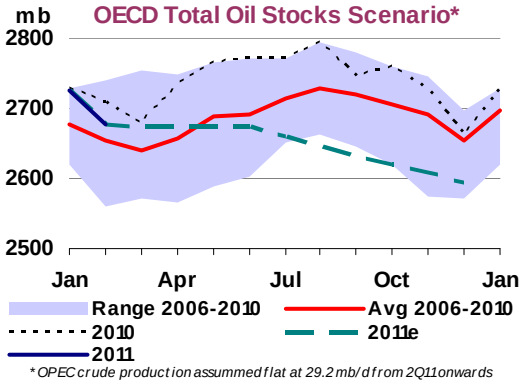
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HIGH PRICE, HEAL THYSELF

Recent lower supply levels, if sustained, could leave OECD stocks looking much tighter by end-year. Amid heightened geopolitical risks, a smaller supply cushion leaves the market more exposed to supply or demand shocks. Preliminary data for March show OPEC supply falling to 29.2 mb/d, as producers came up short in filling the gap left by lost Libyan supplies. Nor does the usual 'lower output, higher spare capacity' equation apply, since Libyan output could take months to reinstate once conflict ends. Other OPEC producers have so far struggled to place extra barrels on the market at prevailing, inflated prices. Some attribute OPEC caution to the seasonal 2Q low in products demand, but that overlooks a crude demand trend which potentially sees throughputs rise from March lows and add 3 mb/d by July. Much is made of today's 'comfortable' OECD inventory. As noted elsewhere, comfort depends upon where you sit. Refiners in the landlocked US Midwest indeed have ample crude stocks, but those elsewhere in the OECD face a tighter situation (*graph below*). Had the Libyan crisis emerged at a time other than during peak European refinery maintenance, $125/bbl might already be a distant speck in the rear view mirror.





Hypothetically, if global supply were to chug along at March levels for the rest of 2011, OECD inventory could slip to near five-year lows by December. The 57 days of forward cover this implies is not excruciatingly tight by historical standards. However, allied to sub-4 mb/d OPEC spare capacity, it begins to resemble the thin flexibility margin that helped underpin runaway prices from the mid-2000s onward.

After a hiatus at the time of the Japanese earthquake and tsunami on 11 March, renewed price strength now also acknowledges this potential for further market tightening. Libyan outages themselves look likely to rumble on for months rather than weeks. Attacks on oil production facilities, isolated so far, nonetheless prompt memories of a scorched-earth policy seen in Kuwait 20 years ago. And non-OPEC countries in MENA and sub-Saharan Africa facing political unrest account for around 3 mb/d of production. Even if only a fraction of this is genuinely prone to disruption, it does highlight the degree of uncertainty unleashed by the so-called Arab awakening. In addition, if IEA estimates are correct, reconstruction in Japan could result in higher, not lower, regional demand in 2011.

In this new 'high-risk' environment, what can check the remorseless rise in prices? Producers could adopt a more relaxed view on spot sales and greater flexibility in pricing to coax refiners, stung by weaker margins, into snapping up more crude. Most analysts see a more formal OPEC policy response as unlikely, since revisiting individual production targets may be difficult now after the tensions stoked by the Libyan and Bahraini crises. That leaves a less palatable route to price moderation – namely economic slow-down and weaker demand growth. Our projections already incorporate an expected halving in 2011 from the heady 3 mb/d growth of 2010, albeit assuming continued robust GDP growth. There are real risks however that a sustained, $100/bbl-plus price environment will prove incompatible with the currently expected pace of economic recovery. Economic impacts from high prices are never instantaneous, and often take months to materialise, but preliminary data for early-2011 already show signs of oil demand slow-down. Unfortunately, the surest remedy for high prices may ultimately prove to be high prices themselves.

DEMAND

Summary

- **Forecast global oil product demand remains largely unchanged for both 2010 and 2011.** A revision to OECD demand, in anticipation of higher Japanese oil use for power generation and reconstruction following the March earthquake/tsunami, has broadly offset downward adjustments to non-OECD demand. Global oil demand, which averaged 87.9 mb/d in 2010 (+3.4% or +2.9 mb/d year-on-year), is still seen rising to 89.4 mb/d in 2011 (+1.6% or +1.4 mb/d year-on-year). However, preliminary January and February data suggest that persistently high oil prices may have already started to dent demand growth.

Global Oil Demand (2009-2011)

(million barrels per day)

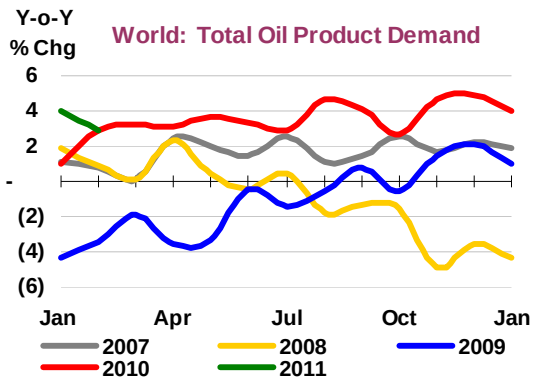
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.4	3.3	3.4	3.4
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.7	30.4	30.2	30.2	30.1	30.8	30.4	30.4
Asia/Pacific	25.6	25.9	25.8	27.0	26.1	27.5	27.2	27.0	28.6	27.6	28.7	28.2	27.9	29.1	28.5
Europe	15.7	15.0	15.2	15.1	15.2	14.9	14.8	15.5	15.4	15.2	14.9	14.7	15.4	15.3	15.1
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.2	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.4
Middle East	6.7	7.2	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.4	7.7	8.2	7.5	7.7
World	**84.5**	**84.2**	**85.4**	**85.9**	**85.0**	**86.5**	**87.0**	**88.7**	**89.4**	**87.9**	**88.8**	**88.4**	**90.0**	**90.2**	**89.4**
Annual Chg (%)	-3.2	-2.5	-0.5	1.0	-1.3	2.3	3.4	3.9	4.1	3.4	2.6	1.6	1.5	0.9	1.6
Annual Chg (mb/d)	-2.8	-2.1	-0.4	0.9	-1.1	2.0	2.8	3.3	3.5	2.9	2.3	1.4	1.3	0.8	1.4
Changes from last OMR (mb/d)	0.01	-0.02	-0.03	-0.03	-0.02	-0.01	-0.02	0.00	0.09	0.01	-0.23	-0.01	0.14	0.11	0.00

- **Projected OECD oil demand, unchanged for 2010, has been revised up by 90 kb/d for 2011,** largely on a reappraisal of Japanese demand for gasoil, residual fuel oil and low-sulphur crude. Total OECD demand, which stood at 46.1 mb/d in 2010 (+1.5% or +0.7 mb/d year-on-year), is forecast to remain at a similar level in 2011. Japan's year-on-year oil demand growth, now seen at 30 kb/d (versus a contraction of 120 kb/d previously), is thus expected to effectively offset a decline in Europe.

- **Forecast non-OECD oil demand, largely unchanged for 2010, has been reduced by 90 kb/d for 2011**, following downward baseline revisions in the Middle East (Kuwait) and weaker-than-expected readings for both January and February in Latin America (Brazil) and the FSU (Russia). Total non-OECD demand, estimated at 41.8 mb/d in 2010 (+5.7% or +2.2 mb/d year-on-year), is seen rising to 43.2 mb/d in 2011 (+3.5% or +1.4 mb/d versus the previous year). The most recent readings from China, coupled with some anecdotal evidence, may suggest an incipient slowdown in oil demand growth in the largest non-OECD consuming country.

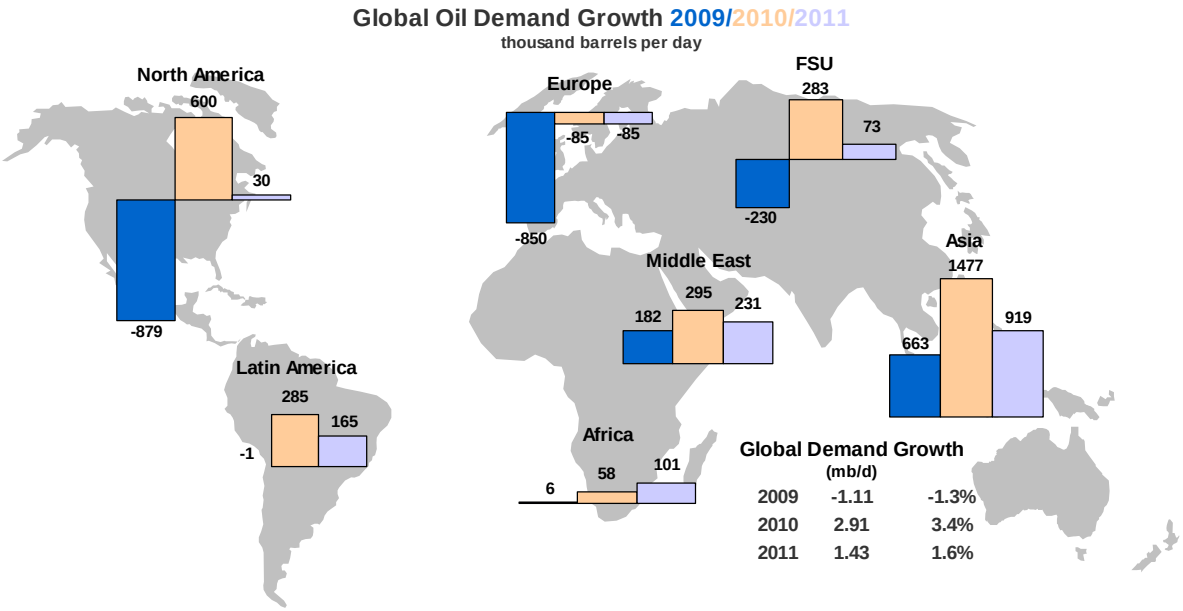
Global Overview

Global oil demand growth has shown signs of slowing in recent months in the face of sharply higher prices. That said, our forecast for 2011 is effectively unchanged from last month's report, with global demand expected to average 89.4 mb/d, up by 1.6% or 1.4 mb/d from 2010. Nonetheless, this is a significant easing from 2010 growth (+2.9 mb/d).

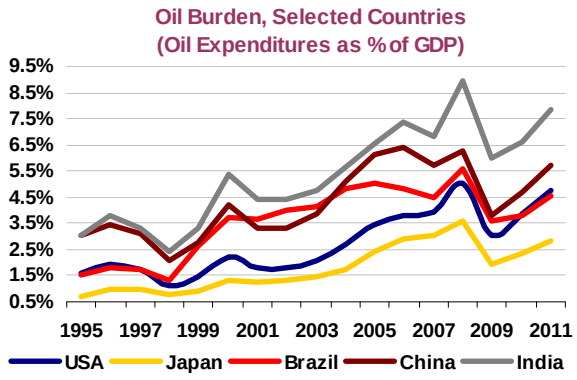


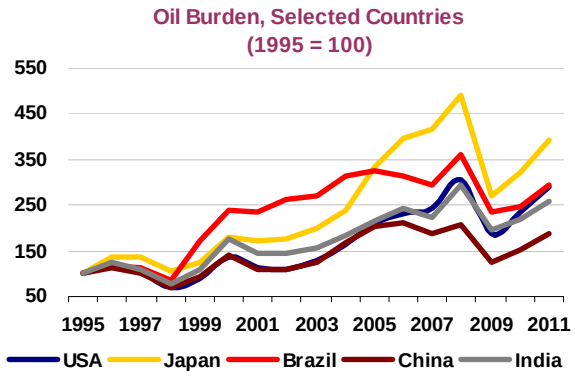
Indeed, global growth slowed from December (+4.8% year-on-year) to January (+4.0%) and February (+2.9%), in a manner reminiscent of 2008 when prices were last scaling to such heady levels. Interestingly, this most recent deceleration was greater in the non-OECD (+8.4%,

+5.9% and +4.7%, respectively) than in the OECD (+1.8%, +2.4% and +1.4%). Admittedly, the lull in the non-OECD is mostly related to Asia and specifically to China – yet several Asian countries such as Thailand and Malaysia were already showing diminishing economic momentum. Our 2011 forecast has remained broadly stable because of an upward revision in OECD Pacific in anticipation of higher Japanese oil needs for power generation and reconstruction. This has offset downward adjustments elsewhere, most notably in the non-OECD.



If confirmed, these trends could signal that high oil prices may already have started to bite, even though the effect of oil price shocks typically tends only to be fully felt after several months of lag. However, it should not be surprising that some impact is already being felt, considering that oil prices (Brent) have risen by approximately 50% since last September, breaking out after a remarkable year of stability within a relatively narrow band, as we noted last month.





Under our current assumptions, with Brent averaging some $105/bbl in 2011 based on the futures strip, the oil burden – defined as the ratio of nominal oil expenditures to nominal GDP – is almost on track to reach 2008 levels in virtually all large consuming countries. This assumes, of course, that international prices prevail in all countries (clearly not the case among some major consumers where end-user prices are subsidised). However, the concept of a rising burden still applies, in as much as government finances face a strain in sustaining lower domestic prices amid rising oil import costs. The burden in 2011 will be the highest in China and India, hovering between 5.5% and 8.5% of GDP. However, on an index basis, the oil burden's rise will actually be much faster in Japan, quadrupling versus 1995 on the back of a decline in

nominal GDP and greater oil needs following the earthquake/tsunami, while doubling or tripling for other large consumers. There is a clear potential, if prices remain above $100/bbl, of adverse economic impacts and slower oil demand growth becoming firmly entrenched in late 2011 and into 2012.

OECD

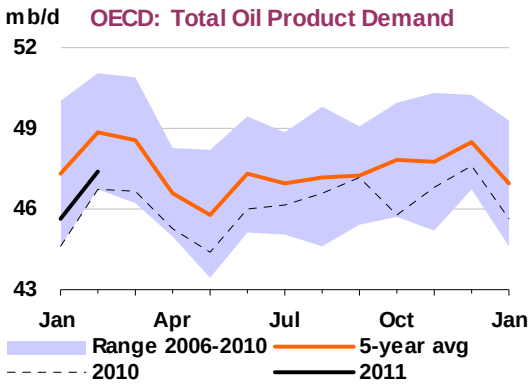
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) increased by 1.4% year-on-year in February, with all regions bar Europe recording growth. Demand rose by 2.4% in **OECD North America** (which includes US Territories), largely on strong deliveries of distillates and residual fuel oil, and by 1.3% in **OECD Pacific** as continued power generation needs lent support to residual fuel oil deliveries and direct crude burn. By contrast, demand was flat in **OECD Europe** as gains in industrial and transportation fuels were offset by lower heating fuels deliveries.

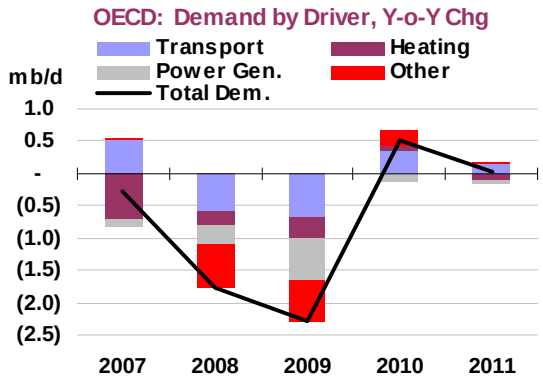
OECD Demand based on Adjusted Preliminary Submissions - February 2011
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.29**	**0.7**	**1.59**	**-0.2**	**3.92**	**2.6**	**1.22**	**10.9**	**1.11**	**15.5**	**6.14**	**2.08**	**24.27**	**2.4**
US50	8.75	0.8	1.39	-0.4	3.34	2.2	0.70	16.6	0.72	36.9	4.65	2.7	19.54	2.9
Canada	0.71	-0.1	0.11	4.6	0.24	0.6	0.37	2.5	0.12	-6.7	0.77	3.6	2.31	1.4
Mexico	0.78	-0.1	0.06	-4.8	0.30	9.2	0.13	9.2	0.20	-15.3	0.67	-3.3	2.14	-1.3
OECD Europe	**2.04**	**-1.3**	**1.26**	**0.9**	**4.37**	**4.5**	**2.08**	**-7.7**	**1.27**	**-5.0**	**3.53**	**1.9**	**14.55**	**0.0**
Germany	0.44	5.3	0.18	11.4	0.66	11.0	0.47	-14.8	0.16	9.2	0.68	12.6	2.59	4.6
United Kingdom	0.32	-6.5	0.36	-6.2	0.49	0.3	0.10	-5.6	0.05	9.5	0.29	-1.8	1.63	-3.1
France	0.17	-5.0	0.14	3.5	0.70	1.8	0.38	-5.9	0.08	-21.6	0.40	-8.1	1.86	-3.7
Italy	0.22	-2.5	0.09	1.4	0.50	4.6	0.14	-5.1	0.12	-28.1	0.41	4.1	1.47	-1.4
Spain	0.12	-3.9	0.11	6.5	0.48	0.0	0.23	-10.0	0.19	8.2	0.32	-2.5	1.46	-1.2
OECD Pacific	**1.57**	**0.9**	**1.17**	**-3.9**	**1.05**	**2.8**	**0.70**	**4.1**	**0.82**	**8.3**	**3.25**	**0.6**	**8.55**	**1.3**
Japan	0.98	1.1	0.81	-6.7	0.41	3.0	0.57	3.1	0.46	15.9	1.84	4.3	5.07	2.4
Korea	0.19	5.8	0.21	3.7	0.27	5.2	0.12	10.1	0.32	-0.7	1.22	-4.6	2.34	-0.8
Australia	0.34	-0.2	0.12	3.7	0.33	2.5	0.00	0.0	0.03	-8.5	0.17	1.9	0.98	1.3
OECD Total	**13.89**	**0.4**	**4.02**	**-1.0**	**9.34**	**3.5**	**4.00**	**-0.6**	**3.21**	**4.7**	**12.92**	**1.7**	**47.37**	**1.4**

* Including US territories

Upward revisions to January preliminary data totalled 120 kb/d, mostly driven by stronger-than-expected deliveries of 'other products' and indicating that total OECD demand rose by 2.4% year-on-year during that month, slightly faster than earlier estimates (+2.1%). North America accounted for half of these adjustments on higher Canadian submissions (although we are still adjusting reported gasoline levels), with the rest roughly evenly split between Europe and the Pacific.

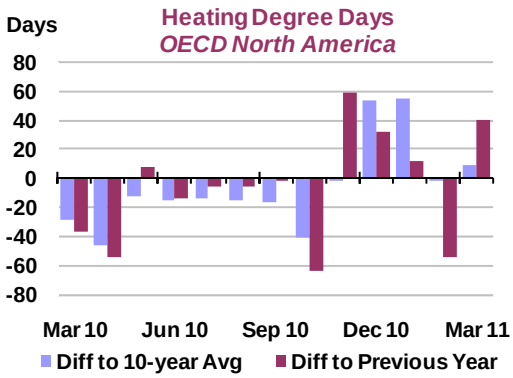


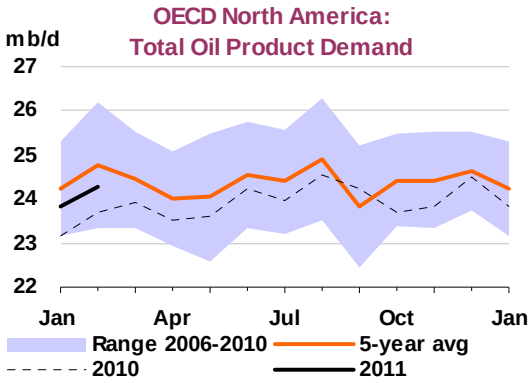


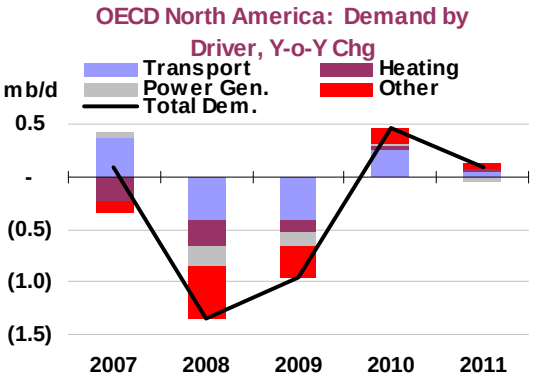
Estimated OECD total oil product demand remains broadly unchanged at 46.1 mb/d in 2010 (+1.5% or +670 kb/d year-on-year). The prognosis for 2011, by contrast, has been lifted slightly to 46.1 mb/d (flat versus the previous year, and 90 kb/d higher when compared to our last report), largely on a reappraisal of Japanese prospects, which temper the decline expected in Europe.

North America

Preliminary data show oil product demand in North America (including US territories) rising by 2.4% year-on-year in February, following a 2.9% increase in January. While conclusions remain premature, February readings suggest high prices may be starting to restrain demand growth in some product categories, particularly diesel. Moreover, our higher price assumption has dampened growth going forward. Nevertheless, economic conditions have continued to improve, for both industry and the labour market. These offsetting forces are thus likely to result in a modest pace of regional oil demand growth for the rest of this year.

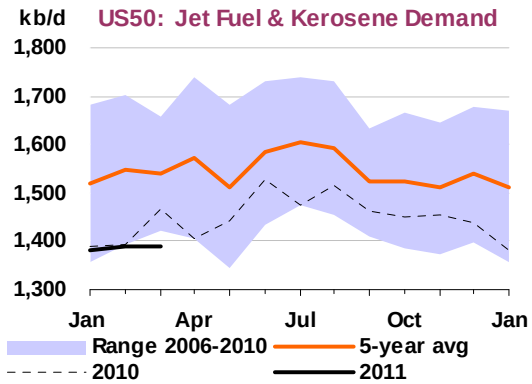


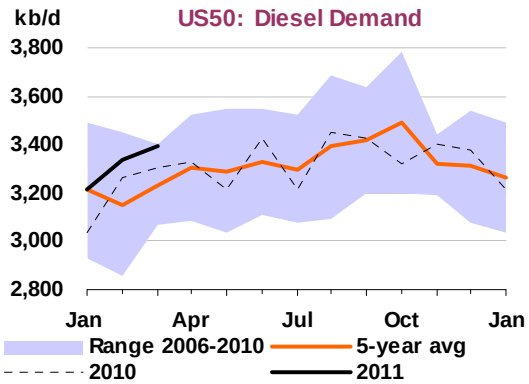




January data were revised up by a modest 60 kb/d, with higher 'other products' (+230 kb/d) and diesel (+80 kb/d) offsetting sharply lower gasoline (-220 kb/d) and LPG (-100 kb/d). Unadjusted weekly to monthly revisions in the US were positive (+90 kb/d), reversing the sharply negative revision for December highlighted in last month's report. North American demand is now estimated at 23.9 mb/d in 2010 (+2.6% or +600 kb/d versus 2009, unchanged versus our last report). Demand in 2011 is seen rising to 23.9 mb/d (+0.1% or +30 kb/d year-on-year, 30 kb/d lower than our last report).

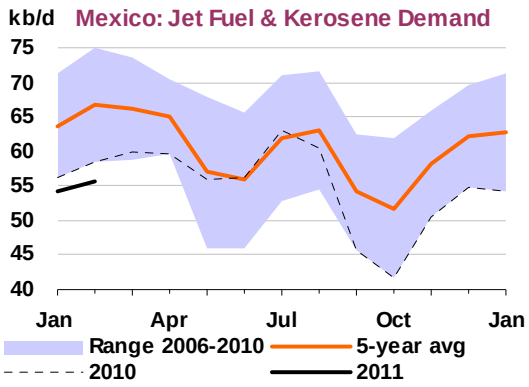
Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 0.4% in March, following a 2.9% year-on-year rise in February. March data featured a fall in jet fuel/kerosene demand (-5.2%) and a more modest decrease in gasoline (-0.3%), while middle distillate growth (+2.9%) came in lower versus the previous six months.

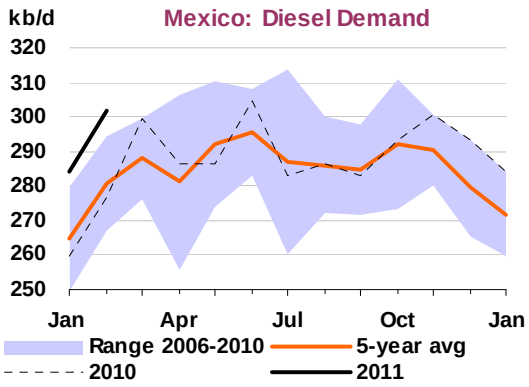




Weaker transport readings suggest that retail prices may be reaching thresholds at which end-users start to adjust consumption patterns, notably during an economic recovery period. In March, monthly gasoline, diesel and jet fuel/kerosene prices rose on average by 9-11%, with four-week average demand growth falling throughout the month. However, expanding industrial activity and falling unemployment suggest that the recovery may continue to provide a floor to US oil demand in the short-term, even though we have trimmed our 2011 demand forecast by 50 kb/d on average from 2Q11 to 4Q11 on a higher price assumption.

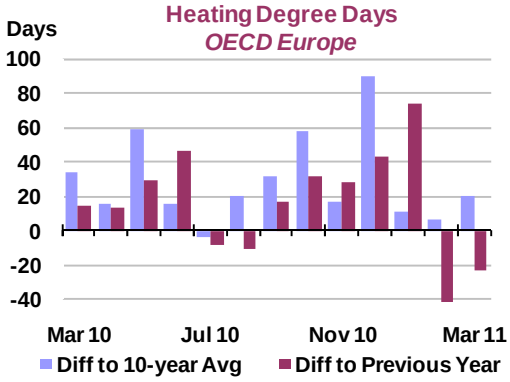
In **Mexico**, oil demand fell by 1.3% year-on-year in February, just as it did in January. Decreases in Mexican oil demand continued to stem from a mixture of one-off, weather and cyclical factors. Though it has picked up in recent months, jet fuel/kerosene demand (-4.8% year-on-year) remained relatively depressed in the wake of the Mexicana Airlines bankruptcy. Residual fuel oil demand (-15.3%) was also low compared to drought-affected readings in early 2010. Meanwhile, strong industrial indicators and robust diesel demand growth (+9.2%) pointed to cyclical strength, while flat gasoline demand (-0.1%) provided some offsetting weakness. Nonetheless, Mexican motorists are shielded to a degree by price subsidies; under the current budget, the retail prices of regular and high-octane gasoline increase by ¢0.7 and ¢0.4/litre per month, respectively (as such, current domestic prices are slightly lower than in the US).



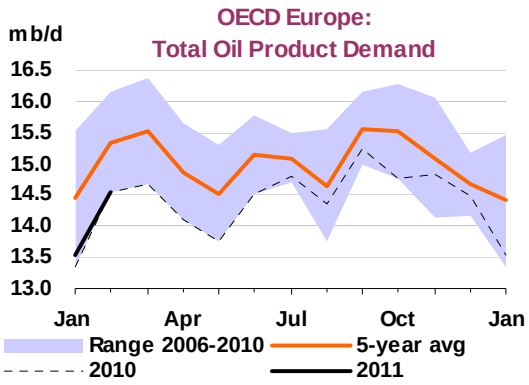


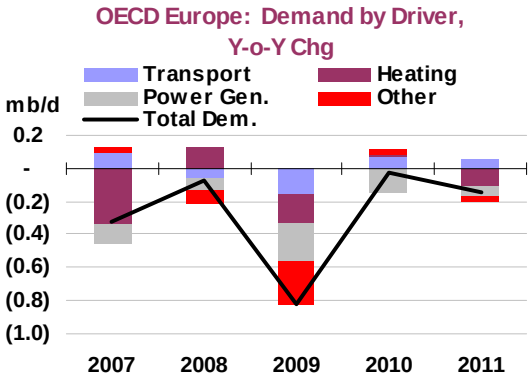
Europe

Preliminary inland data indicate that oil product demand in Europe was flat in February versus a year ago, with strong naphtha and on-road diesel offset by weaker deliveries of heating oil and residual fuel oil. Temperatures were indeed much warmer than last year, although HDDs were slightly higher than the ten-year average. However, the availability of cheaper alternative fuels, such as natural gas, is also at play. As this report has often noted, there is a clear, ongoing structural decline in heating oil use.

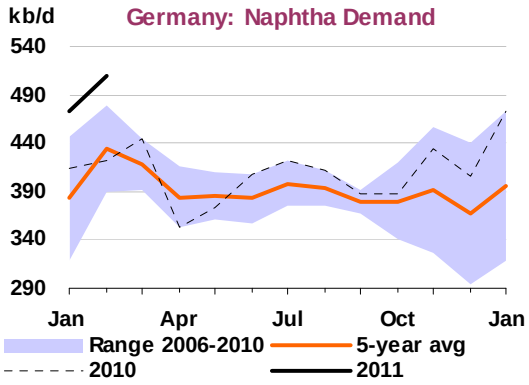


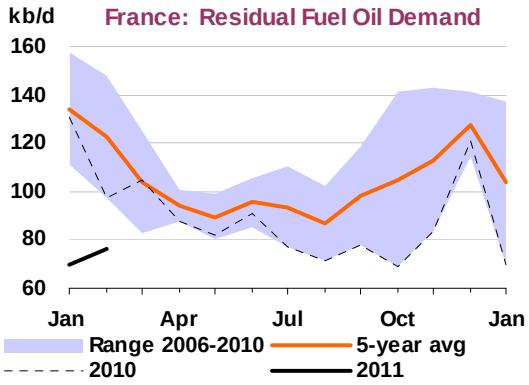
Revisions to preliminary January demand data were minimal overall (+20 kb/d), although fuel oil readings were sharply trimmed (but were offset by stronger light distillates and 'other products'). This suggests that power generation is also seeing a degree of interfuel substitution. Overall, our estimate for total oil product demand in OECD Europe remains largely unchanged at 14.4 mb/d in 2010 (-0.4% or -60 kb/d compared with the previous year and 10 kb/d higher than previously expected). It is worth noting, though, that Germany revised its reporting of biofuels and refinery backflows back to 2008, leading to some relatively minor changes across product categories. By contrast, the outlook for 2011, at 14.4 mb/d (-0.7% or -100 kb/d versus 2010), is revised down (-20 kb/d versus last month's report) to account for weaker-than-expected February readings and persistently high oil prices.



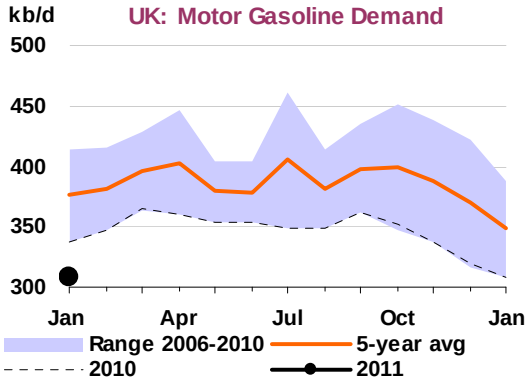


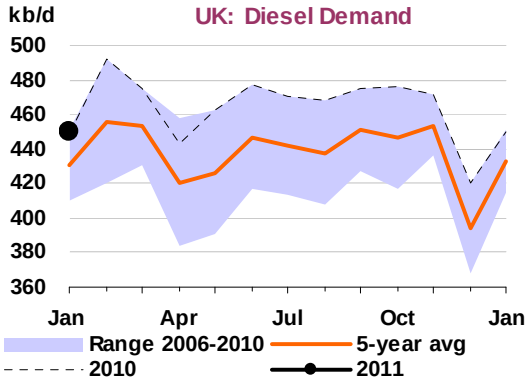
However, demand growth so far remains buoyant in the continent's largest economy. Oil product deliveries in **Germany** increased by 4.6% year-on-year in February, according to preliminary data. Demand for naphtha – typically a leading economic indicator – and on-road diesel were particularly strong, largely offsetting a decline in heating fuel deliveries and confirming the country's robust economic performance. In **France**, by contrast, total oil demand plunged by 3.7% on the back of weak LPG and residual fuel oil, as warmer weather tempered power needs.





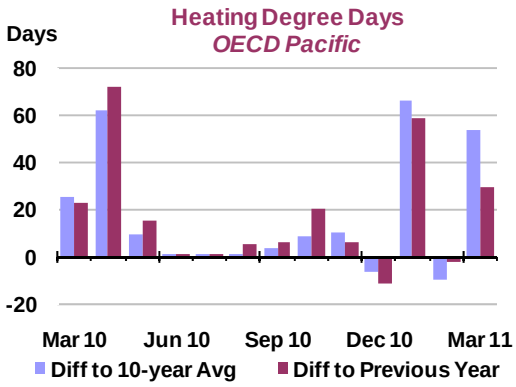
Meanwhile, in the **UK**, the rise in end-user prices has become a political issue. In late March, the government unveiled a 'windfall tax' on oil and gas production, aimed at raising some $2 billion in order to cushion motorists against dearer fuel prices. Preliminary January data suggest indeed that high prices may have started to alter driving habits: the structural decline in gasoline demand appears to be accelerating, while diesel use, which rose sharply in 2010, has seemingly stagnated.



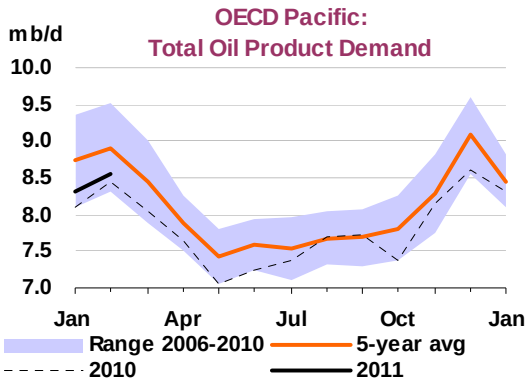


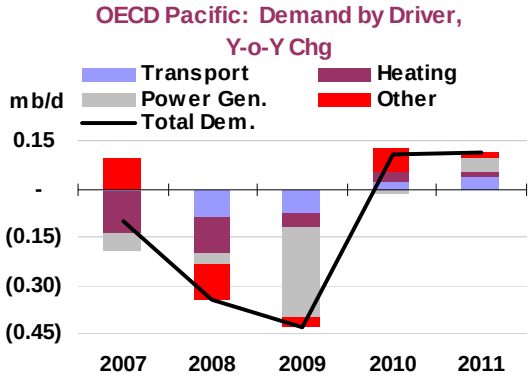
Pacific

Preliminary data show that oil product demand in the Pacific increased by 1.3% year-on-year in February, as largely normal winter temperatures (with HDDs slightly below both the ten-year average and the previous year) tempered the use of heating fuels (notably propane and kerosene). Nonetheless, power generation needs continued to provide support to residual fuel oil deliveries and direct crude burn, most notably in Japan. As discussed below, both fuels are likely to remain resilient as a result of the March earthquake and tsunami that, among other serious impacts, shut down several nuclear power generation facilities.

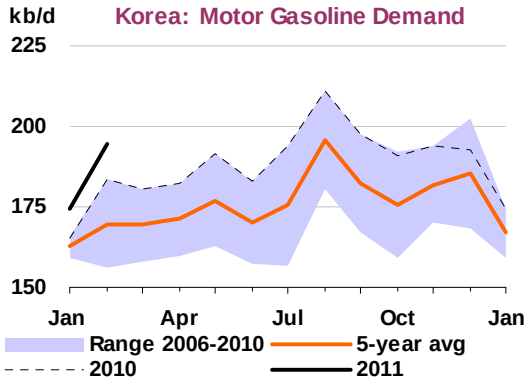


Meanwhile, the revisions to preliminary January data were relatively small (+40 kb/d), mostly pertaining to Japan's diesel and 'other products' deliveries. Although total 2010 OECD Pacific oil demand remains unchanged from last month's report at 7.8 mb/d (+1.7% or +130 kb/d year-on-year), the forecast for 2011 has been lifted by a sizable 140 kb/d to 7.8 mb/d (+0.7% or +60 kb/d year-on-year) to account for the effects of the Japanese disaster.





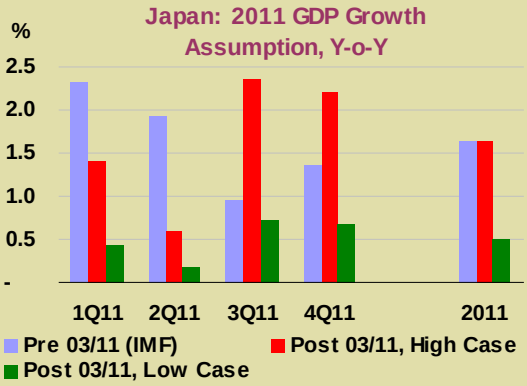
In **Korea**, as in other OECD countries, higher oil prices have raised political issues. Reluctant to cut fuel taxes, as this would compromise its fiscal targets, and eager to keep inflation in check, the government adopted a highly vocal campaign to encourage the country's refiners – SK Innovation, GS Caltex, S-Oil and Hyundai Oilbank, which together account for roughly 98% of Korea's retail market – to absorb the oil price rise. In early April, SK Innovation was the first refiner to react to government pressure, agreeing to lower gasoline and diesel prices by about 5% for the next three months – perhaps calculating that its international expansion, notably in China and Southeast Asia, will gradually make it less sensitive to tightening domestic margins. In addition, the government has announced the creation of an online oil product exchange by end-2011, which aims to provide a more transparent picture of the domestic supply and demand balance. Interestingly, despite the outcry, rising prices have so far failed to dent Korea's strong gasoline demand.



Adjusting our Demand Projection for Japan

A month after the devastating earthquake and tsunami that hit northeast Japan, there is a wide diversity of opinions as to the short- to medium-term consequences of this tragic event. A first uncertainty relates to the cost and economic impact of the damage itself. Most observers have reasoned by analogy with the 1995 Kobe earthquake (roughly $100 billion), putting the cost of the March 2011 disaster at $100-200 billion, or 2-4% of current GDP. The Japanese government, meanwhile, estimates that the cost could be as high as $300 billion. This range of estimates stems from the difficulty of evaluating the earthquake/tsunami's indirect effects, ranging from the impact on industrial supply chains to consumer confidence, and hence colours views regarding future levels of economic activity and oil demand.

An optimistic narrative argues that the most devastated region (northeastern Tohoku) is relatively sparsely populated and has few energy-intensive industries; most are located in the Tokyo region and southern Japan and are thus intact. In addition, industrial spare capacity, albeit old, is plentiful and widespread throughout the country. After the initial shock, which is likely to depress 2Q11 GDP, economic activity would rebound strongly in 2H11, boosted by reconstruction efforts covering housing, industrial areas and infrastructure. As such, GDP growth for the whole of 2011 would match, if not exceed, the latest IMF prognosis (+1.6% year-on-year in 2011, according to the January *World Economic Outlook Update*). Effectively, under these circumstances, which for the time being underpin this report's oil demand assumptions, the earthquake would have only altered the distribution of quarterly economic growth, but not the annual growth level itself.

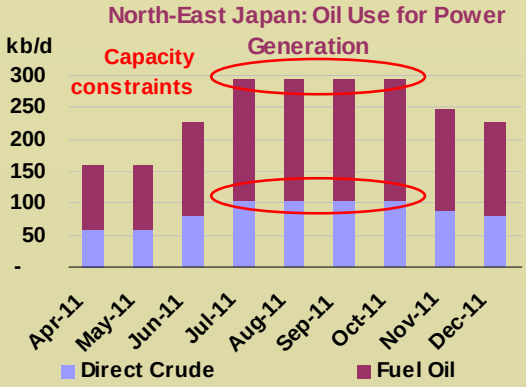


A more pessimistic scenario would acknowledge that the affected region accounts for a small share (about 4%) of the country's GDP but note that supply chains extending across the entire country have been disrupted given the pre-eminence of just-in-time inventory and production techniques, hence potentially affecting directly up to 12% of GDP. Factoring in rolling power blackouts as well, some 40% of GDP could be affected in one way or another. Given extensive infrastructure damage (roads, ports, refinery/petrochemical and power generation/transmission facilities), system inflexibility and reduced business confidence on the back of the unfolding nuclear crisis at the Fukushima plant, proponents of this analysis contend that supply chains would not be easily restored. The country would thus experience a marked economic slowdown with 2011 GDP averaging barely +0.5% year-on-year (indeed some other analysts envisage GDP declining by anywhere between 1% and 4.5%, depending on the nuclear emergency outcome). Moreover, the country's economic woes would also spill over to other countries, since Japan is effectively an economic hub where many key regional – and global – supply chains originate or end, particularly for high-technology products. That said, 2012 should be more favourable, with GDP growth rebounding to perhaps +3%, as reconstruction efforts would be much more advanced by then.

Using the more optimistic of these scenarios, we have attempted to rework our estimate of 2011 Japanese oil demand. In fact, the outlook hinges less upon the economy, and more on likely petrochemical and power developments. Under the optimistic view, naphtha demand would recover in short order since most petrochemical plants were not affected, being largely located in the south. As soon as 2Q11, power generation requirements would support fuel oil and low-sulphur crude use, and reconstruction would boost gasoil demand. As with GDP, total oil product demand could end up increasing slightly in 2011, rather than falling as under our pre-crisis projection. Consequently, our forecast now envisages year-on-year growth of roughly 30 kb/d (versus a contraction of 120 kb/d in our last report, thus implying a net revision of +150 kb/d), but other observers put growth as high as 100-200 kb/d. The lower economic case, meanwhile, would imply largely static year-on-year oil demand given Japan's overall low income elasticity. For the main petroleum products, our revised projection implies gasoil, residual fuel oil, and 'other products' demand respectively 30 kb/d, 80 kb/d and 90 kb/d higher than envisaged before the crisis, while our LPG, naphtha and gasoline projections are trimmed by 10 kb/d on average versus the pre-crisis outlook.

Adjusting our Demand Projection for Japan (continued)

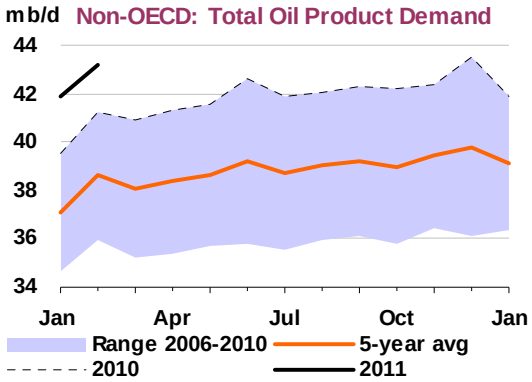
Crucially, the pertinence of any oil demand assessment is highly dependent on a proper review of Japan's power generation capacity and needs. Our current analysis suggests that capacity and transmission constraints in the stricken northeast may cap demand for fuel oil and direct crude burn at roughly 200 kb/d and 100 kb/d, respectively, during peak months (July to October). From this perspective, the load curve is likely to be atypically flat – that is, regional power demand may be effectively disconnected from economic developments (unless, of course, predictions of a severe recession materialise). On an annual basis, this would translate into roughly 240 kb/d of total oil use for power generation, representing an increment of some 170 kb/d versus 'normal' – defined as the ten-year average and assuming that the north-east, which typically accounts for roughly 40% of the country's power generation, will not be able to meet more than 25% of total generation in 2011.

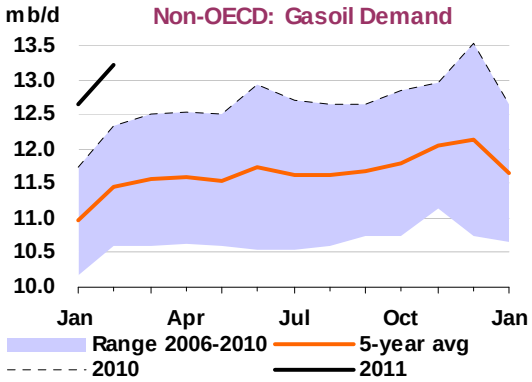


The roots for the capacity constraints are three-fold. Most obviously, they are related to the partial or total destruction brought about by the earthquake/tsunami, which shut down 9.7 GW of nuclear capacity and 10.8 GW of thermal capacity. Furthermore, most oil-fired power plants were built between the late 1950s and the late 1970s, and face technical limitations that could cap sustainable utilisation at around 75% of capacity. Finally, the economics of LNG and coal-fired plants are more favourable – these facilities are not only more efficient, typically running at a load factor of around 80%, but their feedstock is also cheaper. Nonetheless, electricity supply could improve quicker than expected: for example, over the next few weeks a British company will reportedly install numerous small-scale generators, powered by both diesel and gas, in the Tokyo area, with a combined capacity of 200 MW.

Non-OECD

Preliminary demand data show that non-OECD oil demand growth slowed in February (+4.7% or +1.9 mb/d year-on-year), for the second month in a row. Total February demand is assessed at 43.2 mb/d; January estimates, meanwhile, have been revised down by 240 kb/d to 41.9 mb/d (+5.9% or +2.3 mb/d year-on-year).





Despite this, all product categories continued to post strong growth in February. In relative terms, gasoil (+7.2% year-on-year), 'other products' (+6.1%), jet fuel/kerosene (+4.2%) and LPG (+4.1%) showed the highest gains. Nonetheless, gasoil remains well ahead in terms of absolute growth (+880 kb/d, equivalent to roughly 46% of total growth), followed more distantly by 'other products' (+330 kb/d) and gasoline (+200 kb/d).

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Dec-10	Jan-11	Feb-11	Jan-11	Feb-11	Jan-11	Feb-11
LPG & Ethane	4,394	4,413	4,475	220	177	5.3	4.1
Naphtha	2,948	2,988	2,957	167	95	5.9	3.3
Motor Gasoline	8,311	7,813	8,023	308	200	4.1	2.6
Jet Fuel & Kerosene	2,823	2,783	2,802	231	113	9.1	4.2
Gas/Diesel Oil	13,542	12,652	13,205	903	884	7.7	7.2
Residual Fuel Oil	5,739	5,829	5,858	371	118	6.8	2.1
Other Products	5,754	5,382	5,832	137	334	2.6	6.1
Total Products	**43,511**	**41,860**	**43,154**	**2,337**	**1,921**	**5.9**	**4.7**

Similarly, Asia remained the main driver of non-OECD oil demand growth. Yearly growth in February, at 1.2 mb/d (+5.9%), represented 61% of the total. In what has become a familiar pattern, China was the single largest contributor, representing 77% of Asia's increase and 47% of non-OECD growth.

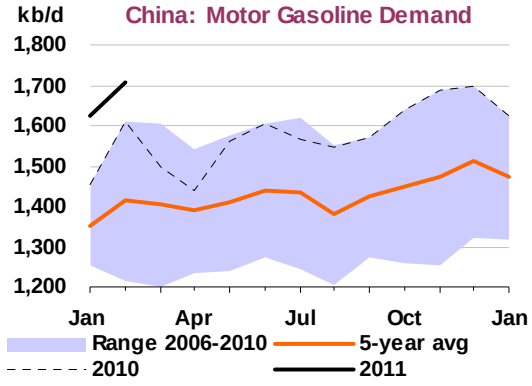
Non-OECD: Demand by Region
(thousand barrels per day)

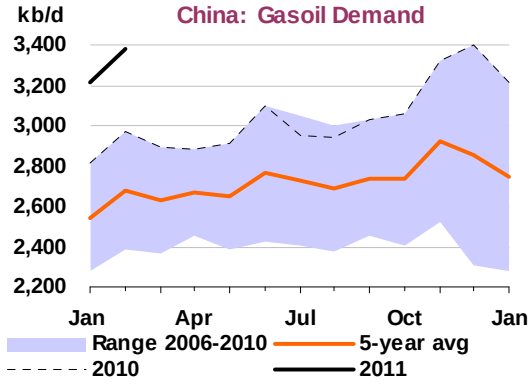
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Dec-10	Jan-11	Feb-11	Jan-11	Feb-11	Jan-11	Feb-11
Africa	3,385	3,294	3,369	206	160	6.7	5.0
Asia	21,052	20,140	21,105	1,461	1,179	7.8	5.9
FSU	4,498	4,230	4,351	127	34	3.1	0.8
Latin America	6,437	5,997	6,267	169	199	2.9	3.3
Middle East	7,401	7,511	7,377	382	332	5.4	4.7
Non-OECD Europe	737	688	684	-9	17	-1.2	2.6
Total Products	**43,511**	**41,860**	**43,154**	**2,337**	**1,921**	**5.9**	**4.7**

Despite downward baseline revisions to Kuwait (from 2009), non-OECD demand is now estimated at 41.8 mb/d in 2010 (+5.7% or +2.2 mb/d year-on-year and 10 kb/d higher than previously estimated). The forecast for 2011 is also adjusted down slightly, on weaker-than-expected readings for Brazil and Russia for both January and February, to 43.2 mb/d (+3.5% or +1.4 mb/d versus the previous year and -90 kb/d when compared to our last report).

China

For the second consecutive month, China's apparent oil demand growth slowed in February (+9.6% year-on-year, versus +13.0% in January and +15.9% in December). However, at +0.9 mb/d, growth remains buoyant by any standards, with all product categories bar jet fuel/kerosene posting sizable gains. In addition, data collected during the Lunar New Year festivities tend to be partial and contradictory. Nonetheless, this slowdown may, at the margin, reflect greater oil price sensitivity, particularly with regards to gasoline (but much less so for gasoil, since its main users, which include farms, fisheries, public transport operators and taxi drivers, are still subsidised).





Indeed, private Chinese motorists may be starting to feel the pinch from high fuel prices. Domestic 'guidance' prices have been raised three times since last December – most recently in early April, despite concerns that inflation (notably for food) remains uncomfortably high. Given that the latest adjustment (of roughly 5%) still lags international price movements, another hike is already expected by some observers. Yet anecdotal recent reports have suggested that car owners in large cities are increasingly using public transportation during the week, and that small and medium-sized delivery and bus companies are facing a profitability squeeze. Of course, this evidence is patchy and is yet to be fully reflected in economic and oil demand data. Nonetheless, if confirmed, it would show that international prices have risen to such a level as to affect the largest non-OECD consuming country and the pivotal economy as regards to global oil demand growth.

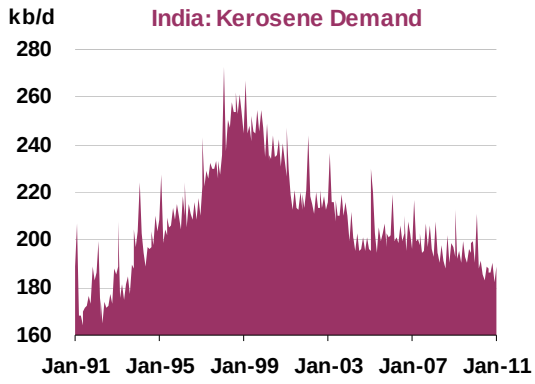
China: Demand by Product
(thousand barrels per day)

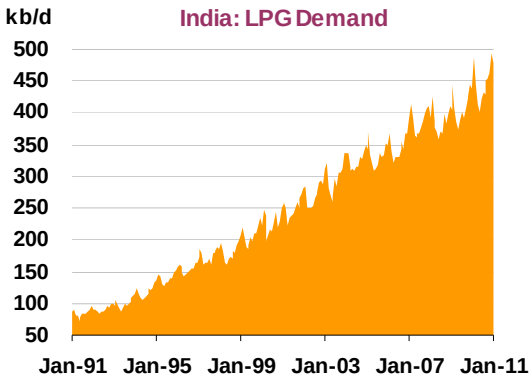
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	723	732	-15	9	-2.1	1.3
Naphtha	952	1,239	1,306	288	67	30.2	5.4
Motor Gasoline	1,507	1,573	1,686	67	113	4.4	7.2
Jet Fuel & Kerosene	335	373	401	38	29	11.4	7.7
Gas/Diesel Oil	2,699	3,023	3,238	324	215	12.0	7.1
Residual Fuel Oil	580	569	550	-11	-19	-1.9	-3.4
Other Products	1,559	1,878	2,059	318	181	20.4	9.7
Total Products	**8,369**	**9,377**	**9,972**	**1,009**	**594**	**12.1**	**6.3**

Other Non-OECD

Having shelved plans to deregulate end-user gasoil prices, the **Indian** government has now turned its attention to kerosene and LPG. As with gasoil, capping domestic prices for both fuels as international oil prices continue to rise has proven to be extremely costly, both for state-owned oil companies and for the government itself, which shares part of the burden of the so-called 'under-recoveries' (losses). It has also fostered widespread adulteration, as kerosene is mixed with gasoil to produce cheap motor fuel.

Price controls on kerosene – a fuel for 'BPL' ('below the poverty line') consumers – have been maintained despite the rise in LPG use, a cleaner fuel that has been actively promoted and subsidised as a better and safer alternative for household use, particularly in rural areas. Kerosene demand indeed peaked in early 1999 at some 260 kb/d, and has steadily decreased to around 190 kb/d over the past decade. LPG consumption, by contrast, has skyrocketed from less than 100 kb/d in the early 1990s to almost 500 kb/d in early 2011.





Against the backdrop of this rising financial burden, the government is mulling a scheme that would entail pricing kerosene and LPG at much higher levels while handing cash payments to eligible consumers. The proposal is currently being debated; a task force is expected to make recommendations

by June. If favourable, a pilot project would be launched in the state of Maharashtra by March 2012. Still, a number of key issues will need to be addressed, notably the price at which both fuels should be sold (at or below market levels), how users eligible for support would be identified (means tests, biometrics, etc.), and the amount and administration of the direct handouts (maintaining or reducing the current subsidy, using banks, post-offices or other delivery means) and the respective attributions of central and state governments. It remains to be seen whether current political and inflationary conditions will permit the implementation of such an idea.

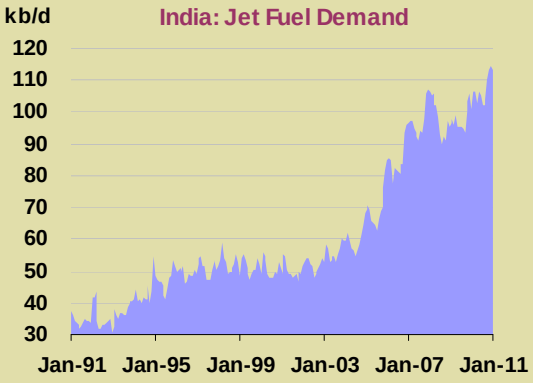
India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	408	444	474	36	30	8.8	6.8
Naphtha	320	295	277	-25	-18	-7.9	-6.1
Motor Gasoline	305	338	363	33	26	10.7	7.6
Jet Fuel & Kerosene	294	295	300	2	5	0.5	1.7
Gas/Diesel Oil	1,167	1,245	1,324	78	78	6.7	6.3
Residual Fuel Oil	407	390	368	-17	-21	-4.2	-5.4
Other Products	362	331	330	-30	-2	-8.4	-0.5
Total Products	**3,262**	**3,338**	**3,437**	**76**	**99**	**2.3**	**3.0**

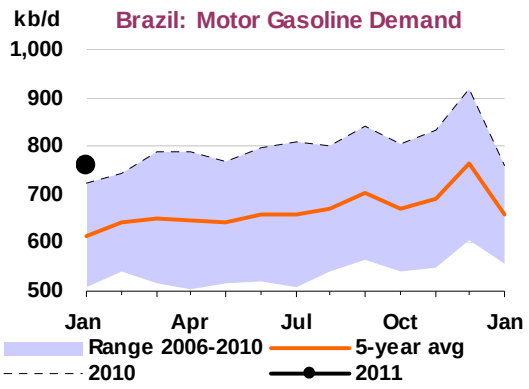
Flying High

Another oil product that has featured remarkable growth over the past decade in India is jet fuel. Demand has almost quadrupled to around 110 kb/d, reflecting the surge in domestic air travel as a result of buoyant economic growth. Indian airlines carried 52 million passengers in 2010, 20% more than in 2009. Air travel growth, moreover, is expected to rise by 10-15% per year over the medium-term.



In 2008-2009, however, the industry was severely hit by high oil prices, the global economic recession and the Mumbai terrorist attacks, as passenger traffic plummeted. Low-cost companies, which account for some 70% of total domestic travel, were hit particularly hard, with many forced to cut capacity sharply. Despite a notable recovery since then, given that Indian travellers are highly price sensitive, it remains to be seen whether domestic airlines are now better prepared to withstand the latest, unfolding oil price shock.

Brazil, normally a gasoline exporter, will import several cargoes in April. Given high ethanol prices and a weak sugar harvest, distributors have also exceptionally bought US ethanol. Demand for both gasoline and gasoil was robust in January (+4.9% and +5.3% year-on-year, respectively), although weaker than in 2H10, suggesting that overall demand growth may be slowing. Under a higher price assumption and evidence of increased fiscal and monetary tightening, we have revised down slightly our 2011 prognosis, with total oil demand (-30 kb/d) now seen at 2.8 mb/d (+2.8% year-on-year).



SUPPLY

Summary

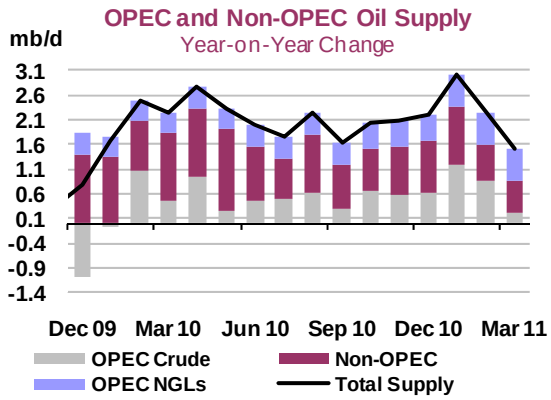
- **Global oil supply fell by 0.7 mb/d to 88.3 mb/d in March, as lower Libyan crude production cut into OPEC output.** Year-on-year, global output was 1.5 mb/d higher, with increases of 650 kb/d each for non-OPEC and OPEC NGLs, while OPEC crude was up by 200 kb/d.

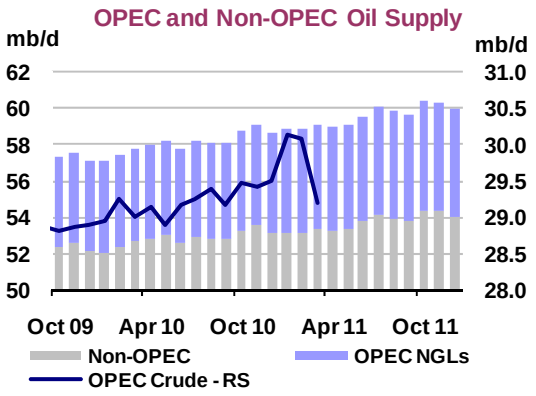
- **Non-OPEC oil production rose by 0.2 mb/d to 53.3 mb/d in March due to growing Chinese and Brazilian supply and on recovery at Azerbaijan's Chirag oil field.** Political unrest and strikes in Yemen, Oman, Gabon and Ivory Coast shuts in an estimated 0.1 mb/d of crude output in March and April. Non-OPEC supply for 2010 is left unchanged at 52.8 mb/d, while stronger recent Canadian production and the early completion of a key oil sands project lift the forecast by 0.1 mb/d to 53.7 mb/d in 2011.

- **OPEC's March crude production fell a sharp 890 kb/d month-on-month, to 29.2 mb/d, due to the near 70% drop in Libyan output.** The loss of Libyan production and the 25-30% jump in oil prices since the crisis began in mid-February has so far drawn a limited response from fellow OPEC members. However, overall supply from the producer group remained above year-ago levels — largely due to higher output from Saudi Arabia since the beginning of the year, as well as smaller increases from the UAE and Kuwait.

- **OPEC's effective spare capacity, which excludes Iraq, Nigeria, Venezuela and Libya,** is estimated at 3.91 mb/d, with Saudi Arabia providing just over 80% at 3.2 mb/d, while other Gulf producers Kuwait, Qatar and the UAE combined hold a further 13%.

- **The 'call on OPEC crude and stock change' was reduced by 0.4 mb/d for 1Q11 to 29.8 mb/d** on lower demand from Japan and higher non-OPEC supply. For 2011 overall, the 'call' is expected to average 29.8 mb/d, largely unchanged from 2010 but around 0.6 mb/d above March OPEC production.





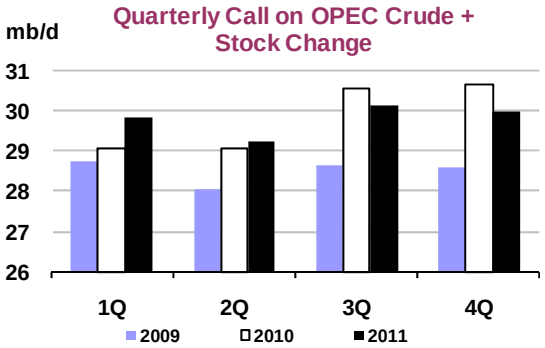
All world oil supply figures for March discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Peru and Russia are supported by preliminary March supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

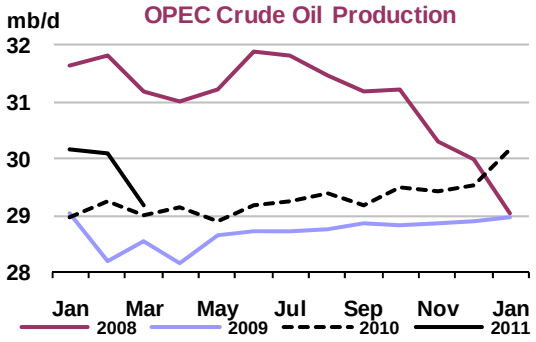
OPEC Crude Oil Supply

OPEC production fell by a sharp 890 kb/d month-on-month due to the near 70% drop in Libyan output. March OPEC supply averaged 29.20 mb/d compared with 30.09 mb/d in February. OPEC-11 output, which excludes Iraq, fell by 845 kb/d to 26.51 mb/d. Higher output from Kuwait, the UAE and Angola only partially offset reduced Libyan and Nigerian output.

The Libyan-led steep monthly decline brought volumes down to the lowest levels since May 2010 but overall OPEC supply was still at or above trend 2009/2010 levels—largely due to increased output from Saudi Arabia since the beginning of the year. Current OPEC production at 29.20 mb/d is only about 280 kb/d below 4Q10 levels of 29.48 mb/d.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

The now near-total shut-in of Libyan production and 25-30% jump in oil prices has so far drawn a limited response from fellow OPEC members. The producer group continues to dismiss the need for holding an extraordinary meeting to discuss supply levels before the previously scheduled gathering in June, arguing the market has enough oil. In March, the loss of Libyan supplies was partially muted by the cataclysmic earthquake and tsunami that hit Japan early in the month, which temporarily led to reduced crude demand. A number of Middle East cargoes scheduled for delivery to Japan were subsequently made available to other buyers in Asia.

While small increases in output by some OPEC members, including Saudi Arabia, Kuwait and the UAE, allied to a seasonal low in refinery crude runs, helped avert a supply crisis in the short term, by second-half 2011 the demand for OPEC crude is likely to rise again substantially. OECD crude inventories, adjusted for unusually high stocks held in the landlocked US Midcontinent, are now hovering near the bottom of the 5-year range, and are below that comfort zone in the OECD Pacific. A seasonal lull in product demand in 2Q11 is expected to be followed by a 0.9 mb/d rise in the 'call' to 30.1 mb/d by 3Q11. Needless to say, much depends on how events unfold in Libya, but either unofficial output increases or higher output targets will likely be on the agenda ahead of the June meeting.

Disagreement over existing, but largely redundant, output targets potentially makes consensus on increased quotas difficult to achieve. So too does the divisive nature of the momentous unrest sweeping the Middle East and North Africa region. Participation by Qatar and the UAE in the coalition supporting the no-fly zone over Libya has rankled not only officials in Tripoli but other OPEC members, such as Algeria, Iran and Venezuela, who see the NATO-led support of rebels as interference in a sovereign state's affairs. Military support from Saudi Arabia, the UAE and Kuwait for Bahrain in its confrontations with its Shi'ite population last month has drawn sharp criticism from both Iran and Iraq. Add in the fact that OPEC has placed the blame for higher prices squarely on speculative money inflows, and a collective decision to formally raise output targets looks likely to be elusive in June. Most analysts argue that Saudi Arabia, Kuwait, the UAE, Nigeria and Angola--the members which collectively hold the lion's share of spare capacity--will step in and raise production unofficially instead.

Gaddafi Regime's Attack on Eastern Libya Oil Fields May Be Game Changer

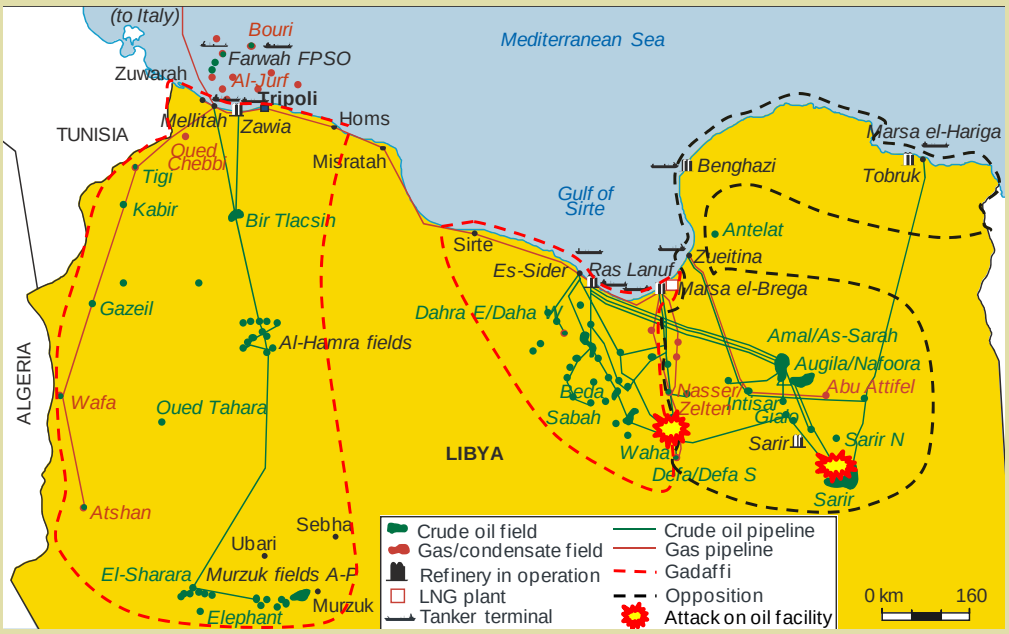
Attacks by Colonel Gaddafi's forces on oil producing fields and infrastructure in the rebel-held eastern region in early April has raised the spectre that the country's oil production will be offline indefinitely while the civil war rages on. The emerging stalemate at both the diplomatic level and on the ground between government forces and the rebels also reinforced market expectations that the crisis will be protracted. The attacks came on the heels of the first crude cargo exported by the opposition from Tobruk, but exports have now been suspended until security can be improved.

Libya's output plummeted by an average 935 kb/d to only 450 kb/d in March, but production is now thought to be completely shut-in following three separate attacks by government forces on rebel-controlled oilfields in the eastern region of the country. Previously, only Libya's ports and storage tanks in the oil towns of Es Sider and Ras Lanuf had been damaged during the two-month long conflict. A spokesman for the Gaddafi regime refuted the claims, saying the damage had been inflicted by NATO forces. The opposition group meanwhile said the strikes targeted production in a bid to halt further exports from the eastern region.

The attacks targeted oil infrastructure at the country's largest field, Sarir, in the Sirte Basin, as well as oilfields in the Waha and Messla areas. The three fields were producing around 100 kb/d, down sharply from the 420 kb/d seen before hostilities erupted in late-February. The rebel-controlled Arabian Gulf Oil Co (Agoco) said there was no damage to the Sarir field but that output would remain shut-in until the area could be secured. The extent of the damage to the other fields is not yet known, but Messla fields were thought to have been affected most.

The attacks were likely in retaliation for the opposition's first export of crude to international markets. The rebel-led Transitional National Council appeared to have navigated around the three different sets of sanctions imposed by the UN, EU and the US. It was hoped that crude exports would provide a steady flow of funding for the rebels. The vessel Equator left Tobruk on 6 April carrying around 1.0 mb of Sarir/Messla crude and was believed to be destined for China, though it is still unclear who the buyer was. Qatar, a partner in the coalition with NATO, has offered to market crude exports from the opposition-controlled eastern area but it is not known if they were involved in this first shipment. However, Qatar reportedly has arranged for the sale of two more shipments, which are now put on hold.

The complete production shut-in has temporarily stalled hopes of further exports from rebel-held territories until security can be improved to encompass a much broader area. Damage to storage and other terminal infrastructure can usually be repaired in short order but restarting more complex and aging oil fields and related infrastructure could take many months, depending on the extent of the damage. Agoco, which early on in the conflict formally split off from the government-controlled parent company in Tripoli, said it planned to move forces to the desert region to protect the fields, but it is a vast area to cover with limited resources, and has sparked fears that the Gaddafi regime will employ a scorched-earth strategy similar to the one Saddam Hussein implemented on his retreat from Kuwait.



After ramping up output since the start of the year, supplies from Saudi Arabia in March are assessed unchanged from February at 8.9 mb/d. Saudi production averaged 8.88 mb/d in 1Q11, which is up on average by 310 kb/d from the 8.57 mb/d average in 4Q10. Initial reports in early March suggested that Saudi Aramco would ramp up and hold output at just over 9 mb/d for the month, but the earthquake and tsunami that have devastated northeastern Japan reduced overall demand for the country's crude. A number of cargoes en route to Japan were diverted elsewhere in the region. As a result, Saudi Aramco is thought to have throttled back production in mid-March.

The Kingdom early on in the crisis pledged to make more crude available to the market, but Saudi Aramco saw only tepid demand from refiners for extra barrels due to the quality mismatch with lost Libyan supplies, reduced Japanese needs as well as relatively steep prices set for April liftings. In March, Saudi Aramco largely raised April price formulas for Arab Light for Asia and European customers to some of the highest levels in over two years while marginally lowering prices for the US. Moreover, reduced refinery throughput rates during the seasonal turnaround period muted buying interest for the Kingdom's new crude blends, which were customised to mimic lost supplies of Libyan light, sweet grades. Early on about three cargoes were sold, including one each to BP and ENI, but by late March there was reportedly little incremental interest.

However, Saudi production could edge higher after the company reduced prices for its benchmark Arab Light sales for May to European and Asian customers. In a reversal of last month, prices to the US were increased. In addition, the exceptionally steep rise in prices for light, sweet African crudes has prompted a number of Asian refiners to pick up extra Saudi grades for May.

OPEC Crude Production

(million barrels per day)

	Jan 2011 Supply	Feb 2011 Supply	Mar 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs March 2011 Supply	End-2011 Sustainable Production Capacity	Production Capacity Chg 1Q11 vs 4Q11
Algeria	1.27	1.28	1.28	1.32	0.04	1.35	0.03
Angola	1.68	1.60	1.68	1.84	0.16	2.01	0.17
Ecuador	0.48	0.50	0.51	0.51	0.00	0.50	(0.01)
Iran	3.66	3.68	3.68	3.70	0.02	3.68	(0.02)
Kuwait[2]	2.31	2.35	2.42	2.55	0.13	2.55	0.00
Libya	1.58	1.39	0.45	1.80	1.35	1.82	0.02
Nigeria[3]	2.24	2.16	2.05	2.50	0.45	2.66	0.16
Qatar	0.82	0.82	0.82	1.00	0.18	0.98	(0.03)
Saudi Arabia[2]	8.80	8.90	8.90	12.10	3.20	12.10	0.00
UAE	2.44	2.48	2.52	2.70	0.18	2.74	0.04
Venezuela[4]	2.21	2.20	2.20	2.35	0.15	2.29	(0.07)
OPEC-11	**27.49**	**27.35**	**26.51**	**32.38**	**5.87**	**32.67**	**0.30**
Iraq	2.66	2.73	2.69	2.75	0.06	2.78	0.03
Total OPEC	**30.14**	**30.08**	**29.20**	**35.13**	**5.93**	**35.45**	**0.33**
(excluding Iraq, Nigeria, Venezuela & Libya					*3.91)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 250 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in March.

Fellow Gulf producers **Kuwait** and the **UAE** also ramped up output in March by a combined 110 kb/d in a bid to offset lost Libyan supplies. Kuwait increased production by around 70 kb/d to 2.42 mb/d according to tanker tracking data. The UAE formally suspended cuts to contract allocations, which led to a boost in output of 40 kb/d, to 2.52 mb/d.

Iraqi supply in March was down slightly, by 45 kb/d to 2.68 mb/d, despite increased output from the Kurdish region. Northern exports via Ceyhan on the Mediterranean were off by around 20 kb/d to

460 kb/d in March after an explosion and repair work on the Ceyhan pipeline reduced volumes. Production of crude from the Tawke field in the northern Kurdish region reached new heights in March at 65 kb/d and by early April was reportedly pumping 85 kb/d.

Exports of Basrah crude from the south were lower by around 25 kb/d, to 1.69 mb/d, in part due to weather-related loading delays. Production from the new joint-venture projects, which include, Rumaila, Zubair and now West Qurna, is reportedly straining the export infrastructure at the ports in Basrah. Indeed, SOMO has reportedly asked several existing producers to rein in output to make room for the new supplies. Export capacity is expected to be capped at 1.75 mb/d until the end of the year when the new single point moorings are slated to be in place.

Angola's crude production rose by 80 kb/d, to 1.68 mb/d in March. The country's output is expected to fall again in April, however, to below 1.5 mb/d, due to scheduled maintenance and repair work at the 200 kb/d Greater Plutonio complex. The BP-operated field is reportedly completely shutdown for extensive repair to its troublesome water injection system for the month of April. Output from the Total-operated Dalia field is also expected to be reduced this month while maintenance work takes place.

Nigeria's output in March was down 110 kb/d, to around 2.05 mb/d, as a result of scheduled maintenance work. Reduced output from the giant 225 kb/d deepwater Bonga field was partially offset by the return of production after maintenance work from Qua Iboe and several other fields. All told, production in April should rebound by a significant 300 kb/d.

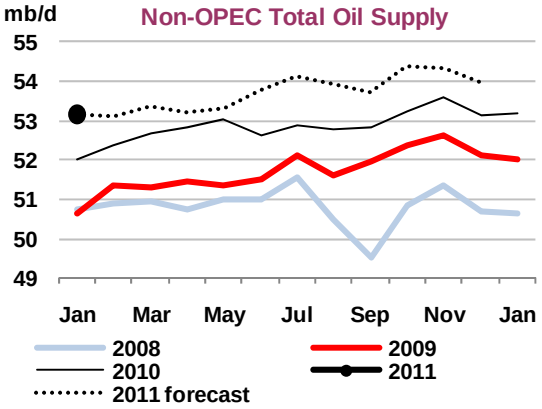
Meanwhile, Nigeria's election cycle got off to a rocky start in early April after ballots failed to arrive at polling stations across the country. Voting was postponed by a week while officials worked to get the elections back on track. Against all odds, the first round for parliament on 9 April (elections take place over three consecutive Saturdays) was considered a success. The presidential elections will take place on 16 April followed by voting for state governors on 23 April. President Goodluck Jonathan is widely expected to win. Fears of a resumption of rebel attacks around polling time have eased after militant group MEND called off planned attacks on oil installations to allow for a "safe election". During the last elections in 2007 around 1.0 mb/d of supply was disrupted.

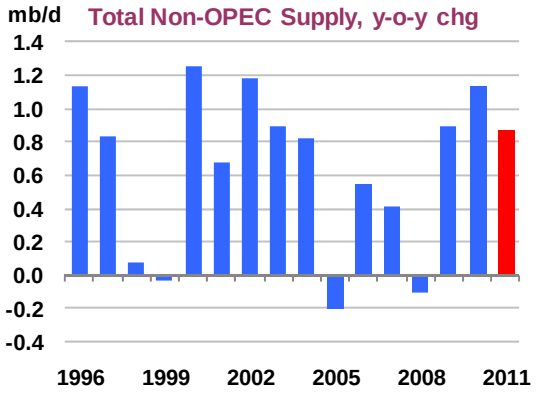
Venezuelan output was unchanged in March at 2.2 mb/d but supplies look set to fall in April following widespread power blackouts that interrupted the operations of the country's heavy crude oil upgraders. The power shortage also reportedly affected some oil field operations during the first week of April.

Non-OPEC Overview

Non-OPEC oil production rose by 0.2 mb/d to 53.3 mb/d in March, as output recovered from outages at Azerbaijan's Chirag field and on growing supply in China and Brazil. Field maintenance hit UK production, while political unrest and strikes shut in some output in Yemen, Oman, Gabon and Ivory Coast. Total non-OPEC supply was also revised up in March on higher-than-expected US, Canadian and UK output, more than offsetting downward-revised production in the FSU, China, the Middle East and for global biofuels.

Historical adjustments to Sudan and Norway bring some minor upward revisions to 2007-2009 output, while 2010 average production is left unchanged at 52.8 mb/d. The 2011 estimate is again hiked on the basis of strong recent Canadian production, but also on higher assumed UK output (though seasonal maintenance will curb combined UK/Norway oil supply by around 165 kb/d in 2Q11). These upward revisions offset downward adjustments to global biofuels, Africa, Middle East and FSU. Non-OPEC supply for 2011 is now seen 0.1 mb/d higher than last month, at 53.7 mb/d, thus implying slightly stronger annual growth of 0.9 mb/d compared to 0.8 mb/d in last month's report. This follows annual increments of 1.1 mb/d and 0.9 mb/d respectively in 2010 and 2009.





Unrest in Yemen and Ivory Coast (and oil workers' strikes in Oman and Gabon) curbs an estimated 0.1 mb/d in both March and April, and protests are ongoing and strengthening in many countries in the Middle East and North Africa (see *MENA Unrest Spreads to Other Non-OPEC Producers)*. Compared to total production in affected countries of around 3 mb/d, current shut-in volumes are small. Nonetheless, fear of potentially deeper shut-ins has lent additional support to recent price rises.

Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.4	14.1	14.2	14.4	14.3
Europe	4.9	4.5	4.3	4.5	4.6	4.5	4.2	3.8	4.2	4.2	4.3	4.1	4.0	4.2	4.1
Pacific	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6
Total OECD	**19.1**	**18.6**	**18.7**	**19.0**	**18.8**	**19.1**	**18.9**	**18.5**	**19.2**	**18.9**	**19.2**	**18.8**	**18.8**	**19.2**	**19.0**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.8	13.6	13.7	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.3	4.3	4.3	4.3
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.6	3.6	3.6	3.5	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.7**	**29.9**	**30.0**	**29.8**	**30.2**	**30.4**	**30.4**	**30.6**	**30.4**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.1	1.9
Total Non-OPEC	**51.1**	**51.4**	**51.9**	**52.4**	**51.7**	**52.4**	**52.8**	**52.8**	**53.3**	**52.8**	**53.2**	**53.5**	**53.9**	**54.2**	**53.7**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.3	1.4	1.0	1.0	1.1	0.9	0.6	1.1	0.9	0.9
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1

Drivers of non-OPEC growth in 2011 remain Brazil (+185 kb/d), China (+180 kb/d), global biofuels and Colombia (each +120 kb/d), Ghana (+100 kb/d) and now, following successive upward revisions, Canada (+155 kb/d). Lesser sources of incremental output are Russia, Oman, India and Kazakhstan (each around +50 kb/d). These are partially offset by decline in Indonesia and Malaysia (each -55 kb/d), Yemen (-30 kb/d) and Equatorial Guinea and Sudan (each -20 kb/d). North Sea producers Norway and the UK, while both in decline, are expected to have a relatively good year, with a string of smaller additions serving to slow net decline to only -20 kb/d each.

MENA Unrest Spreads to Other Non-OPEC Producers

While the media spotlight remains mostly on Libya, where international intervention has prevented pro-Gaddafi forces from retaking the rebel-controlled east, and most oil production and exports remain halted, markets have also reacted to spreading unrest in the region. In Yemen, in particular, the political situation is tense, with broad support for anti-regime opposition. It is also so far the only non-OPEC country to suffer from a significant shut-in of oil production – around 40% of the country's 265 kb/d crude output is estimated to be currently offline. With the exception of Oman, most regional producers' oil output is far smaller than in neighbouring OPEC countries, but still adds up to over 3 mb/d in all countries hit by unrest. Thus the risk of additional shortfalls in crude oil supply serves to underpin current high oil price levels.

- **Yemen**: Protests against the long-serving regime of President Salih have spread and intensified. Numerous high-level tribal, military and political leaders have declared their support for the opposition and the violent suppression of demonstrations has left many dead. Under severe pressure, President Salih has declared he will stand down, but not immediately, causing tensions to simmer. A key crude oil pipeline from the Marib producing region to the Red Sea coast was sabotaged in mid-March, leading to the shut-in of 70 kb/d of crude output. Reports of foreign oil companies pulling out staff and some further shut-ins lead to an estimated total 100 kb/d offline during April, assumed partly recovering in May. The Total-operated Yemen LNG facility in the southeast is reportedly functioning normally, but no part of Yemen is free from potential unrest.

- **Bahrain**: Mid-March saw fighting erupt between security forces and protesters in Bahrain. Later the Kingdom requested help from its neighbours in the Gulf Cooperation Council (GCC) and some 1,000 – 2,000 security forces from Saudi Arabia and the UAE moved into Bahrain. Reports of shortfalls in domestic crude production and refinery output were later denied by state oil company BAPCO. We assume crude production – in any case only 30-40 kb/d (in addition to 150 kb/d of crude from the Abu Safah field shared with but pumped by Saudi Arabia) – is unaffected and protests have subsequently been more muted. The main worry regarding Bahrain is of its Sunni/Shi'ite tensions spreading to Saudi Arabia's close-by core producing region.

- **Syria**: With a slight delay to others in the region, Syria has also seen a slow spread of unrest and some violence, though the government has been fast to crack down. Crude oil output of 385 kb/d is so far unaffected.

- **Oman**: Oman has seen little political unrest, with oil wealth and opportunities spread more widely among the small population. But in mid-March, striking oil workers at the government-controlled Petroleum Development Oman (PDO) consortium, the country's largest producer, briefly shut-in some production. We assume a shortfall of -20 kb/d in March.

Crude and NGL Production and Exports from Selected Countries in 2010
(thousand barrels per day)

	Production	Exports[1]
Oman	865	761
Egypt	739	0
Sudan	470	357
Syria	385	151
Yemen	264	218
Gabon	245	182
Bahrain[2]	189	0
Tunisia	87	79
Ivory Coast	39	39
Total	**3283**	**1787**

1 Source: Lloyds Marine Intelligence
2 Bahrain production includes 150 kb/d from Saudi Arabia's Abu Safah field

- **Tunisia** and **Egypt**, the first two countries to see protests and, so far, to see a change in regime, appear relatively calm, focusing on transition. Respective oil production of 85 kb/d and 740 kb/d is unaffected.

- **Gabon**: In Gabon, a strike by the main oil workers' union shut down the country's entire oil production of around 245 kb/d in early April. However, as in previous strikes, the workers' main demands were quickly met and production resumed only days later. April supply is curbed by an estimated 40 kb/d.

- **Ivory Coast**: Heavy fighting erupted in March between supporters of Alassane Ouattara, the widely-recognised winner of recent elections, and those of his predecessor, Laurent Gbagbo, who is clinging on to power. With foreign companies pulling out some expatriates, we have assumed that average recent production of around 40 kb/d has been curtailed by around a quarter in April.

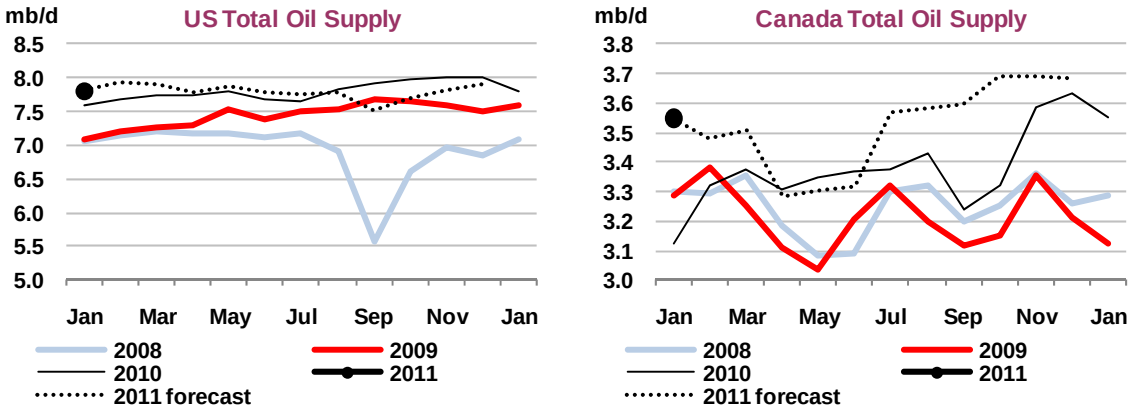
- **Sudan**: Following almost unanimous support in a January referendum, the southern half of Sudan is set to become an independent country in July. But there are reports of sporadic outbursts of fighting both in the south and in the Abyei region, which straddles the border. The country's oil production of 470 kb/d, most of which is located in the south, is so far reportedly unaffected.

OECD

North America

US – Alaska March actual, others estimated: Preliminary data indicate that US oil supply was steady at 7.9 mb/d in March, 0.1 mb/d higher than expected. BP was forced to halt production at its Holstein spar in early March, after an inspection, which takes out an estimated 40 kb/d. In the Gulf of Mexico, business is returning to normal, now that the Bureau of Ocean Management (BOEM) has issued ten permits to drill new deepwater wells and activity is resuming (drilling never stopped completely, as it was not banned in shallow water, nor on already-producing fields). Nonetheless, company guidance on new developments indicates that new fields will be delayed, as implicit in our forecast. We maintain that, as a result, Gulf of Mexico oil production will be around 100 kb/d lower this year compared to previous forecasts.

Meteorologists are forecasting higher-than-average storm activity in the Caribbean this year, with three to five storms turning into major hurricanes. Then again, 2010 saw above-average storm activity overall, but most major storms eventually veered away from oil infrastructure in the US Gulf of Mexico, only causing precautionary shut-ins.

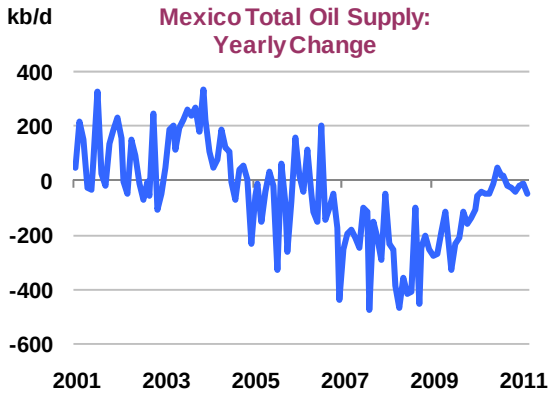


In a major speech on energy on 30 March, President Obama called for a reduction in US oil imports to one-third of their current 9-10 mb/d in the next ten years. This could apparently be achieved by boosting energy efficiency (including fuel use in transport), using more advanced biofuels, using more natural gas and also by producing more domestic crude oil. He hinted that incentives could be put in place to encourage more production in existing producing areas, large tracts of which are leased but not actually actively producing. Proposed Republican legislation calls for more offshore drilling and an opening up of new areas currently off-limits. Total US oil production averaged 7.8 mb/d in 2010 and is forecast to remain steady at this level in 2011.

Canada – Newfoundland February actual, others January actual: As in past months, recent Canadian production data came in stronger than expected. Despite ongoing shut-ins at CNRL's Horizon oil sands facility, January-March monthly production averaged a steady 3.5 mb/d, following upward revisions to 1Q11 averaging 80 kb/d. This robust performance, coupled with news that Shell's recent expansion of its Athabasca Oil Sands Project would already reach capacity of 100 kb/d in 2Q11, sooner than expected, has resulted in a higher projection. Total Canadian oil production averaged 3.37 mb/d in 2010 and is now expected to rise to an upward-revised 3.52 mb/d in 2011, making it the third-largest source of growth in non-OPEC, behind Brazil and China.

Mexico – February actual: Mexican oil production dipped by 50 kb/d in February, to 2.94 mb/d, but is expected to pick up again in March. More details are emerging on the three fields that state oil company Pemex is offering for foreign involvement. The three have a combined current oil production of only

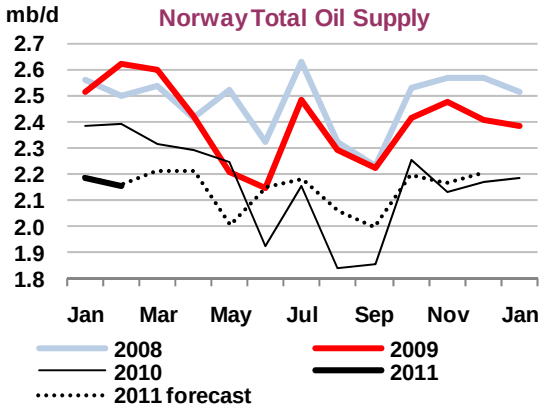
12-13 kb/d, which Pemex hopes could be boosted by 40-60 kb/d in the next couple of years. After gaining experience with the so-called 'integrated E&P contracts', which will give financial incentives to foreign oil companies, but will not allow production sharing or reserves booking, Pemex hopes to be able to offer contracts with larger and more difficult fields, including perhaps the onshore Chicontepec and deepwater blocks.

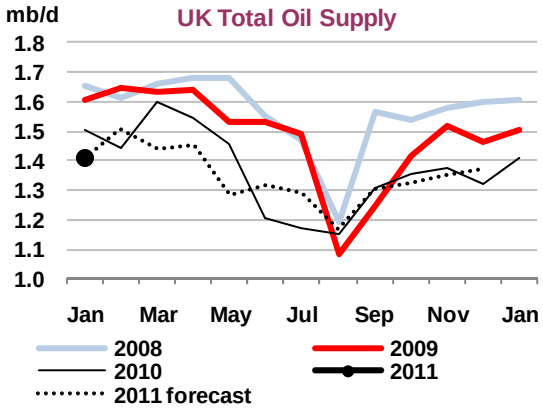


Pemex remains optimistic that it can not only sustain current production levels, but even boost them in the near-term. Despite considerable success at slowing decline over the past year, we remain more pessimistic until we see evidence to the contrary. For instance, Pemex claims it may be able to boost the expected peak capacity of the large Ku-Maloob-Zaap (KMZ) cluster of fields from their current 850 kb/d to as much as 925 kb/d. We have raised our outlook slightly, hiking the 2011 outlook for total Mexican supply by 15 kb/d, but remain cautious before making a larger adjustment. 2010 Mexican oil production averaged 2.95 mb/d, and our projection holds steady at this level in 2011.

North Sea

Norway – January actual, February provisional: Norway's total oil production in 1Q11 was revised down by an average 60 kb/d, to just under 2.2 mb/d, with problems reported at a string of fields. Historical data have been nudged up by around 10 kb/d on the more comprehensive inclusion of production at the Gimle, Gungne and Rev fields. Though structurally in decline, Norwegian oil production prospects received a boost with news of the huge Skrugard discovery in the Barents Sea. Currently, the only gas (and oil) field producing in the far north is the huge Snohvit project, while the Goliat project is under development. Hugely challenging, the area also received a confidence boost when Norway and Russia recently agreed on a delineation of their common border, after 40 years of talks. Norway's oil production averaged 2.16 mb/d in 2010 and is forecast to dip slightly, to 2.14 mb/d, in 2011.



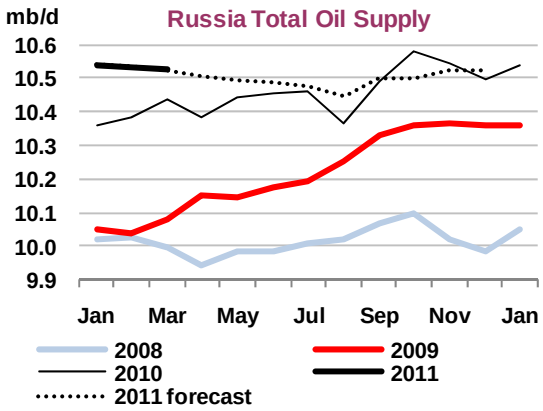


UK – January actual: After a substantial upward revision of 170 kb/d to 1Q11, UK production is now expected to average 1.45 mb/d in the quarter, up from a depressed 1.35 mb/d in 4Q10. Oil companies active in the North Sea have objected to an upstream tax hike included in the recently-published budget for the coming year. Statoil said it would review whether it still wanted to sanction two relatively large projects by North Sea standards, the Bressay and Mariner heavy oil fields, projected to have respective output capacities of around 50 kb/d and 80 kb/d. Neither was previously included in our forecast, with a final investment decision pending, and both projects, if realised, may now slip beyond 2015. Their cancellation would be a blow to UK oil production prospects.

However, most analysts (as well as the UK government) consider that the tax hike will still keep the average fiscal burden on operators below that in neighbouring Norwegian and Danish waters, particularly if taking into account upward-revised price outlooks. Tax breaks for marginal, remote and particularly challenging fields also remain in place. Thus the tax increase may not have a material effect on medium-term oil prospects. UK production averaged 1.37 mb/d in 2010 and is forecast to dip to 1.35 mb/d in 2011.

Former Soviet Union (FSU)

Russia – February actual, March provisional: Russian oil production dipped marginally in March from February, averaging 10.52 mb/d, slightly lower than expected. February data were revised down by 30 kb/d on lower output from Gazprom and on Sakhalin. Lukoil's production disappointed again in March, coming in 15 kb/d lower than anticipated. With year-on-year decline for total company output running at a steady -5% in 1Q11, this weaker performance is carried through the rest of the year, contributing to a minor annual downward revision of -10 kb/d. Russia's total oil production averaged 10.45 mb/d in 2010 and is forecast to rise to 10.50 mb/d in 2011.



BP's proposed tie-up with Rosneft hit a further obstacle when a court confirmed a previous injunction, forcing further arbitration (for background, see *BP-Rosneft Deal Opens Up Arctic and Thaws Relations with IOCs?* in report dated 10 February 2011). The deal may still go ahead if an agreement can be reached, but Rosneft has indicated it would also consider other partners for its Arctic blocks that BP had hoped to be able to access. In an unusual sign of discord between President Medvedev and Prime Minister Putin, the former ordered a shake-up of board membership of large oil and gas companies, ejecting government officials that also are tasked with overseeing the sector. This could hit powerful Deputy Prime Minister Sechin, a leading figure in Russia's energy sector, and currently chairman of Rosneft's board. Oil Minister Shmatko may leave Transneft and First Deputy Prime Minister Zubkov may give up his seat on Gazprom's board. This has the potential for significant ramifications for Russia's hydrocarbons sector, but the outcome is as yet unclear.

FSU net oil exports fell for the second month running, declining by 120 kb/d to 9.5 mb/d in February. Deliveries of crude fell by a sharp 150 kb/d to 6.5 mb/d in response to a significant 200 kb/d drop in seaborne crude shipments from Black Sea ports. Reports indicate that volumes originally planned for Novorossiysk were diverted northward to the Polish port of Gdansk, where exports more than doubled to approximately 200 kb/d. This factor also helped to maintain Baltic shipments in the face of persistently icy weather and maintenance on the BPS pipeline, which reduced cargoes shipped from Primorsk by 70 kb/d. Flows through the BTC pipeline recovered slightly as production problems in Azerbaijan appear to have been resolved, while deliveries through the Druzhba pipeline outside the FSU also fell by 40 kb/d after the resumption of Russian exports to Belarus. Far East shipments rose by 60 kb/d on increased cargoes from Sakhalin while total ESPO (Chinese spur + Kozmino) volumes were maintained at approximately 600 kb/d.

Exports of total oil products to non-FSU destinations increased by a marginal 40 kb/d to 3.0 mb/d in February, their highest since August 2010 and level with a year ago. Shipments of gasoline and kerosene (included under 'other products') increased by a combined 30 kb/d and gasoil rose by 10 kb/d to offset a 10 kb/d fall in fuel oil. It is likely that the increase in light products at the expense of heavy products is a consequence of the 1 February implementation of the new product export duty price formula aiming to incentivise the production of light products over heavy products (see *Russia: Re-drawing the Fiscal Map*

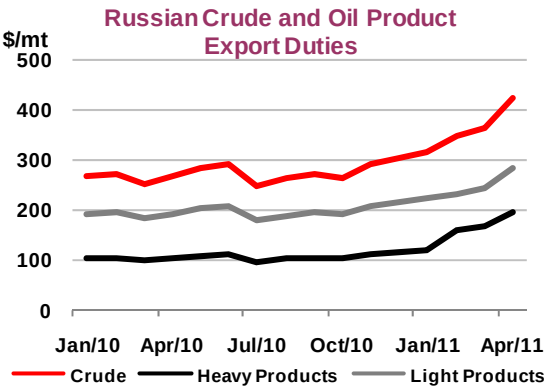
in report dated 12 November 2010). In February the heavy product duty's discount to crude was reduced from 61% to 53%, while that of light products was increased from 28% to 33%.

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

	2009	2010	1Q2010	2Q2010	3Q2010	4Q2010	Dec 10	Jan 11	Feb 11	Latest month vs. Jan 11	Latest month vs. Feb 10
Crude											
Black Sea	2.21	1.96	1.78	1.99	2.08	1.98	2.15	2.17	1.98	-0.20	0.48
Baltic	1.62	1.58	1.60	1.61	1.56	1.55	1.66	1.43	1.45	0.02	-0.02
Arctic/FarEast	0.46	0.72	0.71	0.76	0.66	0.76	0.76	0.67	0.72	0.06	0.02
BTC	0.78	0.76	0.69	0.79	0.80	0.77	0.76	0.71	0.73	0.02	0.02
Crude Seaborne	**5.07**	**5.02**	**4.77**	**5.15**	**5.10**	**5.06**	**5.33**	**4.98**	**4.88**	**-0.10**	**0.50**
Druzhba Pipeline	1.12	1.14	1.13	1.10	1.17	1.14	1.11	1.16	1.12	-0.04	0.00
Other Routes	0.37	0.40	0.44	0.37	0.40	0.39	0.37	0.51	0.50	-0.01	0.03
Total Crude Exports	**6.56**	**6.56**	**6.34**	**6.62**	**6.68**	**6.59**	**6.81**	**6.64**	**6.49**	**-0.15**	**0.52**
Of Which: Transneft	4.14	4.21	4.20	4.21	4.28	4.14	4.23	4.19	4.04	-0.15	0.01
Products											
Fuel oil	1.15	1.24	1.13	1.28	1.31	1.23	1.21	1.21	1.21	-0.01	0.17
Gasoil	1.15	1.13	1.20	1.14	1.09	1.10	1.12	1.12	1.13	0.01	-0.09
Other Products	0.69	0.64	0.73	0.63	0.62	0.59	0.62	0.64	0.67	0.03	-0.07
Total Product	**2.99**	**3.02**	**3.06**	**3.06**	**3.02**	**2.92**	**2.95**	**2.97**	**3.01**	**0.04**	**0.00**
Total Exports	**9.55**	**9.58**	**9.41**	**9.68**	**9.70**	**9.51**	**9.76**	**9.62**	**9.50**	**-0.11**	**0.53**
Imports	0.04	0.05	0.05	0.04	0.07	0.05	0.05	0.04	0.05	0.01	-0.01
Net Exports	**9.51**	**9.52**	**9.36**	**9.64**	**9.63**	**9.46**	**9.71**	**9.58**	**9.46**	**-0.12**	**0.53**

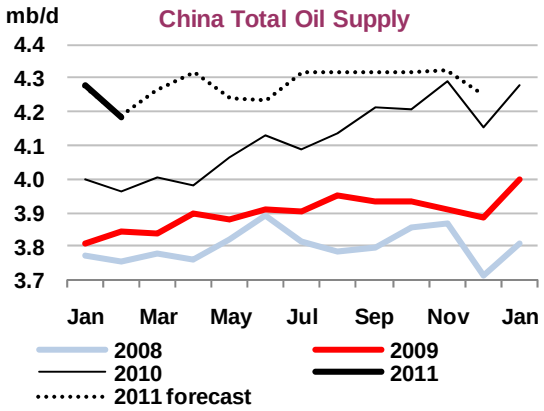
Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

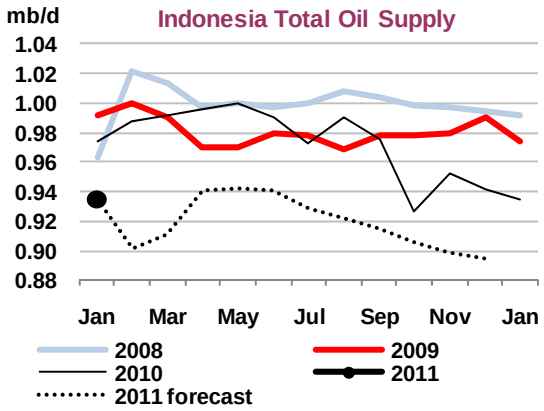
With the price of Urals having recently risen rapidly in tandem with benchmark crudes, Urals-linked Russian crude and products export duties have also climbed considerably. Frequently cited as a factor constraining exports, the crude duty has risen by 70% from $249/mt in July 2010 to $424/mt in April 2011. This rapid rise has alarmed producers, with calls intensifying for a change in the tax calculation methodology. Currently the duties are based on a one-month monitoring period with a two-week lag before the new duty comes into effect. It has been suggested that recently the system had not adequately incentivised producers to hike exports and that a movement to a shorter monitoring period would help alleviate risks associated with fluctuations in global oil markets. Since no methodological change is proposed in the short-term, this report views the rising tax burden as a significant factor likely to constrain FSU crude and product exports over the next few months.



Other Non-OPEC

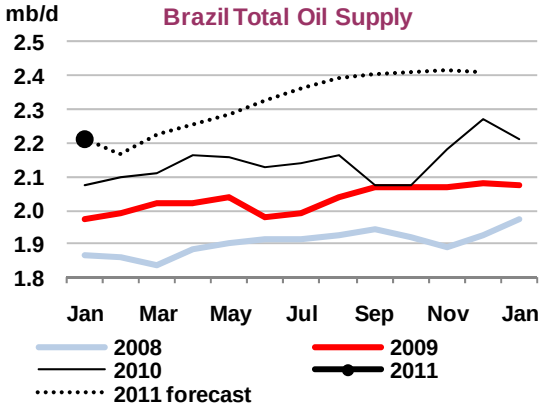
China – February actual: Chinese oil production fell by nearly 100 kb/d in February month-on-month, to 4.19 mb/d. This is around 45 kb/d lower than expected, with an unidentified shortfall in offshore output. Lower production was partly carried through into March, resulting in a -25 kb/d overall downward adjustment to 1Q11. However, expectations for the remainder of 2011 were hiked by an average 20 kb/d on robust year-on-year performance and evidence of slowing decline rates at key fields. Chinese oil production averaged 4.1 mb/d in 2010, expected to rise to 4.28 mb/d in 2011, the second-largest source of non-OPEC growth behind Brazil.





Indonesia – January actual: Indonesian oil production is estimated at 935 kb/d in January, down marginally from December, and is seen falling further in February and March, when flooding and work at some Chevron-operated fields in Riau province respectively cut output. Average 1Q11 production is estimated at 915 kb/d. With sustained decline at maturing fields and a string of recent unexpected shutdowns, Indonesia's government is reportedly mulling cutting its production target for 2011 to around 950 kb/d from 970 kb/d. We are more pessimistic after recent performance has regularly undershot government targets. After average output of 975 kb/d in 2010, we project a decline to 920 kb/d in 2011.

Brazil – January actual: In January, Brazil's total oil supply fell by 60 kb/d to 2.21 mb/d, while preliminary data for February suggest a further dip of 45 kb/d to 2.17 mb/d on field maintenance. Thereafter, production is expected to pick up again, from an estimated 1Q11 average of 2.2 mb/d to 2.4 mb/d in 4Q11 as output ramps up at new fields. Average 2011 production is estimated at 2.32 mb/d, up from 2.14 mb/d in 2010, the single largest non-OPEC increment.



Argentina – February actual: Oil production in Argentina picked up to 710 kb/d in February, its highest since August 2010. Production was down in December on unrest in the Santa Cruz region. At the time of writing, news reports indicated a workers' strike in the same region was also hitting production, though it was unclear by how much or how long-lasting protests might be. As such, we have not yet factored any adjustment into our forecast. Argentina's total oil production averaged 700 kb/d in 2010 and is expected to rise marginally to 710 kb/d in 2011.

OECD STOCKS

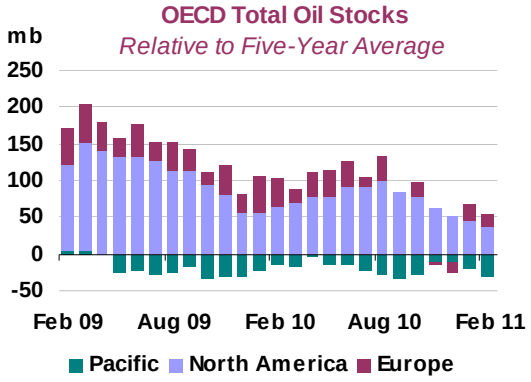
Summary

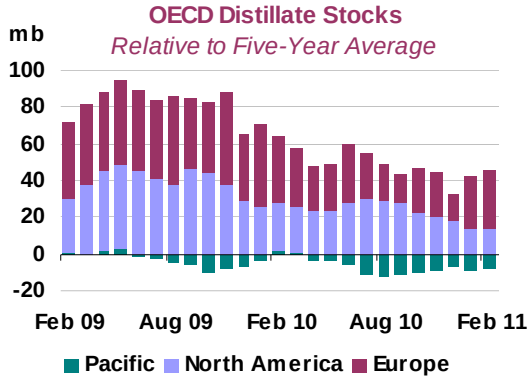
- **OECD industry stocks fell by 50.8 mb to 2 676 mb in February**, reversing a strong 63.0 mb January build. The monthly decline was driven by sharp product draws due to seasonal refinery turnarounds.

- **OECD stock cover rose to 59.2 days of forward demand in February**, up from 59.1 days in January, and stood 2.8 days above the five-year average. The increase was driven by distillates and fuel oil, partly offset by a lower gasoline cover as demand for this product is expected to increase seasonally.

- **Preliminary data for the US and Europe point to an 8.1 mb draw in March**, as refinery maintenance cut product stocks. The Petroleum Association of Japan (PAJ) resumed publishing weekly data for the week ending 2 April, but we have not incorporated March stock changes. The PAJ has warned that the data are incomplete and lack continuity with the historical series.

- **Oil held in short-term floating storage rose to 68 mb in March**, from 66 mb in February. Crude floating storage declined by 4 mb to 40 mb, while offshore products built by 6 mb to 27 mb, driven by increases in Europe and West Africa.





OECD Inventories at End-February and Revisions to Preliminary Data

Commercial oil inventories in OECD member countries fell by 50.8 mb, to 2 676 mb or 59.2 days, in February. Over the past five years, February inventories have tended to draw by a more modest 25.4 mb as crude builds have partially cushioned falling products. This year, refinery turnarounds in all three OECD regions substantially curtailed stocks in all product categories and reduced the total oil inventory surplus versus the five-year average to 22.9 mb in February, from 48.4 mb in January. However, the middle distillate surplus widened to 37.2 mb, from 32.5 mb in January. Distillates and fuel oil drove the increase in forward demand cover and offset lower gasoline cover.

Preliminary Industry Stock Change in February 2011 and Fourth Quarter 2010

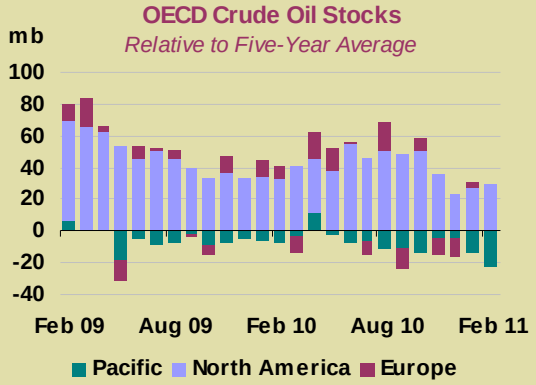
	February (preliminary) *(million barrels)*				*(million barrels per day)*				Fourth Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**9.8**	**-1.7**	**-9.3**	**-1.3**	**0.35**	**-0.06**	**-0.33**	**-0.04**	**-0.31**	**0.05**	**0.02**	**-0.24**
Gasoline	-8.1	-2.0	0.1	-10.0	-0.29	-0.07	0.00	-0.36	0.01	0.02	-0.01	0.02
Middle Distillates	-9.7	-1.6	-2.2	-13.4	-0.35	-0.06	-0.08	-0.48	-0.07	-0.03	-0.07	-0.17
Residual Fuel Oil	-3.1	-3.0	-0.1	-6.2	-0.11	-0.11	0.00	-0.22	0.01	-0.10	-0.03	-0.12
Other Products	-13.7	-0.2	-3.8	-17.8	-0.49	-0.01	-0.14	-0.64	-0.27	0.02	-0.04	-0.28
Total Products	**-34.6**	**-6.8**	**-6.0**	**-47.4**	**-1.24**	**-0.24**	**-0.21**	**-1.69**	**-0.32**	**-0.08**	**-0.15**	**-0.54**
Other Oils[1]	-0.3	-0.9	-1.0	-2.1	-0.01	-0.03	-0.03	-0.08	-0.15	0.05	0.01	-0.10
Total Oil	**-25.1**	**-9.4**	**-16.3**	**-50.8**	**-0.90**	**-0.34**	**-0.58**	**-1.82**	**-0.78**	**0.01**	**-0.12**	**-0.89**

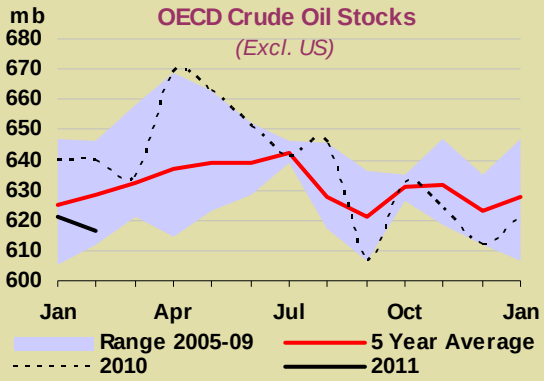
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Comfortable OECD Crude Stocks Cushion – Depends Where You Sit

OECD inventory levels are widely quoted by other market commentators as being 'comfortable', but to fully assess the adequacy of the stocks buffer, it has to be placed in context and needs to account for regional differences and how quickly stocks can be brought to the market. Despite the sharp monthly draw, OECD stocks stood 22.9 mb above the five-year average levels in February. As already mentioned in past reports, the surplus is almost entirely concentrated in US crude oil inventories and in North American and European middle distillates.

The North American crude oil surplus, with stocks 29.5 mb above the five-year average and tied up in the US Midcontinent (PADD 2) following a structural shift in import patterns, is pressuring WTI prices. Temporary measures like rail deliveries or a potential reversal of a pipeline from the US Gulf to Cushing may provide partial relief. However, a significant rebalancing may not come before 2013, when new pipeline capacity from Cushing to the Gulf Coast, if approved, comes online (see *Stock Overhang Eases But Remains Concentrated in North America* in OMR dated 10 February 2011).





European crude stocks dropped to five-year average levels in February, but crude runs cover hovered around the top of the range. Yet French crude holdings stand out significantly. February inventories were still well below their five-year range following October labour action at ports and storage terminals and had not yet been replenished. Scandinavian stocks fluctuated within the bottom part of the range, offset by healthier cover in Germany, Italy, the Netherlands and Poland. Stocks in remaining European countries oscillated within a narrow band around the five-year average. This may explain why refiners have so far been relatively relaxed in the face of lost Libyan supplies, although a prolonged outage and post-maintenance rise in runs could tighten stocks significantly in the coming months.

Pacific crude stocks widened the deficit to the five-year average to 21.8 mb in February, with Japanese crude holdings dipping below the range. However, regional forward cover rose to average levels, partly due to the structural decline in the refining sector and partly due to lower forecast crude runs in Japan following the earthquake and tsunami in March.

OECD middle distillate stocks stood at 37.2 mb above the five-year average in February, with forward cover 3.1 days higher than average. Diesel stocks account for a lion's share of the overhang in both US and Europe. The US cushion started to build with the onset of the recession, indicating a potentially slower industrial recovery than refiners anticipated. Meanwhile, European diesel inventories have increased in line with the reorientation of yields to meet increasing diesel demand.

February stocks fell sharply, albeit from higher January levels than reported last month. Upon receipt of more complete OECD data, total oil holdings were revised up by a sizeable 32.1 mb, and thus boosted the previously reported 32.0 mb stockbuild to 63.0 mb in January. Both crude and product holdings were revised higher, with European products bearing the brunt of the revisions. Meanwhile, significant revisions came in for German historical data for 2008-2010, with close to a 9% (2.1 mb) upward adjustment to distillate inventories in 2009.

Revisions versus 10 February 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Dec 10	Jan 11	Dec 10	Jan 11	Dec 10	Jan 11	Dec 10	Jan 11
Crude Oil	**0.0**	**10.9**	**0.5**	**9.3**	**-0.3**	**0.8**	**0.3**	**21.0**
Gasoline	0.0	-2.4	-0.5	7.2	0.0	0.3	-0.5	5.0
Middle Distillates	0.0	-4.8	-0.6	11.0	0.0	-1.2	-0.6	5.0
Residual Fuel Oil	0.0	-2.3	0.2	0.2	0.0	0.0	0.2	-2.1
Other Products	0.0	9.9	0.1	2.8	0.0	0.2	0.1	12.9
Total Products	**0.0**	**0.4**	**-0.8**	**21.2**	**0.0**	**-0.7**	**-0.8**	**20.9**
Other Oils[1]	1.3	-6.7	0.3	0.2	0.0	-3.1	1.6	-9.6
Total Oil	**1.3**	**4.6**	**0.0**	**30.5**	**-0.3**	**-3.0**	**1.1**	**32.1**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

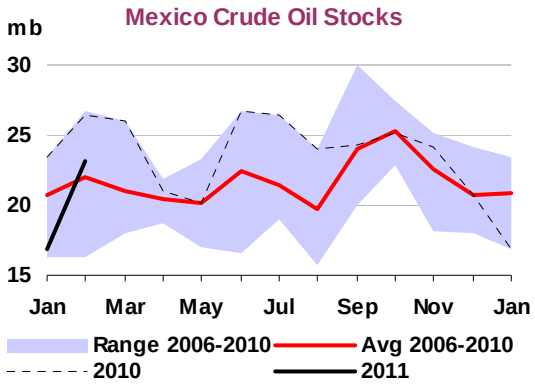
Preliminary US and European data point to an 8.1 mb draw in March, led by refinery-maintenance-induced product declines. Gasoline and distillate stocks dropped by 16.0 mb and 9.5 mb, respectively, while a 13.5 mb build in crude stocks provided a partial offset. We have not incorporated Japanese stock changes into the preliminary OECD data, despite the Petroleum Association of Japan (PAJ) resumed publishing weekly estimates for the week ending 2 April, just four weeks after a strong earthquake and tsunami on 11 March seriously affected refining and infrastructure in northeastern Japan. PAJ has warned that the dataset is incomplete and there is no continuity in the series.

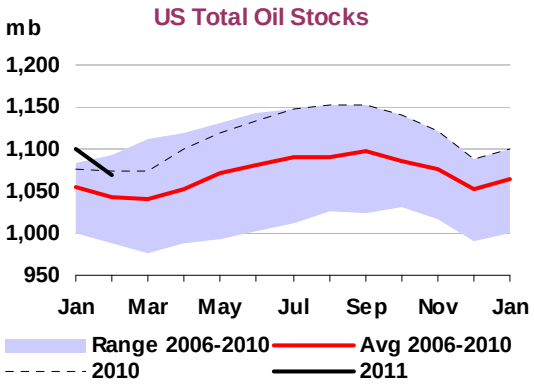
Oil in short-term floating storage rose slightly in March to 68 mb, from an upwardly revised February level of 66 mb. Revisions included an additional Iranian tanker in the Middle East Gulf, and another VLCC anchored off the Northwest European coast. Both vessels have now reportedly offloaded their cargoes. Product floating storage rose by 6 mb to 27 mb, driven by additions in the Mediterranean, Northwest Europe and West Africa. Product offloading in the US Gulf provided partial offset.

Analysis of Recent OECD Industry Stock Changes

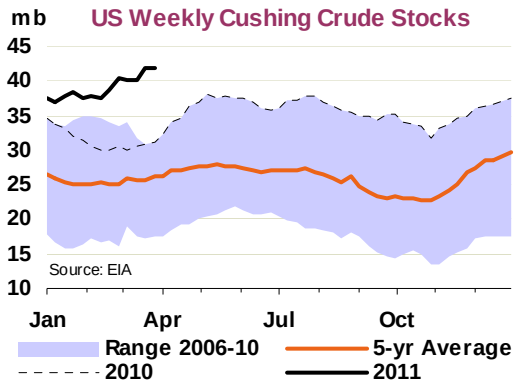
OECD North America

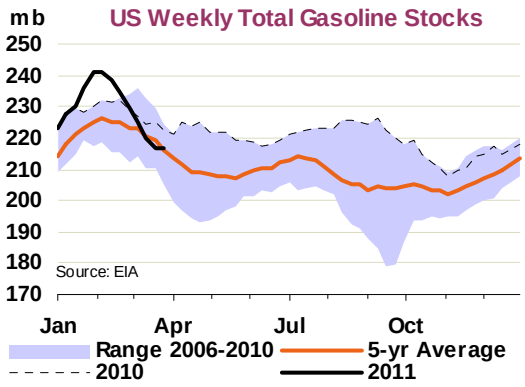
Industry oil inventories in North America declined by 25.1 mb to 1 312 mb in February. Sharp product draws led the decrease, while crude builds provided partial offset. Mexican crude oil inventories rebounded back to above-average levels following a surprising counter-seasonal January drop. Exports in February were constrained, as bad weather closed major ports on both the Atlantic and Pacific coasts. Meanwhile, US oil stocks fell by a hefty 29.2 mb, as refinery turnarounds peaked in February.





March US industry inventories fell by a modest 5.1 mb, according to US weekly data. The draw was driven by less steep declines in product stocks compared with February, as refinery runs started to ramp up post-maintenance in March. Yet crude oil stocks built by 9.9 mb and stocks held in Cushing, Oklahoma, rose to 41.9 mb, another record level.

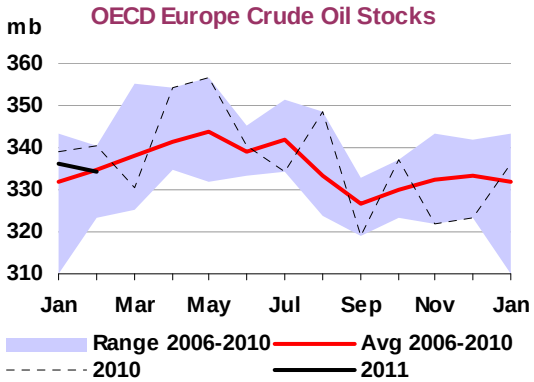


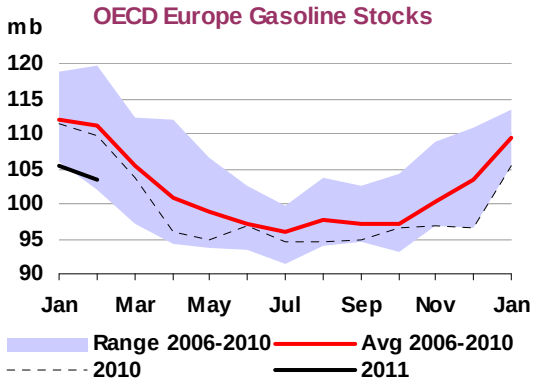


Meanwhile, product inventories dropped by 18.2 mb, driven by the second consecutive monthly gasoline draw. Middle distillates fell by 3.5 mb, while a small increase in 'other products' provided partial offset. Gasoline stocks declined by 14.9 mb despite elevated imports, as indicated by stronger freight rates on the route from Europe (see *Freight*). The ramp-up in crude runs following February turnarounds and an increase in distillate production at the expense of gasoline contributed to the decline. However, January trade data indicate that a portion of gasoline was exported to Mexico and elsewhere in Latin America and this trend likely continued in both February and March.

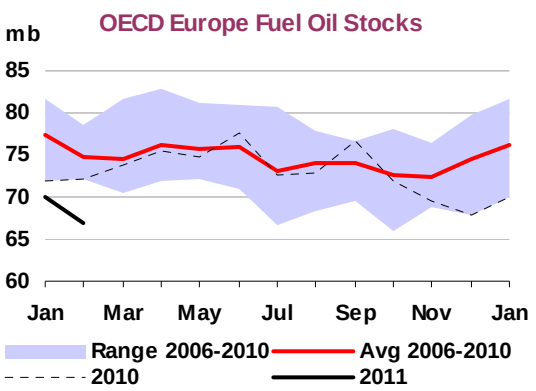
OECD Europe

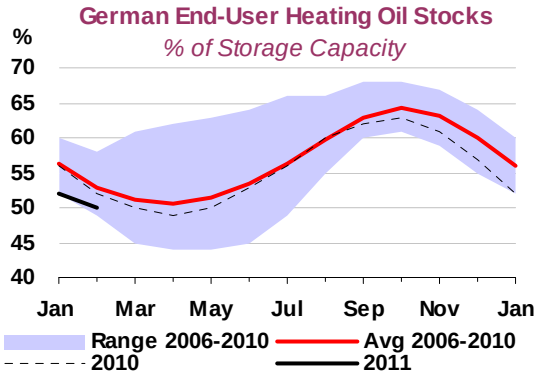
Commercial oil inventories in Europe declined by 9.4 mb to 988 mb in February. The loss of Libyan crude oil supplies seems to account for only part of this fall. Among OECD members with the largest relative import dependence on Libyan crude, inventory data indicate sharp builds in Italy and Spain, but signal a decline in Austria, France and Portugal. Preliminary data indicated that crude oil stocks in Italy, the country sourcing almost 25% of its imported crude in 2010 from Libya, rose by 3.7 mb, yet more complete data received just before this report went to press suggest instead a potential decline. Crude oil holdings decreased in Poland as lower deliveries via the Druzhba pipeline at the start of refinery turnarounds constrained imports.





As a result of planned refinery maintenance, European product stocks declined by 6.8 mb in February, with the largest draws in fuel oil, gasoline and middle distillates. Fuel oil inventories fell further below the five-year range, as higher exports to Asia curtailed stocks by 3.0 mb. Gasoline stocks dropped by 2.0 mb and continued tracking the bottom of the five-year range. Middle distillates remained in surplus with stocks declining 1.6 mb, slightly less than the seasonal norm. German end-user heating oil stocks stood at 50% of capacity in February, marginally lower from 52% in January.

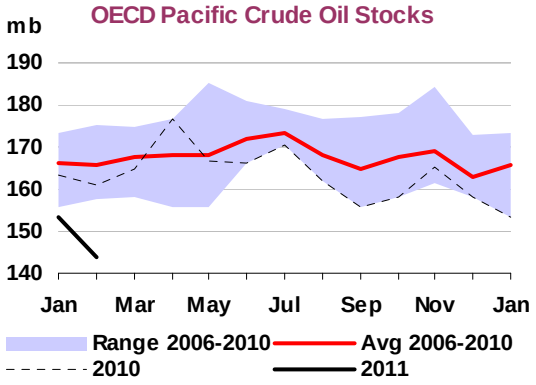


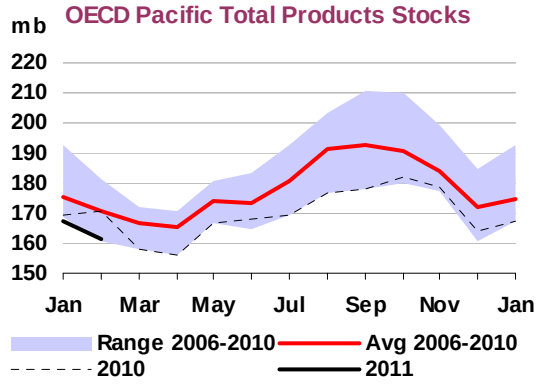


Preliminary March data from Euroilstock point to a 2.9 mb draw in the EU-15 and Norway. Crude stocks rose by 3.7 mb, while products declined by 6.6 mb, led by distillates. Meanwhile, refined oil products held in independent storage in Northwest Europe rose in March, driven by gains in fuel oil holdings.

OECD Pacific

Industry oil Inventories in the Pacific fell by 16.3 mb, to 375 mb in February. Stronger-than-seasonal crude oil draws in Japan and Korea brought stocks lower by 9.3 mb, while product inventories fell by 6.0 mb, led by declines in 'other products' and middle distillates. Pacific crude oil holdings dropped well below five-year average levels in February, yet forward cover rose to average levels.





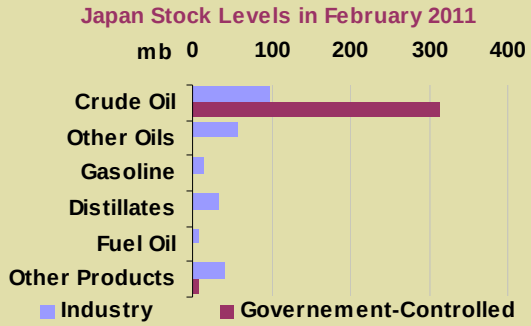
The Petroleum Association of Japan (PAJ) resumed publishing weekly data for the week ending 2 April, just four weeks after the earthquake and tsunami that hit northeastern Japan. Due to considerable reporting difficulties for many companies, PAJ has acknowledged both a three week gap in series and a lack of comparability between available March and April data. Yet, industry stocks are expected to decline after the Japanese authorities relaxed stockholding obligations on industry by an equivalent of 66 mb to relieve the product supply situation (see *Untangling Emergency Stocks in Japan*). In addition, the ministry has allowed a release of some 0.5 mb of LPG from the government stockpile in the affected region, to be replenished from industry stockpiles elsewhere.

Untangling Emergency Stocks in Japan

In an attempt to facilitate the distribution of oil products to the regions affected by the earthquake and tsunami, Japanese authorities relaxed the industry's total stock-holding obligation by 25 days (10.5 million kilolitres, 66 mb). The first reduction came within days of the disaster, the second (equivalent to 22 days) followed a week later. As a result, Japanese industry emergency stocks obligations were temporarily lowered from 70 to 45 days. However, the normal 70-days obligation mentioned in the press following the announcement was often confused with a 90 days of net imports requirement for IEA member countries. The basis for the different methodologies is explained below.

Untangling Emergency Stocks in Japan (continued)

- Each IEA member country, which is a net importer of oil, has an obligation to hold oil stocks equivalent to at least 90 days of net imports. A country meets this commitment by stocks held exclusively for emergency purposes (e.g. government-owned or agency-held emergency reserves and mandatory industry stocks) and stocks held for commercial use (industry stocks, including stocks held at refineries, at ports and on moored vessels). The calculation is based on average daily net imports of the previous calendar year for total oil, including crude oil, NGLs and refined products, but excluding naphtha for petrochemical use and international marine bunker fuels. At the same time, stock holdings are adjusted 10% lower to account for technically unavailable stocks (such as tank bottoms). On this basis, as of end-December 2010, Japan held stocks equivalent to 169 days of net imports, of which 75 days were held by industry.
- Japan's emergency reserves comprise both public stocks (managed by JOGMEC) and mandatory industry stocks. Industry has a national obligation to maintain at least 70 days of stocks proportional to the volume of imports, production and sales for each company. The government bases the 'days' calculation on a 12-month rolling average of domestic consumption, including naphtha consumed in the petrochemical sector. In addition, no deduction is made to account for technically unavailable stocks. Following the earthquake and the tsunami, Japanese authorities first relaxed the stockholding obligation on industry by 3 days and later by a further 22 days, lowering the total mandatory stocks to be held by industry to 45 days.



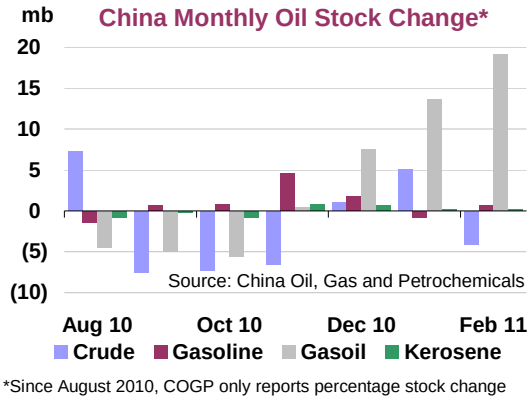
Commentators have also reported on 'days of forward demand cover'. This is a measure that facilitates comparison of prevailing inventory levels with expected demand for the coming three months. Forward cover can obviously vary depending not only on stocks but also on seasonal demand patterns. Japan held industry stocks at 61.2 days of forward demand in February, while government stocks covered 77.6 days of forward demand.

More information about reporting methodologies and IEA emergency measures can be found on the following websites:

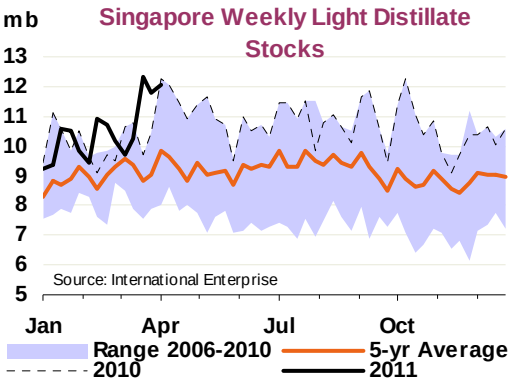
- IEA Days of Net Imports: http://www.iea.org/netimports.asp
- IEA emergency response measures are described in Oil Supply Security (2007), available at the IEA online bookshop: http://www.iea.org/w/bookshop/add.aspx?id=322
- Japanese Stockpiling Program at the website of Japan Oil, Gas and Metals National Corporation: http://www.jogmec.go.jp/english/activities/stockpiling_oil/index.html
- Japans' Oil Stockpiling Act (Act No. 96 of 1975) translated into English at http://www.japaneselawtranslation.go.jp/law/detail/?id=65&vm=04&re=02&new=1
- Days of Forward Demand in Oil Market Report User's Guide and Glossary: http://omrpublic.iea.org/glossary_sec.asp?G_FLOW=Stocks

Recent Developments in China and Singapore Stocks

According to *China Oil, Gas and Petrochemicals* (China OGP), Chinese commercial oil inventories rose by an equivalent of 15.8 mb (data are reported in terms of percentage stock change), to approximately 361 mb in February. Strong refinery runs reduced crude oil stocks by 2% (4.1 mb). Meanwhile, product inventories rose by approximately 19.9 mb, driven by a 28% (19.1 mb) rise in gasoil. Gasoline and kerosene gained 1.2% each (0.7 mb and 0.2 mb, respectively).



*Since August 2010, COGP only reports percentage stock change

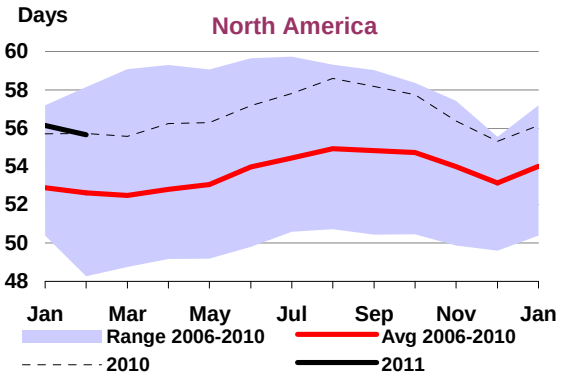


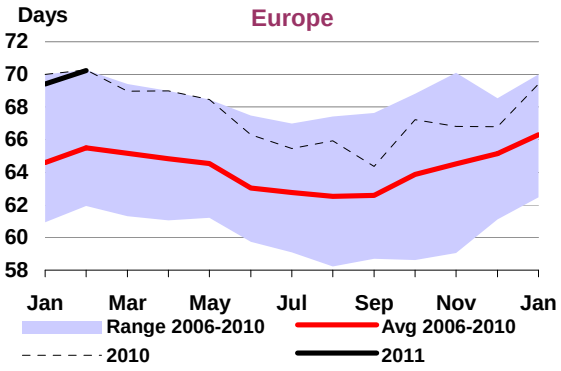
Singapore onshore inventories grew by 0.4 mb in March, led by a sharp build in light distillates. Gasoline and other light distillates rose towards the end of the month on arrivals of cargoes from Asian countries. Offsetting draws came from fuel oil and middle distillates as imports dropped. Fuel oil arrivals from the West were deferred to the beginning of April, while a portion of middle distillates supplies will be lost for some time, as Japan, which exported around 100 kb/d of gasoil in 2010, bought supplies directly from Korea and China to make up for domestic refinery outages.

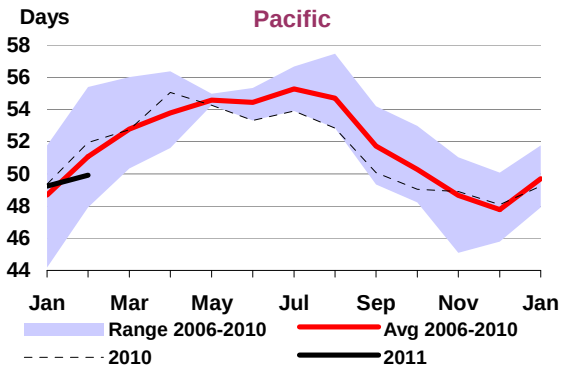
Regional OECD End-of-Month Industry Stocks

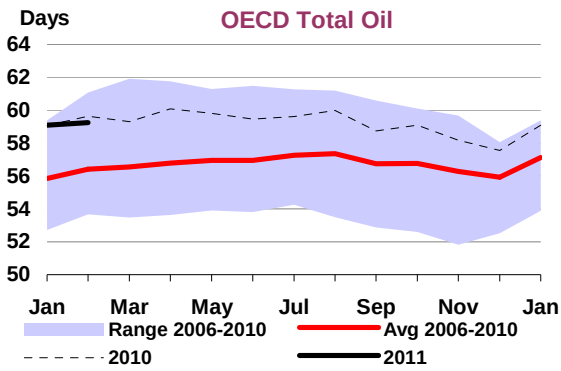
(in days of forward demand and millions barrels of total oil)

Days[1]

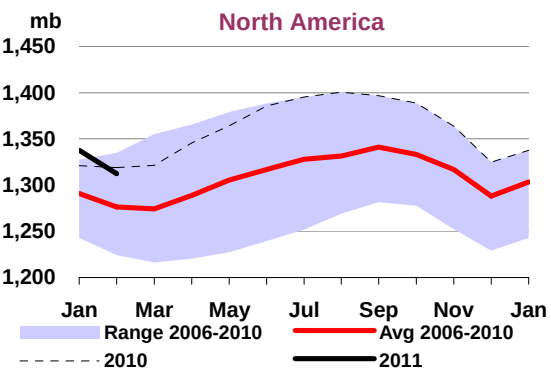


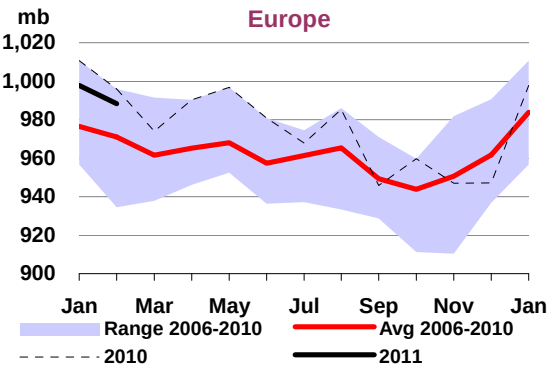


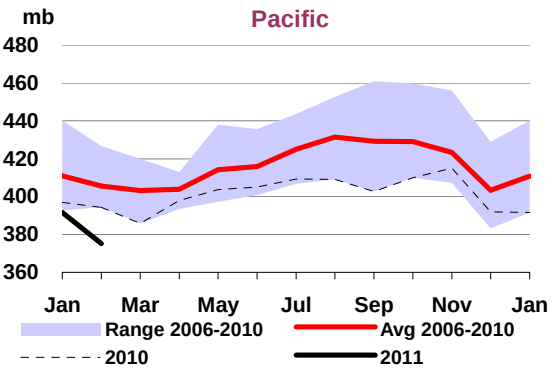


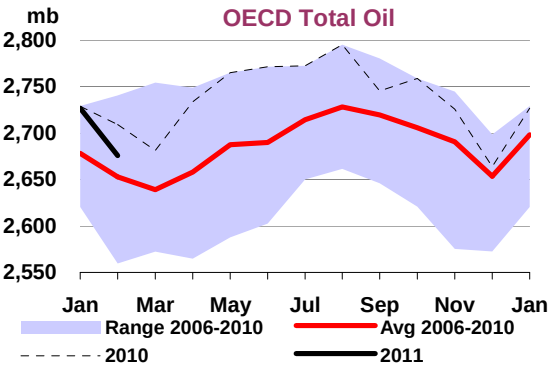


Million Barrels









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

PRICES

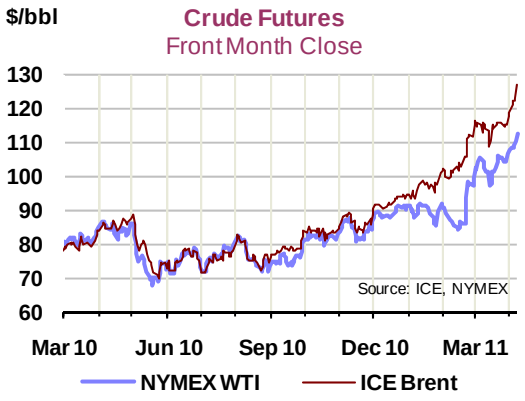
Summary

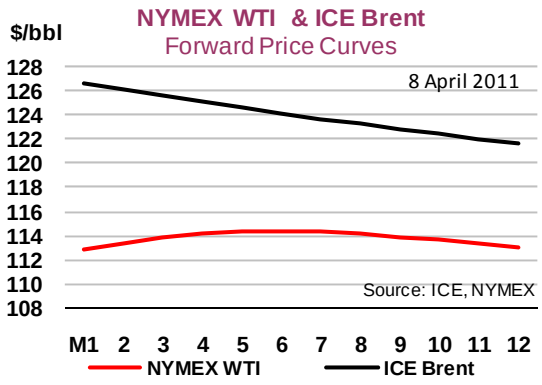
- **Oil prices shot up to 36-month highs in recent weeks, with benchmark Brent flirting near $126/bbl and US WTI trading around $112/bbl by early April**. Refiners and traders have been confronted with the demand impact from Japan's cataclysmic earthquake and tsunami and the near total shut-in of Libya's 1.2 mb/d crude exports, while keeping an eye on the political unrest gripping other key Middle East and North African countries.

- **Spot crude oil prices jumped 10-15% in March amid mounting unrest in the Middle East and North Africa (MENA) region and despite a seasonal drop in global refinery runs.** So far, while individual producers have offered limited extra volumes, aggregate OPEC production outside of Libya has yet to fill the gap left by the North African producer's absence. As expected, prices for lighter, distillate-rich crudes eclipsed gains for heavier crudes by a wide margin due to the loss of light, sweet Libyan barrels from the market in March.

- **Refining margins remained weak in March as gains in crude prices far outpaced gains in refined products**. In the Mediterranean, simple refineries were struggling, with Urals hydroskimming margins showing losses in excess of $5/bbl since last autumn. In the US, Gulf Coast margins mostly improved, although cracking margins are showing losses at levels generally not seen since summer 2008. In Singapore margins diverged, with Dubai hydrocracking margins showing profits of $3.50/bbl in the last week in March while Tapis hydroskimming posted losses of nearly $9/bbl, an historical low.

- **Crude oil tanker rates fell on all benchmark trades in March, but divergent trends were reported**. In the East, the swollen tanker fleet diluted any potentially bullish impacts from the Japanese earthquake on the tanker market.





Market Overview

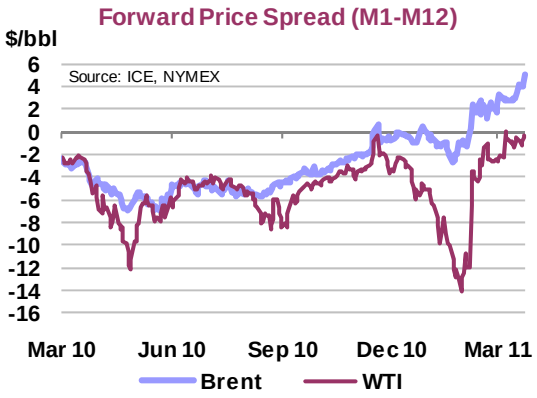
Whiplashed oil markets saw oil prices shoot up to 36-month highs in recent weeks, with benchmark Brent flirting near $126/bbl and US WTI trading around $112/bbl by early April. Refiners and traders are gingerly navigating the demand impact from Japan's cataclysmic earthquake and tsunami and the near total shut-in of Libya's 1.2 mb/d crude exports in recent weeks, while keeping another eye on the political unrest gripping key Middle East and North African countries.

The rapid escalation in political risks in the key MENA region and strengthening fundamentals have emerged as solid pillars of current market strength, with oil analysts near-unanimous in revising upward their price forecasts for the rest of the year. In addition to substantial physical supply losses from Libya, oil traders are closely tracking spreading unrest in non-OPEC countries in the MENA region for potential production disruptions. Yemen, where the political situation is increasingly tense, is so far the only

non-OPEC country to suffer from a significant shut-in of oil production – around 40% of the country's 265 kb/d crude output is estimated to be currently offline. Most regional producers' oil output is far smaller than in neighbouring OPEC countries, but still adds up to over 3 mb/d in all countries hit by unrest *(see MENA Unrest Spreads to Other Non-OPEC Producers)*.

Meanwhile, as expected, the loss of Libya's light, low-sulphur crude has led to a sharp widening of the sweet/sour price spreads in March and early April. In Asia, the price differential for light, sweet Malaysian Tapis versus Dubai in early April nearly doubled from February levels, to around $14.45/bbl on average compared with about $7.50/bbl in February. The steep premium has prompted some European and Asian refiners to start shunning the pricier lighter barrels due to exceptionally poor margins. Refiners are either extending turnaround periods or cutting run rates. In addition, some refiners are now able to replace the lighter grades and run a more varied, heavier crude slate as more complex units come back on line after maintenance turnaround. Most do not see a problem securing supplies for April/May but are still worried about the June period when more refiners come back on line.

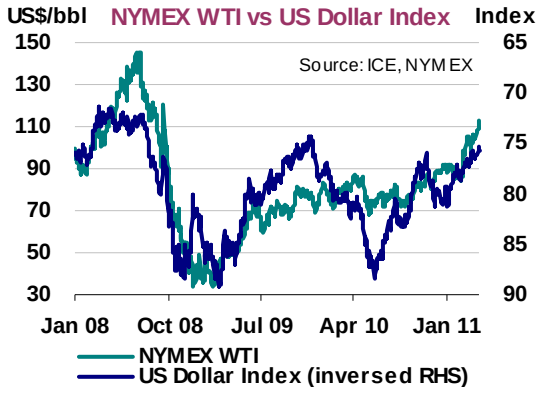
Futures prices for benchmark Brent were up by about $10.65/bbl on average in March to around $114.65/bbl. WTI posted stronger gains of $13.25/bbl to just under $103/bbl. Prices have ebbed and flowed in recent weeks, depending in part on the latest battle reports between government forces and rebels along the Libyan coastline. Meanwhile, trading volumes surged, with open interest in NYMEX WTI futures contracts at record levels in mid-March.

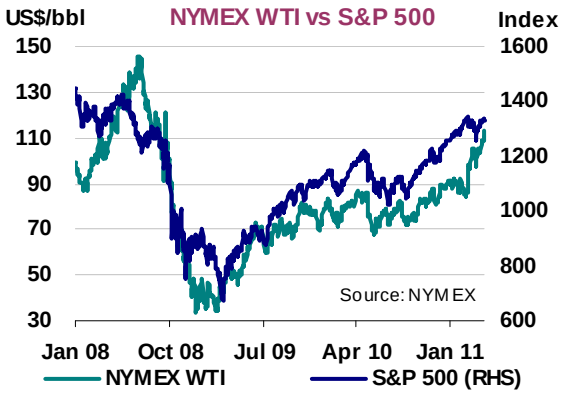


However, the back end of the futures curve has failed to keep pace with the rapid run-up in prompt prices, which has led to a flattening of the forward curve. The WTI M1-M12 narrowed to just -$1.85/bbl in March compared with around -$9.75/bbl in February. By the week ended 8 April, the price difference had come in further, to -$0.75/bbl on average for the week ending 1 April.

Prices for Brent have already posted a near 30% jump so far this year, from a low of about $93.50/bbl in early January to a high of $126.65/bbl by 8 April. That said, the sharp rise in oil prices may already be sowing the seeds of future demand destruction according to preliminary first-quarter demand data *(see Demand).*

Financial factors and negative economic indicators are also currently weighing on markets. China's decision to raise interest rates by 25 basis points for the fourth time in just seven months has sparked market worries about demand growth in the world's largest economic engine. Meanwhile, financially troubled European countries are also proving worrisome, with Portugal the latest to require a major bailout.





Prompt Month Oil Futures Prices

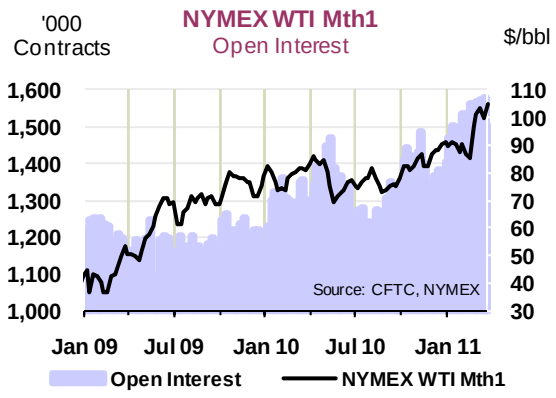
(monthly and weekly averages, $/bbl)

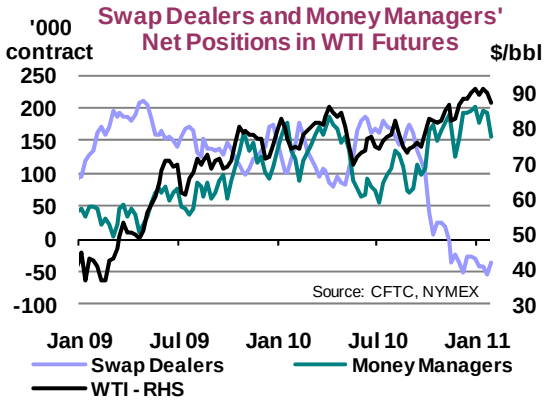
	Jan	Feb	Mar	Mar-Feb Avg Chg	% Chg	Week Commencing: 07 Mar	14 Mar	21 Mar	28 Mar	04 Apr
NYMEX										
Light Sweet Crude Oil	89.58	89.74	102.98	13.24	12.9	103.74	99.77	104.62	105.54	109.75
RBOB	102.56	107.20	125.88	18.68	14.8	125.87	121.86	126.95	129.33	134.49
No.2 Heating Oil	109.59	116.64	127.90	11.26	8.8	127.86	126.87	128.52	128.77	135.02
No.2 Heating Oil ($/mmbtu)	18.81	20.02	21.96	1.93	8.8	21.95	21.78	22.06	22.11	23.18
Henry Hub Natural Gas ($/mmbtu)	4.50	4.04	4.07	0.03	0.8	3.89	4.02	4.28	4.34	4.15
ICE										
Brent	96.91	104.03	114.67	10.64	9.3	114.66	112.33	115.50	116.23	122.98
Gasoil	108.92	118.22	130.68	12.46	9.5	129.77	129.75	132.35	132.55	137.86
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-7.33	-14.29	-11.69	2.60		-10.92	-12.56	-10.89	-10.69	-13.23
NYMEX No.2 Heating Oil - WTI	20.01	26.90	24.92	-1.98		24.12	27.11	23.91	23.23	25.27
NYMEX RBOB - WTI	12.98	17.46	22.90	5.44		22.13	22.09	22.33	23.79	24.74
NYMEX 3-2-1 Crack (RBOB)	15.32	20.60	23.57	2.97		22.80	23.76	22.86	23.60	24.92
NYMEX No.2 - Natural Gas ($/mmbt	14.32	15.99	17.89	1.90		18.06	17.76	17.78	17.76	19.03
ICE Gasoil - ICE Brent	12.01	14.19	16.01	1.82		15.11	17.42	16.84	16.32	14.88

Source: ICE, NYMEX

Futures Markets

Open interest in WTI futures contracts reached yet another record high in mid-March before declining at end-month. Open interest decreased in March in both futures-only and futures and futures-equivalent options (thereafter combined) to 1.52 million and 2.88 million contracts, respectively. Producers decreased their net short position during the month of March; holding 27.9% of the short and 13.0% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 30.2% and 35% of the open interest on the long side and short side, respectively, remained net short.





Although managed money traders' net long exposure decreased by 2.6% in March to 261 759 futures contracts, their bullish bets on crude oil remained close to an all-time high. The market share of managed money traders has risen from 29.8% to 30.8% on the long side and from 12.7% to 13.6% on the short side. Other non-commercials, who accounted for 19.2% of open interest on the long side and 19.6% on the short side, reversed their net long exposure to net short in March. Meanwhile, open interest increased slightly in the NYMEX RBOB futures and combined markets. In March, open interest in NYMEX heating oil increased by 2.1% to 306 903 contracts while open interest in natural gas markets declined by close to 11.1% to 873 477 contracts.

Index investors continued to increase their long exposure in commodities in February 2011 to a record high of $322.7 billion. They added another US$4 billion to the WTI Light Sweet Crude Oil contract in February 2011, which rose to an all time high of 673 000 futures equivalent contracts, or $66.2 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

29 March 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	197.4	422.9	-225.5	*Short*	↑ 10.0	↑ 21.4
Swap Dealers' Positions	220.6	292.6	-72.0	*Short*	↓ -3.5	↑ 0.8
Money Managers' Positions	293.3	31.5	261.8	*Long*	↑ 9.5	↓ -6.9
Others' Positions	99.6	106.4	-6.9	*Short*	↓ -8.4	↓ -10.1
Non-Reportable Positions	102.1	59.5	42.6	*Long*	↓ -7.7	↓ -5.2
Open Interest			**1516.1**		↑ 12.5	↓ -53.4

Source: CFTC

Volatility: How to Measure It

Prices for oil, like those of many other commodities, are inherently volatile. In recent years, the oil market has been characterised by rising, and at times, rapidly fluctuating, price levels. In the last six months alone, crude oil prices have fluctuated in a wide range from $75/bbl to $125/bbl.

The concept of volatility may itself at times be confused simply with rising prices; however, volatility can equally result in prices that are significantly lower than historical average levels. Volatility is the term used in finance for the day-to-day, week-to-week, month-to-month or year-to-year variation in asset or commodity prices. It measures how much a price changes either about its constant long-term level, or about a long-term trend. That is to say, volatility measures variability, or dispersion about a central tendency. In this respect, it is important to note that volatility does not measure the direction of price changes; rather it measures dispersion of prices from the mean. It is also very common to refer to returns' volatility when we talk about volatility of a commodity price.

The apparent increased volatility of oil prices raises questions about the determinants of volatility in oil markets. Since oil is considered to have highly inelastic supply and demand curves at least in the short run, neither supply nor demand initially responds much to price changes. Therefore, any shock to supply or demand will lead to large changes in oil prices. The dissemination of new information related to fundamentals results in price adjustment as market participants evaluate the implications of this information. It is further argued that emergence of a new class of financial traders has transformed the oil market substantially to a more volatile market. However, most research shows that the increase in financial participations in the oil market can be explained by the rise in volatility, not the other way around.

Two other caveats are perhaps worth mentioning: Firstly, it can be observed that during the so-called 'golden age' of lower prices in the 1990s, volatility as measured by absolute mean returns was at times markedly higher than in recent years, even allowing for an almost unprecedented economic recession. Secondly, the drivers of market volatility can be very different when comparing the short term and medium to longer term. For the latter, cyclical macroeconomic factors, more than supply/demand shocks, are a key driver.

There are various ways to measure volatility. However, we can split volatility models into two parts: historical volatility and implied volatility. Historical volatility models use time series of past market prices while implied volatility uses traded option prices. Therefore, we can say that historical volatility is backward looking while implied volatility is a forward looking measure of volatility.

Historical Volatility

Historical volatility looks at past behaviour of price movement and measures the variation in the price. One such measure is the standard deviation. Standard deviation (σ) is computed from a set of historical data as

$$\sigma = \sqrt{\frac{1}{N-1}\sum_{t=1}^{N}(R_t - \bar{R})^2}$$

where R is the return calculated as the natural log of daily price changes in the price of the underlying asset and $\bar{R}$ is the mean return during the lookback period. The choice of price and lookback period gives rise to

Volatility: How to Measure It (continued)

different estimations of volatility. In general, close-to-close prices are used but some prefer to use open-to-close prices to calculate return. The lookback period also has important implications for volatility. The historical average method uses all historical data available. The moving average method, on the other hand, discards some older observations. The exponentially weighted moving average method uses only more recent observations.

However all techniques have shortcomings. The historical average methodology gives equal weight to all observations regardless of relevance today. Although the moving average estimation technique provides some information on the evolution of volatility, it suffers from assigning an equal weight to all observations in the estimation window and zero weight to older observations. It also raises the issue of window-length determination. On the one hand, if the window is too narrow, one runs the risk of ignoring important observations in the data by giving zero weight to these observations. On the other hand, if the window is too wide, old observations will be given weight even though they may not be relevant to the analysis. To overcome these problems, exponential smoothing techniques assign declining weights to older observations based on a smoothing parameter without any prior determination on the amount of past data to be used in the analysis. One drawback of this second approach is that the user must adopt an *ad hoc* approach to choose the smoothing parameter.

Apart from standard deviation-based volatility, researchers also use model-free daily squared return and absolute return as a proxy for daily volatility. Range-based volatility estimation, calculated using market daily high and low prices, is another methodology adopted to calculate volatility. Although it is very easy to calculate, it is also very sensitive to outliers.

The empirical observation that volatility is not constant over time and that it has memory has led to more sophisticated time series models, known as ARCH/GARCH models. These models capture volatility persistence, time-varying mean as well as the non-constant nature of volatility. ARCH/GARCH type models do not make use of unconditional variance; rather they estimate conditional variance. Since conditional variance at time t is known at time t-1 by construction, it provides one-step ahead forecast. However, the inability of latent volatility models like ARCH/GARCH to describe satisfactorily several stylised facts that are observed in financial markets has led to realised volatility models, where volatility is estimated using high frequency intra-daily data. Realised volatility is calculated using squared returns at short intervals (either time or tick). However, realised volatility measures constructed with high frequency data can be biased by market microstructure noise. Therefore, recent research has focused on minimising the microstructure noise inherent in these models.

Implied Volatility

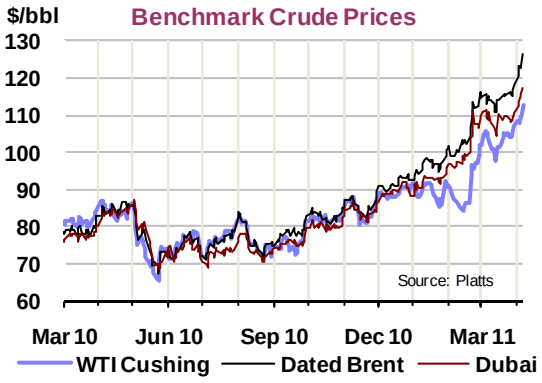
As opposed to historical volatility measures, implied volatility does not depend on historical prices. Instead, it depends on a particular model of the relationship between price and volatility. A simple option-pricing model, such as Black-Scholes, will give a theoretical price for an option as a function of implicit parameters, such as the strike price, risk free interest rate, time to maturity, spot price, dividend and volatility. With the exception of volatility, all other parameters are either given or can be observed. However, we also observe option prices in the market place. The implied volatility of an option is the volatility for which the Black-Scholes (or any other particular model) price equals the market price. That is to say, there is a one-to-one correspondence between prices and implied volatility. Implied volatilities are used to gauge a market's expectation about future volatility. Therefore, implied volatilities are forward looking as opposed to historical volatilities.

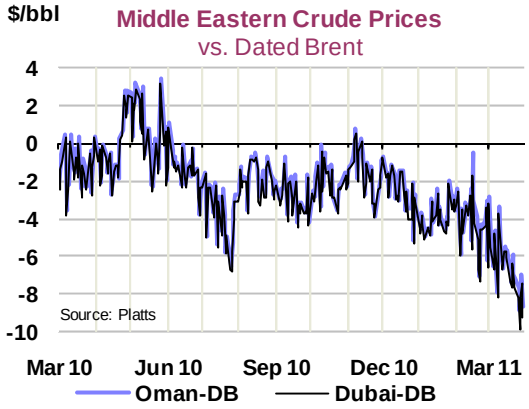
Accurate measures of volatility are important for understanding the functioning of markets. Estimated volatilities vary based on methodology, time period chosen and time horizon (intra-daily, daily, weekly, monthly, or annual). The upcoming *Medium-Term Oil and Gas Markets* report in June will provide in-depth analysis of observed volatility in the oil market during the last decade.

Spot Crude Oil Prices

International spot crude oil markets in March jumped 10-15% over February levels amid mounting unrest in the MENA region and despite a seasonal drop in global refinery runs. In line with the loss of Libya's light, low-sulphur crude, prices for middle distillate-rich crudes far outpaced gains for heavier grades. The price spread for light, sweet Malaysian Tapis versus heavier, sour Dubai jumped to around $14.45/bbl on average in the first week of April compared with $11.79/bbl in March and about $7.50/bbl in February. The absence of Libyan crude from the market in March also lent considerable support to benchmark North Sea Brent, up by $10.84/bbl on the month, to $114.60/bbl.

By contrast, Middle East marker Dubai was up a more limited $8.47/bbl to 108.71/bbl as demand for heavier, sour crudes waned due to the worsening fuel oil crack spread in most major markets. There was also ample supply of Middle East grades on offer, given sharply lower refinery runs in March, which were down on a global basis by 1.7 mb/d below February levels.

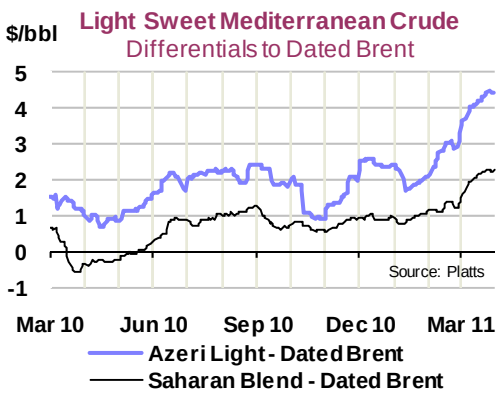




Spot prices for benchmark WTI posted the largest monthly increase, up a steep $13.42/bbl to $102.99/bbl on average in March, in part due to relatively low crude oil stocks in the key US Gulf Coast refining centre and despite swelling stocks in the US midcontinent. Crude oil stocks at the Cushing, Oklahoma storage terminals rose to record levels in March and continue to inflate surplus stock estimates for the US, and indeed, the global inventory picture (*see Comfortable OECD Crude Stocks Cushion – Depends Where You Sit*). The WTI-Brent price spread eased to -$11.61/bbl on average in March compared to -$14.19/bbl in February was widening again, to -$13.80/bbl in early April.

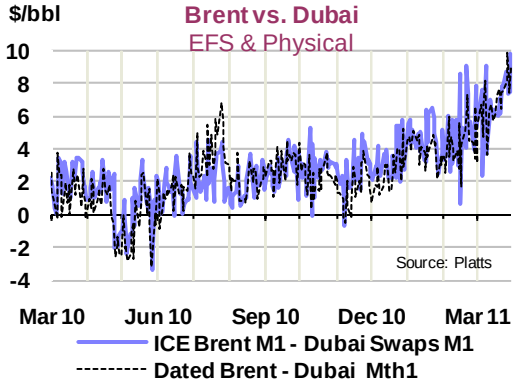
The market for lighter, sweeter crudes remained robust in March as refiners replaced lost Libyan crude but, by early April, prices for some grades were deemed too high for European refiners, who are opting to extend maintenance work or throttle back run rates rather than pay a widening premium for crudes such as Azeri Light, Nigerian Qua Iboe and Algerian Saharan Blend.





A buying frenzy for Azeri Light in mid-March, one of the most sought after grades to replace Libya's light, low-sulphur crudes, saw its differential to Dated Brent balloon to a premium of $4.45/bbl in early April compared to the monthly average of around $3.70/bbl in March and $2.45/bbl in February.

US refiners coming out of turnaround are also pushing premiums for sought-after light grades ahead of the summer driving season. Algerian Saharan Blend is especially sought after by US refiners for peak gasoline production. US refinery maintenance peaked in February. Crude runs already rose by 450 kb/d in March over February lows to average 14.3 mb/d. US crude runs normally rise seasonally through July.





In Asia, moderately higher crude output from some OPEC producers, and reduced demand from Japanese refiners, are capping price rises for sour Middle Eastern crudes. The Dubai/Brent swap narrowed on expectations of weaker demand for Mideast grades amid refinery turnarounds in March. However, steep price premiums for African grades prompted some buyers, including Chinese refiners, to switch to cheaper, Dubai price-related, Mideast crudes. Chinese refiners also shied away from pricier Russian ESPO crude last month. Spot prices for regional light crudes, however, posted the strongest gains, with Malaysian Tapis up by a staggering $12.75/bbl, to an average $120.50/bbl in March.

Japanese refiners are lifting extra barrels of heavy-sweet crude for direct burn at power plants to offset the loss of nuclear generation. Crude burning plants typically use Minas, Duri and Vietnamese Bach Ho. But March barrels sold out quickly and April cargoes are hard to find, so Japanese refiners looked for other regional crudes such as Vietnamese Sutu. Japanese demand for low-sulphur fuel oil for electricity utilities has buoyed prices for Australian heavy sweet Pyrenees, Vincent and Van Gogh crudes. China and South Korea have also been buying heavy, sweet Australian crudes to produce low-sulphur fuel oil.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

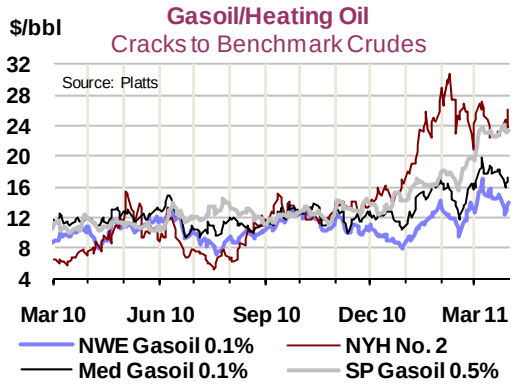
	Jan	Feb	Mar	Mar-Feb Avg Chg	%	Week Commencing: 07 Mar	14 Mar	21 Mar	28 Mar	04 Apr
Crudes										
Dated Brent	96.54	103.76	114.60	10.84	10.4	114.39	112.66	115.42	116.50	123.39
Brent (Asia) Mth1 adjusted	96.85	104.35	114.41	10.07	9.6	114.73	112.61	115.09	115.55	122.05
WTI (Cushing) Mth1 adjusted	89.38	89.57	102.99	13.42	15.0	103.65	100.00	104.42	105.61	109.59
Urals (Mediterranean)	93.72	101.48	111.50	10.02	9.9	111.46	109.47	112.03	112.75	119.52
Dubai Mth1 adjusted	92.52	100.24	108.71	8.47	8.4	109.77	106.71	109.30	109.20	114.83
Tapis (Dated)	100.37	107.76	120.50	12.74	11.8	120.15	118.45	121.74	122.56	129.39
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-7.16	-14.19	-11.61	2.58		-10.73	-12.66	-11.00	-10.89	-13.80
Urals (Mediterranean)	-2.82	-2.28	-3.10	-0.82		-2.93	-3.19	-3.40	-3.74	-3.86
Dubai Mth1 adjusted - Dated Brent	-4.02	-3.52	-5.89	-2.37		-4.61	-5.95	-6.12	-7.30	-8.55
Tapis (Dated)	3.83	4.00	5.90	1.90		5.77	5.79	6.32	6.07	6.00
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.01	-0.45	-0.18	0.27		-0.12	-0.22	-0.39	-0.12	0.41
Forward WTI Cushing Mth1-Mth2 adj	-1.32	-2.69	-0.89	1.81		-1.14	-0.89	-0.55	-0.54	-0.60

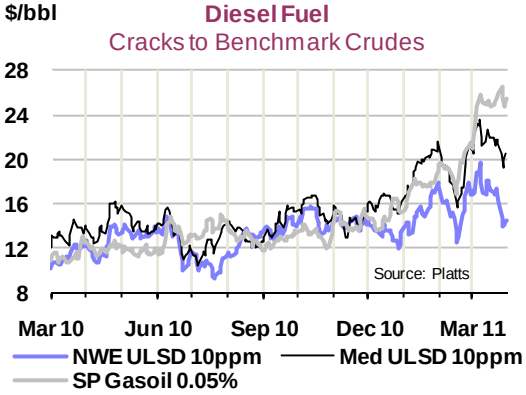
Source: Platts

Spot Product Prices

Spot prices for middle distillates managed to keep pace with the rapid rise in crude oil markets during March, largely spurred on by sharply lower refinery output during the seasonal turnaround period, and in spite of healthy OECD stock levels. As a result, March refined product crack spreads for gasoil, diesel and kerosene strengthened in Europe and Singapore. The loss of Libya's distillate-rich light, sweet crude also helped buoy crack spreads in Europe and Asia. By contrast, fuel oil cracks were down in all major markets on ample supply, and despite the demand pull deriving from extra Asian demand.

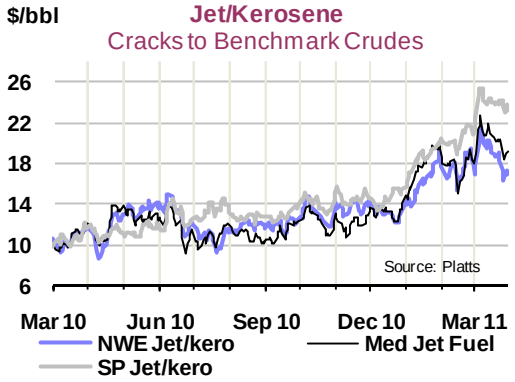
In Northwest Europe, gasoil and diesel differentials to Brent rose by around $2/bbl, to $14.30/bbl and $17.32/bbl, respectively. In the Mediterranean, the rise in gasoil crack spreads to Russian Urals averaged $1.67/bbl to $16.78/bbl while diesel posted a much stronger increase of $2.38/bbl to $21.37/bbl. Europe looked to the US to source diesel supplies since imports from Asia were down due to stronger regional needs.

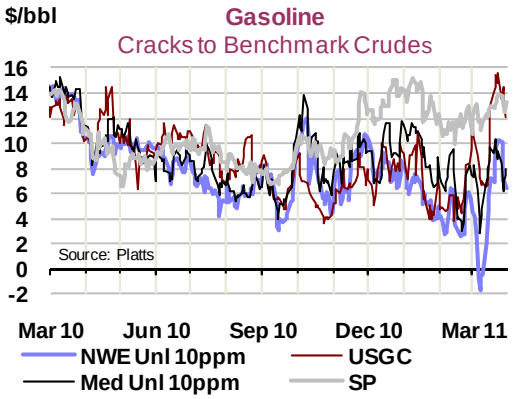




In Asia, reduced refinery throughput rates following the loss of Japanese refining capacity supported gasoil crack spreads, with differentials for Dubai crude up by around $4.50/bbl to a strong $21.71/bbl in March. Since January, gasoil cracks have gained more than $6/bbl on more robust demand and lower stock levels.

A jump in diesel demand is expected following the shutdown of nearly 20% of Japan's nuclear power capacity and continued shut down of three refineries in the wake of the devastating earthquake and tsunami. Asian markets are expected to be supported in the months ahead on Japanese reconstruction demand. Japan is normally an exporter of diesel/gasoil, with net exports averaging 200 kb/d in 2010.





In the US Gulf Coast, diesel cracks rose on both stronger demand from the domestic market as well as export demand into Europe and Latin America. In Latin America, strong demand from Chile, Peru and Colombia also supported cracks. Chile has increased diesel imports due to a severe drought, which has cut output of hydroelectric generation. Despite increased LNG imports, utilities are increasingly turning

to diesel for power generation. Imports in March/April may be higher than the previous peak of 100 kb/d reached in 2008, when a drought combined with reduced imports of natural gas from Argentina. Chile normally produces 85 kb/d of 50 ppm diesel leaving import requirements of 75 kb/d.

Meanwhile, US refiners are preparing for peak summer demand, with the seasonal shift from production of winter grade to summer grade gasoline well underway. US gasoline cracks have been supported by increased demand from neighbouring Mexico, Brazil and Canada. In the Gulf Coast, unleaded gasoline differentials to Mars nearly doubled, to $9.40/bbl in March versus $5.10/bbl in February.

Spot Product Prices

(monthly and weekly averages, $/bbl)

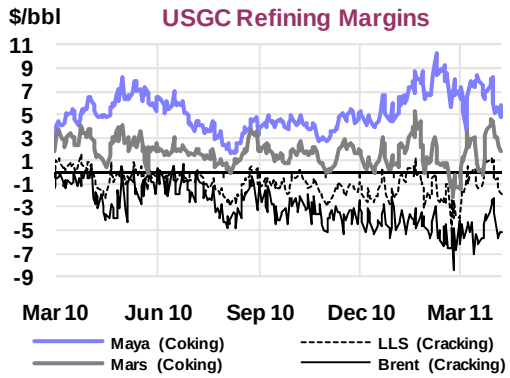
	Jan	Feb	Mar	Mar-Feb		Week Commencing:					Jan	Feb	Mar
				Chg	%	07 Mar	14 Mar	21 Mar	28 Mar	04 Apr			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	103.21	108.22	120.32	12.10	11.2	120.69	115.12	121.85	125.41	129.44	6.67	4.46	5.72
Naphtha	94.46	97.45	108.53	11.08	11.4	109.28	104.23	109.58	110.48	114.67	-2.08	-6.31	-6.07
Jet/Kerosene	111.45	121.08	133.75	12.67	10.5	132.53	133.15	135.19	135.21	140.30	14.91	17.32	19.15
ULSD 10ppm	110.79	119.51	131.92	12.41	10.4	131.55	131.07	133.02	133.38	137.71	14.25	15.75	17.32
Gasoil 0.1%	106.61	115.88	128.90	13.01	11.2	127.72	128.30	130.59	131.16	136.60	10.07	12.13	14.30
LSFO 1%	80.76	90.37	103.18	12.81	14.2	102.80	103.47	104.92	105.54	112.12	-15.78	-13.39	-11.42
HSFO 3.5%	79.89	88.16	94.72	6.56	7.4	94.20	93.64	95.28	96.85	101.68	-16.65	-15.60	-19.88
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	103.99	108.41	118.43	10.02	9.2	119.16	113.97	120.05	122.23	126.92	10.27	6.93	6.93
Naphtha	94.66	97.50	108.06	10.56	10.8	108.70	103.84	109.30	110.23	114.51	0.94	-3.99	-3.44
Jet Aviation fuel	109.96	119.65	131.44	11.79	9.9	130.08	131.02	133.22	133.10	138.50	16.24	18.17	19.94
ULSD 10ppm	111.81	120.48	132.87	12.40	10.3	132.65	132.06	134.26	134.36	139.68	18.10	18.99	21.37
Gasoil 0.1%	107.12	116.59	128.28	11.69	10.0	127.42	127.38	129.81	130.39	135.58	13.41	15.11	16.78
LSFO 1%	80.45	89.91	103.66	13.75	15.3	102.71	104.41	106.18	105.96	112.77	-13.27	-11.57	-7.84
HSFO 3.5%	78.39	87.16	93.82	6.67	7.6	94.22	92.91	93.66	95.68	100.10	-15.33	-14.32	-17.68
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	107.11	111.02	127.27	16.26	14.6	125.27	125.33	129.68	133.34	139.83	17.73	21.45	24.29
Unleaded	102.85	106.56	120.79	14.23	13.4	119.57	118.09	122.29	125.88	130.85	13.46	16.99	17.80
Jet/Kerosene	112.08	121.19	138.39	17.21	14.2	139.18	139.64	139.08	136.53	139.11	22.69	31.62	35.41
No. 2 (Heating Oil)	109.37	116.14	127.41	11.27	9.7	127.36	126.33	127.82	128.56	134.30	19.99	26.57	24.43
LSFO 1%†	78.88	90.09	101.81	11.72	13.0	102.53	101.49	102.87	102.50	108.07	-10.50	0.52	-1.18
No. 6 3%†	79.11	88.73	97.92	9.19	10.4	99.25	96.07	97.13	100.36	105.89	-10.27	-0.84	-5.07
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	106.38	111.84	120.97	9.13	8.2	121.85	118.55	121.76	122.51	127.95	13.86	11.60	12.26
Naphtha	95.16	97.87	107.83	9.96	10.2	109.54	104.38	108.18	108.34	112.45	2.64	-2.37	-0.88
Jet/Kerosene	109.89	120.18	131.92	11.75	9.8	131.25	131.75	133.39	133.16	138.42	17.38	19.94	23.21
Gasoil 0.5%	108.19	117.46	130.41	12.96	11.0	129.72	130.21	132.30	132.08	138.18	15.67	17.22	21.71
LSWR Cracked	89.86	98.76	103.40	4.64	4.7	102.15	102.74	104.24	107.06	113.01	-2.65	-1.48	-5.30
HSFO 180 CST	82.51	93.88	99.35	5.47	5.8	98.86	99.45	99.62	100.65	105.53	-10.01	-6.36	-9.36
HSFO 380 CST 4%	83.90	94.50	100.08	5.58	5.9	99.51	99.76	100.16	101.73	106.81	-8.62	-5.74	-8.63

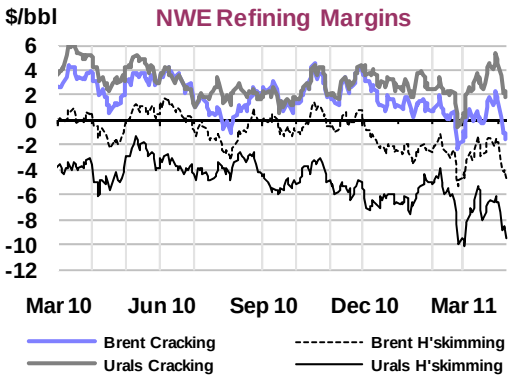
Source: Platts * CIF † Cargoes

Refining Margins

Refining margins remained weak in March, although improved in Northwest Europe and the US Gulf. Urals cracking margins in Northwest Europe rose throughout the month, reaching a comfortable profit of above $4.50/bbl in the last week of March, in contrast to Urals hydroskimming margins, which, although improving month-on-month, were at a near three-year low. Also in the Mediterranean simple refineries were struggling; Urals hydroskimming margins have been showing losses in excess of $5/bbl since last autumn.

In the US, Gulf Coast margins mostly improved, although cracking margins are showing losses at levels not seen since spring 2008. In Asia, Singapore margins diverged, with Dubai hydrocracking margins showing profits of $3.50/bbl last week in March and Tapis hydroskimming showing a loss of nearly $9/bbl, a historic low.





In Northwest Europe March margins moved higher on both strong middle distillates cracks and improving gasoline cracks, especially in the latter half of the month. Brent margins were also supported by a narrow low-sulphur fuel oil discount as supplies were tight due to both the ongoing maintenance season and run cuts due to poor margins. On the other hand, high-sulphur fuel oil discounts widened over the month, pressuring Ural margins. By early April though European margins all fell, as product cracks weakened due to stronger crude prices.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jan 11	Feb 11	Mar 11		Mar 11-Feb 11	11 Mar	18 Mar	25 Mar	01 Apr	08 Apr
NW Europe	Brent (Cracking)	1.15	0.18	0.54	↑	0.36	0.31	0.03	1.22	1.69	-0.89
	Urals (Cracking)	2.88	1.88	3.15	↑	1.27	2.71	3.07	4.01	4.67	2.44
	Brent (Hydroskimming)	-2.49	-2.86	-2.44	↑	0.41	-2.84	-2.12	-1.69	-1.83	-4.02
	Urals (Hydroskimming)	-3.75	-4.04	-3.86	↑	0.18	-4.37	-3.09	-3.25	-3.11	-5.20
Mediterranean	Es Sider (Cracking)	2.05	0.89	1.74	↑	0.85	1.69	2.31	2.94	3.14	1.63
	Urals (Cracking)	1.71	0.66	0.55	↓	-0.11	0.64	0.50	1.13	1.63	-0.38
	Es Sider (Hydroskimming)	-4.25	-4.51	-2.85	↑	1.67	-3.29	-1.17	-1.30	-1.76	-2.85
	Urals (Hydroskimming)	-5.95	-6.22	-7.08	↓	-0.86	-7.04	-6.30	-6.80	-6.49	-8.60
US Gulf Coast	Bonny (Cracking)	-2.52	-4.08	-3.53	↑	0.55	-3.63	-3.62	-4.08	-2.44	-3.58
	Brent (Cracking)	-4.22	-5.44	-4.82	↑	0.62	-4.93	-5.59	-5.13	-3.01	-5.02
	LLS (Cracking)	-0.65	-2.21	-0.61	↑	1.60	-0.67	-0.34	-0.30	1.00	-1.19
	Mars (Cracking)	-1.07	-1.90	-1.84	↑	0.06	-1.11	-1.89	-2.89	0.57	-1.12
	Mars (Coking)	2.40	0.57	1.86	↑	1.28	2.44	2.08	0.92	4.21	2.32
	Maya (Coking)	7.01	7.87	7.15	↓	-0.73	6.32	7.85	7.13	7.36	5.28
US West Coast	ANS (Cracking)	-1.85	3.54	-0.44	↓	-3.99	-3.19	0.20	0.94	2.19	1.32
	Kern (Cracking)	3.41	10.25	1.67	↓	-8.59	-1.25	1.63	1.98	3.89	2.60
	Oman (Cracking)	-2.21	0.41	4.83	↑	4.42	2.59	4.09	6.23	8.62	5.89
	Kern (Coking)	10.37	18.75	13.45	↓	-5.30	10.54	13.37	14.60	14.31	14.60
Singapore	Dubai (Hydroskimming)	-2.22	-1.75	-1.56	↑	0.19	-3.01	-0.25	-1.32	-0.52	-1.11
	Tapis (Hydroskimming)	-4.63	-5.03	-8.46	↓	-3.43	-8.21	-7.53	-8.61	-8.85	-10.55
	Dubai (Hydrocracking)	1.67	1.16	2.51	↑	1.35	1.26	3.58	2.98	3.51	2.96
	Tapis (Hydrocracking)	-2.61	-3.61	-5.91	↓	-2.30	-5.41	-5.09	-5.98	-6.64	-8.51
China	Cabinda (Hydroskimming)	-3.40	-3.88	-7.29	↓	-3.41	-8.12	-6.15	-7.09	-6.09	-6.78
	Daqing (Hydroskimming)	-4.28	-2.00	-4.16	↓	-2.16	-5.20	-2.76	-4.01	-3.51	-5.77
	Dubai (Hydroskimming)	-2.46	-2.16	-1.94	↑	0.21	-3.47	-0.65	-1.68	-0.80	-1.35
	Daqing (Hydrocracking)	-0.05	1.12	0.22	↓	-0.90	-0.33	1.26	0.36	0.35	-2.26
	Dubai (Hydrocracking)	1.49	0.83	2.20	↑	1.37	0.87	3.26	2.72	3.32	2.79

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.

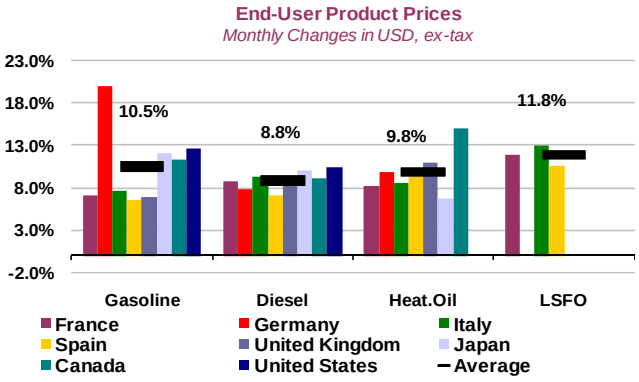
Sources: IEA, Purvin & Gertz Inc.

In the US, weaker gasoline cracks pressured Gulf Coast margins in the first half of the month as the demand for winter grade gasoline fell and refineries returned from maintenance. However, refining margins strengthened towards month-end as gasoline cracks improved with the shift to summer grade gasoline, less imports from Europe due to ongoing turnarounds as well as large stock draws as refiners exported winter-grade gasoline to Latin America. Middle distillates cracks were strong throughout March due to robust Latin American demand, also providing support to margins. However, by early April margins dropped again as crude prices increased rapidly with product prices following at a slower pace. On the West Coast, refining margins mostly fell month-on-month as an increasing fuel oil discount weighed.

In Singapore, refineries using Tapis as feedstock suffered further losses in March due to the high premiums for the light, sweet crude in spite of strong product prices for middle distillates. Dubai margins fared better, taking advantage of cheaper crude and hence stronger product cracks. Chinese margins mostly fell, pressured by a weak low-sulphur waxy residue crack.

End-User Product Prices in March

End-user prices for selected IEA countries continued their four-month upward rally during March. Gasoline prices rose on average by 10.5% month-on-month (m-o-m) and by 31% year-on-year (y-o-y). Diesel was up 8.8% m-o-m and 40.2% y-o-y. With respect to the remaining surveyed products, heating oil and low-sulphur fuel oil (LSFO) experienced price hikes of 9.8% and 11.8% m-o-m, respectively. On a yearly basis, heating oil rose by 40.2% and LSFO by 35.6%



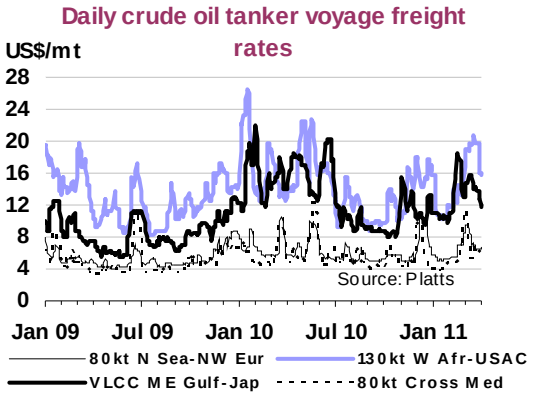
Germany saw the strongest increase of gasoline prices up by 20% and the US the strongest diesel price hike of 10.3%. In Spain, gasoline and diesel prices saw the smallest increments among the survey countries, up by 6.6% and 7% respectively. The m-o-m change in gasoline and diesel prices, when measured in Euro, subtracts around 3.0% from the dollar-based price hike. Prices for heating oil remained high in all countries, but Canada reported a 15% hike m-o-m and almost 40% y-o-y. In Japan prices for gasoline and diesel rose by 12% and 10%, while heating oil only rose by 6.8%, below the IEA average.

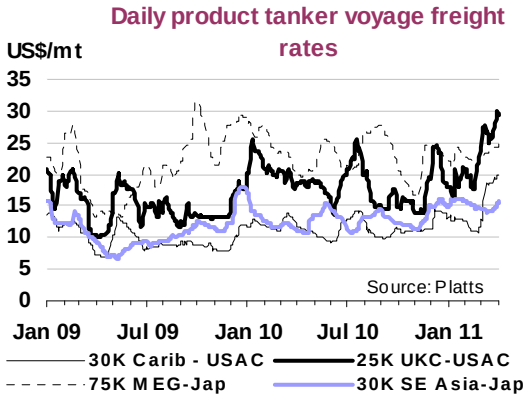
Freight

Crude oil tanker rates fell on all benchmark trades in March, but divergent trends were reported across the routes. In the East, the swollen tanker fleet diluted any potentially bullish impacts from the Japanese earthquake on the tanker market. After initial fears firstly of profiteering and secondly of increased premiums concerning exposure to radioactivity, the benchmark VLCC Middle East Gulf – Japan route has remained soft. While the rate peaked at $16/mt in mid-March, rates soon retreated due to slack fundamentals. After breaching the $20/mt level in mid-March for the first time since May 2010, rates on the Suezmax West Africa – US Atlantic Coast trade plummeted in response to falling demand, so that by early-April rates were once again below $16/mt.

In the Aframax sector, initial fears that the severe curtailment of Libyan exports would cause cross-Mediterranean rates to crash proved largely unfounded. Although rates have retreated by 50% since their early-March peak of $11/mt, they have remained stable since mid-March, holding at slightly above pre-conflict levels. In Northwest Europe, after initially firming, rates on the North Sea – North West Europe trade declined but were prevented from falling further by knock-on effects from events in the

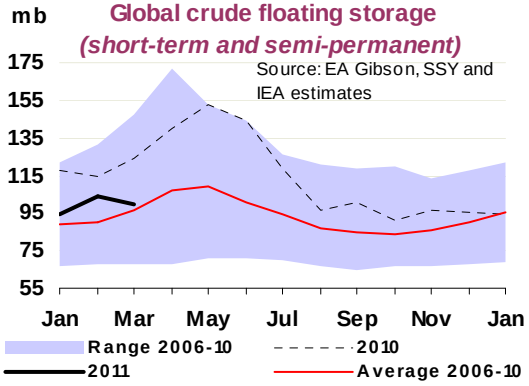
Baltic. Rates for trades from the Baltic Sea port of Primorsk rocketed in March following persistent icy weather in the Gulf of Finland. Primorsk has only admitted ice-class tankers since late December 2010 and recently ice-breakers have been required to assist tankers calling at the port. Consequently, suitable tonnage has tightened as ice-related delays have lengthened voyages, with Baltic – UK rates climbing to five-year highs of $23/mt in late-March.





In contrast to crude tankers, all benchmark product tanker rates rose over the month. Buoyed by a high PADD 1 import requirement stemming from high refinery maintenance, and lucrative distillate backhauls, rates on the transatlantic gasoline trade between the UK and US Atlantic Coast had reached $29.50/mt by early-April, their highest level since September 2008. The US Atlantic Coast's thirst for imports was also underlined by rocketing rates on trades bringing products from the Caribbean into the region. By early-April rates approached $20/mt, again their highest level since September 2008. In the east, product tanker rates firmed but not to the startling degree noted in the west. Rates on the Middle East Gulf – Japan route crept up over the month to approximately $25/mt by month-end. Despite reduced naphtha imports in the wake of the Japanese earthquake, the Singapore – Japan trade initially softened but then recovered to stand $1/mt above early-month levels at close to $16/mt.

After a 5.9 mb build in products offset a 4.2 draw in crude, the short-term floating storage of crude and products increased marginally to 67.7 mb (+1.7 mb) at end-March. Crude fell to 40.3 mb from its upwardly revised, end-February level of 44.5 mb. Iranian storage located either in the Red Sea or Middle East Gulf fell by 2.1 mb to 30.1 mb, while a sole VLCC previously storing crude off Northwest Europe discharged. Product builds in West Africa (+3.2 mb), Northwest Europe (+2.2 mb) and the Mediterranean (+1.2 mb) offset the discharging (-0.7 mb) of all products held in the US Gulf. Considering these dynamics, by end-March the storage fleet had expanded for the third consecutive month to 55 vessels, its highest since end-September 2010, as seven new LR2 or smaller clean vessels entered the fleet offsetting two VLCCs which left the fleet in March.



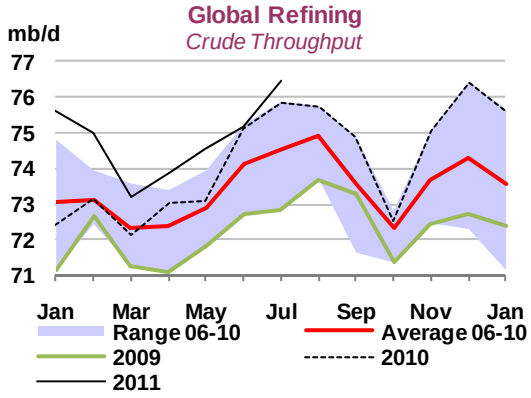
REFINING

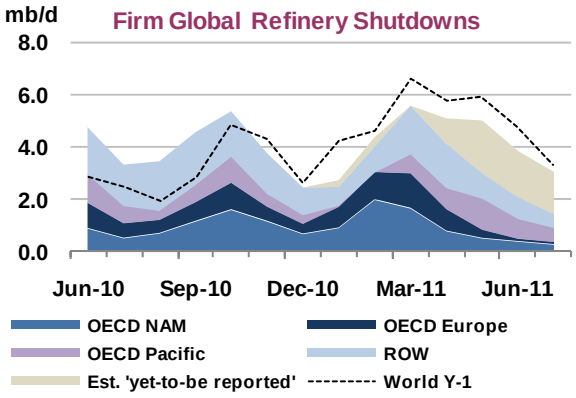
Summary

- **Global crude run estimates have been revised down by close to 270 kb/d for 2Q11**, in large part due to the earthquake and tsunami that hit Japan on 11 March. Offsetting factors, in Japan and elsewhere, are expected to mitigate the impact of the loss of about 600 kb/d of capacity into the second quarter. In all, global runs are now seen averaging 74.5 mb/d in 2Q11, down from 74.6 mb/d in 1Q11.

- **1Q11 global crude throughputs are largely unchanged since last month's report, at 74.6 mb/d.** Higher rates in February for a number of countries, including India, Singapore and Russia, offset lower Japanese throughputs from the second half of March. Annual growth in the quarter is seen above 2.0 mb/d, falling to 0.8 mb/d in 2Q11.

- **OECD refinery activity slowed in February, in line with higher maintenance shutdowns**. Total OECD crude runs averaged 36.2 mb/d, some 650 kb/d lower than in January. The monthly decline was almost entirely accounted for by the US, which saw spring turnarounds peak. OECD runs are thought to have fallen further in March, despite a rebound in North American activity. The disaster which hit Japan mid-March severely curtailed runs there. European runs are also expected to have fallen in March on peak maintenance and weak margins.





Global Refinery Throughput

Global refinery throughput estimates for 1Q11 are largely unchanged since last month's report at 74.6 mb/d. Higher-than-expected runs in February for a number of countries were offset by slightly lower January submissions and downwardly revised March estimates. February readings for India, Russia, Singapore and a few European countries were all stronger than expected, lifting global runs to 75.0 mb/d. This still represents a steep decline from January of some 640 kb/d, mostly accounted for by maintenance shutdowns in the US. March estimates were severely curtailed as a result of the earthquake and tsunami that hit Japan on 11 March, taking out almost a third of the country's refining capacity.

While close to 600 kb/d of capacity remains shut in Japan, we have lowered our global crude run forecast by only 270 kb/d on average for 2Q11. Spare capacity at other refiners in Japan is expected to partially offset shutdowns. High gasoil cracks resulting from the tightening supply situation are expected to support runs in coming months, and complex refiners elsewhere in the region will likely increase runs where possible. Some refiners, notably in India, already announced they will postpone scheduled maintenance from April/May until later in the year. Scheduled and unscheduled outages in Asia and the Middle East are nevertheless putting a cap on runs, suggesting regional product tightness ahead.

The outlook for Europe seems less clear-cut. The disruption to Libyan crude supplies has pushed light sweet crude prices sharply higher, outpacing increases in refined products, and deteriorating margins for most European refiners. The impact of the production shortfall has been somewhat muted by heavy maintenance and seasonally low runs in the region. Turnarounds are thought to have peaked in March, however, although there is some evidence of companies prolonging shutdowns due to poor economics. It is still difficult to determine whether we will see margins and runs remain weak through the summer, a repeat of last year when runs rose by more than 1 mb/d from May to June as refiners ramped up simultaneously, or rather a more traditional ramp-up in activity from March-lows through August.

Global Refinery Crude Throughput[1]

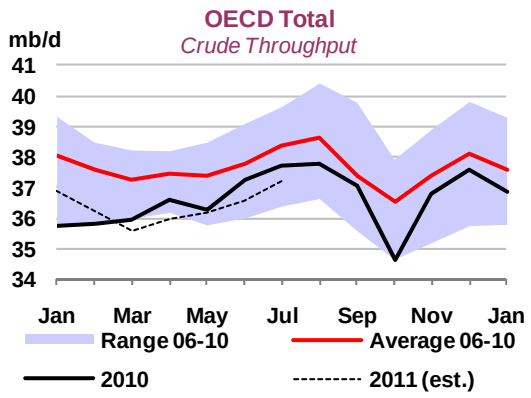
(million barrels per day)

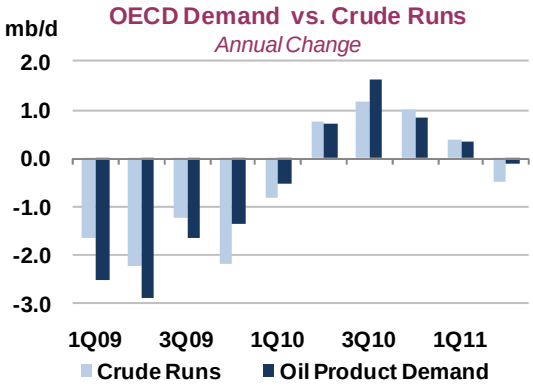
	Dec 10	4Q2010	Jan 11	Feb 11	Mar 11	1Q2011	Apr 11	May 11	Jun 11	2Q2011	Jul 11
North America	17.9	**17.3**	17.2	16.7	17.2	**17.1**	17.6	18.0	18.2	**17.9**	18.4
Europe	12.7	**12.3**	12.5	12.4	12.0	**12.3**	12.1	12.3	12.6	**12.3**	12.7
Pacific	7.0	**6.7**	7.1	7.1	6.3	**6.8**	6.2	5.9	5.8	**6.0**	6.1
Total OECD	**37.6**	**36.3**	**36.9**	**36.2**	**35.6**	**36.2**	**36.0**	**36.2**	**36.5**	**36.2**	**37.2**
FSU	6.5	**6.4**	6.4	6.4	6.2	**6.3**	6.1	6.2	6.4	**6.2**	6.5
Non-OECD Europe	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5
China	9.2	**9.0**	8.8	9.2	8.9	**9.0**	9.2	9.2	8.9	**9.1**	9.0
Other Asia	9.1	**8.9**	9.3	9.1	8.9	**9.1**	9.0	9.2	9.1	**9.1**	9.3
Latin America	5.1	**5.0**	5.2	5.3	5.3	**5.3**	5.2	5.4	5.4	**5.3**	5.4
Middle East	6.1	**6.1**	6.2	5.9	5.7	**5.9**	5.9	5.7	6.1	**5.9**	6.2
Africa	2.4	**2.4**	2.5	2.4	2.0	**2.3**	2.0	2.3	2.3	**2.2**	2.3
Total Non-OECD	**38.9**	**38.4**	**38.8**	**38.8**	**37.6**	**38.4**	**37.9**	**38.4**	**38.7**	**38.3**	**39.2**
Total	**76.4**	**74.7**	**75.6**	**75.0**	**73.2**	**74.6**	**73.9**	**74.5**	**75.2**	**74.5**	**76.5**

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD refinery activity slowed in February, to average 36.2 mb/d, 650 kb/d lower than in January and just 380 kb/d above a year earlier. The monthly decline was almost entirely accounted for by the US, which saw spring turnarounds peak. OECD runs are thought to have fallen further in March, despite higher North American runs. Preliminary weekly data show US runs up 450 kb/d on average from February, as maintenance on the US Gulf Coast slowed.





Pacific refinery runs were severely curtailed by the earthquake and tsunami that hit Japan on 11 March, taking out almost a third of the country's refining capacity. While three of the six plants that were closed restarted relatively quickly, the remaining three could remain closed until at least this summer. Spare

capacity elsewhere in Japan and the region is expected to partly make up the shortfall, though a further tightening of already strong distillate markets is likely. Complex refiners elsewhere in Asia are profiting from the disruptions, and some are increasing run rates or even delaying maintenance to later in the year. European runs are also expected to have fallen in March, not only due to heavy maintenance but also to weak margins.

Refinery Crude Throughput and Utilisation in OECD Countries

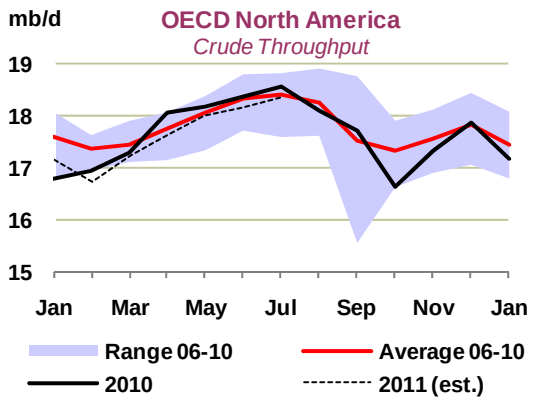
(million barrels per day)

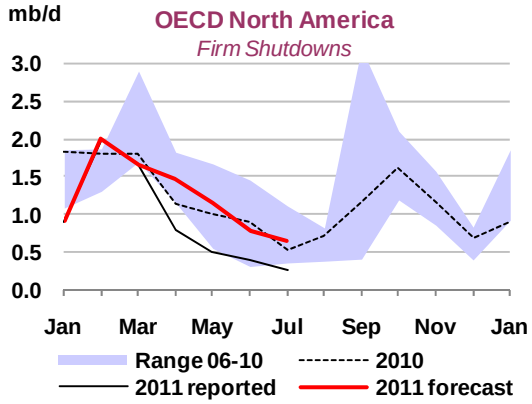
							Change from		Utilisation rate[1]	
	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Jan 11	Feb 10	Feb 11	Feb 10
US[2]	14.74	14.00	14.63	14.96	14.45	13.83	-0.62	-0.14	78.9%	79.2%
Canada	1.78	1.55	1.70	1.81	1.61	1.74	0.13	0.00	95.1%	89.1%
Mexico	1.20	1.08	0.99	1.10	1.12	1.16	0.04	-0.08	68.8%	80.8%
OECD North America	**17.72**	**16.64**	**17.33**	**17.87**	**17.18**	**16.73**	**-0.44**	**-0.23**	**79.5%**	**80.3%**
France	1.51	0.64	1.39	1.43	1.42	1.44	0.01	0.13	82.1%	70.6%
Germany	2.05	1.99	2.06	1.99	1.98	1.93	-0.06	0.09	80.8%	77.0%
Italy	1.73	1.66	1.74	1.80	1.77	1.68	-0.09	0.09	73.9%	69.7%
Netherlands	1.00	0.98	0.97	1.01	1.02	1.05	0.03	-0.03	86.6%	89.0%
Spain	1.11	1.02	1.04	1.08	1.07	0.97	-0.10	0.12	69.0%	65.6%
United Kingdom	1.43	1.41	1.39	1.40	1.48	1.42	-0.06	0.04	78.2%	76.0%
Other OECD Europe	3.85	3.92	4.09	3.94	3.80	3.92	0.12	0.01	80.3%	81.0%
OECD Europe	**12.68**	**11.62**	**12.68**	**12.66**	**12.55**	**12.40**	**-0.15**	**0.45**	**78.9%**	**76.3%**
Japan	3.34	3.20	3.49	3.72	3.85	3.80	-0.04	0.01	84.9%	80.1%
South Korea	2.53	2.49	2.53	2.57	2.54	2.53	-0.01	0.13	92.5%	87.7%
Other OECD Pacific	0.76	0.66	0.74	0.75	0.75	0.76	0.00	0.01	89.6%	88.1%
OECD Pacific	**6.63**	**6.35**	**6.76**	**7.04**	**7.14**	**7.09**	**-0.05**	**0.15**	**88.0%**	**83.4%**
OECD Total	**37.03**	**34.60**	**36.77**	**37.56**	**36.87**	**36.22**	**-0.65**	**0.38**	**80.8%**	**79.5%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

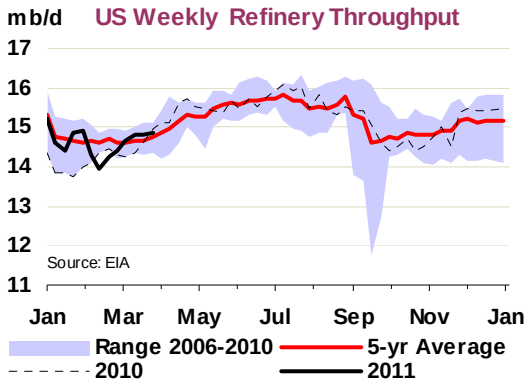
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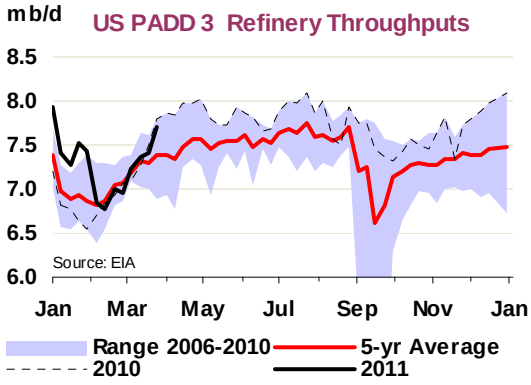
1Q11 **North American** refinery crude run estimates are unchanged since last month's report, averaging 17.1 mb/d. After a seasonal dip of some 1.1 mb/d since December's high by February, regional runs rebounded in March to 17.2 mb/d. Spring maintenance peaked in February this year, at an estimated 2.0 mb/d for the region as a whole. Runs are expected to continue to increase over the next four months as maintenance winds down and refiners step up production to meet peak summer driving demand. Our forecast for 2Q11 is also largely unchanged, at 17.9 mb/d.





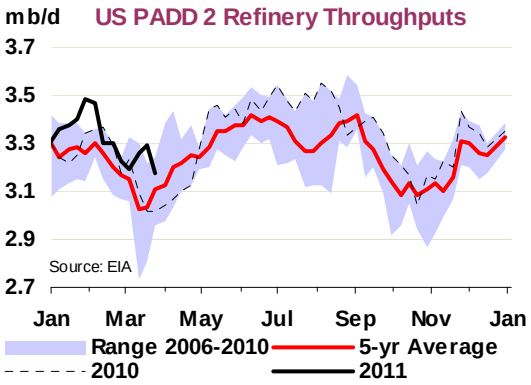
US refinery crude throughputs rose in March, to average 14.3 mb/d, 110 kb/d more than our previous estimate. Runs were 450 kb/d above February, with the sharpest gains seen on the Gulf Coast. Refiners there were already coming out of maintenance, and ramping up runs to replenish depleted product inventories. More than 1.0 mb/d of capacity was reportedly shut on the Gulf Coast alone in February. Notable turnaround programmes include Valero's Port Arthur refineries, Citgo's Corpus Christie and Lake Charles plants, BP's Texas City and Lyondell's Houston refinery. Shutdowns were expected to have receded to 0.7 mb/d in March, before refiners ramp up runs sharply in April ahead of the summer gasoline season. The latest weekly data confirm that this is already happening, and Gulf Coast crude oil inputs were 7.5 mb/d in the week ending 1 April, 920 kb/d higher than the low-point reached in mid-February.

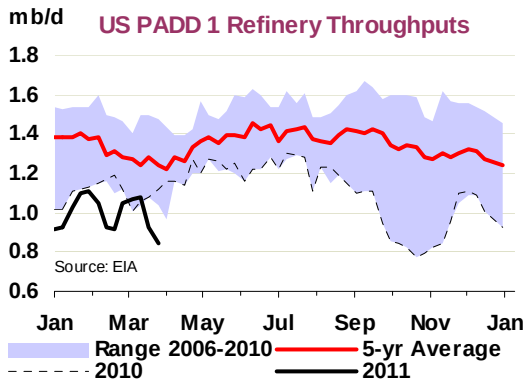




Midwest refiners scaled back runs slightly in March, but sustained the highest operating rates around 87% for the month on average. Refiners in the region continue to enjoy healthy profit margins due to depressed prices for WTI and related grades. In early April, WTI was trading at more than $13.00/bbl discount to Brent, leaving healthy margins. Crack spreads have sharply improved for refiners able to process discounted crudes. The New York Harbor gasoline crack (WTI) for instance was $30.00/bbl in early April, compared to $15.00/bbl at the same time last year.

As a result of the crude overhang at Cushing, and resulting steep crude discounts, refiners with access to 'cheap' feedstocks are investing in new capacity. Tesoro is planning to expand capacity at its North Dakota Mandan refinery, from 58 kb/d to 68 kb/d within a year. Valero is planning to raise CDU capacity at its McKee refinery in North Texas by 25 kb/d to 195 kb/d over the next three years.

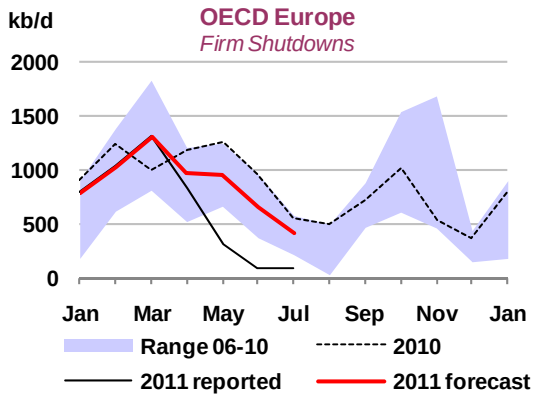


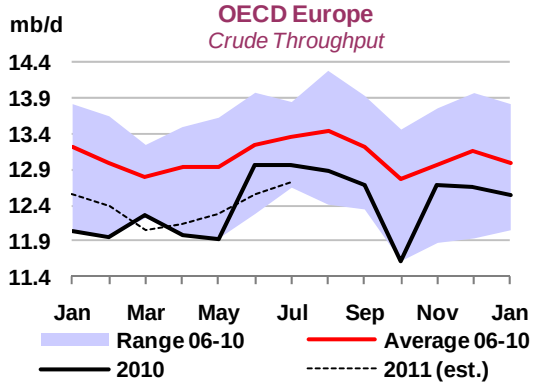


US East Coast runs remain depressed as maintenance and poor economics cut operating rates. East Coast refiners are generally not able to take advantage of discounted US crude prices, as they normally import crude delivered by tankers from Nigeria, Angola and the North Sea, priced off Brent. Interestingly, the US' largest refiner, Valero, which disposed of two refineries on the East Coast during 2010 (Delaware

and Paulsboro), signed a deal recently to acquire Chevron's 210 kb/d Pembroke refinery in the UK. The move allows Valero to establish itself in the European downstream markets and to supply the US North East gasoline markets with products from across the Atlantic.

Also in the UK, Indian private refiner Essar finally signed the deal to take over Shell's 295 kb/d Stanlow refinery. The move will give the company access to European fuels markets, providing it an outlet for clean products exported from its Vadinar refinery on the Indian west coast.





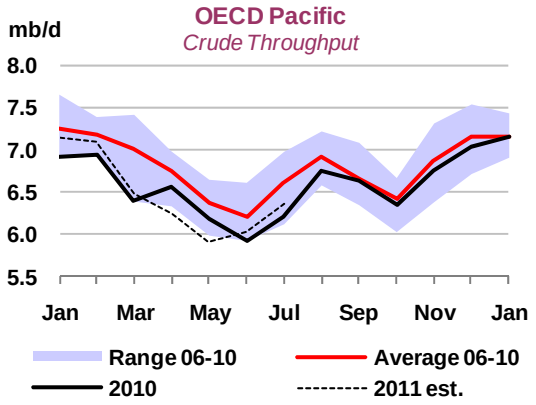
OECD Europe's refinery runs were 90 kb/d higher than forecast for February, at 12.4 mb/d, while monthly data submissions confirmed January runs at 12.5 mb/d. Even though no data are available for March yet, maintenance schedules suggest that runs declined in that month, potentially by as much as 355 kb/d. Refining margins, both in Northwest Europe and in the Mediterranean, deteriorated further in February as crude price gains following the Libyan crisis surpassed those of refined products, thus providing little incentive for refiners to step up production. As lower runs started to squeeze product supplies through March, however, margins improved somewhat, but remain low on a historical basis. Utilisation rates upon the completion of turnarounds from May onwards will be telling in evaluating the likely health of the sector in months to come, but much will depend on regional demand.

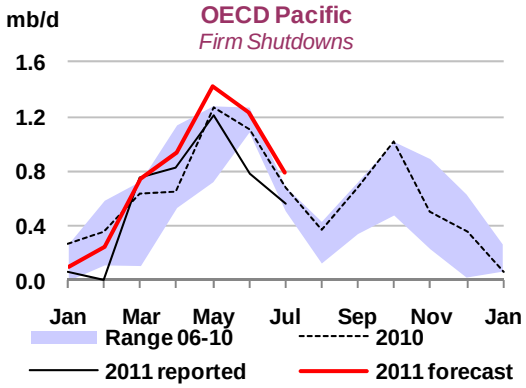
The near-complete halt to Libyan crude exports is having the most severe impact on European refiners. OECD Europe imported about 1.1 mb/d of Libyan crude in 2010, 70% of the country's total production. Refiners are reportedly not so far having any significant difficulties sourcing replacement crudes, but have to do so at a steep premium, as competition is pushing prices for comparable light-sweet grades higher. The impact of the lost supplies has so far been muted by the fact that European spring turnarounds hit a seasonal peak in March, reducing regional crude demand. Less maintenance is expected from April onwards, as well as a shift in focus from the Mediterranean to Northwest Europe, likely further increasing competition for comparable feedstocks.

The Libyan crisis is affecting European refinery operations also more indirectly. Libyan-owned Tamoil shut its 70 kb/d Collombey refinery in **Switzerland** for early maintenance at the end of March, because of poor margins and uncertainty over international sanctions against Libyan companies. Both BP and Shell stopped dealing with the company due to the sanctions and concerns over payment. The closure of the company's Cremona refinery in **Italy** was also brought forward due to the civil war. The refinery, which has a nameplate capacity of around 90 kb/d, was scheduled to be converted to an oil terminal by the end of this year. In France, Petroplus announced in early April its 85 kb/d Reichstett refinery will process its last crude oil this month, before being permanently shut on 30 June 2011.

Greek refinery runs are expected to be lower in April as Hellenic Petroleum's three refineries, (Aspropyrgos, Elefsis and Thessaloniki) and progressively shut down due to a strike that is set last 10 days, until 13 April. The three refineries have a combined capacity of about 300 kb/d.

OECD Pacific refinery operations were severely curtailed in March as the earthquake and tsunami that hit Japan on 11 March took out a large portion of the country's refining capacity (see *Excess Capacity Comes to the Rescue – but Stalls Rationalisation Plans,* below). Surplus refining capacity elsewhere in Japan, and potentially lower maintenance than usual for this time of the year (Japan usually reduces runs significantly from March to June) will likely limit the impact of the refinery closures. We expect neighbouring South Korea to also increase runs where possible to cover regional product shortfalls. Indeed, South Korean refiners announced plans to increase the export of refined products to Japan in the immediate aftermath of the disaster, and even lift some crude oil originally destined for Japan to help absorb any crude surplus resulting from the closure of Japanese capacity. In all, we have revised our Pacific crude run estimates down by only 240 kb/d for 2Q11.

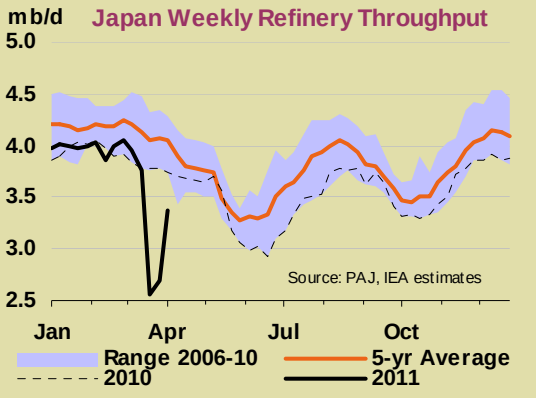


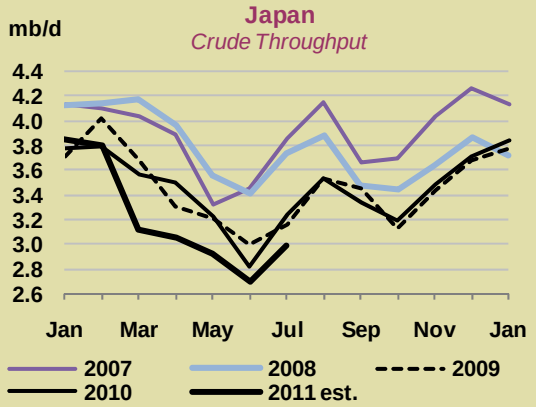


Excess Capacity Comes to the Rescue – but Stalls Rationalisation Plans

As noted in last month's report, six out of Japan's 27 refineries were shut in the immediate aftermath of the 11 March earthquake and tsunami. The six refineries represented nearly 1.4 mb/d of crude distillation capacity, or 31% of the country total. Within 10 days, however, three out of six plants had restarted, leaving around 600 kb/d of capacity shut. The refineries that remain closed are Cosmo's Chiba refinery and JX Nippon Energy's Kashima and Sendai plants.

While it is still too early to evaluate the full extent of the damage to these plants, we assume for now that all three will remain shut at least until July. The president of Cosmo Oil said 1 April that the company is unable to estimate when it will restart the 220 kb/d Chiba refinery, as it still has to complete investigations into the cause of the fire that broke out in the LPG storage tanks at the site. The fire was extinguished on 21 March. JX Energy, meanwhile, has announced that it plans to restart its 250 kb/d Kashima refinery in the summer of 2011 and its 145 kb/d Sendai refinery in the summer of 2012.





However, we do not expect crude runs to fall short by the full extent of lost capacity over the coming months, as others stand to make up part of the shortfall. We calculate that crude runs in March could have fallen to 3.1 mb/d on average, from 3.8 mb/d in February, as runs rebounded quickly from the near-2.5 mb/d low in the week following the disaster. Indeed, according to the latest weekly data from the

Excess Capacity Comes to the Rescue – but Stalls Rationalisation Plans (continued)

Petroleum Association of Japan (PAJ), which acknowledged the reporting difficulties and the preliminary nature of the numbers, Japanese crude runs were 3.38 mb/d in the week ending 2 April. Understandably, no data are available for the three prior weeks.

Because Japan has been suffering from structurally declining oil demand for some time, the country also has significant surplus refining capacity. Efforts have been made to shed some of this excess capacity in order to improve the competitiveness of the industry, and Japanese refiners had already announced plans to cut over 0.8 mb/d of the country's 4.8 mb/d capacity. Temporarily, however, industry restructuring is being reconsidered to help fill the current gap in product supplies.

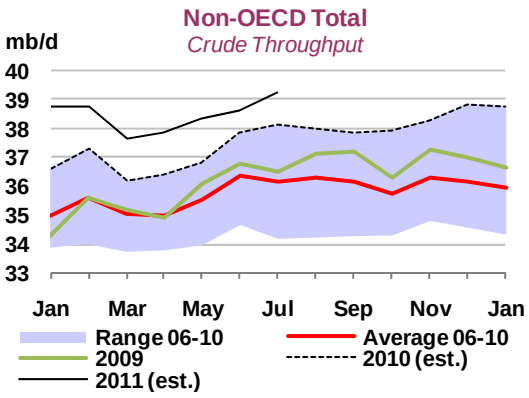
JX Energy has reversed rationalisation plans to help alleviate product shortages. The company restarted a 50 kb/d CDU at its Mizushima refinery, originally part of the company's programme to shut 600 kb/d by the end of March 2014. Cosmo announced it has increased capacity at its Yokkaichi and Sakaide facilities by a combined 80 kb/d. Moreover, refiners across the country, not damaged by the earthquake, have reportedly raised run rates. Showa Shell has announced it remains committed to mothballing a 120 kb/d crude unit at its 185 kb/d Keihin refinery by September despite the supply disruptions.

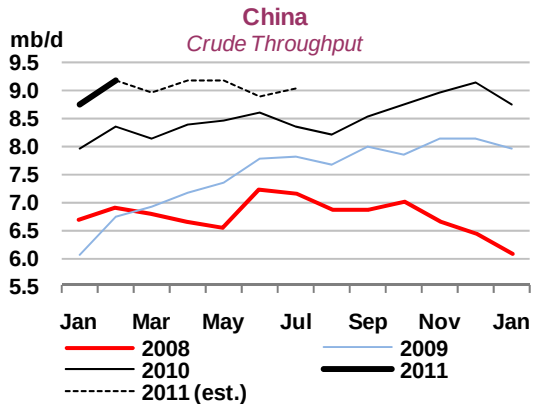
Furthermore, Japanese runs were set to decline seasonally from March to June, due to maintenance, possibly leaving some additional capacity available to ramp up runs. In the last five years, Japanese runs fell by 0.7 mb/d from March to June on average. We assume that the seasonal maintenance downturn will be moderated this year, as refiners likely will defer turnarounds where possible.

Non-OECD Refinery Throughput

Non-OECD refinery runs were higher than expected in February, on account of India, Singapore and Russia. At an average 38.8 mb/d, total non-OECD runs were flat from a month earlier. Runs likely dipped in March, however, due to higher maintenance estimates for a number of countries as well as unscheduled outages. In all, 1Q11 estimates are largely unchanged from last month's report, at 38.4 mb/d, a sizeable 1.7 mb/d above 1Q10.

2Q11 crude throughputs have been revised lower by 70 kb/d since last month's report, on lower estimates for Latin America and the Middle East. Should refiners postpone maintenance to take advantage of current supply shortfalls resulting from the disaster in Japan, non-OECD runs could be higher than we show here. This is especially true for Asian and Middle Eastern refiners. We have so far only factored this in where announcements of higher throughputs have been made.



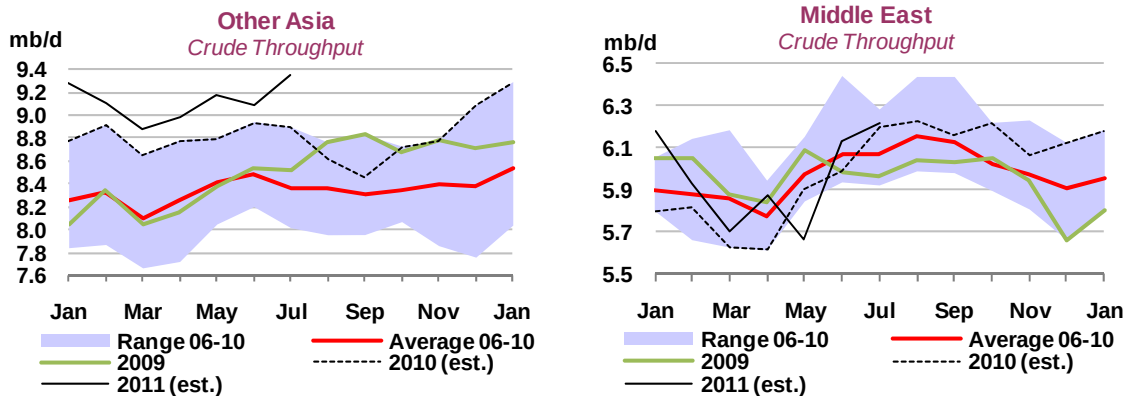


No new **Chinese** data on refinery operations have been released since last month's report, when both January and February data were made available after the New Year's celebrations ended. February runs were reported at a record high of 9.2 mb/d, some 0.8 mb/d above a year earlier. Runs are expected to have come off recent highs in March as some maintenance got underway and profitability was worsening. China's largest export refinery, the 200 kb/d WEPEC refinery in Dalian, was completely shut in March while undertaking a 40-day turnaround.

China announced in early April an increase retail gasoline and diesel prices of roughly 5% to ensure refiners produce enough to meet demand. The price rise is the third so far this year and falls short of the $22/bbl-$32/bbl increase seen in international crude prices since the beginning of the year (WTI/Brent). PetroChina nevertheless announced it would raise operating rates at its plants to 98.5% utilisation in April, implying a 15.1% annual increase.

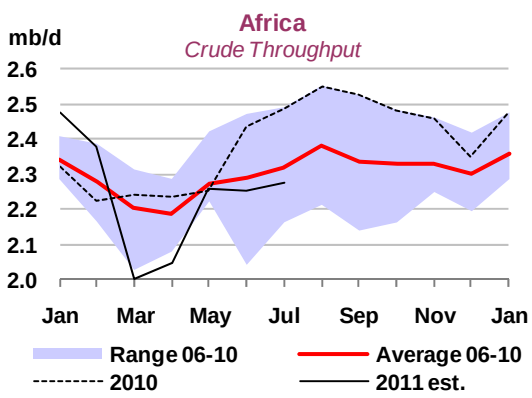
Indian crude runs fell by 100 kb/d in February, to 4.1 mb/d, though were still 80 kb/d higher than our previous forecast. Runs were mainly reduced by maintenance at Reliance's Jamnagar refinery. The shutdown of the plant's gasoline-making FCC unit severely cut product exports in the month, with these reportedly down to just over 0.8 mb/d, from 1.1 mb/d in January. Concerns about regional supply of gasoil and ensuing high premia resulting from the Japanese disruptions led both state-owned and private Indian refiners to consider deferring maintenance plans from the second quarter to later in the year. Notably, Essar, which had planned a full shutdown of its 300 kb/d Vadinar refinery for 45 days in May/June, postponed this to September/October. The company has announced the timing of the first-phase expansion of the refinery, to 360 kb/d, would not be affected. Ramp-up of the new units are still expected from the third quarter. BPCL's 120 kb/d Bina plant will start commercial operations in 2Q11, and we expect runs to ramp up starting in April. The 180 kb/d greenfield Bathinda refinery is also set to be commissioned during the second quarter. The company reportedly received the first cargo of Saudi crude on 31 March, to be shipped through the 1000 km pipeline from the Mundra port to refinery. We assume operations to start in July.

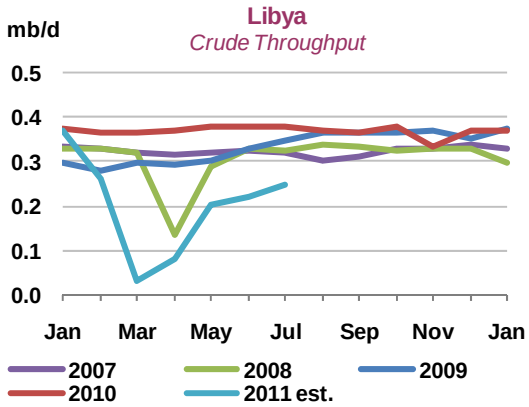
In **Indonesia**, a fire and subsequent earthquake damaged Pertamina's 350 kb/d Cilacap refinery in early April, shutting two crude distillation units with a combined capacity of 280 kb/d. The units were shut as a precautionary measure due to a fire at nearby fuel tanks. The fire was successfully put out on 6 April, 5 days after breaking out, but it could still take some time before a restart is possible. A fatal accident at ExxonMobil's Jurong refinery in **Singapore** forced the company to briefly interrupt maintenance work scheduled to last for nine weeks from 9 March onwards. We had previously not included this shutdown and have thus lowered our Singapore outlook for the March-May period.



Middle Eastern refinery runs are estimated to have fallen by 250 kb/d in February, to 5.9 mb/d on average. Refinery maintenance in **Saudi Arabia**, where the 235 kb/d Yanbu refinery was taken offline for 39 days, was partly responsible. Regional runs are seen remaining at reduced levels until June before picking up sharply, as several other large plants shut for work. Also in Saudi Arabia, the 400 kb/d PetroRabigh refinery, a joint venture between state-owned Saudi Aramco and Japan's Sumitomo Chemical, is reportedly to shut from late April to the end of May. A 150 kb/d CDU at the Kingdom's Jubail refinery was also believed shut for 45 days from February. The planned closure of the ageing 190 kb/d Shuaiba refinery in **Kuwait** for work from April is expected to further reduce regional production.

Bahrain's only refinery, the 260 kb/d Sitra plant, was running at reduced rates in March. According to the oil minister, however, the lower runs were due to the shutdown of a 70 kb/d CDU for maintenance (from 16 February), already factored into our forecast, and not to the uprising. All exports of refined products were halted, however, as port employees stayed away during the turmoil.

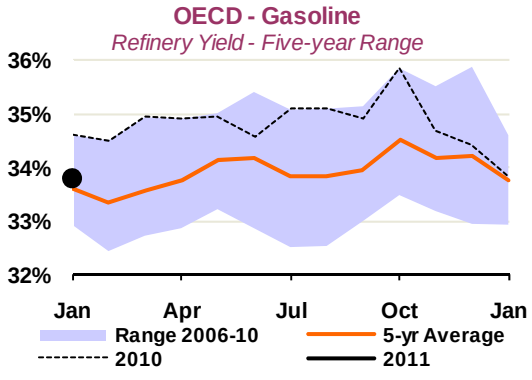


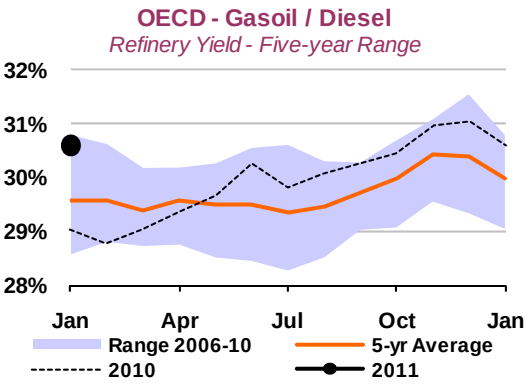


Little information is available on the current situation surrounding **Libya's** refining sector and product supplies. The country has five refineries, with a combined capacity of close to 380 kb/d, and recent data suggest operating rates close to capacity just prior to the uprising in the country. We assume that the country's largest refinery in Ras Lanuf (220 kb/d) remains shut, since staff were evacuated at the end of February. The 120 kb/d Assawiya refinery (in Zawiya, west of Tripoli) and the three smaller plants could still be operating, but potentially at reduced rates due to lower crude supplies. According to the head of state National Oil Corp. (NOC), the Zawiya refinery is being supplied by crude from the still-producing El Sharara and Wafa fields in the southwest. The refinery shutdowns could be long-lasting, seriously impeding oil product supplies. Although product imports have all but halted since the turmoil started, one 145 kb shipment of gasoline was reportedly imported into Zawiya in early April, helping to alleviate oil product shortages. That said, it is still very difficult to get confirmation on any reports out of the country.

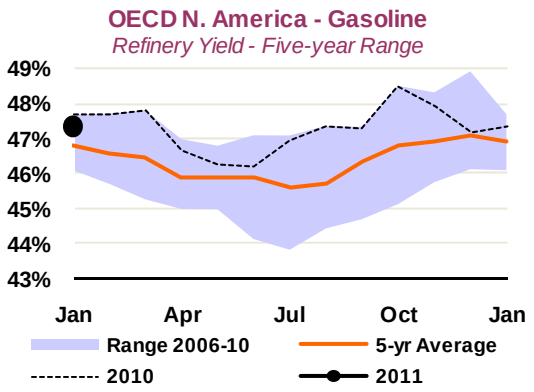
OECD Yields

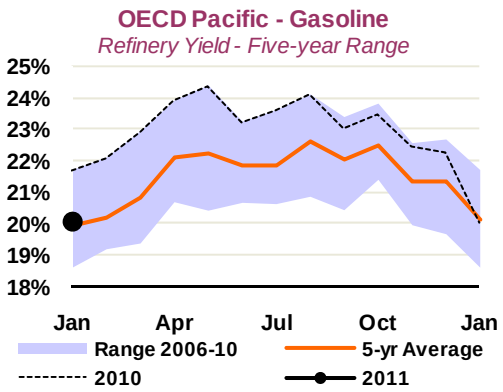
January OECD yields increased for naphtha, jet fuel/kerosene and fuel oil at the expense of gasoline and gasoil/diesel. OECD gross output fell 1.2 mb/d from December, of which nearly all was in OECD North America, due to the start-up of the turnaround season in the US.



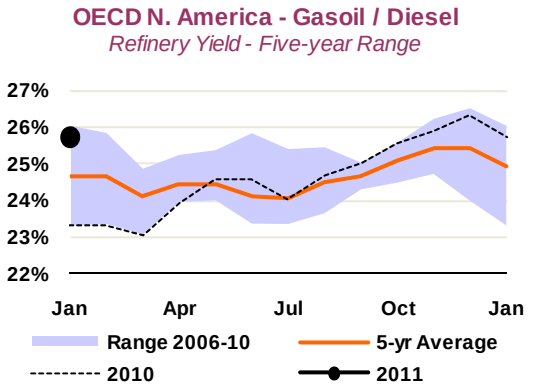


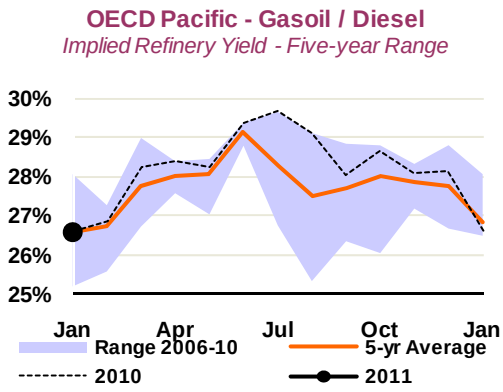
OECD gasoline yields fell 0.62 percentage points (pp), dragged down by a decrease of 2.2 pp in OECD Pacific. However, gasoline yields increased in OECD North America and Europe, which partly offset the decrease as refiners in both these regions profited from stronger gasoline cracks.





OECD gasoil/diesel yields fell 0.47 pp, also mainly as a result of reduced gasoil/diesel yields in the OECD Pacific. In OECD North America gasoil/diesel yields fell for the first time since July 2010, but yields are still 2.4 pp above levels seen a year ago.





Jet fuel/kerosene yields increased in January, in line with seasonal patterns, but also due to the strong jet fuel/kerosene cracks seen in January. Naphtha yields increased in both OECD North America and Pacific, and remained unchanged from December in Europe, on strong naphtha margins at the beginning of the month.

Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.2	24.0	23.9	24.0	23.7	24.2	23.9	23.9
Europe	15.5	15.3	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.8	14.7	14.4	14.2	14.0	14.6	14.6	14.4
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.1	7.4	7.6	8.2	7.8
Total OECD	49.3	47.6	46.5	44.5	45.0	45.9	45.5	46.0	45.2	46.6	46.7	46.1	46.3	45.1	46.4	46.7	46.1
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.2	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	10.0	9.4	9.9	10.0	9.9	10.1	10.0
Other Asia	9.5	9.6	10.0	10.2	9.9	10.2	10.1	10.4	10.5	10.1	10.6	10.4	10.7	10.8	10.4	10.8	10.7
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.4	6.4	6.3	6.2	6.5	6.6	6.5	6.4
Middle East	6.6	7.0	6.7	7.2	7.7	7.1	7.2	7.1	7.5	8.0	7.4	7.5	7.4	7.7	8.2	7.5	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.4	3.3	3.4	3.4
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.6	40.5	41.8	42.1	42.7	41.8	42.5	43.3	43.6	43.6	43.2
Total Demand[1]	86.7	86.1	84.5	84.2	85.4	85.9	85.0	86.5	87.0	88.7	89.4	87.9	88.8	88.4	90.0	90.2	89.4
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.4	14.1	14.2	14.4	14.3
Europe	5.0	4.8	4.9	4.5	4.3	4.5	4.6	4.5	4.2	3.8	4.2	4.2	4.3	4.1	4.0	4.2	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6
Total OECD	19.5	18.8	19.1	18.6	18.7	19.0	18.8	19.1	18.9	18.5	19.2	18.9	19.2	18.8	18.8	19.2	19.0
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.8	13.6	13.7	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.3	4.3	4.3	4.3
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.6	3.6	3.6	3.5	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.9	30.0	29.8	30.2	30.4	30.4	30.6	30.4
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.1	1.9
Total Non-OPEC[2]	50.9	50.8	51.1	51.5	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.2	53.5	53.9	54.2	53.7
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.5	51.9	52.4	51.7	52.4	52.8	52.8	53.3	52.8	53.2	53.5	53.9	54.2	53.7
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.1	29.3	29.5	29.2	29.8				
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.1	5.3	5.5	5.3	5.7	5.7	6.0	6.0	5.9
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.8	33.5	34.1	34.2	34.6	35.0	34.5	35.5				
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.8	33.5	34.1	34.2	34.6	35.0	34.5	35.5				
Total Supply[6]	85.5	86.4	84.4	84.7	85.6	86.2	85.2	86.5	87.0	87.4	88.3	87.3	88.7				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.3	-0.1	0.2	1.0	-0.3	-0.9	0.0					
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0					
Total	-0.2	0.4	0.8	0.3	0.2	-1.3	0.0	0.2	0.9	-0.4	-0.8	0.0					
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2	-0.3	-0.2					
Miscellaneous to balance[7]	-1.0	0.0	-1.6	0.0	-0.1	1.0	-0.1	0.0	-1.0	-0.6	-0.1	-0.4					
Total Stock Ch. & Misc	-1.1	0.3	-0.1	0.5	0.2	0.3	0.2	0.0	0.0	-1.3	-1.2	-0.6	0.0				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	30.9	28.7	28.0	28.6	28.6	28.5	29.1	29.1	30.5	30.6	29.8	29.8	29.2	30.1	30.0	29.8
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.0	28.6	29.6	28.4	29.1	28.1	29.9	30.6	29.4	29.5	28.9	29.9	29.7	29.5

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	0.2	0.3	0.2	0.1
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	0.1	0.2	0.2	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-0.1	-0.1	-	-0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.2	-	0.1	0.1	-
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.2	0.1	0.1	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-0.1	-	-	-
Total OPEC	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-					
OPEC: historical composition	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-					
Total Supply	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-	-					
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	-	-0.1	-0.1	-0.1					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-0.1	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-0.4	-	-	-	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-	-	-	-0.4	-	-	-	-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

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.23	24.00	23.90	23.95	23.67	24.17	23.93	23.93
Europe	15.34	14.93	14.28	14.47	14.36	14.51	14.18	14.12	14.79	14.69	14.45	14.18	14.03	14.63	14.57	14.35
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.04	7.79	8.15	7.42	7.63	8.17	7.84
Total OECD	47.56	46.48	44.50	44.99	45.90	45.46	45.95	45.21	46.62	46.74	46.14	46.28	45.12	46.43	46.67	46.13
Asia	17.38	17.50	18.62	18.60	18.98	18.43	19.30	19.91	19.36	20.53	19.78	20.51	20.80	20.29	20.96	20.64
Middle East	7.01	6.73	7.24	7.70	7.07	7.19	7.10	7.49	7.95	7.37	7.48	7.43	7.71	8.17	7.53	7.71
Latin America	6.00	5.79	5.98	6.09	6.12	6.00	6.03	6.28	6.44	6.37	6.28	6.21	6.46	6.60	6.51	6.45
FSU	4.23	3.99	3.87	4.11	4.04	4.00	4.21	4.15	4.38	4.40	4.29	4.30	4.22	4.46	4.46	4.36
Africa	3.19	3.26	3.24	3.18	3.12	3.20	3.19	3.29	3.24	3.30	3.26	3.33	3.38	3.35	3.38	3.36
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.73	0.71	0.71	0.72	0.72	0.74	0.72
Total Non-OECD	38.57	38.02	39.70	40.41	40.04	39.55	40.53	41.83	42.09	42.71	41.79	42.49	43.29	43.60	43.56	43.24
World	86.13	84.50	84.20	85.40	85.94	85.02	86.48	87.04	88.71	89.45	87.93	88.77	88.41	90.03	90.23	89.36
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.31	19.23	19.28	19.03	19.51	19.24	19.27
Europe 5*	9.41	9.36	8.79	8.84	8.80	8.94	8.80	8.68	9.08	8.93	8.87	8.77	8.57	8.90	8.81	8.76
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.23	9.98	9.38	9.85	10.02	9.88	10.14	9.97
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.54	4.42	4.69	4.09	4.36	4.67	4.45
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.14	3.39	3.34	3.49	3.54	3.22	3.49	3.44
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.19	3.14	3.06	3.01	2.99	3.24	3.18	3.11
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.81	2.79	2.72	2.68	2.78	2.87	2.87	2.80
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.34	2.73	3.03	2.55	2.66	2.53	2.88	3.17	2.65	2.81
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.26	2.25	2.23	2.25	2.18	2.24	2.23	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.35	2.25	2.35	2.22	2.15	2.34	2.26
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.14	2.14	2.11	2.18	2.12	2.15	2.14
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.81	1.81	1.81	1.81	1.74	1.75	1.73	1.76
Total	60.81	59.54	59.09	60.00	60.70	59.84	61.17	61.40	62.70	63.18	62.12	62.83	62.21	63.42	63.49	62.99
% of World	70.6%	70.5%	70.2%	70.3%	70.6%	70.4%	70.7%	70.5%	70.7%	70.6%	70.6%	70.8%	70.4%	70.5%	70.4%	70.5%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	4.1	1.9	2.6	1.6	-0.4	-0.3	-0.3	0.1
Europe	-0.8	-2.6	-5.4	-6.9	-6.6	-5.4	-5.1	-1.1	2.2	2.3	-0.4	0.0	-0.7	-1.1	-0.8	-0.7
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.7	1.7	-0.5	1.5	0.5	1.5	0.7
Total OECD	-3.6	-5.1	-6.1	-3.5	-2.9	-4.4	-1.1	1.6	3.6	1.8	1.5	0.7	-0.2	-0.4	-0.2	0.0
Asia	1.8	-1.1	4.9	7.5	13.0	6.0	10.3	6.9	4.1	8.2	7.3	6.3	4.5	4.8	2.1	4.4
Middle East	5.7	1.0	2.6	3.3	3.3	2.6	5.5	3.5	3.3	4.3	4.1	4.6	3.0	2.8	2.1	3.1
Latin America	5.6	-0.2	-1.2	-0.7	2.0	0.0	4.2	5.0	5.8	4.0	4.8	3.0	2.9	2.5	2.2	2.6
FSU	2.7	-4.9	-6.7	-6.3	-3.8	-5.4	5.4	7.2	6.6	9.0	7.1	2.2	1.6	1.8	1.2	1.7
Africa	3.9	1.7	1.2	1.1	-3.2	0.2	-2.1	1.7	1.9	5.9	1.8	4.4	2.6	3.2	2.3	3.1
Europe	-0.4	-4.3	-0.8	-0.7	-6.5	-3.1	-6.3	-6.3	-3.1	2.1	-3.4	0.7	2.1	1.9	1.0	1.4
Total Non-OECD	3.3	-0.8	1.9	3.2	5.9	2.5	6.6	5.3	4.2	6.7	5.7	4.8	3.5	3.6	2.0	3.5
World	-0.6	-3.2	-2.5	-0.5	1.0	-1.3	2.3	3.4	3.9	4.1	3.4	2.6	1.6	1.5	0.9	1.6
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.96	0.45	0.60	0.37	-0.11	-0.07	-0.08	0.03
Europe	-0.12	-0.39	-0.82	-1.07	-1.01	-0.83	-0.75	-0.16	0.32	0.34	-0.06	0.00	-0.09	-0.16	-0.12	-0.10
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.06	0.13	-0.04	0.11	0.04	0.12	0.06
Total OECD	-1.79	-2.50	-2.87	-1.64	-1.36	-2.09	-0.53	0.71	1.63	0.84	0.67	0.33	-0.09	-0.19	-0.07	-0.01
Asia	0.30	-0.19	0.87	1.30	2.18	1.05	1.79	1.28	0.77	1.56	1.35	1.22	0.89	0.93	0.43	0.86
Middle East	0.38	0.07	0.18	0.24	0.23	0.18	0.37	0.26	0.25	0.30	0.30	0.33	0.22	0.22	0.16	0.23
Latin America	0.32	-0.01	-0.07	-0.05	0.12	0.00	0.24	0.30	0.36	0.24	0.29	0.18	0.18	0.16	0.14	0.17
FSU	0.11	-0.21	-0.28	-0.28	-0.16	-0.23	0.22	0.28	0.27	0.36	0.28	0.09	0.07	0.08	0.05	0.07
Africa	0.12	0.06	0.04	0.03	-0.10	0.01	-0.07	0.05	0.06	0.18	0.06	0.14	0.08	0.10	0.07	0.10
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.02	0.02	-0.03	0.00	0.01	0.01	0.01	0.01
Total Non-OECD	1.23	-0.31	0.74	1.25	2.22	0.98	2.51	2.12	1.68	2.66	2.24	1.96	1.46	1.50	0.86	1.44
World	-0.55	-2.81	-2.13	-0.40	0.87	-1.11	1.97	2.84	3.31	3.51	2.91	2.29	1.37	1.31	0.78	1.43
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.07	-0.07	-0.05	-0.07	-0.03
Europe	-0.02	0.04	0.02	0.01	0.00	0.02	0.01	0.01	0.00	0.00	0.01	-0.04	-0.02	0.00	-0.01	-0.02
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.11	0.16	0.28	0.23	0.14
Total OECD	-0.02	0.04	0.02	0.01	0.00	0.02	0.01	0.01	0.00	-0.01	0.00	-0.08	0.07	0.23	0.15	0.09
Asia	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.04	0.01	0.00	0.00	0.00	0.03	0.00
Middle East	0.00	-0.03	-0.04	-0.03	-0.03	-0.03	-0.02	-0.03	0.00	0.00	-0.01	-0.04	-0.03	-0.01	-0.03	-0.03
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.03	-0.03	-0.04	-0.03	-0.03
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.02	-0.03	-0.03	-0.03
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.01	-0.01	0.00	0.00	0.03	0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.01	0.00	0.00	0.00	-0.01
Total Non-OECD	0.00	-0.03	-0.04	-0.03	-0.03	-0.03	-0.03	-0.03	0.00	0.10	0.01	-0.15	-0.08	-0.08	-0.04	-0.09
World	-0.02	0.01	-0.02	-0.03	-0.03	-0.02	-0.01	-0.02	0.00	0.09	0.01	-0.23	-0.01	0.14	0.11	0.00
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.02	0.02	0.00	0.00	-0.01	0.00	-0.02	0.00	0.03	0.12	0.03	-0.22	0.01	0.14	0.02	-0.01

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Nov 10	Dec 10	Jan 11 [2]	Latest month vs. Dec 10	Latest month vs. Jan 10
North America											
LPG&Ethane	2.79	2.85	3.18	2.53	2.67	3.01	2.83	3.44	3.47	0.03	0.11
Naphtha	0.33	0.40	0.40	0.42	0.42	0.35	0.37	0.33	0.39	0.05	0.03
Motor Gasoline	10.56	10.64	10.22	10.81	10.91	10.60	10.49	10.62	9.93	-0.69	-0.11
Jet/Kerosene	1.62	1.66	1.62	1.66	1.70	1.64	1.66	1.63	1.58	-0.05	-0.01
Gasoil/Diesel Oil	4.61	4.82	4.80	4.70	4.77	5.01	4.98	5.21	5.04	-0.17	0.41
Residual Fuel Oil	0.93	0.96	0.99	0.96	0.94	0.95	1.03	0.94	1.00	0.06	-0.03
Other Products	2.46	2.58	2.36	2.70	2.81	2.44	2.47	2.33	2.41	0.08	0.28
Total	23.30	23.90	23.58	23.78	24.23	24.00	23.83	24.50	23.81	-0.69	0.67
Europe											
LPG&Ethane	0.92	0.92	0.98	0.94	0.85	0.92	0.92	1.02	0.95	-0.06	0.04
Naphtha	1.11	1.21	1.27	1.15	1.21	1.23	1.28	1.22	1.26	0.04	0.01
Motor Gasoline	2.29	2.20	2.06	2.27	2.33	2.12	2.15	2.05	1.91	-0.13	0.01
Jet/Kerosene	1.27	1.27	1.21	1.24	1.38	1.26	1.25	1.22	1.18	-0.04	0.00
Gasoil/Diesel Oil	6.02	6.13	6.11	5.85	6.14	6.43	6.44	6.41	5.65	-0.76	0.10
Residual Fuel Oil	1.43	1.28	1.33	1.21	1.29	1.31	1.27	1.33	1.30	-0.03	-0.10
Other Products	1.47	1.43	1.22	1.46	1.60	1.42	1.52	1.24	1.28	0.04	0.11
Total	14.51	14.45	14.18	14.12	14.79	14.69	14.84	14.48	13.53	-0.95	0.18
Pacific											
LPG&Ethane	0.86	0.84	0.90	0.83	0.79	0.82	0.85	0.93	0.96	0.03	0.07
Naphtha	1.63	1.69	1.76	1.60	1.65	1.77	1.78	1.78	1.81	0.03	-0.03
Motor Gasoline	1.55	1.57	1.52	1.52	1.66	1.59	1.60	1.65	1.43	-0.22	0.00
Jet/Kerosene	0.85	0.88	1.15	0.71	0.65	0.99	0.97	1.22	1.27	0.06	0.06
Gasoil/Diesel Oil	1.60	1.61	1.64	1.55	1.56	1.69	1.74	1.74	1.54	-0.21	0.01
Residual Fuel Oil	0.75	0.73	0.77	0.67	0.74	0.72	0.71	0.78	0.82	0.04	0.02
Other Products	0.42	0.47	0.45	0.42	0.56	0.46	0.51	0.50	0.48	-0.02	0.07
Total	7.66	7.79	8.19	7.32	7.60	8.04	8.16	8.60	8.31	-0.29	0.22
OECD											
LPG&Ethane	4.57	4.61	5.06	4.30	4.31	4.76	4.60	5.39	5.38	-0.01	0.22
Naphtha	3.06	3.30	3.43	3.17	3.28	3.34	3.43	3.33	3.46	0.12	0.02
Motor Gasoline	14.40	14.40	13.79	14.60	14.90	14.31	14.24	14.31	13.27	-1.05	-0.10
Jet/Kerosene	3.73	3.80	3.98	3.62	3.73	3.89	3.88	4.06	4.03	-0.03	0.05
Gasoil/Diesel Oil	12.23	12.57	12.56	12.10	12.47	13.13	13.16	13.36	12.23	-1.13	0.52
Residual Fuel Oil	3.12	2.97	3.10	2.84	2.96	2.98	3.02	3.06	3.12	0.06	-0.10
Other Products	4.35	4.48	4.04	4.58	4.97	4.32	4.50	4.06	4.17	0.10	0.46
Total	45.46	46.13	45.95	45.21	46.62	46.74	46.83	47.58	45.65	-1.93	1.06

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Nov 10	Dec 10	Jan 11 [2]	Latest month vs. Dec 10	Latest month vs. Jan 10
United States[3]											
LPG	2.05	2.11	2.39	1.80	2.00	2.26	2.10	2.63	2.67	0.04	0.12
Naphtha	0.25	0.27	0.27	0.28	0.28	0.23	0.24	0.23	0.26	0.03	0.03
Motor Gasoline	9.00	9.06	8.68	9.22	9.31	9.01	8.93	8.99	8.43	-0.56	-0.11
Jet/Kerosene	1.41	1.45	1.42	1.46	1.48	1.45	1.45	1.44	1.38	-0.06	-0.01
Gasoil	3.63	3.80	3.79	3.70	3.76	3.94	3.89	4.15	3.98	-0.17	0.31
Residual Fuel Oil	0.51	0.55	0.58	0.53	0.54	0.57	0.63	0.57	0.66	0.09	0.00
Other Products	1.92	1.99	1.80	2.11	2.19	1.86	1.90	1.78	1.87	0.09	0.26
Total	18.77	19.23	18.93	19.10	19.57	19.31	19.13	19.79	19.25	-0.54	0.59
Japan											
LPG	0.49	0.47	0.53	0.46	0.43	0.46	0.46	0.53	0.58	0.05	0.05
Naphtha	0.73	0.78	0.84	0.71	0.74	0.82	0.83	0.81	0.81	0.00	-0.10
Motor Gasoline	0.99	1.00	0.96	0.97	1.08	1.00	1.00	1.06	0.91	-0.15	0.01
Jet/Kerosene	0.55	0.55	0.81	0.43	0.36	0.62	0.61	0.82	0.87	0.05	0.03
Diesel	0.40	0.38	0.38	0.35	0.38	0.39	0.40	0.41	0.38	-0.03	0.04
Other Gasoil	0.44	0.46	0.53	0.43	0.42	0.48	0.48	0.53	0.46	-0.07	-0.05
Residual Fuel Oil	0.40	0.39	0.39	0.36	0.42	0.38	0.38	0.41	0.41	0.00	0.01
Other Products	0.37	0.39	0.34	0.33	0.50	0.39	0.42	0.42	0.43	0.01	0.13
Total	4.37	4.42	4.79	4.04	4.33	4.54	4.59	5.00	4.85	-0.15	0.12
Germany											
LPG	0.09	0.10	0.10	0.10	0.10	0.08	0.08	0.09	0.09	0.00	-0.01
Naphtha	0.37	0.41	0.43	0.38	0.41	0.41	0.43	0.41	0.47	0.07	0.06
Motor Gasoline	0.47	0.46	0.42	0.48	0.48	0.45	0.46	0.41	0.42	0.01	0.03
Jet/Kerosene	0.19	0.18	0.17	0.19	0.20	0.18	0.18	0.15	0.16	0.01	0.00
Diesel	0.64	0.67	0.60	0.68	0.71	0.69	0.74	0.60	0.56	-0.04	0.05
Other Gasoil	0.42	0.43	0.46	0.33	0.45	0.47	0.45	0.47	0.34	-0.13	-0.08
Residual Fuel Oil	0.15	0.14	0.14	0.13	0.14	0.15	0.14	0.16	0.13	-0.03	-0.02
Other Products	0.12	0.11	0.07	0.12	0.14	0.11	0.12	0.06	0.06	0.00	0.00
Total	2.46	2.49	2.39	2.39	2.64	2.53	2.60	2.34	2.23	-0.11	0.05
Italy											
LPG	0.10	0.11	0.14	0.10	0.09	0.11	0.11	0.15	0.12	-0.03	-0.01
Naphtha	0.09	0.12	0.11	0.12	0.12	0.11	0.11	0.11	0.10	-0.01	-0.01
Motor Gasoline	0.25	0.23	0.22	0.24	0.25	0.23	0.23	0.25	0.20	-0.04	0.00
Jet/Kerosene	0.09	0.10	0.09	0.11	0.12	0.10	0.09	0.10	0.09	-0.01	0.01
Diesel	0.49	0.50	0.47	0.50	0.51	0.50	0.51	0.49	0.42	-0.07	0.01
Other Gasoil	0.13	0.12	0.13	0.10	0.11	0.15	0.14	0.16	0.11	-0.05	-0.01
Residual Fuel Oil	0.21	0.15	0.15	0.14	0.15	0.14	0.12	0.15	0.12	-0.03	-0.03
Other Products	0.16	0.18	0.13	0.16	0.21	0.20	0.21	0.18	0.17	-0.02	0.04
Total	1.53	1.50	1.45	1.47	1.55	1.54	1.52	1.59	1.34	-0.25	0.01
France											
LPG	0.09	0.11	0.14	0.09	0.09	0.13	0.13	0.15	0.14	-0.01	0.00
Naphtha	0.14	0.14	0.15	0.15	0.13	0.11	0.12	0.12	0.12	0.01	-0.02
Motor Gasoline	0.20	0.19	0.17	0.20	0.20	0.18	0.18	0.18	0.15	-0.02	0.01
Jet/Kerosene	0.15	0.15	0.14	0.15	0.16	0.14	0.14	0.14	0.14	0.00	0.00
Diesel	0.66	0.68	0.64	0.69	0.70	0.68	0.66	0.68	0.69	0.02	0.13
Other Gasoil	0.31	0.29	0.35	0.21	0.26	0.33	0.28	0.40	0.29	-0.11	-0.04
Residual Fuel Oil	0.10	0.09	0.11	0.09	0.08	0.09	0.08	0.12	0.07	-0.05	-0.06
Other Products	0.18	0.17	0.16	0.19	0.19	0.15	0.18	0.14	0.13	-0.01	-0.01
Total	1.83	1.81	1.85	1.77	1.82	1.81	1.77	1.92	1.75	-0.17	0.01
United Kingdom											
LPG	0.16	0.13	0.13	0.15	0.11	0.12	0.12	0.12	0.14	0.02	0.01
Naphtha	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.03	0.01	0.00
Motor Gasoline	0.37	0.35	0.35	0.36	0.35	0.34	0.34	0.32	0.31	-0.01	-0.03
Jet/Kerosene	0.34	0.33	0.35	0.30	0.33	0.34	0.36	0.34	0.34	0.01	-0.01
Diesel	0.45	0.46	0.47	0.46	0.47	0.46	0.47	0.42	0.45	0.03	0.00
Other Gasoil	0.10	0.11	0.11	0.10	0.13	0.10	0.10	0.10	0.08	-0.02	-0.02
Residual Fuel Oil	0.07	0.06	0.06	0.06	0.06	0.07	0.07	0.06	0.08	0.02	0.02
Other Products	0.16	0.16	0.14	0.16	0.16	0.16	0.17	0.15	0.16	0.02	0.04
Total	1.67	1.63	1.65	1.62	1.63	1.61	1.64	1.52	1.60	0.08	0.02
Canada											
LPG	0.34	0.33	0.35	0.35	0.29	0.33	0.32	0.36	0.36	0.00	-0.01
Naphtha	0.05	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.08	0.00	0.01
Motor Gasoline	0.73	0.74	0.70	0.75	0.77	0.73	0.71	0.74	0.70	-0.04	0.00
Jet/Kerosene	0.12	0.11	0.11	0.11	0.12	0.11	0.12	0.11	0.11	0.00	0.00
Diesel	0.23	0.22	0.23	0.23	0.23	0.22	0.23	0.19	0.23	0.04	0.02
Other Gasoil	0.28	0.32	0.32	0.29	0.31	0.36	0.36	0.39	0.36	-0.03	0.04
Residual Fuel Oil	0.09	0.10	0.11	0.10	0.09	0.10	0.11	0.11	0.12	0.00	0.03
Other Products	0.30	0.32	0.30	0.32	0.36	0.32	0.32	0.30	0.29	0.00	0.02
Total	2.15	2.23	2.19	2.23	2.26	2.25	2.24	2.28	2.25	-0.02	0.10

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	4Q10	1Q11	2Q11	3Q11	4Q11	Jan 11	Feb 11	Mar 11
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.30	8.58				8.52	8.62	8.62
Iran	3.74	3.70		3.67	3.67				3.66	3.68	3.68
Iraq	2.43	2.36		2.43	2.69				2.66	2.73	2.69
UAE	2.27	2.31		2.33	2.48				2.44	2.48	2.52
Kuwait	2.01	2.03		2.03	2.08				2.03	2.07	2.14
Neutral Zone	0.54	0.53		0.54	0.56				0.56	0.56	0.57
Qatar	0.80	0.80		0.81	0.82				0.82	0.82	0.82
Angola	1.77	1.77		1.65	1.66				1.68	1.60	1.68
Nigeria	1.82	2.08		2.21	2.15				2.24	2.16	2.05
Libya	1.55	1.55		1.56	1.13				1.58	1.39	0.45
Algeria	1.25	1.25		1.27	1.28				1.27	1.28	1.28
Ecuador	0.47	0.47		0.47	0.50				0.48	0.50	0.51
Venezuela	2.15	2.23		2.20	2.20				2.21	2.20	2.20
Total Crude Oil[6]	28.69	29.22		29.48	29.80				30.14	30.08	29.20
Total NGLs[1,6]	4.81	5.26	5.85	5.49	5.72	5.73	5.95	5.99	5.72	5.72	5.72
Total OPEC[6]	33.50	34.48		34.97	35.52				35.87	35.81	34.92
OPEC: Historical Composition[6]	33.50	34.48		34.97	35.52				35.87	35.81	34.92
NON-OPEC[2]											
OECD											
North America	13.63	14.13	14.27	14.43	14.37	14.09	14.20	14.43	14.34	14.37	14.40
United States[5]	7.44	7.80	7.80	8.00	7.89	7.82	7.69	7.81	7.81	7.95	7.91
Mexico	2.97	2.95	2.95	2.92	2.97	2.97	2.93	2.93	2.98	2.94	2.97
Canada	3.22	3.37	3.52	3.51	3.52	3.30	3.58	3.69	3.55	3.48	3.51
Europe	4.55	4.16	4.13	4.19	4.29	4.11	3.96	4.16	4.26	4.32	4.30
UK	1.48	1.37	1.35	1.35	1.45	1.35	1.25	1.35	1.41	1.51	1.44
Norway	2.40	2.16	2.14	2.18	2.19	2.12	2.08	2.19	2.19	2.16	2.21
Others	0.67	0.63	0.64	0.65	0.66	0.64	0.63	0.62	0.66	0.65	0.65
Pacific	0.65	0.61	0.61	0.59	0.53	0.60	0.65	0.66	0.53	0.51	0.54
Australia	0.55	0.51	0.51	0.49	0.43	0.50	0.55	0.56	0.43	0.42	0.44
Others	0.10	0.10	0.10	0.09	0.10	0.10	0.10	0.09	0.10	0.10	0.10
Total OECD	18.83	18.90	19.01	19.21	19.19	18.80	18.81	19.24	19.13	19.21	19.23
NON-OECD											
Former USSR	13.28	13.56	13.69	13.66	13.71	13.75	13.55	13.74	13.68	13.67	13.78
Russia	10.21	10.45	10.50	10.54	10.53	10.50	10.47	10.52	10.54	10.53	10.52
Others	3.07	3.11	3.19	3.12	3.18	3.26	3.08	3.23	3.14	3.14	3.25
Asia	7.49	7.76	7.87	7.86	7.86	7.87	7.90	7.84	7.91	7.81	7.87
China	3.89	4.10	4.28	4.22	4.24	4.26	4.32	4.30	4.28	4.19	4.26
Malaysia	0.74	0.72	0.66	0.71	0.69	0.66	0.65	0.65	0.70	0.70	0.66
India	0.80	0.86	0.91	0.91	0.91	0.92	0.91	0.90	0.89	0.92	0.92
Indonesia	0.98	0.97	0.92	0.94	0.92	0.94	0.92	0.90	0.94	0.90	0.91
Others	1.08	1.10	1.09	1.08	1.10	1.09	1.09	1.09	1.10	1.10	1.10
Europe	0.14	0.14	0.13	0.13	0.14	0.13	0.13	0.13	0.14	0.14	0.14
Latin America	3.88	4.08	4.39	4.10	4.21	4.36	4.47	4.51	4.20	4.19	4.25
Brazil[5]	2.03	2.14	2.32	2.18	2.20	2.29	2.39	2.41	2.21	2.17	2.23
Argentina	0.72	0.70	0.71	0.66	0.71	0.72	0.71	0.71	0.69	0.71	0.72
Colombia	0.67	0.79	0.91	0.82	0.85	0.91	0.93	0.95	0.84	0.86	0.85
Others	0.45	0.45	0.45	0.44	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Middle East[3]	1.67	1.70	1.72	1.71	1.70	1.67	1.74	1.75	1.71	1.72	1.68
Oman	0.81	0.86	0.92	0.88	0.89	0.91	0.93	0.94	0.89	0.89	0.89
Syria	0.38	0.39	0.37	0.39	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Yemen	0.29	0.26	0.23	0.25	0.25	0.20	0.25	0.24	0.26	0.26	0.22
Others	0.19	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.61	2.58	2.62	2.57	2.60	2.62	2.63	2.62	2.59	2.60	2.62
Egypt	0.75	0.74	0.73	0.74	0.74	0.73	0.73	0.72	0.74	0.74	0.74
Gabon	0.24	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.25	0.25
Others	1.62	1.60	1.64	1.59	1.62	1.65	1.66	1.65	1.60	1.62	1.64
Total Non-OECD	29.06	29.82	30.42	30.03	30.23	30.41	30.43	30.59	30.22	30.13	30.32
Processing Gains[4]	2.25	2.30	2.35	2.31	2.33	2.34	2.37	2.35	2.33	2.33	2.33
Global Biofuels[5]	1.56	1.82	1.94	1.77	1.47	1.91	2.31	2.05	1.49	1.46	1.46
TOTAL NON-OPEC[6]	51.71	52.84	53.71	53.32	53.22	53.45	53.93	54.23	53.17	53.13	53.35
Non-OPEC: Historical Composition[6]	51.71	52.84	53.71	53.32	53.22	53.45	53.93	54.23	53.17	53.13	53.35
TOTAL SUPPLY	85.20	87.32		88.29	88.74				89.04	88.94	88.27

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Oct2010	Nov2010	Dec2010	Jan2011	Feb2011*	Feb2008	Feb2009	Feb2010	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	515.0	498.8	474.7	491.1	500.9	444.7	501.3	490.7	0.40	0.14	-0.17	-0.31
Motor Gasoline	240.4	242.7	250.7	268.1	260.0	263.2	248.1	265.0	0.06	-0.15	0.05	0.01
Middle Distillate	235.8	235.3	237.3	233.1	223.4	190.0	222.9	228.0	-0.26	0.16	0.14	-0.07
Residual Fuel Oil	49.5	48.0	49.5	47.5	44.4	47.0	46.1	49.6	0.05	0.02	-0.02	0.01
Total Products[3]	709.3	703.0	701.9	700.7	666.0	646.4	685.8	687.3	-0.25	0.42	0.21	-0.32
Total[4]	1389.0	1363.8	1324.7	1337.5	1312.4	1229.0	1334.9	1319.1	0.14	0.71	0.12	-0.78
Europe												
Crude	337.0	322.1	323.2	336.1	334.4	323.2	339.2	340.4	-0.02	0.11	-0.23	0.05
Motor Gasoline	96.6	96.8	96.5	105.4	103.5	113.8	101.9	109.6	0.03	-0.08	-0.02	0.02
Middle Distillate	280.4	282.4	276.3	299.8	298.2	237.4	284.3	291.0	-0.04	0.04	-0.09	-0.03
Residual Fuel Oil	71.8	69.6	67.8	69.9	66.9	76.0	78.6	72.1	0.02	0.04	-0.01	-0.09
Total Products[3]	556.7	556.3	553.8	590.8	584.0	539.3	576.3	584.2	-0.03	0.02	-0.11	-0.08
Total[4]	959.8	946.9	947.2	997.7	988.3	934.6	990.5	996.0	0.02	0.08	-0.38	0.01
Pacific												
Crude	158.1	165.0	158.0	153.4	144.0	164.3	175.0	160.8	0.05	0.02	-0.11	0.02
Motor Gasoline	24.6	24.5	23.2	25.2	25.3	23.2	24.9	28.5	0.02	0.01	-0.03	-0.01
Middle Distillate	67.5	65.3	59.7	59.1	56.9	58.1	63.3	65.3	-0.05	0.00	0.09	-0.07
Residual Fuel Oil	20.1	19.4	18.9	18.6	18.5	19.2	21.6	19.4	0.02	0.01	0.01	-0.03
Total Products[3]	182.1	178.8	164.1	167.4	161.4	160.4	170.9	170.4	-0.03	0.11	0.11	-0.15
Total[4]	409.9	415.0	391.9	391.5	375.2	396.1	415.0	394.2	0.03	0.21	-0.03	-0.12
Total OECD												
Crude	1010.1	985.9	955.9	980.6	979.3	932.2	1015.6	991.8	0.43	0.26	-0.51	-0.24
Motor Gasoline	361.5	364.0	370.4	398.7	388.8	400.2	374.9	403.1	0.12	-0.21	0.00	0.02
Middle Distillate	583.7	582.9	573.3	591.9	578.5	485.5	570.5	584.4	-0.34	0.19	0.14	-0.17
Residual Fuel Oil	141.4	137.0	136.2	136.1	129.9	142.3	146.3	141.1	0.09	0.07	-0.02	-0.12
Total Products[3]	1448.1	1438.1	1419.8	1458.9	1411.5	1346.0	1432.9	1441.9	-0.32	0.55	0.21	-0.54
Total[4]	2758.7	2725.7	2663.7	2726.7	2675.9	2559.6	2740.4	2709.3	0.19	0.99	-0.29	-0.89

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Oct2010	Nov2010	Dec2010	Jan2011	Feb2011*	Feb2008	Feb2009	Feb2010	1Q2010	2Q2010	3Q2010	4Q2010
North America												
Crude	726.6	726.6	726.6	726.5	726.5	698.8	705.5	726.6	0.00	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	0.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	186.6	186.2	186.5	185.8	185.8	184.9	187.8	184.9	0.04	-0.03	-0.04	0.05
Products	226.2	231.2	234.9	233.6	233.6	235.3	232.4	240.1	-0.01	-0.05	0.00	-0.01
Pacific												
Crude	387.1	387.1	389.6	389.5	389.5	385.0	389.2	388.9	0.00	0.02	-0.10	0.08
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1300.3	1299.9	1302.5	1301.9	1301.9	1268.7	1282.5	1300.4	0.04	0.00	-0.13	0.13
Products	248.2	253.2	256.9	255.6	253.6	256.2	253.6	262.1	-0.01	-0.05	0.00	-0.01
Total[4]	1549.7	1554.4	1560.7	1558.9	1556.9	1525.9	1537.1	1563.9	0.03	-0.05	-0.14	0.12

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2009		End March 2010		End June 2010		End September 2010		End December 2010 [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	192.6	87	195.1	83	197.1	84	195.3	81	191.0	-
Mexico	44.7	21	51.5	24	54.4	26	49.0	23	44.5	-
United States[4]	1778.4	95	1781.4	94	1840.7	94	1858.7	97	1795.5	-
Total[4]	2037.7	87	2050.1	86	2114.3	87	2125.2	88	2053.2	86
Pacific										
Australia	40.3	43	41.5	44	42.7	45	41.1	41	38.1	-
Japan	588.8	123	581.5	144	597.1	138	581.8	128	589.7	-
Korea	155.0	67	163.6	75	167.3	78	173.5	74	165.4	-
New Zealand	8.1	51	8.1	59	8.9	57	8.2	51	8.2	-
Total	792.2	97	794.7	109	816.0	107	804.6	100	801.4	98
Europe[5]										
Austria	21.2	81	22.7	85	20.1	69	18.9	65	19.9	-
Belgium	34.4	53	35.3	69	37.8	64	34.3	53	33.6	-
Czech Republic	21.5	124	21.7	106	20.4	99	21.1	105	21.2	-
Denmark	25.5	154	27.2	171	28.2	160	26.5	157	25.3	-
Finland	33.1	151	32.5	171	28.5	138	28.5	124	27.8	-
France	174.9	94	171.8	97	170.1	93	163.4	90	168.2	-
Germany	284.1	119	288.8	121	280.4	106	285.6	113	286.8	-
Greece	35.1	85	35.6	104	33.9	97	36.3	94	34.3	-
Hungary	14.3	115	16.8	115	17.0	107	15.9	103	15.9	-
Ireland	11.4	66	12.7	79	12.8	84	11.4	66	9.8	-
Italy	125.6	87	129.2	88	132.5	85	126.6	82	133.3	-
Luxembourg	0.8	14	0.8	13	0.7	12	0.7	13	0.6	-
Netherlands	135.7	135	131.0	123	138.8	135	120.9	120	125.9	-
Norway	21.9	112	21.1	93	22.1	112	20.8	80	20.8	-
Poland	63.2	125	62.5	115	63.8	106	64.2	108	65.5	-
Portugal	26.2	99	23.4	85	24.9	88	22.8	86	22.9	-
Slovak Republic	8.3	109	9.5	122	9.3	99	8.6	101	8.3	-
Spain	132.6	91	132.0	93	134.1	94	133.0	92	133.2	-
Sweden	39.5	110	39.3	109	35.4	99	34.4	90	32.3	-
Switzerland	37.0	155	37.8	158	38.1	142	37.7	140	36.8	-
Turkey	57.6	119	58.1	96	58.4	87	58.5	98	58.5	-
United Kingdom	94.4	57	93.4	58	96.1	59	94.5	59	88.8	-
Total	1398.2	99	1403.2	99	1403.2	95	1364.7	93	1369.8	97
Total OECD	4228.1	92	4248.0	94	4333.5	93	4294.5	92	4224.4	91
DAYS OF IEA Net Imports[6]	-	144	-	145	-	147	-	146	-	146

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 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
4Q2007	4097	1524	2573	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4129	1526	2603	89	33	56
3Q2008	4187	1522	2664	89	32	56
4Q2008	4225	1527	2698	91	33	58
1Q2009	4301	1547	2754	97	35	62
2Q2009	4327	1561	2766	96	35	62
3Q2009	4344	1564	2780	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4248	1567	2681	94	35	59
2Q2010	4333	1562	2772	93	33	59
3Q2010	4294	1549	2745	92	33	59
4Q2010	4224	1561	2664	91	34	58

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 4Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Nov 10	Dec 10	Jan 11	Year Earlier Jan 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.56	0.69	0.73	0.75	0.81	0.78	0.81	0.63	0.17
Europe	0.70	0.59	0.66	0.55	0.64	0.74	0.69	0.81	0.63	0.61	0.56	0.05
Pacific	1.22	1.28	1.21	1.25	1.17	1.15	1.26	1.50	1.27	1.30	1.24	0.05
Saudi Medium												
North America	0.64	0.40	0.36	0.38	0.36	0.33	0.36	0.35	0.36	0.32	0.32	0.00
Europe	0.05	0.02	0.00	-	0.00	-	-	-	-	-	-	-
Pacific	0.39	0.34	0.34	0.33	0.37	0.30	0.37	0.47	0.32	0.40	0.41	-0.02
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.02	0.03	0.01	-	0.02	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	0.00	0.00	-	-	-	-	-	-
Pacific	0.24	0.15	0.22	0.23	0.19	0.23	0.21	0.24	0.20	0.19	0.21	-0.02
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.42	0.43	0.29	0.29	0.33	0.35	0.18	0.35	-0.17
Europe	0.21	0.12	0.09	0.06	0.09	0.13	0.08	0.09	0.04	0.06	0.09	-0.02
Pacific	0.15	0.24	0.29	0.35	0.19	0.26	0.38	0.39	0.32	0.30	0.42	-0.12
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.01	0.03	0.05	0.04	0.02	0.06	0.14	0.02	0.12
Europe	0.23	0.31	0.27	0.33	0.27	0.25	0.23	0.29	0.20	0.20	0.31	-0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.20	0.24	0.33	0.18	0.16	0.22	0.16	0.17	-0.02
Pacific	0.08	0.07	0.04	0.06	0.07	0.04	0.01	0.01	0.02	0.04	0.08	-0.04
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.35	0.47	0.70	0.43	0.30	0.43	0.33	0.29	0.04
Pacific	0.61	0.57	0.52	0.61	0.44	0.53	0.52	0.48	0.57	0.62	0.60	0.02
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.11	0.21	0.08	0.16	0.26	0.13	0.18	-	-
Europe	0.06	0.07	0.02	0.01	0.02	0.05	0.01	-	-	0.04	0.03	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.89	0.83	0.96	0.75	0.82	0.74	0.99	0.85	0.14
Europe	0.07	0.07	0.06	0.07	0.06	0.06	0.05	0.03	0.05	0.03	0.09	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.82	0.96	0.94	0.92	0.97	0.88	0.88	0.81	0.07
Europe	0.14	0.10	0.11	0.12	0.11	0.11	0.09	0.06	0.05	0.11	0.10	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.03	0.02	0.02	0.09	0.11	0.10	0.01	0.06	-0.06
Europe	0.01	0.01	0.02	-	0.02	-	0.05	0.02	0.02	0.02	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.13	0.08	0.03	-	0.02	-	0.07	-
Europe	1.81	1.72	1.80	1.76	1.86	1.88	1.71	1.57	1.96	1.52	1.77	-0.25
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.55	0.64	0.64	0.58	0.45	0.72	0.77	0.54	0.23
Europe	0.29	0.32	0.34	0.26	0.29	0.31	0.49	0.59	0.42	0.41	0.17	0.24
Pacific	-	0.00	-	-	-	-	-	-	-	0.06	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.24	0.29	0.25	0.22	0.23	0.23	0.30	0.26	0.03
Europe	0.14	0.13	0.09	0.07	0.09	0.09	0.11	0.10	0.13	0.07	0.11	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Nov-10	Dec-10	Jan-11	Year Earlier Jan-10	% change
Crude Oil												
North America	8046	7327	7319	7057	7902	7716	6600	6611	6590	6852	6374	8%
Europe	9776	8913	9076	8561	9160	9463	9110	9344	9263	9347	8431	11%
Pacific	6605	6082	6245	6445	5899	6161	6475	6710	6672	6544	6590	-1%
Total OECD	24427	22322	22640	22062	22961	23340	22186	22665	22524	22743	21751	5%
LPG												
North America	31	13	8	12	7	7	6	10	2	37	25	48%
Europe	268	249	270	286	269	226	299	346	323	386	256	51%
Pacific	589	529	558	534	600	533	567	594	528	662	597	11%
Total OECD	887	792	836	832	876	766	872	949	853	1085	879	23%
Naphtha												
North America	56	22	36	23	28	59	35	45	12	22	28	-19%
Europe	298	312	390	444	391	345	382	421	407	386	410	-6%
Pacific	776	841	900	953	899	855	893	892	837	1045	996	5%
Total OECD	1130	1176	1326	1421	1317	1260	1309	1358	1257	1453	1433	1%
Gasoline[3]												
North America	1077	878	793	697	838	925	712	686	679	661	693	-5%
Europe	215	193	173	163	196	207	127	111	193	134	305	-56%
Pacific	90	96	64	70	73	44	68	78	62	61	70	-12%
Total OECD	1382	1166	1030	931	1107	1176	907	875	934	856	1068	-20%
Jet & Kerosene												
North America	64	61	76	69	59	86	88	112	57	68	84	-20%
Europe	401	451	417	439	358	475	396	425	358	332	401	-17%
Pacific	34	53	40	46	37	29	47	49	45	81	48	70%
Total OECD	500	566	532	553	454	590	530	586	460	480	533	-10%
Gasoil/Diesel												
North America	74	56	49	114	43	27	14	5	30	82	178	-54%
Europe	871	1033	1045	1126	885	933	1235	1412	1081	1395	1160	20%
Pacific	119	87	98	88	121	88	96	106	99	88	54	62%
Total OECD	1064	1176	1192	1328	1048	1049	1344	1524	1210	1565	1393	12%
Heavy Fuel Oil												
North America	288	270	277	277	293	285	254	297	231	318	248	28%
Europe	458	533	529	564	545	504	504	435	542	552	592	-7%
Pacific	125	113	117	136	104	127	101	95	102	136	117	16%
Total OECD	871	917	923	978	941	915	859	827	874	1006	958	5%
Other Products												
North America	1078	870	805	676	782	852	907	883	875	945	745	27%
Europe	734	719	666	622	606	699	737	713	737	669	633	6%
Pacific	298	325	335	330	276	382	352	403	362	424	284	49%
Total OECD	2110	1914	1807	1628	1665	1933	1997	1999	1974	2037	1663	23%
Total Products												
North America	2667	2171	2044	1868	2049	2240	2016	2040	1887	2132	2001	7%
Europe	3245	3491	3490	3644	3249	3390	3679	3862	3641	3854	3758	3%
Pacific	2032	2045	2112	2157	2110	2059	2123	2216	2034	2498	2166	15%
Total OECD	7944	7707	7646	7669	7408	7688	7818	8118	7562	8483	7925	7%
Total Oil												
North America	10713	9497	9363	8924	9952	9956	8616	8651	8477	8984	8732	3%
Europe	13022	12404	12567	12206	12409	12852	12789	13206	12904	13200	12189	8%
Pacific	8637	8127	8357	8602	8008	8219	8598	8926	8706	9042	8756	3%
Total OECD	32371	30029	30286	29732	30369	31028	30004	30783	30087	31227	29677	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.

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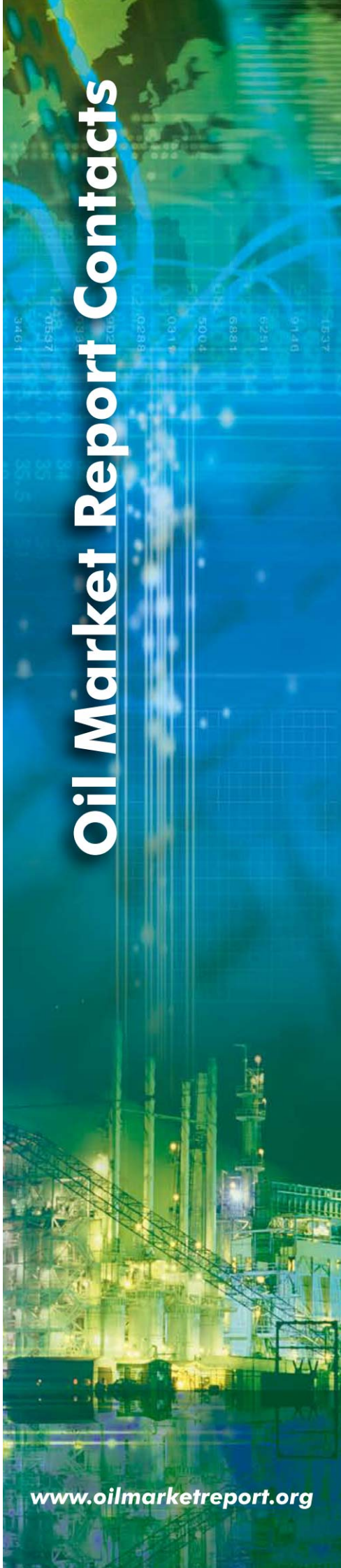
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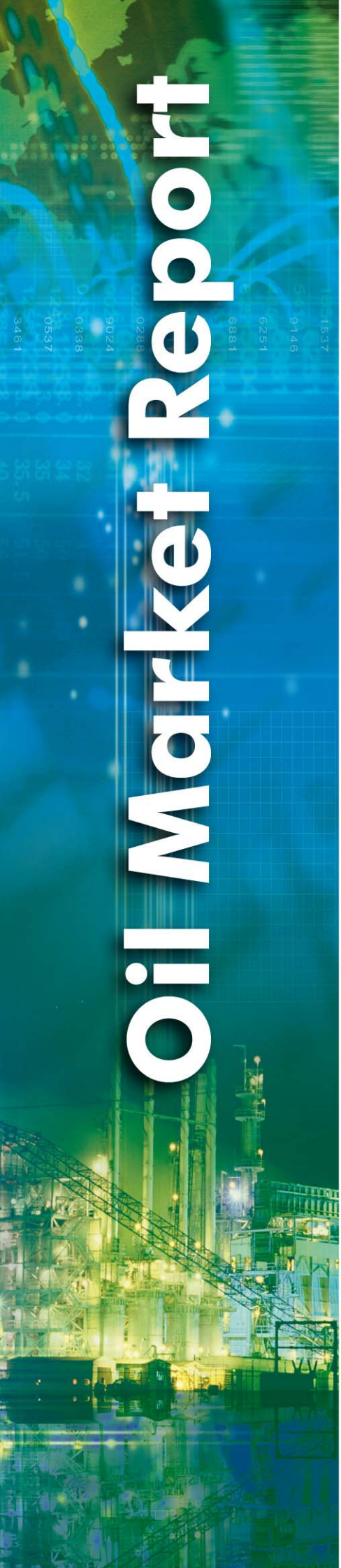
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of McGraw-Hill Inc.).

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Next Issue: 12 May 2011





International Energy Agency

12 May 2011

HIGHLIGHTS

- **After gaining $7-8/bbl in April, prices for benchmark Brent and WTI** plummeted more than $16/bbl over the course of the week ended 6 May, to $109.13 and $97.18/bbl, respectively, during a broad commodity rout. Prices have since partially recovered their losses, with Brent trading at $115/bbl and WTI at $101/bbl at press time.

- **Forecast global oil product demand growth for 2011 is trimmed on persistent high prices and weaker IMF GDP projections for advanced economies.** Global demand, which averaged 87.9 mb/d in 2010 (+3.3% or +2.8 mb/d year-on-year), is projected to reach 89.2 mb/d in 2011 (+1.5% or 1.3 mb/d versus the previous year).

- **Global oil supply dipped by 50 kb/d to 87.5 mb/d in April**, with combined OPEC crude and NGL supply lower by 0.26 mb/d, while non-OPEC production rose by 0.2 mb/d. Baseline data changes to non-OPEC raised average 2010 supply by 0.1 mb/d to 52.9 mb/d, while 2011 estimates are adjusted down 0.1 mb/d to 53.7 mb/d, implying annual growth of +0.8 mb/d.

- **OPEC supply continued its downward trend in April, with Libyan supply shuttered** in the wake of the worsening civil war. April OPEC output was pegged at 28.75 mb/d, off by 235 kb/d from March and 1.3 mb/d below January levels. The 'call on OPEC crude and stock change' rises by 800 kb/d from an average of 29.3 mb/d in 2Q11 to 30.1 mb/d in 3Q11.

- **OECD industry stocks declined by 9.2 mb, to 2 643 mb or 58.8 days cover in March**, as seasonal refinery maintenance substantially reduced product stocks. Preliminary April data indicate a 29.9 mb increase in commercial OECD inventories, while oil held in short-term floating storage fell.

- **Global refinery crude runs estimates have been revised down by 740 kb/d for 2Q11,** mainly due to significantly lower April OECD runs in North America and Europe. Global throughputs are seen averaging 73.8 mb/d in 2Q11, down from 74.2 mb/d in 1Q11, but stand to increase by more than 3.5 mb/d by August from April's low point.

www.oilmarketreport.org

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International Energy Agency

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The IEA is Seeking to Recruit a Senior Oil Market Analyst

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 to recruit a Senior Oil Market Analyst to examine developments and future prospects in the global oil markets. The successful applicant will work under the guidance of the Head of the Oil Industry and Markets Division of the IEA.

The ideal candidate will possess:

- A university degree(s) in relevant disciplines, such as finance, economics/econometrics, statistics, physical sciences or engineering.
- In-depth knowledge of, and eight to ten years' experience in, oil industry and markets analysis, with a focus on oil demand developments and macro-economics. International experience desirable.
- Policy experience with exposure to energy questions in government and/or industry. Demonstrated experience in quantitative data analysis, modelling and in developing analytical methodologies. Proven skills in working with databases, spreadsheets and word-processing software.
- Ability to work well under extremely demanding deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of French would be an advantage.

The IEA operates as an autonomous agency within the Organisation for Economic Co-operation and Development (OECD), a forum within which the governments of 34 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 full vacancy notice and on-line application form will shortly be available at **www.oecd.org**. Click on *Job Vacancies*, Job Reference No. **3996** - ***Senior Economist/Analyst – Oil Market***). On-line applications (in English or French) from nationals of OECD Member countries should include a CV and covering letter and should be submitted *by no later than midnight (CET)* on **Thursday 16 June 2011**.

Please note that only candidates selected for interview will be contacted.

The OECD is an equal opportunity employer offering an attractive remuneration package and encourages applications from all qualified candidates.

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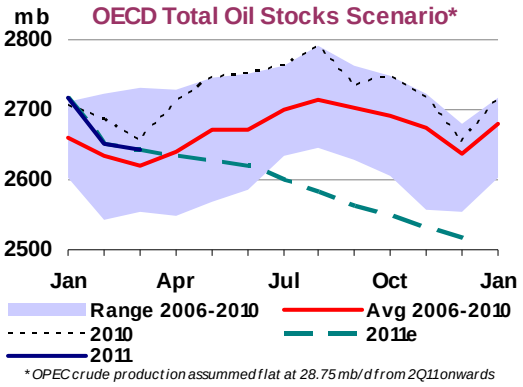
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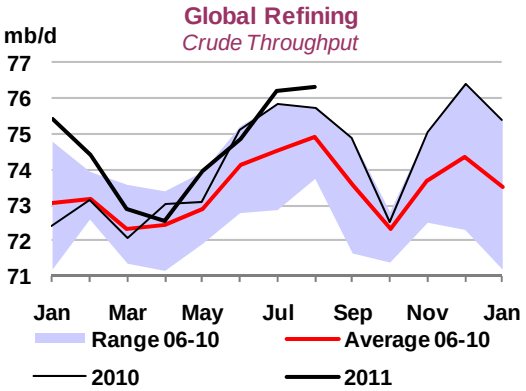
Next month's ***Oil Market Report*** will be released on 16 June, coinciding with the release of ***Medium-Term Oil and Gas Markets (MTOGM)***, 2011. The June *OMR* will be an abbreviated release of our monthly statistics, plus front page Highlights and a lead article only. The normal *OMR* format with detailed written analysis will resume for the July edition.

STEPPING UP TO THE PLATE

Crude prices surged again in April (undermining already weak refining margins), but saw an abrupt correction on 5 May as benchmark grades lost around 9% in a single day, and by 6 May both Brent and WTI were off by over $16/bbl from end-April highs. A faltering economic recovery, stronger dollar and speculative commodity sell-off were variously cited as underpinning the correction. True, renewed concerns about the economic impact of high prices and shaky economic statistics from the US, China and Germany may have contributed to a degree of profit taking, but as the dust settles, prices have again begun to creep higher. Fundamentals don't look very different today than they did on 4 May. The market bull run may have legs for a while longer.

Yet our own estimates for global oil demand show a marked slow-down, with preliminary March data suggesting near zero annual growth for the first time since summer 2009. While March estimates are probably distorted by exceptional events in Japan and the timing of Easter holidays, nonetheless $4/gallon (€0.73/litre) gasoline is likely to yield an anaemic US driving season. This is the main change to our demand forecast – a weaker 2011 profile in North America. Meanwhile, governments in Russia, Brazil and China face difficulties fully passing on recent price rises to consumers, helping to sustain robust demand growth in the non-OECD countries. Potential power supply problems in China might augment that trend.





After all is said and done, demand growth still averages 1.3 mb/d for 2011, after an estimated 2.8 mb/d in 2010. The base case rests on GDP growth easing from +4.8% in 2010 to +4.3% in 2011, with the pace of slow-down being greatest for the OECD. Our crude price assumption is near $110/bbl, which the IMF and others see as not so high as to choke off economic recovery….just yet. $100-plus prices have only been with us since February/March, and it takes time for economic impacts to become entrenched. For those who feel nervous about such a sanguine attitude, were GDP growth nearer 2.9% in 2011 instead of 4.3%, global oil demand might come in around 0.5 mb/d less. As we noted last month, persistently high prices at this stage of the economic cycle may ultimately sow the seeds of their own destruction. Until then, the market confronts fundamentals that still look likely to tighten in 2H11.

OPEC Ministers will meet in four weeks' time in Vienna. Most analysts see a change in prevailing production allocations unlikely. To date, OPEC crude production remains around 1.3 mb/d below where it was before the Libyan crisis broke. Political and military stalemate there lead us to assume Libyan supply will remain absent from the market for the rest of 2011. Production from Yemen too is now significantly curtailed by political unrest. Our projections suppress the pace of recovery in potential OECD refinery throughputs to reflect recent weak margins and stubbornly low recent run rates. But new downstream capacity in the non-OECD is likely to ensure a 3Q11 pick-up. Global crude runs habitually rise by around 1.6 mb/d between 2Q and 3Q, with this year increases potentially amounting to a stronger 2.3 mb/d. Less than half of that can be met via higher non-OPEC supply. Some OPEC members might be happy with the OECD inventory profile that unchanged production on their part would bring about (see above). But it's unlikely to result in the market stability both producers and consumers profess to seek.

DEMAND

Summary

- **Forecast global oil product demand growth for 2011 is trimmed to 1.3 mb/d** on persistent high prices and weaker IMF projections for advanced economies. Global oil demand, which averaged 87.9 mb/d in 2010 (+3.3% or +2.8 mb/d year-on-year and 40 kb/d below our last report), is expected to reach 89.2 mb/d in 2011 (+1.5% and 190 kb/d less when compared to earlier projections).

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.4	3.4	3.3	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Americas	29.2	29.0	29.4	29.7	29.3	29.6	30.1	30.7	30.4	30.2	29.9	30.0	30.7	30.4	30.2
Asia/Pacific	24.9	25.3	25.4	26.6	25.6	27.0	26.7	26.5	28.1	27.1	28.4	27.8	27.5	28.7	28.1
Europe	15.8	15.2	15.3	15.2	15.4	14.9	14.8	15.5	15.4	15.2	14.7	14.8	15.4	15.3	15.1
FSU	4.0	3.9	4.2	4.1	4.0	4.2	4.2	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.4
Middle East	7.0	7.5	8.0	7.4	7.5	7.4	7.8	8.2	7.7	7.8	7.6	8.0	8.5	7.9	8.0
World	**84.3**	**84.3**	**85.5**	**86.2**	**85.1**	**86.4**	**87.0**	**88.7**	**89.4**	**87.9**	**88.4**	**88.2**	**89.9**	**90.2**	**89.2**
Annual Chg (%)	-3.7	-2.7	-0.7	1.0	-1.5	2.5	3.2	3.7	3.8	3.3	2.3	1.4	1.4	0.8	1.5
Annual Chg (mb/d)	-3.3	-2.3	-0.6	0.8	-1.3	2.1	2.7	3.2	3.3	2.8	2.0	1.2	1.2	0.7	1.3
Changes from last OMR (mb/d)	-0.19	0.06	0.11	0.23	0.05	-0.06	-0.05	-0.01	-0.02	-0.04	-0.36	-0.20	-0.11	-0.07	-0.19

- **Projected OECD oil demand growth for 2011 is revised down by 210 kb/d to -230 kb/d.** Total OECD demand, largely unchanged at 46.1 mb/d in 2010 (+1.2% or +0.6 mb/d year-on-year), is now projected to decline to 45.9 mb/d in 2011 (-0.5% versus the previous year). This is largely due to slightly weaker prospects for North America, where high oil prices may have finally begun to dent oil demand.

- **Forecast non-OECD oil demand growth for 2011 remains largely unchanged.** However, absolute non-OECD demand levels have been revised down by 60 kb/d on average over 2009-2010, following the submission of 2009 data by a number of countries, but hiked slightly for 2011 (+20 kb/d) on stronger-than-expected readings in Asia, Latin America and the Middle East. Total demand is now estimated at 39.5 mb/d, 41.8 mb/d and 43.3 mb/d in 2009, 2010 and 2011, respectively, with yearly growth now assessed at +1.7% (+640 kb/d), +5.7% (+2.3 mb/d) and +3.6% (+1.5 mb/d).

Global Overview

This report includes the most recent IMF economic forecasts (*World Economic Outlook*, April 2011). Overall, the outlook is largely unchanged from the Fund's January update, reflecting growing confidence that the recovery has become self-sustaining, albeit unequal – with emerging countries growing almost three times as fast as advanced economies. Still, OECD prospects have been revised down slightly to account for Japan's earthquake and for high commodity prices, identified as a key source of risk, together with stubborn global current account imbalances and asset bubbles in large emerging economies. It should also be noted that the downward revision to Africa's expected GDP growth stem from the consequences of political and social unrest in several large countries, notably Egypt and Libya.

This month's issue also includes baseline revisions across all non-OECD regions, as most countries have submitted their official estimates for 2009 oil demand and, in some cases, revised previous years as well. Overall, total non-OECD demand has been trimmed by 70 kb/d in 2009, with this adjustment largely carried forward through to 2010 and 2011.

This relatively small adjustment, though, hides regional differences. The largest revisions tend to occur in countries where data reporting and quality issues have often been raised – a recurrent concern that will become more acute given the increasingly central role that the non-OECD will play in terms of global oil demand growth in the years ahead. Indeed, estimated demand in the Middle East was raised by

280 kb/d on higher-than-expected data for Iran, Kuwait, Oman and Syria, but curbed by 530 kb/d in Asia on weaker estimates for China, India and Taiwan.

In terms of global oil demand growth, the revisions have been minimal for 2009 and 2010 (+50 kb/d and -40 kb/d, respectively). This report tracks 60 countries on a monthly basis, representing 88% of total demand; the rest – mostly small non-OECD countries – are estimated based on our econometric model. By contrast, 2011 growth has been curbed by 190 kb/d (on top of baseline adjustments) to 1.3 mb/d, entirely due to a now-weaker outlook for the OECD.

The most recent data – albeit preliminary – provide further evidence of an emerging pattern that we highlighted last month. Persistent high prices – which have risen by approximately 50% since last September, notwithstanding the recent correction – may have finally begun to dent oil demand, particularly in the world's most price-sensitive areas. Indeed, total OECD demand contracted by 2.8% year-on-year in March, for the first time since February 2010 – a significant fall, only matched in 2008 (a year of skyrocketing prices) and 2009 (stricken by recession). Meanwhile, total non-OECD demand growth has slowed in consecutive months from December (+8.0%) to March (+4.0%). Overall, global oil demand grew by only 0.4% (or +330 kb/d) in March – about a tenth of 2010 total growth, now estimated at +2.8 mb/d.

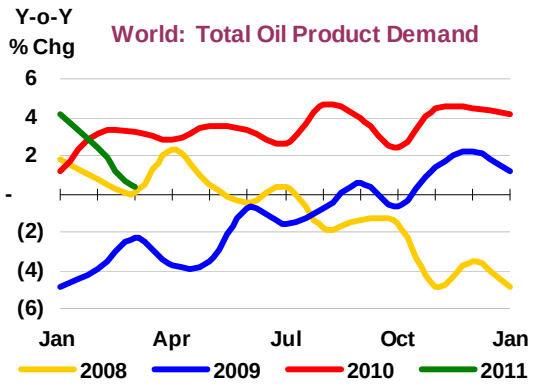
Real GDP Growth
OMR dated 12 May 2011

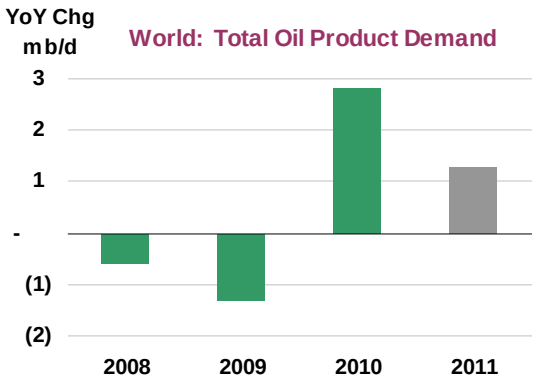
% change	2010	2011
WORLD	**4.8**	**4.3**
OECD	**2.9**	**2.4**
OECD, North America	3.1	2.9
OECD, Europe	2.2	1.9
OECD, Pacific	4.2	2.2
Non-OECD	**7.3**	**6.5**
Africa	4.5	3.9
Latin America	6.0	4.6
China (excl. Hong Kong)	10.3	9.6
Other Asia	8.7	6.5
Non-OECD Europe	0.2	2.2
FSU	4.4	5.0
Middle East	3.2	5.0

Current vs. Previous
OMR dated 10 February 2011

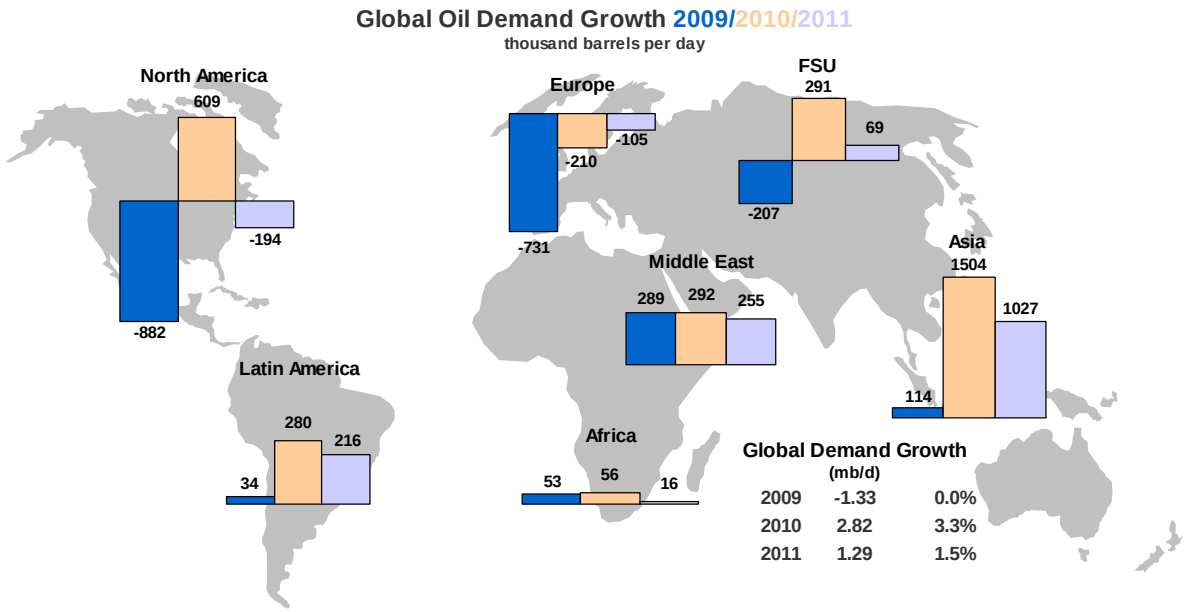
WORLD	**0.0**	**(0.0)**
OECD	**(0.1)**	**(0.1)**
OECD, North America	0.0	(0.2)
OECD, Europe	(0.1)	0.1
OECD, Pacific	(0.3)	(0.2)
Non-OECD	**0.1**	**0.0**
Africa	(0.2)	(1.1)
Latin America	0.1	0.3
China (excl. Hong Kong)	(0.0)	0.0
Other Asia	0.4	0.0
Non-OECD Europe	0.4	0.1
FSU	0.3	0.3
Middle East	(0.1)	0.3

Sources: IMF, IEA





A combined impact from slowing economic recovery and high oil prices on OECD oil demand was largely to be expected, despite uncertainty about the timing. However, a greater question mark pertains to the resilience of non-OECD demand, despite being largely shielded by price subsidies and controls. Energy-driven inflationary pressures are gradually becoming politically unbearable in many countries. Several have moved to tighten fiscal and monetary policy – following the lead of many large OECD economies with the exception of the US – or to impede oil product exports in a last-ditch attempt to keep domestic markets sufficiently supplied at prices below international levels, as in China and Russia. It is not inconceivable, therefore, that non-OECD economic growth may slow down as a result, and that global oil demand growth in 2011 – already expected to be less than 50% of that posted in 2010 – may turn out to be even weaker than estimated here.



OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 2.8% year-on-year in March, with all regions bar the Pacific declining. Demand plummeted by 4.1% in **OECD Europe**, with weaker deliveries of heating oil, diesel, gasoline and 'other products'. In **OECD North America** (which includes US Territories), demand fell by 2.9%, largely on depressed gasoline deliveries. In **OECD Pacific**, higher direct crude burn following Japan's nuclear emergency marginally offset losses in most other product categories.

OECD Demand based on Adjusted Preliminary Submissions - March 2011
(million barrels per day)

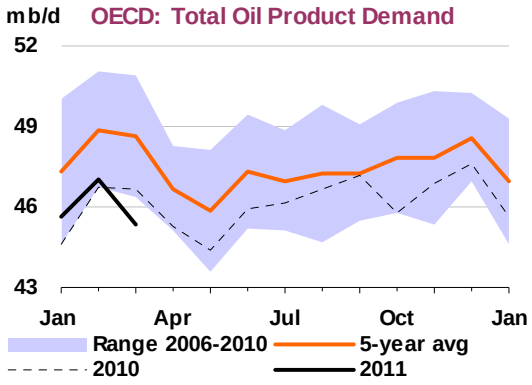
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.30**	**-0.9**	**1.58**	**-6.0**	**3.89**	**0.1**	**0.87**	**-11.2**	**1.04**	**5.7**	**5.52**	**-7.69**	**23.20**	**-2.9**
US50	8.73	-0.9	1.36	-7.0	3.30	-0.1	0.38	-30.0	0.60	9.5	4.08	-8.9	18.46	-3.6
Canada	0.70	-0.2	0.11	2.0	0.22	-1.8	0.33	17.0	0.11	-3.1	0.73	0.4	2.21	2.0
Mexico	0.80	-2.0	0.06	-3.4	0.31	4.0	0.13	4.0	0.22	2.7	0.63	-8.9	2.15	-2.6
OECD Europe	**2.07**	**-6.3**	**1.21**	**1.6**	**4.40**	**-0.3**	**1.68**	**-14.5**	**1.20**	**-5.0**	**3.52**	**-3.1**	**14.08**	**-4.1**
Germany	0.44	-7.4	0.18	-2.1	0.69	0.2	0.32	-21.9	0.16	17.0	0.58	-8.9	2.36	-6.4
United Kingdom	0.34	-6.6	0.33	3.4	0.47	-1.6	0.12	-5.9	0.07	4.4	0.33	-0.3	1.65	-1.6
France	0.17	-1.3	0.14	-0.4	0.70	4.3	0.27	-14.8	0.08	-21.8	0.44	-8.5	1.81	-4.5
Italy	0.22	-9.1	0.09	4.0	0.50	-3.8	0.10	-22.8	0.10	-32.5	0.40	0.1	1.41	-7.4
Spain	0.12	-12.5	0.11	17.2	0.50	-0.5	0.17	-27.8	0.19	-1.3	0.36	-3.7	1.45	-5.6
OECD Pacific	**1.52**	**-3.0**	**1.05**	**0.3**	**1.03**	**-2.3**	**0.59**	**-11.4**	**0.74**	**-2.2**	**3.13**	**5.6**	**8.06**	**0.1**
Japan	0.96	-4.5	0.70	-2.2	0.37	-8.4	0.46	-12.8	0.39	0.4	1.75	6.1	4.63	-1.3
Korea	0.18	-2.4	0.20	7.5	0.26	-3.7	0.12	-5.2	0.33	-4.5	1.20	7.0	2.29	2.5
Australia	0.33	0.2	0.12	3.5	0.34	2.7	0.00	0.0	0.02	-15.6	0.16	-1.8	0.97	0.6
OECD Total	**13.89**	**-2.0**	**3.83**	**-2.0**	**9.33**	**-0.4**	**3.14**	**-13.0**	**2.98**	**-0.8**	**12.16**	**-3.2**	**45.34**	**-2.8**

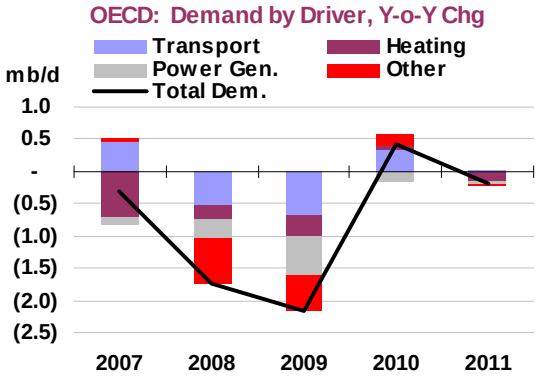
* Including US territories

Downward revisions to February preliminary data were significant (-370 kb/d) and mostly driven by LPG, naphtha and distillates. This shaved total OECD demand growth to only 0.6% year-on-year during that month, compared with the more buoyant preliminary estimates (+1.4%). Moreover, the revisions for North America – related to most product categories in the US – were particularly steep, only marginally offset by upward adjustments in Europe and the Pacific.

Total OECD oil product demand remains broadly unchanged at 46.1 mb/d in 2010, although growth has been slightly cut (+1.2% or +560 kb/d year-on-year) following upward adjustments to Turkish demand in 2009 (+120 kb/d) as a result of a reappraisal of product imports. The prognosis for 2011, by contrast, has

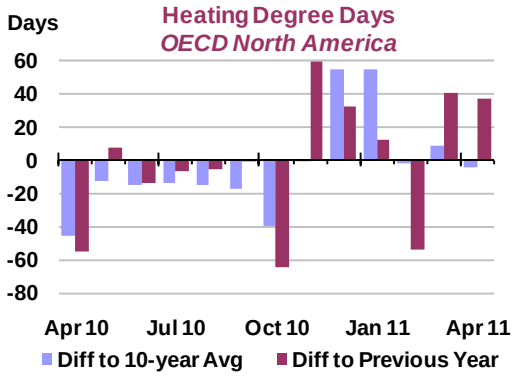
been trimmed by 210 kb/d to 45.9 mb/d (-0.5% or -230 kb/d versus the previous year), largely on slightly weaker prospects for North America.

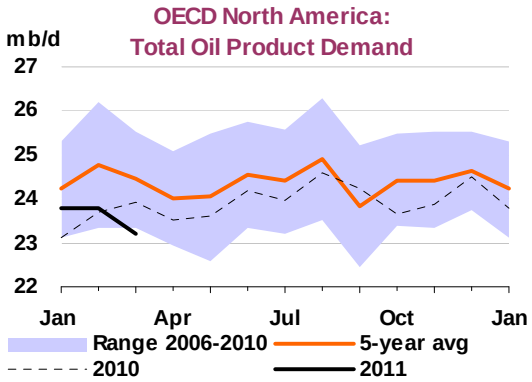


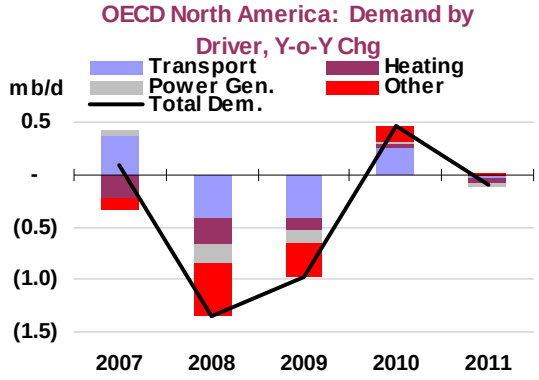


North America

Preliminary data show oil product demand in North America (including US territories) falling by 2.9% year-on-year in March, following a 0.4% increase in February. Several factors – a large downward revision to US demand in February, weak March preliminary data, a higher oil price assumption and reduced expectations for economic growth – have led us to cut expectations for regional demand growth in 2011. While weather effects may have weighed upon February consumption, persistently high oil prices – despite of the correction that occurred in early May– will likely induce moderate year-on-year declines through the remainder of the year. Total North American oil demand in 2011 is now seen falling to 23.7 mb/d (-0.8% or -190 kb/d year-on-year and 220 kb/d lower than our last report).



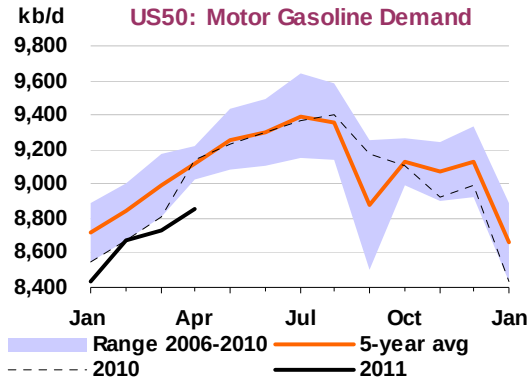


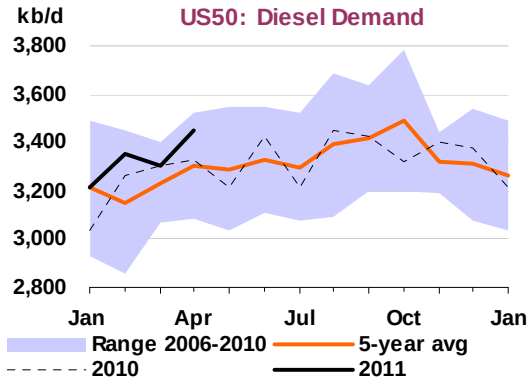


February revisions resulted in demand 470 kb/d lower than previously projected, led by reductions in other gasoil (-130 kb/d), LPG (-115 kb/d) and gasoline (-70 kb/d). Unadjusted weekly-to-monthly revisions in the US were particularly large (-760 kb/d); downward changes to unadjusted preliminary gasoline demand have been the most pronounced of late, averaging -275 kb/d over the past three months.

Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 1.8% year-on-year in April, following a 3.6% fall

in March. Gasoline declined by an estimated 3.1%, leading the overall fall. Still, diesel and jet fuel/kerosene consumption posted gains of 3.8% and 3.3%, respectively. Diesel demand has appeared less responsive to recent oil price hikes, with manufacturing and freight indicators continuing to point to year-on-year growth. Notably, road freight tonnage grew by 6.1% year-on-year in March, while intermodal rail traffic rose by 9.0% in April, suggesting a still-strong expansion in industrial activity.

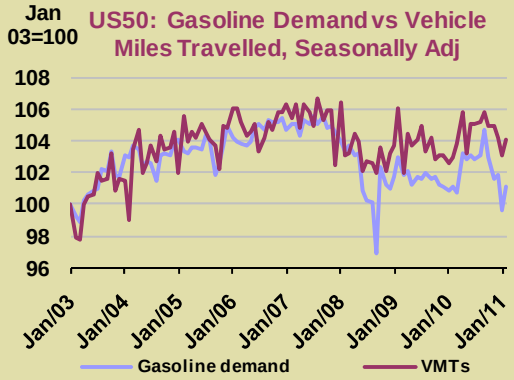


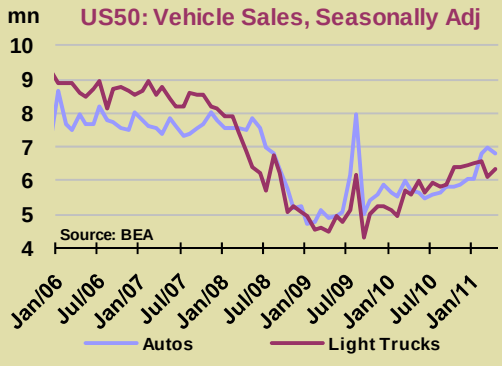


Looming Lacklustre Gasoline Demand?

The relentless rise in US gasoline prices since March, to almost $4/gallon in early May (up by roughly 40% year-on-year), has re-launched the seasonal debate on whether the upcoming summer driving season will be forceful or anaemic. As much as 2010 gasoline usage surprised on the upside (see 'No Reverse Gear Yet: US Gasoline Demand Plods Ahead' in *OMR* dated 10 December 2010), we believe gasoline demand will indeed disappoint this year – rising seasonally but nonetheless declining on a yearly basis if retail prices remain at current levels.

The precise demand impact of high prices remains hotly contested given the time lags associated with transport and demand indicators. Some, such as vehicle-miles travelled (VMT) and monthly consumption data, come with a 2-3 month lag. Others, notably preliminary figures for product supplied, offer fresher observations (currently through end-April). However, such data are volatile and often unreliable for any given week. Moreover, actual 2010 gasoline demand will not be finalised until July, when EIA annual revisions are due to be published.

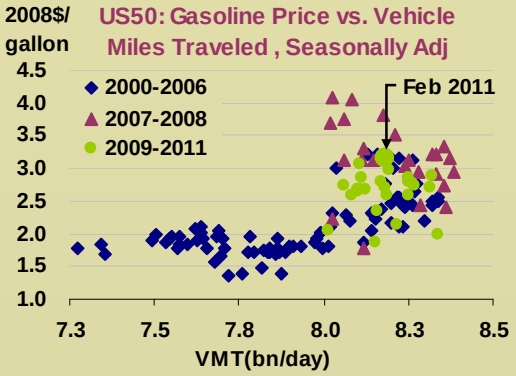




Bullish observers argue that the downside to gasoline demand will be limited, noting that VMTs grew by a respectable 0.9% year-on-year in February despite already high retail prices. If anything, both VMTs and gasoline demand would have been higher if weather conditions had been normal. Furthermore, the continued economic recovery, rising employment levels and still-weak new vehicle sales (which entail slower efficiency gains) are also likely to support gasoline demand. Finally, consumer tolerance for high prices has presumably risen since the last price shock in 2008 – the threshold for demand suppression, according to this view, may have shifted above $4/gallon in nominal terms.

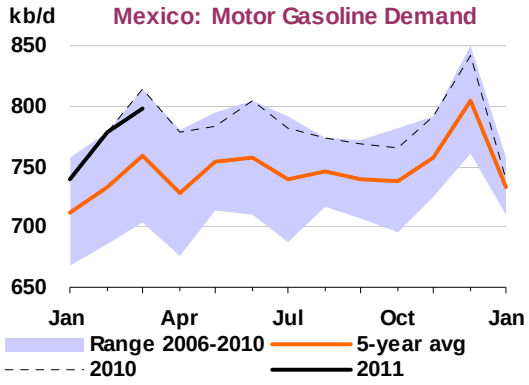
Looming Lacklustre Gasoline Demand? (continued)

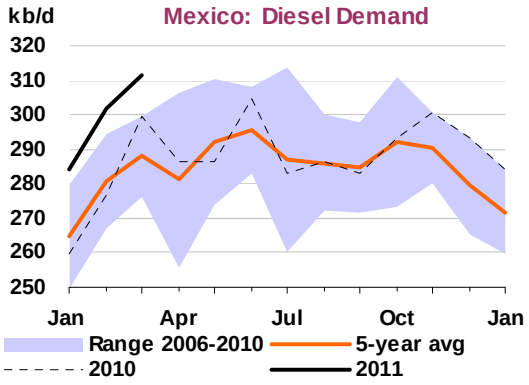
Nonetheless, recent weekly demand data, when examined on a monthly average basis and taking into account the pattern of revisions versus consolidated monthly figures, point to emerging demand weakness. Indeed, weekly-to-monthly revisions over the past 12 months indicate that gasoline demand has been persistently overstated by preliminary data, which tend to count exports as domestic deliveries. Adjusting for past revisions, we estimate that US gasoline demand fell by 2.0% year-on-year on average in both March and April. At $3.70/gallon in April (expressed in real 2008 dollars), retail prices are now well in the $3-4/gallon threshold that typically triggers a fall in VMTs.



Admittedly, higher prices have not been accompanied by a severe economic recession, as in 2008, when the summer driving season virtually evaporated. Nevertheless, some reduction in discretionary driving relative to 2010 is likely to occur, particularly given the still fragile nature of the economic recovery. For example, anecdotal evidence points to increased internet shopping, partly shifting demand from gasoline to freight-related diesel, which is more price inelastic. Altogether, we expect US50 gasoline demand to average 8.9 mb/d in 2011, down by 1.5% (-140 kb/d) year-on-year – with demand from April to September declining by 2.0% versus the same period in the previous year. Diesel demand for 2011, meanwhile, is projected at 3.4 mb/d (+2.2% or +70 kb/d versus 2010).

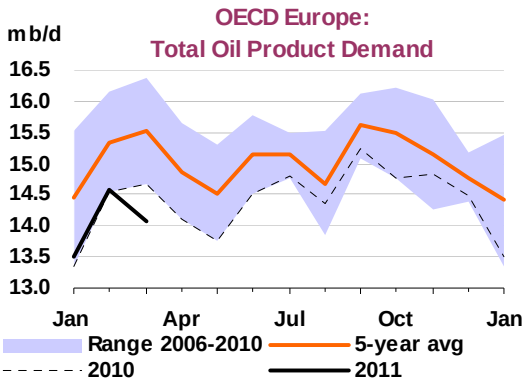
In **Mexico**, oil demand fell for the fourth consecutive month in March (-2.6% year-on-year). Jet fuel/kerosene demand remained weak (-3.4%), though it appears to be overcoming the bankruptcy of air carrier Mexicana. Moreover, residual fuel oil posted its first year-on-year gain (+2.7%) since June 2010. Still, although consumers are partly shielded from high gasoline prices, demand has weakened (-2.0%), while diesel growth (+4.0%) has moderated from its high January/February rates (+9.4% on average).

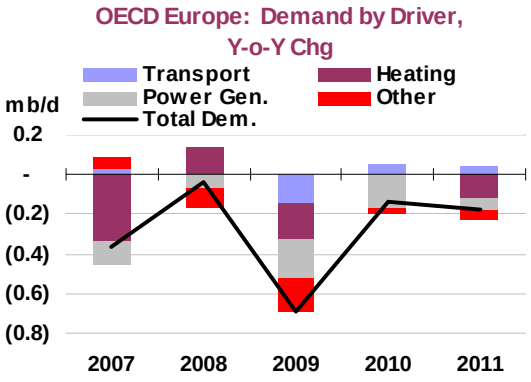




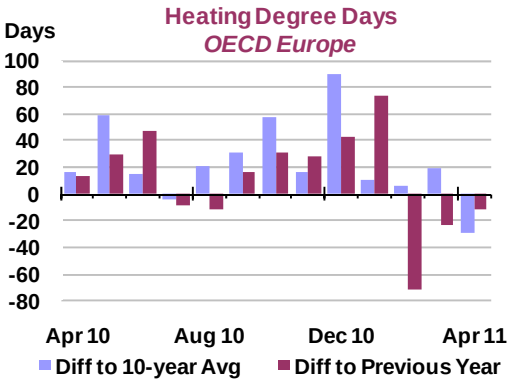
Europe

Preliminary inland data indicate that oil product demand growth in Europe plummeted by 4.1% year-on-year in March, on the back of weak deliveries of heating oil, compounded by falling demand for diesel, gasoline and 'other products'. The large contraction in heating oil demand was probably due to a combination of factors – warmer temperatures than last year (although HDDs were slightly higher than the ten-year average), cheaper alternative sources for heating purposes (such as natural gas) and delays in consumer tank refilling owing to prevailing high prices. The decline in transportation fuels is likely reflective of high retail prices – now well above the peaks reached in 2008 – although growth may have been distorted by the Easter holiday, celebrated this year at end-April, rather than in March.

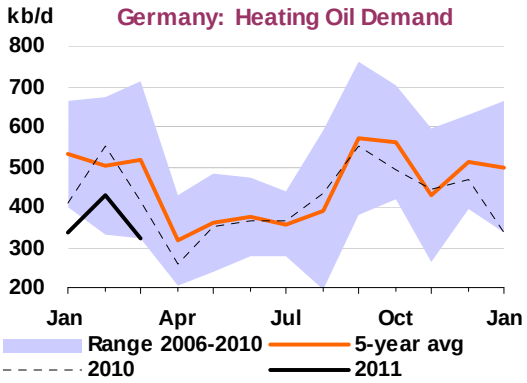


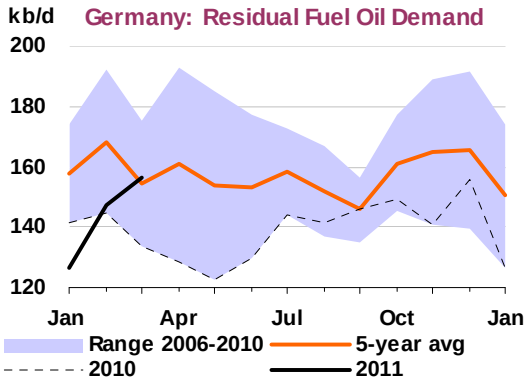


Revisions to preliminary February demand data were negligible (+10 kb/d), with stronger-than expected readings for 'other products', heating oil and residual fuel oil offsetting weaker deliveries of naphtha, jet fuel/kerosene and diesel. Total oil product demand in OECD Europe remains largely unchanged at 14.4 mb/d in 2010, but the annual change (-1.3% or -180 kb/d compared with the previous year) has been curbed further given upward adjustments to 2009 Turkish demand, as noted earlier (most product categories were lifted to account for revised import data). The outlook for OECD Europe demand in 2011 also remains broadly unchanged at 14.3 mb/d (-0.8% or -120 kb/d versus 2010 and 20 kb/d lower versus last month's report).



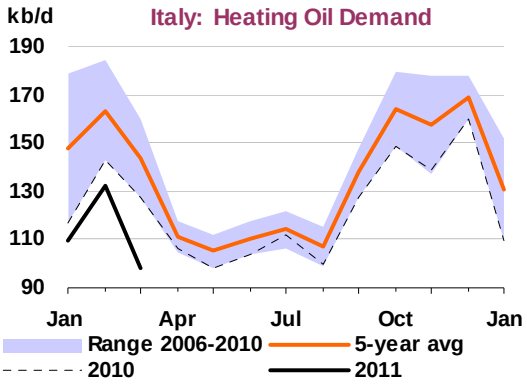
In March, according to preliminary data, oil product deliveries in **Germany** posted their largest year-on-year decline (-6.4%) since April 2010. Demand fell across all product categories bar residual fuel oil and 'other products', and most notably with regards to heating fuel. As in previous episodes of sustained high prices, German consumers are probably delaying the refill of their household tanks. Meanwhile, the counter-seasonal March uptick in fuel oil demand is intriguing – it may partly reflect some interfuel substitution following the political decision to shut down several nuclear power plants following the tragic events in Japan, but this hypothesis remains to be confirmed.

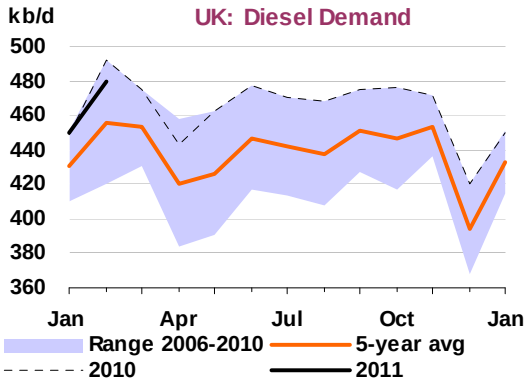




Total oil demand also fell in other major European markets in March, mostly on weaker heating oil and residual fuel oil deliveries, notably in **France** (-4.5% year-on-year) and **Italy** (-7.4%). The contraction of heating oil demand in the latter country (-22.8%) was particularly marked; as with residual fuel oil use, which has more than halved over the past decade, this product is seemingly being structurally displaced by cheaper natural gas. Elsewhere, the demand weakness is possibly related to high retail prices. Diesel demand in the **UK** – the largest product category, accounting for almost a third of total demand, has

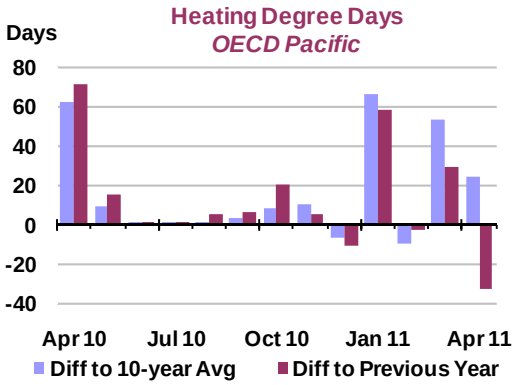
gone from stagnation (January) to outright contraction (-2.4% in February), after two years of almost uninterrupted growth.

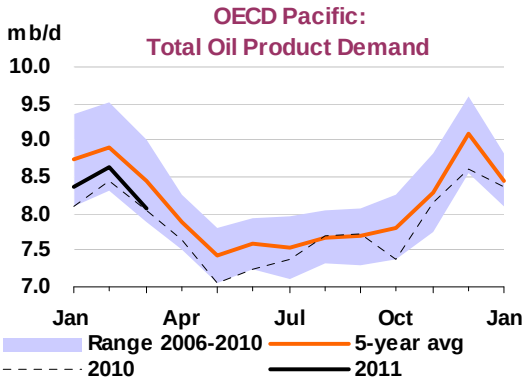


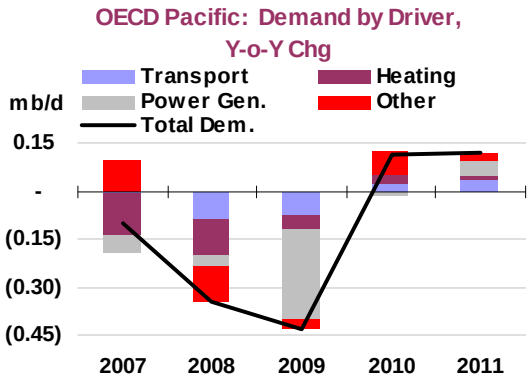


Pacific

Preliminary data indicate that oil product demand in the Pacific rose by only 0.1% year-on-year in March. Warmer temperatures (with HDDs well below the previous year, albeit above the ten-year average) tempered the use of LPG and kerosene, but Japan's devastating earthquake and tsunami also played a significant role. Even though direct crude burn rose sharply to offset the partial loss of nuclear power generation, the disruption of economic activity curbed diesel demand sharply. Meanwhile, the revisions to preliminary February data (+80 kb/d) were mostly concentrated in gasoline (New Zealand), jet fuel/kerosene (Japan) and distillates (Australia). Total oil demand in OECD Pacific remains unchanged at 7.8 mb/d in 2010 (+1.7% or +130 kb/d year-on-year), but is raised slightly to 7.9 mb/d (+1.1% or +90 kb/d year-on-year and +30 kb/d versus last month's report).

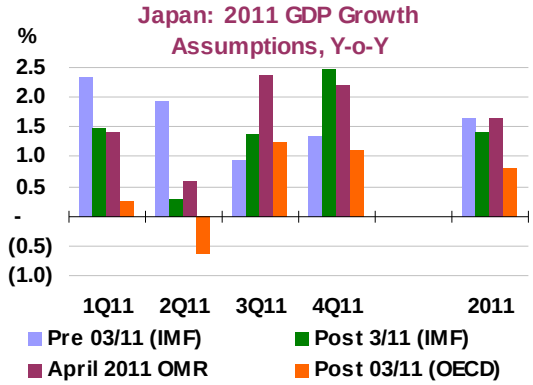


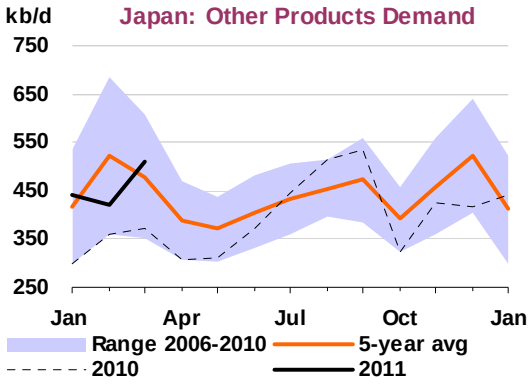




The assessment of the economic consequences of **Japan's** disaster is still a work in progress – which continues to elicit a wide range of views. In April, the IMF cut slightly its 2011 forecast versus its January update, but curbed 2Q11 and lifted 4Q11 sharply, implicitly deferring the bulk of the recovery/reconstruction towards the end of the year. This new profile differs somewhat from the assumption we had posited in last month's report, where we foresaw a higher 3Q11 on the back of more immediate reconstruction efforts. The OECD, meanwhile, also sees a stronger rebound in 3Q11 – but a sharp contraction in 2Q11, resulting in annual GDP growth well below the IMF prognosis (+0.8% vs.

+1.4%). Reconstruction will very much depend upon government plans, themselves subject to a degree of uncertainty. In addition, the ultimate extent of the irradiated area around the Fukushima nuclear plant, which will presumably remain off limits for reconstruction, remains unclear.

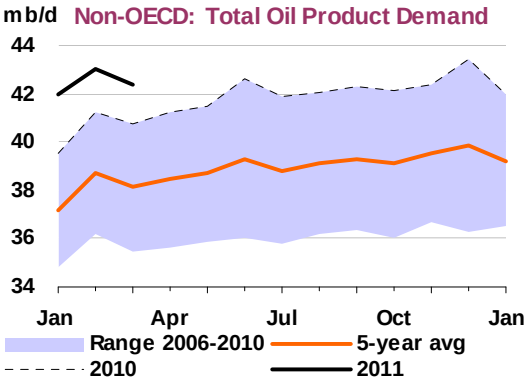


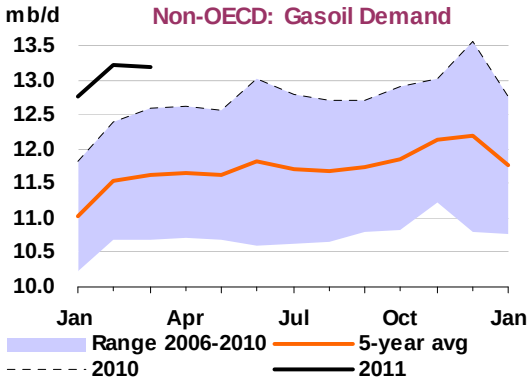


Regarding oil demand, several reports have recently suggested that more non-nuclear power generation capacity may be available during the forthcoming summer than originally thought. Although power outages were less severe than expected in April, at this point we are not tempted to revise our summer forecast, as it is unclear whether such extra capacity, if indeed fully available, may actually run on natural gas, rather than oil. Presumably, fewer blackouts would imply stronger, industry-driven economic growth overall – but, as noted, opinions differ, not to mention that further nuclear capacity (the 3.6 GW Hamaoka plant) has just been shut down on security concerns. In addition, it remains uncertain to what extent air flight – and hence jet fuel demand – will be affected (the country is the world's third-largest air travel market). Our 2011 demand outlook for Japan thus remains unchanged for now, showing growth of some 60 kb/d versus 2010, although this projection is likely to evolve in the coming months.

Non-OECD

Preliminary demand data indicate that non-OECD oil demand growth slowed down in March (+4.0% or +1.6 mb/d year-on-year), for the third month in a row. Total March demand is estimated at 42.4 mb/d, while February levels have been revised down by 90 kb/d to 43.1 mb/d (+4.5% or +1.6 mb/d year-on-year), on both baseline changes and revisions to preliminary readings.





Nonetheless, growth in all product categories remained buoyant in March, with LPG (+5.0% year-on-year), gasoil (+4.9%) and naphtha (+4.7%) recording the largest relative gains. Yet gasoil continued to lead in absolute terms (+620 kb/d, equivalent to roughly 38% of total non-OECD growth), growing by twice as much as gasoline, its closer competitor (+280 kb/d). Similarly, Asia remained the main regional driver of non-OECD oil demand growth (+6.4% year-on-year or +1.2 mb/d, equivalent to 74% of the total), with growth actually accelerating slightly. Once again, China (+890 kb/d) was the single largest

contributor to total non-OECD demand, representing 74% of Asia's increase and 55% of non-OECD growth – slightly less than in previous months, but still larger than in any other region.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jan-11	Feb-11	Mar-11	Feb-11	Mar-11	Feb-11	Mar-11
LPG & Ethane	4,701	4,802	4,731	237	227	5.2	5.0
Naphtha	2,738	2,749	2,658	139	120	5.3	4.7
Motor Gasoline	7,966	8,184	8,086	219	281	2.8	3.6
Jet Fuel & Kerosene	2,767	2,755	2,585	90	46	3.4	1.8
Gas/Diesel Oil	12,747	13,229	13,194	828	615	6.7	4.9
Residual Fuel Oil	5,641	5,564	5,553	59	123	1.1	2.3
Other Products	5,374	5,777	5,592	286	212	5.2	3.9
Total Products	**41,933**	**43,061**	**42,398**	**1,859**	**1,624**	**4.5**	**4.0**

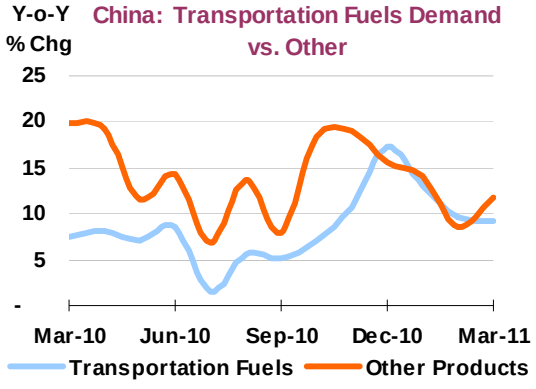
As noted earlier, non-OECD demand has been revised down by 60 kb/d on average over 2009-2010, following the submission of 2009 data by a number of countries. However, it has been raised slightly for 2011 (+20 kb/d) on stronger-than-expected readings in Asia, Latin America and the Middle East. Total demand is now estimated at 39.5 mb/d, 41.8 mb/d and 43.3 mb/d in 2009, 2010 and 2011, respectively. This has entailed some minor revisions to yearly growth, now respectively assessed at +1.7% (+640 kb/d), +5.7% (+2.3 mb/d) and +3.6% (+1.5 mb/d).

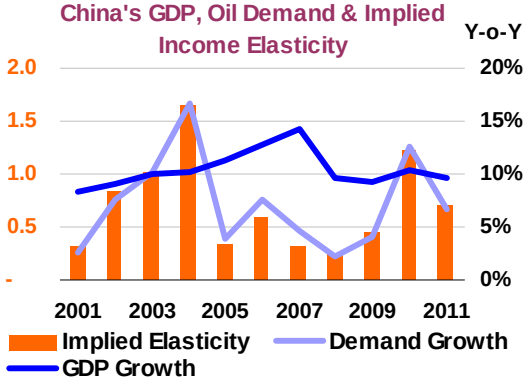
Non-OECD: Demand by Region
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jan-11	Feb-11	Mar-11	Feb-11	Mar-11	Feb-11	Mar-11
Africa	3,473	3,480	3,309	139	-100	4.2	-2.9
Asia	19,677	20,518	20,046	1,088	1,207	5.6	6.4
FSU	4,260	4,383	4,334	38	98	0.9	2.3
Latin America	6,054	6,374	6,429	278	206	4.6	3.3
Middle East	7,790	7,619	7,529	293	200	4.0	2.7
Non-OECD Europe	679	687	751	22	12	3.3	1.7
Total Products	**41,933**	**43,061**	**42,398**	**1,859**	**1,624**	**4.5**	**4.0**

China

China's apparent oil demand growth accelerated slightly in March (+10.4% year-on-year), reversing the slowdown observed in the previous two months. All product categories posted gains, bringing total demand to 9.5 mb/d. This figure incorporates a baseline revision for 2009 (-300 kb/d), following the submission of official data, largely concentrated in 'other products' (-190 kb/d) and naphtha (-110 kb/d). Yet the fact that revisions were restricted to 2009 again raises data quality questions and highlights the difficulties of assessing demand based on preliminary estimates. Seemingly inconsistent income elasticity trends and uncertainties over independent refineries' reporting in official data are two key issues.





Indeed, as much as the sharp swings in the country's implied income elasticity over the past few years are partly related to the periodic surges of gasoil use on the back of power-generation needs (notably in 2004 and 2010), the 2009 elasticity may have arguably been higher, given the government's massive macroeconomic stimulus, which involved extensive construction work. For the time being, we have kept our growth prognosis for 2011 largely unchanged (+600 kb/d, with demand rising to 9.7 mb/d), assuming an income elasticity of 0.7. However, electricity shortages due to limited coal supplies – which have again emerged in eastern and southern China, well before the peak summer season – could potentially add as much as 300 kb/d to 'normal' gasoil demand.

China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	683	668	697	-15	29	-2.3	4.4
Naphtha	841	1,129	1,213	288	84	34.2	7.5
Motor Gasoline	1,479	1,546	1,651	67	105	4.5	6.8
Jet Fuel & Kerosene	330	368	386	38	18	11.5	4.9
Gas/Diesel Oil	2,819	3,143	3,347	324	204	11.5	6.5
Residual Fuel Oil	542	531	554	-11	23	-2.0	4.3
Other Products	1,368	1,687	1,830	318	144	23.3	8.5
Total Products	**8,063**	**9,072**	**9,680**	**1,009**	**608**	**12.5**	**6.7**

Price-Shocked

China's oil product price policy currently faces a paradox. On the one hand, wholesale or 'guidance' prices are too low to guarantee positive refining margins; on the other, retail prices have increased to an extent that is reportedly fostering localised social discontent.

Indeed, despite three government-mandated price hikes since last December, domestic refining margins have become negative in recent months, judging by the 1Q11 financial results from state-owned Sinopec and PetroChina. The former posted losses of roughly $89 million on an average throughput of 4.3 mb/d, while the latter (which operates less complex refineries) lost $945 million on an average throughput of 2.8 mb/d – implying refining margins of -$0.23/bbl and -$3.75/bbl, respectively. Small 'teapot' refineries, which have traditionally helped to fill the supply gap, are also facing poor economics, with many reportedly shut down or running at some 30% of capacity, notably in Shandong province.

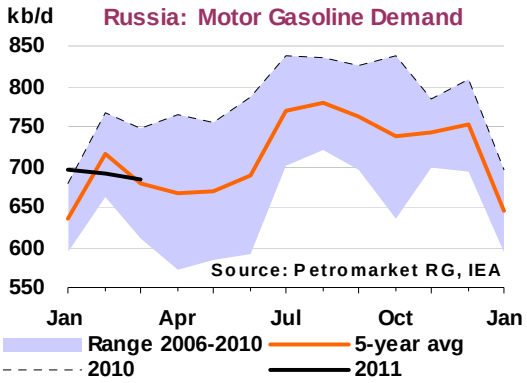
The recent price correction, albeit welcome, is unlikely to help refiners much, since domestic price adjustments have lagged international levels. Moreover, state-owned refiners cannot seek better downstream returns by exporting most of their output, as the government appears determined to avoid domestic oil product shortages and to combat hoarding, both of which have been recurrent over the past years. In fact, both companies have been instructed to hike runs and maximise gasoil output, as demand picks up seasonally in spring – and the more so since teapot refiners are not producing enough off-spec product to supply farmers and fishermen.

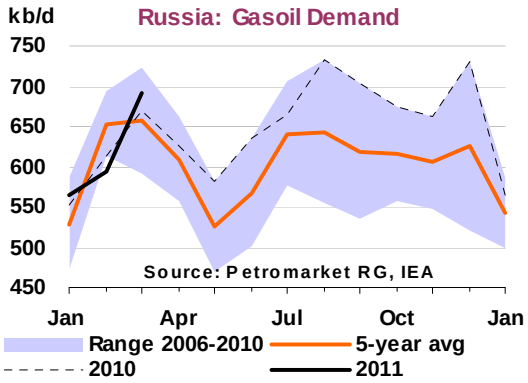
In terms of policy remedies, increasing domestic prices sufficiently to guarantee reasonable refining margins – or alternatively, fully deregulating the market – is probably not an option at this point, given stubborn inflation (which hovered above 5% in both March and April). Subsidising refiners directly or cutting the fuel consumption tax, as refiners have demanded, are other options – but neither has so far been implemented.

Meanwhile, in late April Shanghai was the theatre of an unprecedented three-day strike by truck drivers. The protests in several areas of the city's large port – marred by police clashes, according to international media sources – were reportedly triggered by high gasoil prices, which compounded the effects of already mounting operating expenses. The unrest ended when the local government ordered container shipping centres to eliminate or reduce a number of fees and tolls. In a related move, the Shanghai authorities have also announced they are considering financial assistance for taxi drivers, who have not protested so far.

Other Non-OECD

As this report has often argued, attempts to cap domestic oil product prices well below international levels typically result in domestic shortages as local refiners boost exports or curb production instead. This dilemma has now come to haunt **Russia**, where the government has once again required local companies to lower retail prices or face the threat of another price-fixing investigation as inflationary pressures rise – even though the domestic market is nominally unregulated. Although domestic refiners have largely obliged by lowering prices, following the launch of the last such probe in February, scheduled plant maintenance and the proposed removal of low-quality oil products from the market have led to severe shortages – notably of gasoline – since late April. Shortages have gradually spread from remote areas in Siberia to major cities such as Saint Petersburg and even Moscow.





Facing parliamentary and presidential elections in late 2011 and 2012, the government has responded by sharply increasing gasoline export duties from 1 May and delaying the sales ban for Euro-2 gasoline. It remains to be seen, however, whether the move will succeed in keeping both the domestic market well supplied and retail prices in check. Indeed, some refineries may well choose to reduce gasoline production and maximise fuel oil output, since export duties for this product are still relatively low.

Admittedly, the government could also hike fuel oil export duties, but that would remove virtually all incentives to boost refinery throughputs and lead to more shortages across several product categories. It would also further deter upgrading investments and make it difficult, if not impossible, to introduce cleaner products, as most refiners were already struggling to switch to Euro-3 standards. Alternatively, should shortages nonetheless prevail, the government could re-instate formal price controls and subsidise local refiners to ensure adequate supplies – but this option would arguably entail an exorbitant financial cost and has probably not been contemplated.

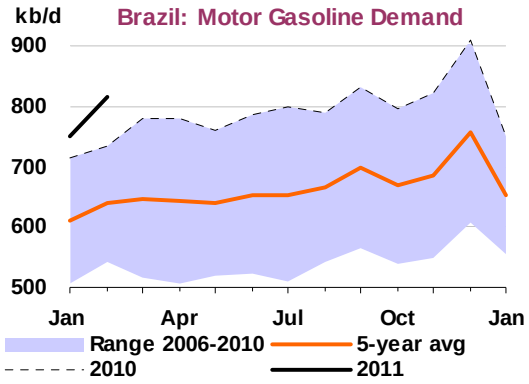
Russia: Demand by Product
(thousand barrels per day)

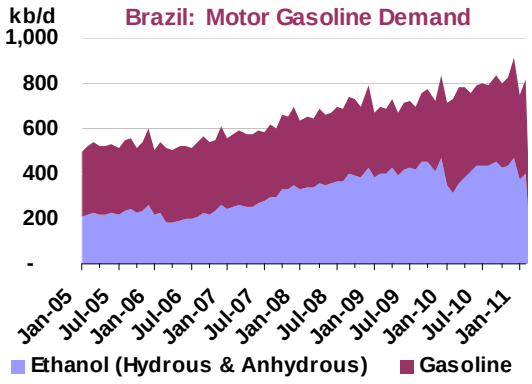
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	303	318	331	15	12	5.0	3.9
Naphtha	258	268	277	10	9	3.9	3.3
Motor Gasoline	741	786	780	44	-6	6.0	-0.7
Jet Fuel & Kerosene	218	245	252	27	7	12.4	2.7
Gas/Diesel Oil	591	654	671	63	17	10.6	2.6
Residual Fuel Oil	214	244	215	29	-29	13.6	-11.9
Other Products	484	543	574	59	31	12.2	5.8
Total Products	**2,810**	**3,058**	**3,099**	**248**	**41**	**8.8**	**1.4**

Source: Petromarket RG, IEA

Gasoline fundamentals continued to tighten in **Brazil** amid strong demand and high ethanol prices. Even though gasoline demand (including ethanol) surged by 11.0% year-on-year in February, the share of

ethanol (by volume) dropped to 49% of the total gasoline pool. Ethanol prices surged on weak sugar harvests and a seasonal lull in production; as a result, hydrous ethanol lost its competitive advantage versus gasoline in many regions over recent months. However, with a new ethanol production season beginning to swing into full gear, the country's gasoline imbalance may improve.





Yet lingering structural issues persist. Brazil's pricing policy has limited the pass-through of higher crude prices to gasoline consumers. With demand unchecked and refineries already running at high rates, Petrobras will be likely obliged to import some 30-35 kb/d of gasoline and additional cargoes of ethanol in May. The government has sought to mitigate the impact of rising ethanol prices by authorising a reduction of anhydrous ethanol content in gasoline to as low as 18% (from 25%) should high prices persist. However, it has yet to embrace a more forceful liberalisation of gasoline prices, which may ultimately prove more effective in balancing domestic gasoline demand and supply.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	210	219	222	9	3	4.1	1.4
Naphtha	167	166	169	-1	3	-0.8	1.7
Motor Gasoline	722	792	837	70	45	9.8	5.6
Jet Fuel & Kerosene	95	110	121	15	11	15.4	9.7
Gas/Diesel Oil	798	886	936	88	50	11.0	5.6
Residual Fuel Oil	182	187	175	5	-11	2.7	-6.0
Other Products	368	374	380	6	6	1.7	1.6
Total Products	**2,542**	**2,733**	**2,839**	**191**	**106**	**7.5**	**3.9**

SUPPLY

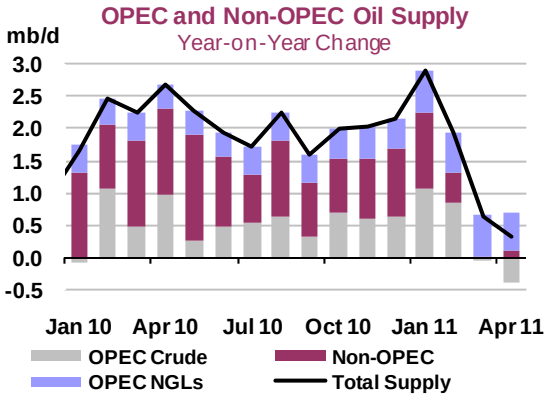
Summary

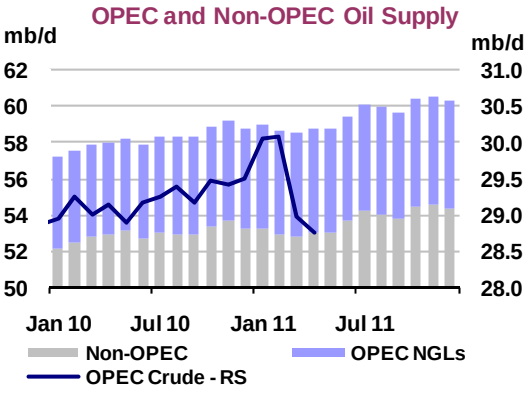
- **Global oil supply dipped by 50 kb/d to 87.5 mb/d in April**, as sharply curtailed Libyan output reduced OPEC crude and NGL supply by 0.26 mb/d, only partly offset by a 0.2 mb/d rise in non-OPEC oil production. Year-on-year, global oil production was 0.3 mb/d higher, with a 0.6 mb/d increase from OPEC NGL and 0.1 mb/d from non-OPEC offset by a 0.4 mb/d reduction in OPEC crude.

- **Non-OPEC total oil supply rose by 0.2 mb/d in April, to 53.0 mb/d**, on higher production in the North Sea, the FSU, China and Brazil. Shut-ins for technical and political reasons in Argentina, Canada, China, Norway, Sudan and Yemen only partly offset these increases. Baseline changes to NGL production and preliminary 2009 annual data for non-OECD countries raise 2010 estimates by 0.1 mb/d to 52.9 mb/d. The 2011 projection is adjusted down by 0.1 mb/d to 53.7 mb/d on revised Canadian prospects, implying lower annual growth of +0.8 mb/d compared to +0.9 mb/d in last month's report.

- **OPEC crude oil supply continued its downward spiral in April as Libyan output slowed to a trickle** in the wake of the worsening civil war. April OPEC output was pegged at 28.75 mb/d, off by 235 kb/d from a downward-revised 28.99 mb/d for March. Despite expectations that fellow OPEC producers would increase output to replace lost Libyan supplies, the group's production remained an estimated 1.3 mb/d below the pre-crisis level of around 30.04 mb/d posted in January.

- **The 'call on OPEC crude and stock change' rises by 800 kb/d from an average of 29.3 mb/d in 2Q11 to 30.1 mb/d in 3Q11.** For full-year 2011, the call has been revised down by 100 kb/d to 29.7 mb/d due to lower expected demand. OPEC's effective spare capacity is estimated at 4.14 mb/d in April. Libyan crude output is now assumed to remain constrained at around 200 kb/d through the end of the year, and, as a result, OPEC's installed capacity by end-2011 is forecast at 33.83 mb/d, down 740 kb/d from 1Q11 estimates of 34.57 mb/d.





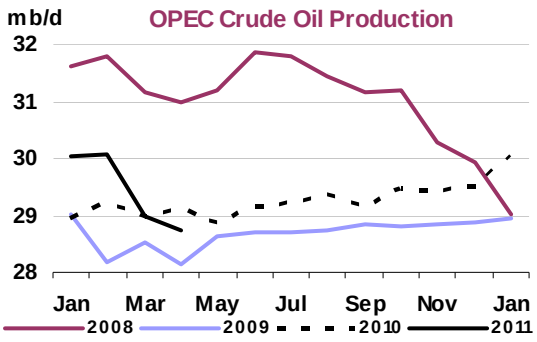
All world oil supply data for April discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Colombia, Peru and Russia are supported by preliminary April supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. *In addition, from May 2011, a revised national (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals -200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.*

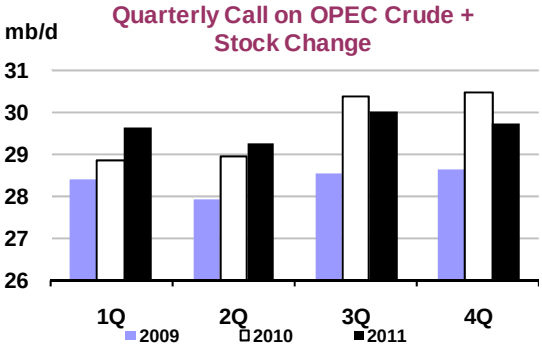
OPEC Crude Oil Supply

OPEC crude oil production continued its downward spiral in April as Libyan output slowed to a trickle in the wake of the worsening civil war. April OPEC supply was pegged at 28.75 mb/d, off by 235 kb/d from a revised 28.99 mb/d the prior month. March supply was revised down by 210 kb/d, largely reflecting lower Iranian output for the month. OPEC-11 supply, which excludes Iraq, fell by 215 kb/d to 26.16 mb/d in April. Significantly higher production from Nigeria, coupled with smaller increases from several other countries, failed to offset reduced output from Libya, Angola, Saudi Arabia and Iraq.

Despite expectations that OPEC would increase output to replace lost Libyan supplies, the group's production is now running 1.3 mb/d below the pre-Libya crisis level of 30.1 mb/d posted in January. Libyan supplies in April averaged 200 kb/d compared to a more normal 1.5-1.6 mb/d and the opposition group said production in the eastern region had fallen to around 70-80 kb/d by early May. Nonetheless, judging by recent public statements, there appears a near-unanimous consensus among OPEC members that supplies to the market are adequate.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

While the loss of Libyan supplies in March and April was partially mitigated by the spring seasonal drop in refinery throughputs, forecast product demand for the second half of the year suggests a much tighter market balance. Global oil demand is forecast to jump by a steep 2.0 mb/d between 2Q11 and 4Q11, from 88.2 mb/d to 90.2 mb/d. In addition, we envisage global refinery crude throughputs could potentially rise by more than 3.5 mb/d, from April lows to August.

Indeed, the 'call on OPEC crude and stock change' is expected to rise from a 2Q11 average of 29.3 mb/d to 30.1 mb/d in 3Q11. Given expectations of a protracted civil war in Libya, and likely increases in demand of this order, the market will be seeking incremental supplies through the summer. While a formal agreement to increase output targets at OPEC Ministers' 8 June meeting currently looks unlikely, an informal pact to ramp up production, most likely by OPEC's Gulf members as well as Nigeria, may emerge.

OPEC effective spare capacity is estimated at 4.14 mb/d in April. Libyan crude output is now forecast to remain constrained at around 200 kb/d through the end of the year, and, as a result, OPEC's available capacity by end 2011 is estimated at 33.83 mb/d, down 740 kb/d from 1Q11 estimates of 34.57 mb/d.

Saudi Arabia's output was down marginally in April, to 8.8 mb/d compared with estimates of 8.9 mb/d in March and February. The market was taken aback in mid-April when Saudi Oil Minister Naimi reported that the country had slashed March output by a sharp 800 kb/d to 8.29 mb/d, well below industry estimates of 8.8-9.1 mb/d for the month. The reported 8.29 mb/d also conflicts with official data for March of 8.66 mb/d submitted by the Kingdom to the Joint Organisations Data Initiative (JODI). The 370 kb/d discrepancy between the two sets of Saudi data could be explained by several factors. It

appears that the lower of the two estimates reflect only sales to the market in March, and not actual wellhead production. Shipping data also suggest that a relatively high level of output was either placed in storage in Europe and at Sidi Kerir or was held offshore as floating storage. The JODI figures also likely exclude the country's shared production with Kuwait of Partitioned Neutral Zone output. The wide discrepancy in production estimates underscores the need for harmonised definitions of monthly production and more transparent data reporting.

Saudi Arabia continues to offer extra barrels to the market to make up the Libyan shortfall but refiners argue that June crude prices are too expensive. Saudi Aramco raised June prices for Arab Light to near-record levels and close to the highest since June 2007. Weaker refining margins and reduced refinery throughputs in 2Q11 have also combined to limit buying interest in Saudi Arabia's new Libyan look-alike crude blends. Apparently three extra cargoes were sold in April and early May in addition to the three cargoes in March.

OPEC Crude Production

(million barrels per day)

	Feb 2011 Supply	Mar 2011 Supply	Apr 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs April 2011 Supply	End-2011 Sustainable Production Capacity	Production Capacity Chg 1Q11 vs 4Q11
Algeria	1.28	1.26	1.28	1.34	0.06	1.34	0.02
Angola	1.60	1.67	1.58	1.80	0.22	2.00	0.19
Ecuador	0.50	0.51	0.50	0.51	0.01	0.51	0.00
Iran	3.68	3.55	3.60	3.70	0.10	3.68	-0.02
Kuwait[2]	2.35	2.42	2.41	2.54	0.13	2.54	0.00
Libya	1.39	0.45	0.20	0.20	0.00	0.20	-0.95
Nigeria[3]	2.16	2.01	2.22	2.50	0.28	2.66	-0.06
Qatar	0.82	0.82	0.81	1.00	0.20	1.04	0.02
Saudi Arabia[2]	8.90	8.90	8.80	12.04	3.24	12.04	0.00
UAE	2.48	2.52	2.51	2.69	0.18	2.74	0.05
Venezuela[4]	2.20	2.26	2.25	2.35	0.10	2.29	-0.07
OPEC-11	**27.35**	**26.37**	**26.15**	**30.68**	**4.52**	**31.05**	**-0.81**
Iraq	2.73	2.62	2.60	2.75	0.16	2.78	0.07
Total OPEC	**30.08**	**28.99**	**28.75**	**33.43**	**4.68**	**33.83**	**-0.74**
(excluding Iraq, Nigeria, Venezuela					*4.14)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 470 kb/d in April.

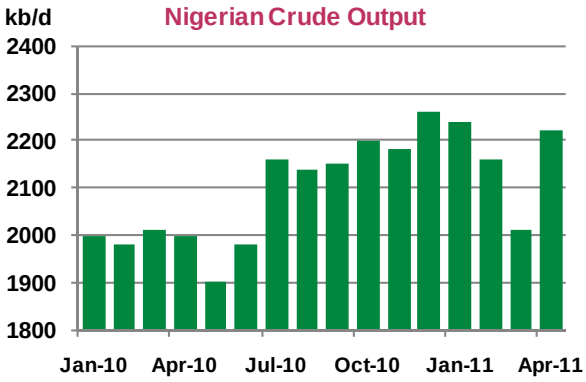
Output from the **UAE** edged lower in April by 10 kb/d to 2.51 mb/d and volumes may be reduced further in May following the unexpected shut down of the Upper Zakum field at end April. As much as 50% of the field's 550 kb/d capacity will be shut-in for the next several months. The field's operators, a joint venture with state-owned Abu Dhabi National Oil Co.(ADNOC), ExxonMobil and Japan Oil Development Co., were forced to cut output after a depleted field used for storage of water and other contaminants breached the maximum capacity levels. The spillover also caused leakage and build-up of residue in the pipeline from the field to the storage area. The company plans to drill a new well to be used as storage and implement repairs to a key export pipeline, which could take two months or more to complete. It is unclear if ADNOC will increase output at the large Murban field and the smaller Lower Zakum to compensate.

Qatar's output edged lower in April, down by 15 kb/d to 805 kb/d, due to maintenance work at the offshore al-Shaheen fields. A late-April fire at a platform, which was already shut down for scheduled maintenance, affected 60 kb/d of production for around 10 days.

Iraqi supply in April was off by just under 20 kb/d to 2.6 mb/d. Total exports fell 18 kb/d to 2.14 mb/d last month, with higher northern exports offset by lower southern shipments. Exports of Basrah Light crude were down by 31 kb/d to 1.66 mb/d. Plans to have new single-point moorings operational to handle increased southern field joint-venture production have now been delayed until the first quarter of 2012.

Exports of Kirkuk crude from the northern port of Ceyhan on the Mediterranean were up around 15 kb/d, to 475 kb/d, thanks in part to rising production from the Kurdish region. An additional 10 kb/d of Kirkuk was trucked from Iraq to Jordan. Production of Tawke and Taq Taq crudes from the northern Kurdish region hit a peak 135 kb/d in April.

Nigerian crude output rebounded following the completion of maintenance work at the deepwater Bonga field in April—up by 210 kb/d to 2.22 mb/d**.** Nigeria's crude oil production has steadily recovered to a 2.1-2.2 mb/d range over the past 10 months and output is expected to rise further in May and June, judging by export schedules.



Moreover, the country's operating environment is expected to improve further in coming months following the largely orderly conclusion to Nigeria's elections in April. As expected, incumbent president Goodluck Jonathan was elected to serve for the next four years. With the time-consuming election cycle now at an end, a number of challenging and controversial problems affecting the oil sector will need to be addressed. Newly-elected government officials have the difficult task of finalising the controversial 'Petroleum Industry Bill' if the country is to see higher upstream investment. In addition, the government will have to move quickly to implement promises made as part of its ceasefire agreement with Niger Delta rebels or risk a renewed wave of violence.

Angolan April output fell 90 kb/d to 1.58 mb/d as a result of scheduled maintenance work at the Total-operated Dalia field. Maintenance and repair work at the troublesome Greater Plutonio complex scheduled for the month of April was postponed until mid-May due to technical issues. The BP-operated field, which has been running at just 50% of capacity this year, needs repair work on its faulty water injection system. The loss of Plutonio production and temporary cut in Dalia output has pushed Angolan output down to its lowest level in more than four years. After averaging 1.77 mb/d in 2010, Angolan production has tumbled to 1.64 mb/d in early-2011 and looks set to edge lower in coming months.

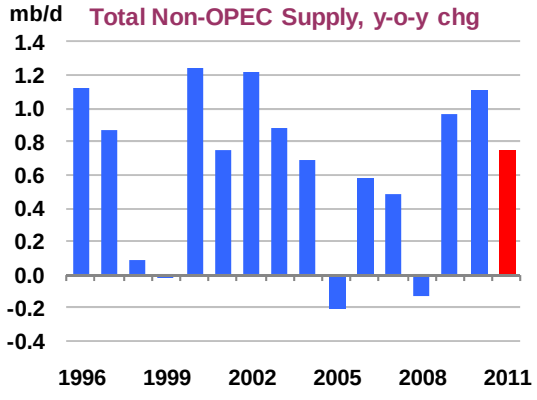
Libyan oil supply plummeted in April to an estimated 200 kb/d. The opposition group sold one cargo in April but exports had to be suspended following attacks on oil infrastructure by government forces. Early-May production in the eastern region fell to 70-80 kb/d, according to a spokesman for the opposition group. Output from the eastern fields is reportedly going into storage tanks, with the next exports at least a month away while security measures are implemented to protect the workers and the fields. Colonel Gaddafi's forces attacked several oil installations in the eastern region in late March, which included Sarir and Messla, but damage was reportedly minimal. In early May an opposition spokesman said repairs were being made to oil infrastructure damaged in recent weeks, but refused to identify the specific areas hit for security reasons.

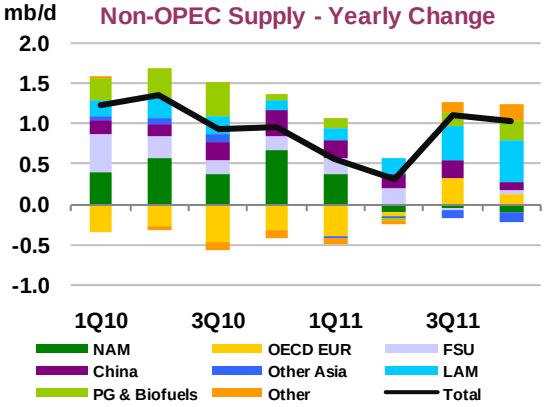
Amid apparent political and military stalemate, it increasingly looks as if Libyan crude output could remain constrained at around 200 kb/d through the end of the year.

Non-OPEC Overview

Non-OPEC oil supply rose by 0.2 mb/d to 53.0 mb/d in April, on higher estimated North Sea, FSU, Chinese and Brazilian output, even while production dipped in Argentina, Canada, Sudan and Yemen due to technical and other outages. This followed a -250 kb/d downward revision to 1Q11 output on sharply lower preliminary UK output and weaker-than-expected US NGL production.

Estimates of non-OPEC supply for 2007-2010 are revised up by an average +75 kb/d (and around +40 kb/d for 2000-2006) on the inclusion of new annual data for 2000-2009 for many non-OECD countries and a full reappraisal of NGL production and outlook for all non-OPEC countries. As a result, 2010 non-OPEC production is now estimated to have averaged 52.9 mb/d.





Meanwhile, estimated 2011 non-OPEC supply is adjusted down by 0.1 mb/d, to 53.7 mb/d, as lower North American, FSU and African supplies are only partly offset by the carry-through of a higher Thai baseline and a more robust outlook for Norway. Annual growth in 2011 is therefore slightly reduced to +750 kb/d compared to an increment of +870 kb/d in last month's report.

Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.3	13.9	14.0	14.3	14.1
Europe	4.9	4.5	4.3	4.5	4.6	4.5	4.2	3.8	4.2	4.2	4.1	4.2	4.1	4.3	4.2
Pacific	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.7	0.6
Total OECD	**19.1**	**18.6**	**18.6**	**19.0**	**18.8**	**19.1**	**18.8**	**18.5**	**19.2**	**18.9**	**19.0**	**18.7**	**18.8**	**19.4**	**19.0**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.7	13.5	13.7	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.4	4.3	4.3
Other Asia	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.7
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.5	4.6	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.8**	**29.1**	**29.3**	**29.5**	**29.2**	**29.7**	**29.8**	**30.0**	**30.1**	**29.9**	**30.2**	**30.3**	**30.5**	**30.7**	**30.4**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.2	1.6	1.8	1.8	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.0	1.9
Total Non-OPEC	**51.2**	**51.6**	**52.0**	**52.5**	**51.8**	**52.4**	**52.9**	**52.9**	**53.4**	**52.9**	**53.0**	**53.2**	**54.0**	**54.4**	**53.7**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	1.0	1.2	1.3	0.9	0.9	1.1	0.5	0.3	1.1	1.0	0.8
Changes from last OMR (mb/d)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.2	-0.3	0.1	0.2	-0.1

As highlighted in recent reports, the spectre of further shortfalls in oil production due to ongoing unrest in the wider Middle East and North Africa (MENA) region is still haunting oil markets. Despite the situation in Syria and Yemen deteriorating, and problems in Bahrain still simmering, the only sizeable production curbs are to Yemeni production, where around 100 kb/d has been offline following sabotage on a key crude pipeline in mid-March. In addition, at the time of writing, an oil workers' strike had shut-in a further 70 kb/d, though this is not yet captured in our outlook.

Elsewhere, production has recovered in Gabon, but has been hit in Sudan, due to north-south fighting. In Argentina, an oil workers' strike cut an estimated 50 kb/d and 100 kb/d off crude production in March and April respectively, while early May saw protesting teachers block roads, cutting oil output by an estimated 25 kb/d. Norway's oil production was hit by a series of gas leaks and other problems at a string of fields, while in China, late April saw the shut-in of 40 kb/d due to the malfunction of a floating production, storage and offloading vessel (FPSO).

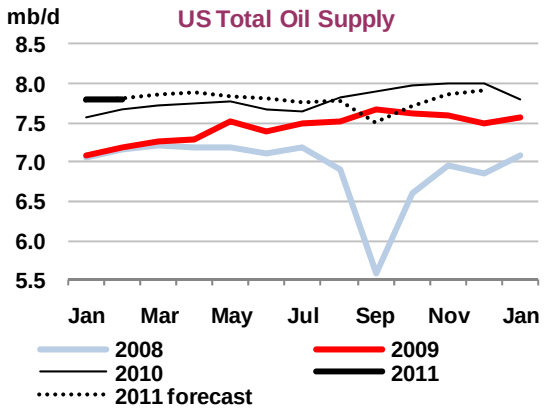
Perennial supply outages aside, 2011 growth in non-OPEC supply is focused in 2H11 and remains centred on Brazil (+200 kb/d), where April saw the start-up of the Peregrino field, as well as China (+175 kb/d), Colombia (+130 kb/d), Ghana (+95 kb/d), global biofuels (+90 kb/d), Canada (+80 kb/d) and Russia (+70 kb/d). These increments are partly offset by decline in Mexico, Indonesia, Malaysia and Yemen (each around -50 kb/d). In contrast with previous years' sharp annual decline, and despite current problems at a string of fields, North Sea producers Norway and the UK are expected to see production remain steady in 2011 compared to 2010.

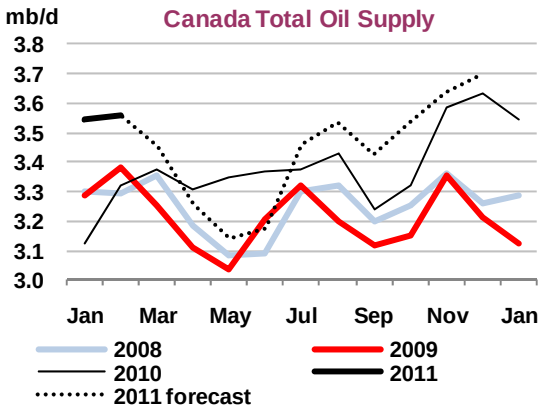
OECD

North America

US – April Alaska actual, others estimated: US total oil production stayed flat at 7.8 mb/d in February from January, following a 140 kb/d downward revision to February NGL output. Higher Texan production was offset by lower 'other' supply. Based on preliminary weekly data, March and April likely saw average US production at a slightly higher 7.9 mb/d. May is expected to see a dip to 7.8 mb/d again, with news reports of some North Dakotan output shut-in due to late snow storms and power failures.

North Dakota is a source of light tight oil (sometimes called 'shale oil', as distinct from 'oil shale') from the Bakken formation, a key source of growth in US oil production. Sustained high oil prices and the application of techniques used to produce natural gas from unconventional formations – notably horizontal drilling and hydraulic fracturing – are proving equally successful in boosting liquids output. As a result, North Dakotan oil production (light tight oil is reported as conventional crude in both EIA and IEA analysis) has tripled to 300 kb/d during 2006-2010 and is currently forecast to average 385 kb/d in 2011. A detailed look at supply growth in the Bakken and similar formations, will be included in the forthcoming *MTOGM 2011*, published in mid-June.





Canada – Newfoundland March actual, others February actual: Total Canadian oil production averaged 3.6 mb/d in February, up slightly from January. Preliminary data indicate a dip again to 3.5 mb/d in March. CNRL, the operator of the Horizon oil sands production facility, has indicated that repairs to the fire-stricken plant will take longer than expected. Latest plans see half of the facility's 110 kb/d capacity return in mid-June and the rest in the middle of 3Q11. Meanwhile, Syncrude indicated it plans 45 days of scheduled maintenance at one of its upgraders in 3Q11. While estimated oil supply for 2010 was

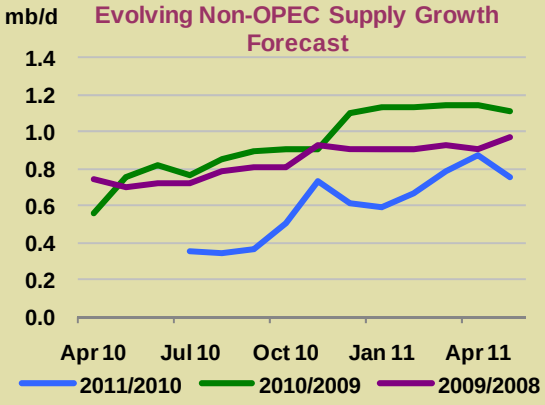
unchanged at 3.37 mb/d, average 2011 production is adjusted down by 75 kb/d to 3.45 mb/d on lower synthetic crude supply as well as a downward-adjusted NGL outlook on a lower gas supply forecast.

Non-OPEC Oil Production Seen as More Reliable

Recent *OMRs* have seen successive upward revisions to estimated non-OPEC supply growth in the near-term. When initially forecast in July 2010, incremental production in 2011 was put at 0.4 mb/d, while the current forecast implies growth of 0.8 mb/d. A similar pattern can be seen for the evolving 2010/2009 and 2009/2008 growth outlooks respectively (see graph). Projections always evolve, as consolidated data becomes available with a time lag. But there may also be a cyclical factor at work.

Four years ago, following a period of apparent under-performance by non-OPEC supply, this report adopted a country-specific field reliability adjustment, in order to take into account a pattern of frequent unscheduled outages due to technical problems at mature fields (see *Methodology Change Accounts for Bulk of Non-OPEC Forecast Adjustment This Month* in report of 13 July 2007). This adjustment aimed to account for the fact that not only does a maturing field's geology impact upon output levels, but so too does ageing equipment and spending to maintain such facilities.

Volumetric adjustments were calculated on the basis of a five-year historical average, largely in OECD countries, and in sum amounted to -410 kb/d for non-OPEC as a whole. The adjustment was not designed to cover regular field maintenance, extreme weather or project slippage, all of which are already taken into account in our methodology. At the same time, positive adjustments were added for a limited number of countries where output had regularly exceeded expectations. The negative net adjustment reflected a degree of ongoing underinvestment in mature upstream infrastructure and chronically tight drilling and service sectors at the time.



Non-OPEC Field Reliability Adjustment Factor

(thousand barrels per day)

US	-58
Canada	-47
Mexico	-20
Norway	-47
UK	-43
Australia	-13
China	97
Vietnam	-20
Brazil	-15
Malaysia	-34
Total	**-199**

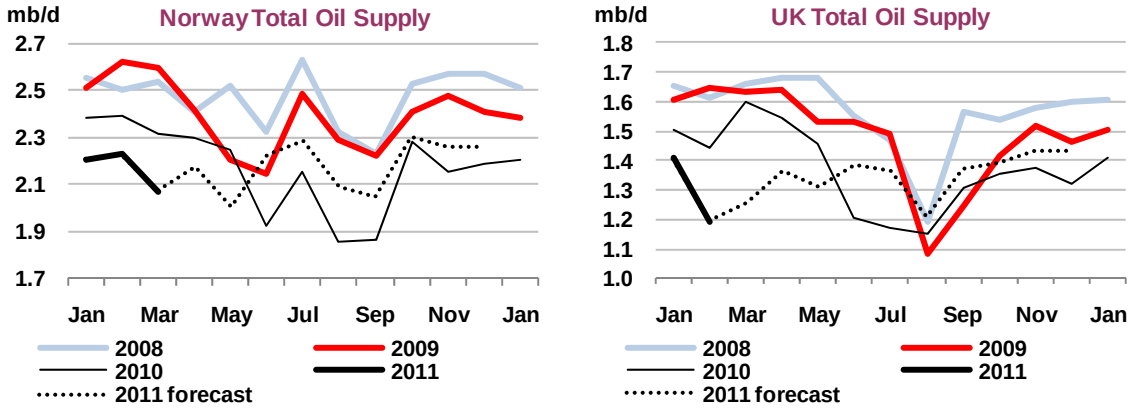
Today, the picture appears to have changed, prompting a reappraisal of the adjustment. A recalculation of unscheduled technical outages for 2007-2010 suggests a lower net adjustment of -200 kb/d on average. For the forthcoming *Medium-Term Oil & Gas Markets Report 2011*, a similar proportional adjustment will also be applied for the 2012-2016 period.

Better-than-expected performance in mature OECD producing areas such as the US and North Sea can also be seen to reflect sustained higher investment in the upstream sector in recent years, in response to rising oil prices and less tight markets for rigs and equipment. Upstream spending was at double-digit growth in 2010, with a similar trend expected for 2011, while upstream cost inflation has at least temporarily flattened off. Arguably, these investments are now bearing fruit, not only in terms of new projects sanctioned, and in less pronounced project slippage, but also in terms of fewer outages affecting mature infrastructure.

North Sea

Norway – February actual, March provisional: In February, Norwegian total oil supply held steady at an upward-revised 2.2 mb/d, but fell to 2.1 mb/d in March, based on preliminary data. April saw problems reported at the Oseberg East, Ormen Lange, Njord and Visund fields, though outages at the first two were only brief. Gas leaks at Njord and Visund reportedly shut down production for most of April.

Despite the outages in April, possibly leading into early May, 2Q11 supply is nudged up marginally, while 2011 production estimates are hiked by 35 kb/d, in part stemming from a revised field reliability adjustment (see *Non-OPEC Oil Production Seen as More Reliable*). 2011 is thus forecast to see the first (marginal) rise in Norwegian oil production in a decade, increasing from 2.17 mb/d in 2010 to 2.18 mb/d in 2011. Looking further ahead, the Oil Ministry awarded 24 offshore licences in the Barents Sea, a so far virtually undeveloped northern area, which also saw the recent discovery of the largest field found in a decade, Skrugard.



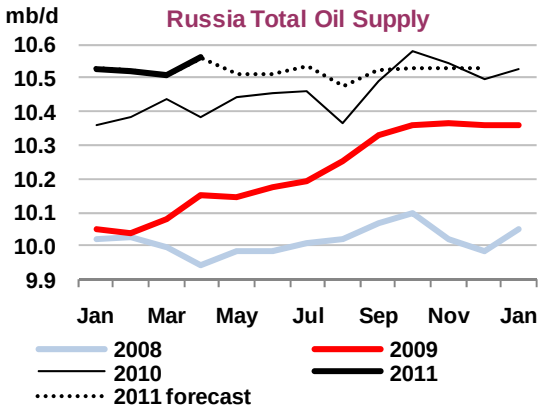
UK – February actual: February UK oil production has been revised down by a sharp 315 kb/d, which is partly carried through into March. Output is thus seen to have fallen from 1.4 mb/d in January to 1.2 mb/d in February. January field-specific data confirmed the return of the Schiehallion field, long plagued by problems, but March-May production may remain constrained at an average 1.3 mb/d as problems continue at Gryphon and as maintenance scheduled for March/April at the UK's largest field, Buzzard, may have dragged into May. The overall annual forecast is unchanged though, with UK production estimated to slide from 1.37 mb/d in 2010 to 1.35 mb/d in 2011.

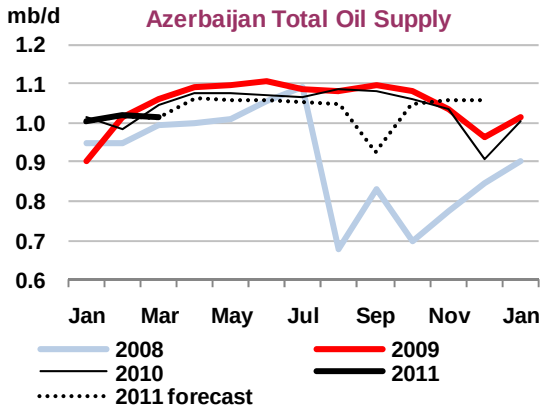
Former Soviet Union (FSU)

Russia – March actual, April provisional: According to preliminary data, Russian total oil production rose by 50 kb/d in April, to 10.56 mb/d, the highest monthly output level since October 2010, its post-Soviet record high. Russia's total oil supply averaged 10.45 mb/d in 2010 and is expected to rise to 10.52 mb/d in 2011.

From 1 May, after much deliberation by officials, export duty tax breaks for key Eastern Siberian fields Vankor, Verkhnechonsk and Talakan will expire. The latter two fields were originally intended to retain tax free status until January 2012 and January 2013 respectively. The Ministry of Finance has long argued that higher oil prices allow operators to make a decent return on these relatively new fields – and there is no indication by oil companies that production at existing fields will in any way be constrained. Nonetheless, oil companies planning to develop new fields in the region have warned that they will now take a closer look at project profitability. Rosneft in particular, is still arguing that it needs the promise of tax relief before giving the final go-ahead for its large Yurubcheno-Tokhomskoye field ('Y-T'), which was pencilled in to start up in 2015. The seemingly arbitrary nature of application and removal of tax breaks at short notice continues to cause much uncertainty for upstream investors.

An arbitration court in London has ruled that BP may go ahead with its proposed share swap with Rosneft, provided the UK major allows its Russian joint venture TNK-BP to join a related deal to access Arctic acreage held by Rosneft. BP had already indicated its willingness to do so, but it is far from certain that Rosneft will concur. Rosneft has declared that its clear preference is to partner with BP in exploring and developing the blocks in question offshore Russia's northern coast, as BP has significant offshore experience, in contrast to TNK-BP, which has only worked onshore Russia.

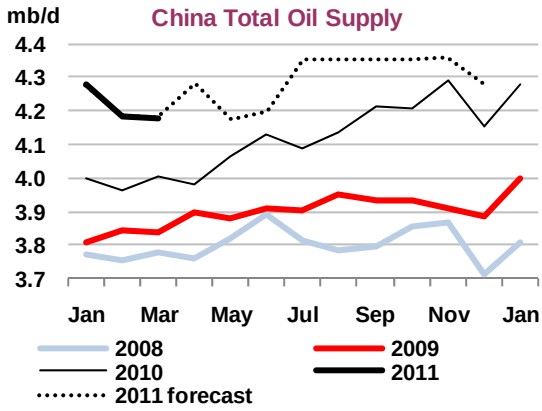


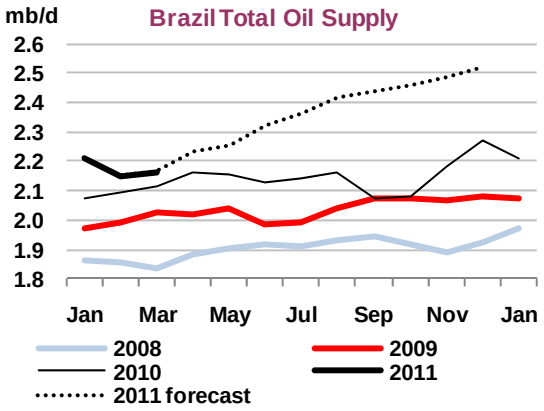


Azerbaijan – February actual; March preliminary: Azerbaijan's total oil production remained constrained at just over 1.0 mb/d in February and March, following a sharp 80 kb/d downward revision for March, based on preliminary data. Problems apparently continue to dog the Azeri-Chirag-Guneshli (ACG) complex, responsible for nearly 85% of Azerbaijani crude supply. On the basis of company guidance, the lower output is partially carried through to trim the 2011 forecast by 25 kb/d. Azerbaijan's total oil production is thus estimated to stay flat at around 1.04 mb/d in 2010-2011.

Other Non-OPEC

China – March actual: Total oil production in China stayed flat at 4.2 mb/d in March from February, as offshore output remains constrained. March production was revised down by 85 kb/d. 2Q2011 output estimates are also revised down by 45 kb/d on average after reports of problems at a floating production, storage and offloading vessel (FPSO) in Bohai Bay. Thereafter, production is expected to pick up, resulting in growth from 2010's average 4.1 mb/d to 4.28 mb/d in 2011.

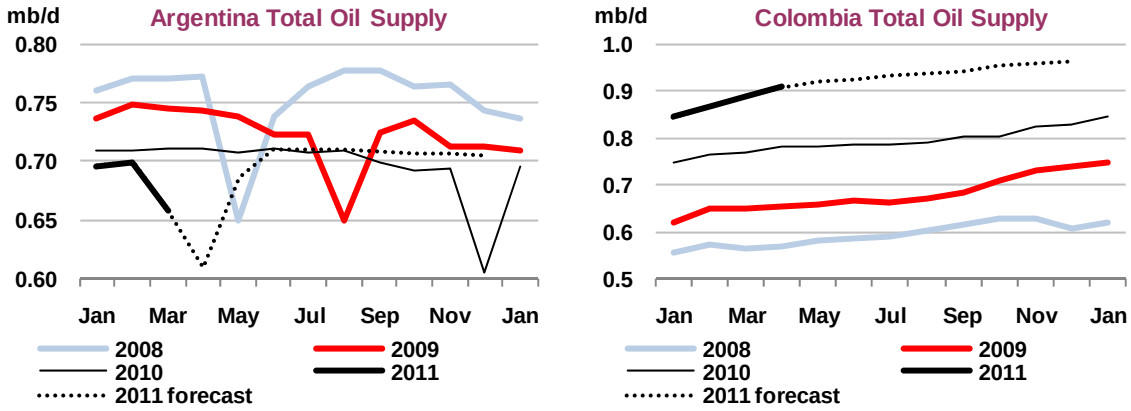




Brazil – March actual: Brazil's total oil production rose marginally to 2.17 mb/d in March from February. In April, the Statoil-operated Peregrino oil field started production, with a peak capacity of 100 kb/d. Its ramp-up, as well as increased production from a swathe of other fields, is estimated to hike Brazil's supply from 2.14 mb/d in 2010 to 2.34 mb/d in 2011. Meanwhile, the government announced a 1H11 auction of oil blocks in northern Brazil. Setting a date for the much anticipated offshore pre-salt auction has been delayed due to disagreement over revenue sharing between producing states and the federal government.

Argentina – March actual: Striking oil workers cut April production by an estimated 100 kb/d, to 610 kb/d, after March estimates were also curbed to 660 kb/d. The workers' strike reportedly ended in late April, but in early May, news reports indicated that teachers' protests had halted a smaller volume (estimated at 25 kb/d) of crude output in the same Santa Cruz region, putting average monthly output at

685 kb/d. Thereafter oil production is expected to recover. In 2010, total oil supply averaged just under 700 kb/d, and is expected to hold steady in 2011.



Colombia – March actual; April preliminary: Colombia's oil production continues to rise, topping 900 kb/d in April for the first time. At the time of writing, it was uncertain whether oil workers would follow up on threats to halt production at the 40 kb/d Caño Limon field. The country's oil production is expected to keep on growing, jumping from an average 790 kb/d in 2010 to 920 kb/d in 2011 as output ramp-up continues at fields such as Rubiales, Castilla and others.

Yemen: Amid ongoing unrest and violence in Yemen, a deal brokered by the regional Gulf Cooperation Council (GCC), in mid-April, was set to lead to the departure of incumbent President Saleh and a peaceful transition to a new regime. However, after initially indicating that he would accept this deal, the president has subsequently wavered, and political violence continues. At least 100 kb/d of the country's 270 kb/d oil production remained shut-in in April, and is expected to stay curtailed for some time (we cautiously assume recovery from July). At the time of writing, striking workers were reported to have shut-in a further 70 kb/d of crude production. The situation remains volatile.

Syria: The political situation in Syria has deteriorated in April and early May, with reports of a flare-up in violence. Nonetheless, according to company statements, no oil production has so far been affected. The country produced 385 kb/d in 2010, currently expected to dip slightly to an average 370 kb/d in 2011.

Sudan: In Sudan too, the situation remains tense amid a stand-off between the northern and southern halves of the country. A January referendum resulted in overwhelming support for the south's secession, which is due to take effect in July. However, disputes over oil fields near the border continue to dog the transition. In mid-April, reports indicated that around 85 kb/d of southern oil production was shuttered. Sudan's total oil production averaged 470 kb/d in 2010 and – assuming no further outages – is expected to dip to 445 kb/d in 2011.

OECD STOCKS

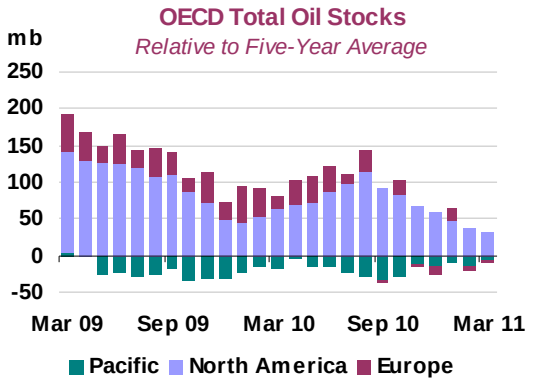
Summary

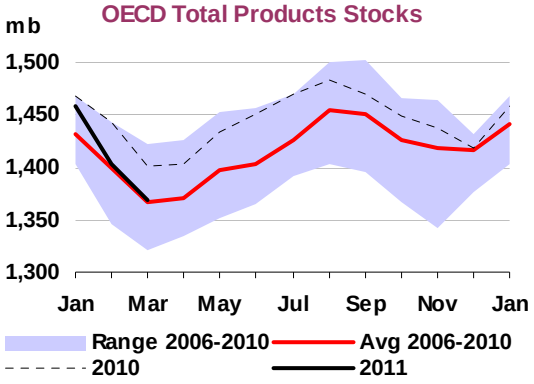
- **OECD industry stocks declined by 9.2 mb to 2 643 mb in March**, following a sharp 65 mb draw in February. Seasonal refinery maintenance substantially reduced product stocks, while a strong crude build provided a partial offset. Yet, the overall monthly drop appeared more limited than the five-year average 15.4 mb stockdraw.

- **OECD forward demand cover tracked year-ago levels and fell to 58.8 days in March**, from 59.2 days in February, and stood 2.7 days above the five-year average. Lower gasoline cover drove the decline, as demand for this product is expected to increase seasonally.

- **OECD preliminary data point to a 29.9 mb increase in commercial inventories in April**, driven by gains in crude and 'other oils'. Builds in all product categories but gasoline lifted refined oil product stocks by 6.3 mb. The monthly increase is broadly in line with a 20.0 mb five-year average build.

- **Oil held in short-term floating storage fell to 62 mb in April,** from 68 mb in March. A further build in the Middle East Gulf boosted crude floating storage by 4 mb to 44 mb. Offshore oil products declined by 9 mb to 18 mb, driven by offloading in Northwest Europe and West Africa.





OECD Inventories at End-March and Revisions to Preliminary Data

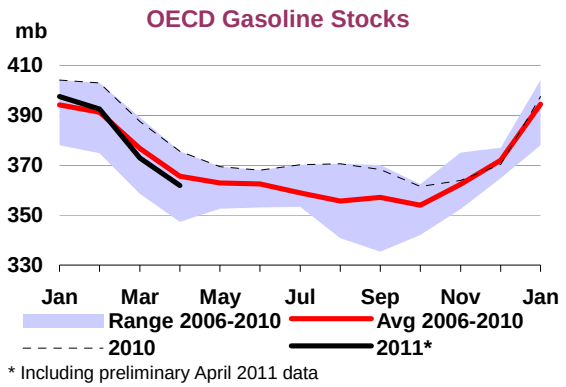
OECD commercial oil inventories fell by 9.2 mb, to 2 643 mb or 58.8 days cover in March, as seasonal refinery turnarounds substantially reduced refined product holdings. Product stocks continued to track the five-year average levels, as sharp draws in gasoline and middle distillates curtailed holdings by 34.3 mb. Meanwhile, crude oil stocks gained 27.0 mb in March, twice the seasonal 12.5 mb average increase seen over the past five years. The lion's share of this monthly crude build came from the Pacific and, as a result, crude's overhang versus the five-year average doubled. Consequently, total oil inventory stood 23.0 mb above five-year average levels in March, compared to 16.8 mb in February.

Preliminary Industry Stock Change in March 2011 and First Quarter 2011

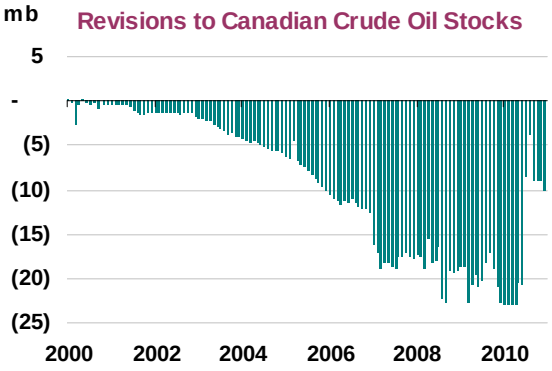
	March (preliminary) *(million barrels)*				March (preliminary) *(million barrels per day)*				First Quarter 2011 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**6.5**	**4.4**	**16.1**	**27.0**	**0.21**	**0.14**	**0.52**	**0.87**	**0.30**	**0.08**	**0.17**	**0.54**
Gasoline	-14.7	-2.7	-2.2	-19.6	-0.47	-0.09	-0.07	-0.63	-0.04	0.06	0.00	0.03
Middle Distillates	-3.4	-7.6	-4.2	-15.2	-0.11	-0.25	-0.14	-0.49	-0.22	0.03	-0.07	-0.26
Residual Fuel Oil	-0.6	0.8	2.3	2.6	-0.02	0.03	0.08	0.08	-0.08	-0.01	0.02	-0.07
Other Products	1.3	-0.2	-3.2	-2.1	0.04	-0.01	-0.10	-0.07	-0.24	0.02	-0.04	-0.27
Total Products	**-17.4**	**-9.7**	**-7.3**	**-34.3**	**-0.56**	**-0.31**	**-0.24**	**-1.11**	**-0.57**	**0.09**	**-0.09**	**-0.57**
Other Oils[1]	3.2	-0.5	-4.6	-1.9	0.10	-0.02	-0.15	-0.06	-0.04	-0.04	-0.02	-0.10
Total Oil	**-7.7**	**-5.8**	**4.2**	**-9.2**	**-0.25**	**-0.19**	**0.14**	**-0.30**	**-0.31**	**0.13**	**0.06**	**-0.12**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Both gasoline and distillates stocks declined seasonally in March. Middle distillate stocks fell by 15.2 mb, but remained nonetheless 30.1 mb above the five-year average. Gasoline holdings shed 19.6 mb in March, the largest decline in the past four years, and, combined with an expected seasonal increase in demand, reduced gasoline stock cover by 1.7 days to 26.1 days. Despite preliminary April data pointing to a further strong 11.1 mb decline in gasoline, stock levels have closely tracked the five-year trend since the start of 2011.



* Including preliminary April 2011 data



The March stock-draw followed a substantial 64.5 mb decline in OECD inventories in February, exacerbated by sharp downward revisions since last month's preliminary estimates. Upon receipt of more complete OECD data, total oil holdings were revised 23.5 mb lower in February, with significant adjustments to distillate and crude inventories. In addition, crude oil baseline levels were adjusted lower due to historical revisions to Canadian crude oil stocks, spanning from January 2000 to December 2010. Revisions to crude oil stocks for a provincial jurisdiction resulted in significant overall downward revisions, but the impact was partially mitigated for recent months by higher estimates of Canadian pipeline fill included in industry stocks. In addition, we expect further revisions to the 'other products' category in coming months.

Revisions versus 12 April 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Jan 11	Feb 11	Jan 11	Feb 11	Jan 11	Feb 11	Jan 11	Feb 11
Crude Oil	**-18.0**	**-16.0**	**-1.8**	**-8.5**	**6.7**	**12.9**	**-13.1**	**-11.7**
Gasoline	0.0	2.2	-1.1	1.3	-0.1	0.4	-1.2	3.8
Middle Distillates	0.0	-2.2	-0.5	-11.9	1.0	1.1	0.4	-13.1
Residual Fuel Oil	0.0	-1.9	-0.9	-0.9	0.0	-0.1	-0.9	-2.9
Other Products	0.1	3.9	0.2	-0.5	0.0	-0.6	0.4	2.7
Total Products	**0.1**	**1.9**	**-2.3**	**-12.1**	**1.0**	**0.8**	**-1.2**	**-9.4**
Other Oils[1]	1.5	-2.2	-0.1	-2.8	3.2	2.6	4.5	-2.4
Total Oil	**-16.5**	**-16.3**	**-4.2**	**-23.4**	**10.8**	**16.2**	**-9.9**	**-23.5**

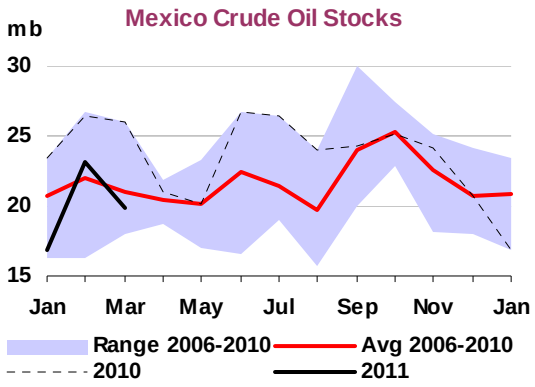
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

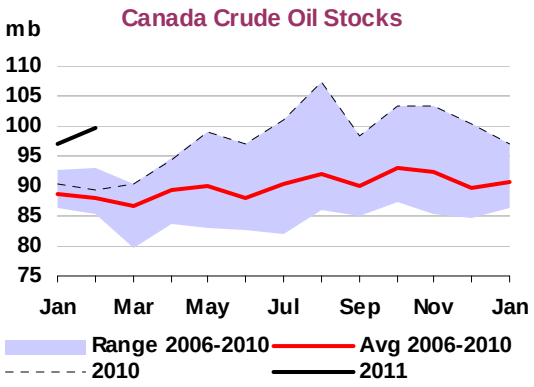
Preliminary OECD data suggest stock levels followed their seasonal trend in April and rose by 29.9 mb. The build was driven by crude and 'other oils' gaining 14.1 mb and 9.4 mb, respectively. Products rose by 6.3 mb as gains in distillates, fuel oil and 'other products' outweighed a draw in gasoline. Meanwhile, global oil short-term floating storage declined to 62 mb in April.

Analysis of Recent OECD Industry Stock Changes

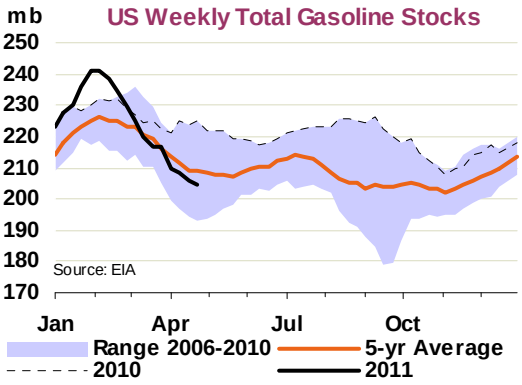
OECD North America

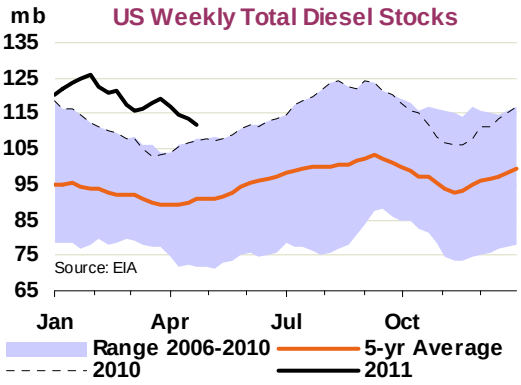
Commercial oil stocks in North America fell by 7.7 mb, to 1 288 mb in March, directionally in line with the five-year 3.6 mb average draw. Crude oil inventories rose by 6.5 mb, as sharp gains in the US outweighed a draw in Mexico. Maintenance curbed refinery runs in the US and product stocks consequently declined by 17.4 mb. Gasoline inventories fell by 14.7 mb, the largest monthly decline over the past five years. Middle distillates drew by 3.4 mb while 'other products' provided partial offset, rising by 1.3 mb.





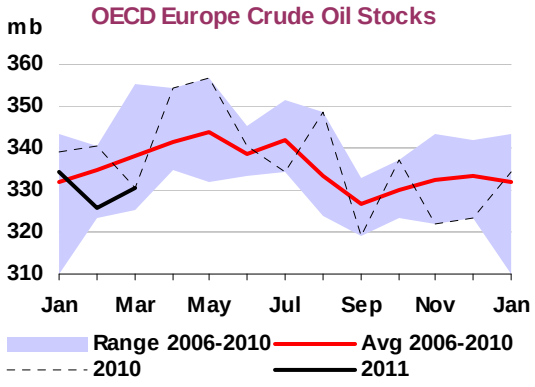
US weekly data point to a modest 1.3 mb decline in US industry stocks in April, as product draws outweighed crude builds. Crude stocks rose by 8.9 mb, yet inventories held at Cushing, Oklahoma, decreased by 1.4 mb from a record high 41.9 mb in March. Meanwhile, a further sharp monthly gasoline draw, combined with counter-seasonally falling diesel stocks, curtailed product inventories by 12.3 mb. Gasoline and distillates declined by 12.1 mb and 9.5 mb, respectively, counteracted in part by a 7.7 mb gain in 'other products'.

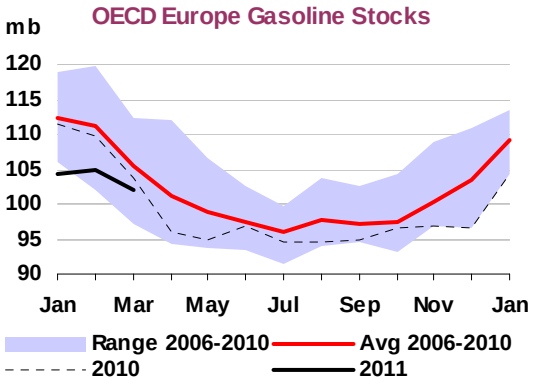




OECD Europe

European industry oil inventories declined by 5.8 mb, to 959 mb in March, as regional refinery turnarounds curbed product stocks. Crude inventories built by 4.4 mb, primarily in France, Italy, the Netherlands and the UK. Sharp distillate draws in Germany, the Netherlands and the UK reduced product holdings by 9.7 mb. German end-user heating oil stocks stood at 50% of capacity in February. End-March data have been delayed, however, we estimate that relatively high heating oil prices discouraged consumer buying. Meanwhile, European gasoline stocks dropped by 2.7 mb, but a modest gain in fuel oil provided a partial cushion.

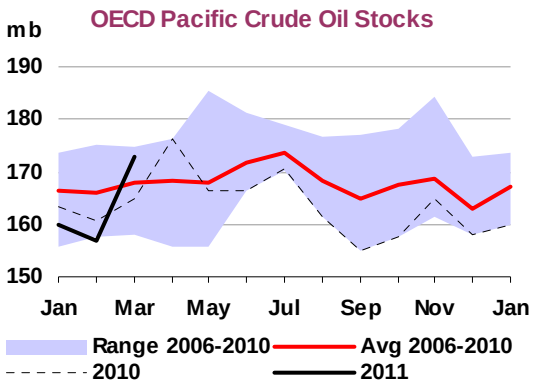


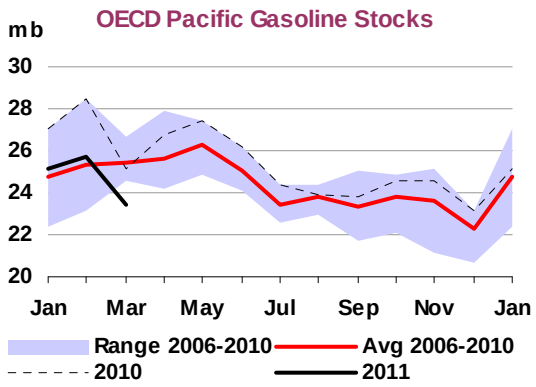


Preliminary April data from Euroilstock point to a 5.1 mb stockbuild in the EU-15 and Norway, with the sharpest gain in middle distillates. Crude inventories edged 0.7 mb higher, while products increased by 4.4 mb, driven by distillate builds in Germany, France and the UK. Gasoil holdings in independent storage in Northwest Europe also rose, as some barrels were taken ashore from floating storage. Backwardation in ICE gasoil futures prompted offloading from vessels into cheaper onshore storage and oil products held off Northwest Europe declined by 8 mb. However, sharp draws in gasoline, jet fuel and fuel oil inventories offset gasoil gains and reduced overall refined oil product stocks in independent storage in Northwest Europe in April.

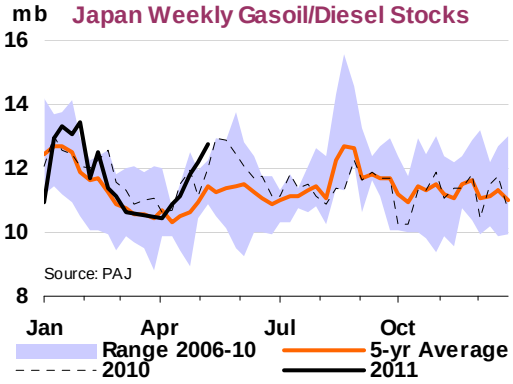
OECD Pacific

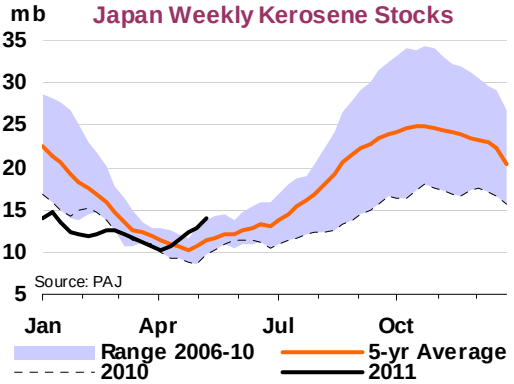
Commercial oil inventories in the OECD Pacific rose by 4.2 mb to 396 mb in March. Regional product stocks fell by 7.3 mb, but the draw was outweighed by the largest monthly crude oil stock build since 2003. Crude oil stocks soared by 16.1 mb, boosted by sharp gains in Japanese and Korean holdings. In Japan, lower crude runs following the earthquake and subsequent tsunami in March contributed to a 5.9 mb increase in the country's crude stocks. However, total oil inventories dropped by 4.0 mb, as distillate, gasoline and 'other product' draws dominated a 5.8 mb product decline and 'other oils' shed a further 4.1 mb.





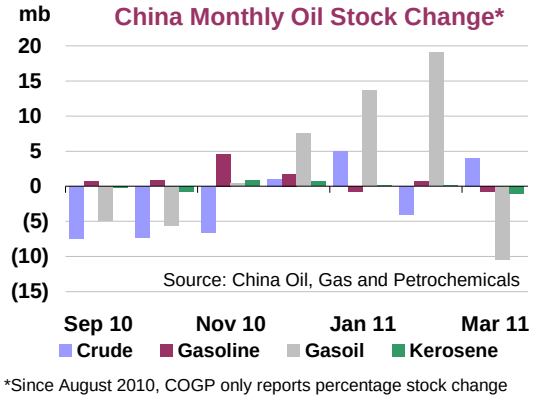
The Petroleum Association of Japan (PAJ) resumed publishing weekly data for the week ending 2 April, just four weeks after the disaster in March, although PAJ acknowledged both a three week gap in series and a lack of comparability between available March and April data due to considerable reporting difficulties for many companies. Therefore, we adjusted April opening stock levels by applying the March stock change calculated from monthly data published by the country's Ministry of Economy, Trade and Industry (METI) to February averages derived from PAJ data. These constructed time series signal a strong 26.0 mb gain in Japanese oil inventories in April, driven by both crude and product builds. Crude stocks were seen 4.5 mb higher, 'other oils' added a further 7.3 mb and all product categories gained a combined 14.2 mb in April. Nevertheless, these series are prone to revision should more complete data become available.



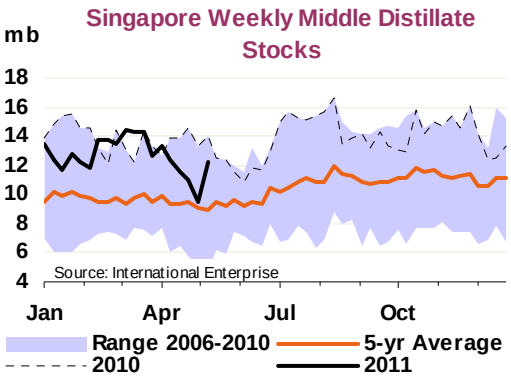


Recent Developments in China and Singapore Stocks

Chinese commercial oil inventories fell by an equivalent of 8.4 mb (data are reported in terms of percentage stock change), to approximately 353 mb in March, according to *China Oil, Gas and Petrochemicals* (*China OGP*). Lower refinery runs boosted crude oil stocks by 2% (4.0 mb) and partly offset a sharp gasoil-led draw in product holdings. Gasoil stocks plummeted by 12% (10.5 mb) after three months of strong builds, while kerosene inventories dropped by 8.5% (1.1 mb) and gasoline fell by 1.4% (0.8 mb).



*Since August 2010, COGP only reports percentage stock change

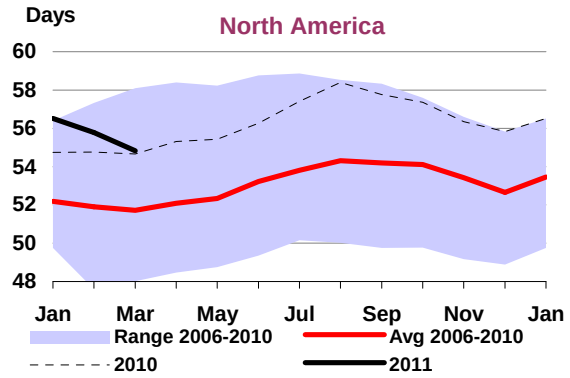


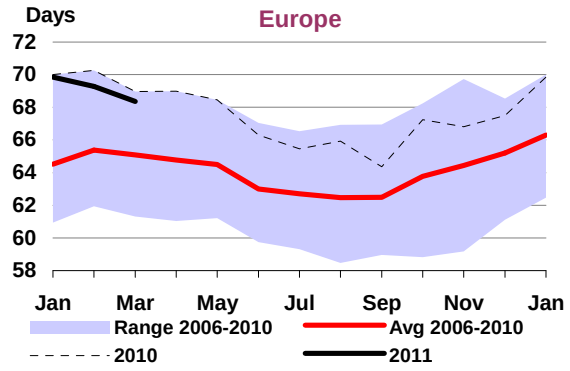
Refined oil product inventories in Singapore grew by 0.3 mb in April, as strong gains in fuel oil outweighed declines in light and middle distillates. Higher arbitrage arrivals lifted fuel oil stocks to the highest levels since September 2010, while lower exports from Japan and China curtailed light and middle distillate holdings. Middle distillate inventories fell to the lowest levels since July 2008, but rebounded by the end of the month as Japan resumed exports, albeit at reduced levels, and more cargoes arrived from other regional exporting countries.

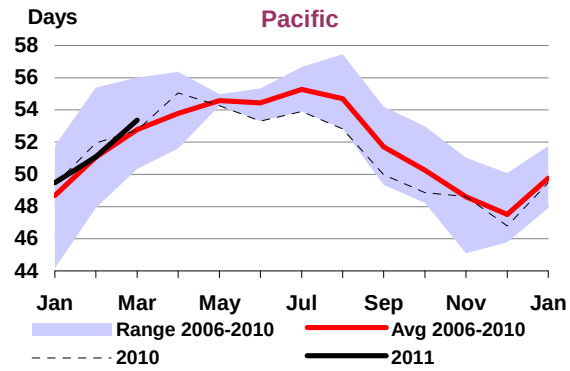
Regional OECD End-of-Month Industry Stocks

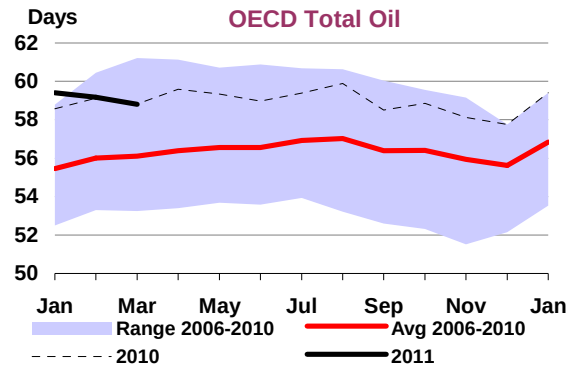
(in days of forward demand and millions barrels of total oil)

Days[1]

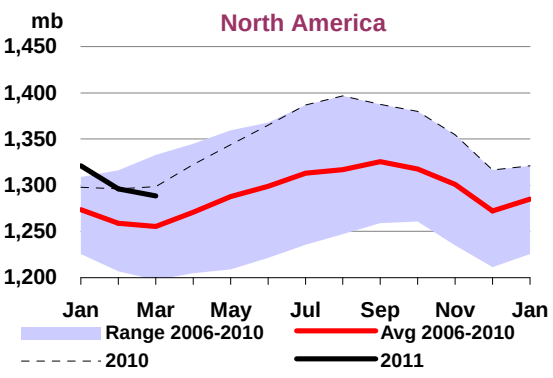


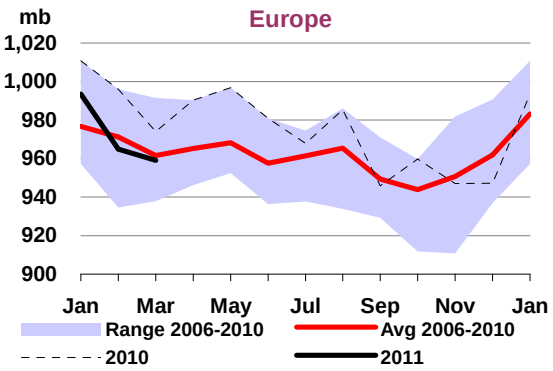


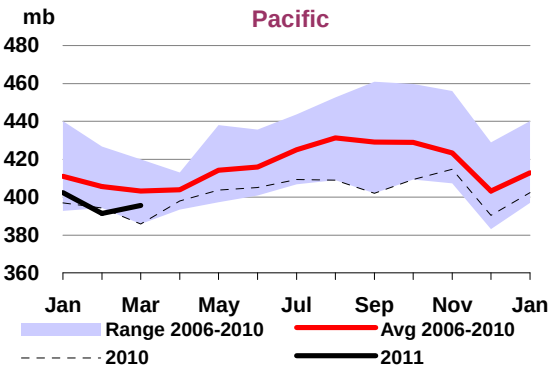


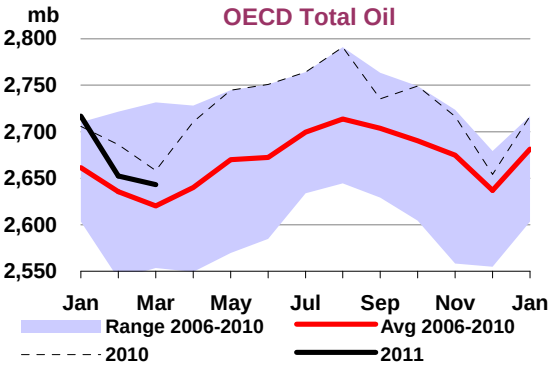


Million Barrels









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

PRICES

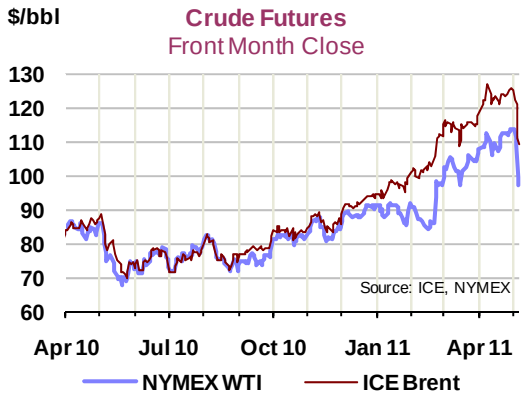
Summary

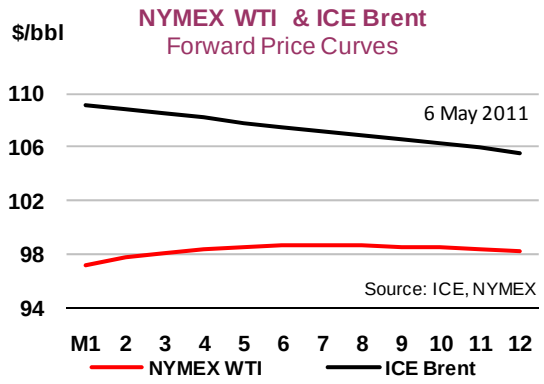
- **As part of a broader commodity rout, oil futures prices for benchmark WTI and Brent on 5 May posted their single biggest one-day loss** since their respective contracts started trading. Over the course of the week ended 6 May, futures prices for Brent tumbled by $15.99/bbl to $109.13/bbl while WTI plummeted by $16.34/bbl to $97.18/bbl. Prices have ebbed and flowed since, but partially recovered their losses, with Brent last trading at around $115/bbl and WTI at $101/bbl.

- **Before tumbling in tandem with futures markets, spot crude oil prices posted their seventh monthly increase in April.** Supported by the loss of Libyan crudes from the market, North Sea Brent saw the largest monthly increase. While the shut in of light, sweet Libyan crudes supported strong premiums for middle distillate and gasoline-rich crudes early in the month, by mid-April refiners, especially in Asia and Europe, were shunning expensive lighter crudes given very poor margins.

- **European and Asian refiners posted another month of deteriorating margins in April while the US saw modest improvements.** In Northwest Europe, Brent margins were negative for the month on average, while in the Mediterranean Urals hydroskimming margins fell to new record-lows. In Asia, Singapore margins declined across the board in April, with refineries processing more expensive, lighter crudes as feedstock showing the largest losses. In the US, the situation improved in April although refining margins remained weak compared to historical levels.

- **Despite healthy demand, the oversupply of VLCCs East of Suez again weighed heavy on the tanker market in April.** Rates for product tankers fared somewhat better as they held onto their recent gains.





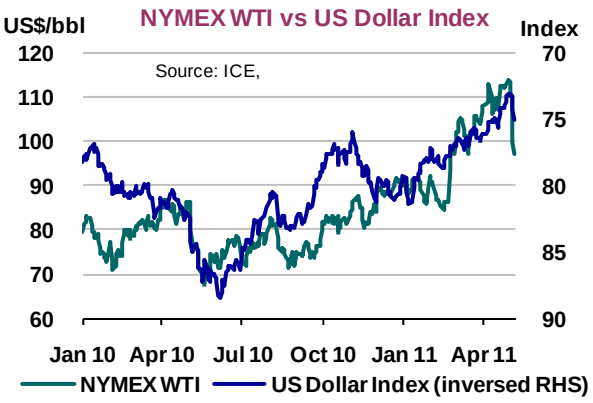
Market Overview

As part of a wider commodities sell-off, oil markets plunged into uncharted waters when futures prices for benchmark WTI and Brent on 5 May posted their single biggest one-day loss since their respective contracts started trading. Over the course of the week ended 6 May futures prices for Brent tumbled by $15.99/bbl to $109.13/bbl, while WTI plummeted by $16.34/bbl to $97.18/bbl. Prices have partially recovered their losses, with Brent last trading at around $115/bbl and WTI at $101/bbl.

Before May's sharp reversal, April prices had posted their seventh monthly increase, with benchmark crudes rising by 6.4-6.8%. North Sea Brent was up $8.42/bbl to an average $123.09/bbl in April while WTI prices, still under pressure from swelling stocks at Cushing, Oklahoma storage tanks, was up by a smaller $7.06/bbl, to $110.04/bbl.

Analysts are still debating the myriad of factors that drove prices over the precipice, but most agree the collapse in oil prices was part of the broader meltdown in commodity markets. There does not appear to be a single key catalyst, but instead an array of developments appear to have played a role in the collapse. Factors frequently cited include:

- Growing fears that the relentless rise in oil prices, i.e., retail prices for gasoline and other oil products, will curb demand in the key US market and undermine the economic recovery, especially in OECD countries;
- A wave of disappointing economic data releases, including high levels of unemployment in the US, weaker manufacturing data in Germany and interest rates increases;
- The impact of QE2 in the US coming to an end in June;
- A temporarily stronger dollar;
- Slowing Chinese and Indian demand, partly due to inflationary pressures;
- Speculative traders liquidating positions; of which, notably algorithmic trading or 'black box' played a role;
- Steep increases in the costs of margins on crude and silver;
- A perception by some of reduced geopolitical risk following the death of al-Qaeda leader Osama bin Laden.





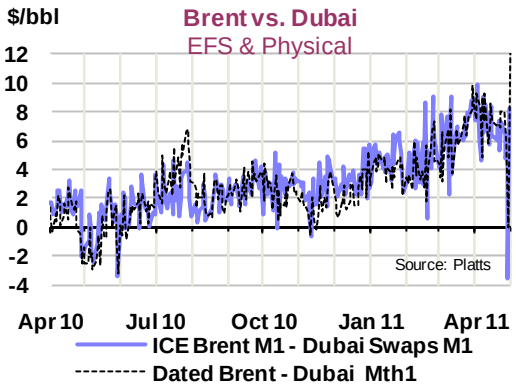
The list of negative factors pressuring markets lower in early-May suggests seeds of doubt may be beginning to be sown by the potential downside risk to economic growth and ultimately oil demand due to prices remaining stubbornly high (the recent correction notwithstanding). However, for now the prevailing market consensus remains one of tightening supply and demand fundamentals, including the continued loss of Libyan supplies, potentially adding upward pressure to prices in second-half 2011.

OPEC's apparently relaxed attitude towards increasing production to offset lost Libyan supplies may also lead to sharply tighter markets later this summer once refiners are back in full swing, following extensive turnaround schedules. OPEC production at 28.75 mb/d in April is some 1.3 mb/d below pre-Libyan crisis levels. Ministers will meet on 8 June in Vienna to review the market, but public statements leading up to the gathering suggests the group sees little need to increase supplies at current prices.

Unusually, almost all OPEC members, both traditional price hawks and the doves, are arguing there are ample supplies in the market. Saudi Arabia has offered additional supplies of its new Libyan-quality crude in the spot market but there are currently few takers, in part due to the unknown risks associated with processing new crude blends. Another reason buying interest is tepid, refiners argue, is that Saudi Aramco is setting premiums too high for its lighter crudes. June prices were raised to near record levels, according to refiners.

Near term, the shut-in of Libyan crudes led to a further widening of the sweet/sour price spreads but by early-April refiners, especially in Europe and Asia, were shunning the high-priced light crudes in favour of cheaper heavier and sourer barrels.

The Brent/Dubai spread, an indicator for the premium of light sweet grades over heavy sour supplies, widened in April with Dubai's discount to Brent at -$7.48/bbl compared with -$5.89/bbl in March and down more than 50% from February's -$3.52/bbl. The deeper Dubai discount has also encouraged refiners to buy more Dubai-linked crudes in April.



Extensive refinery maintenance turnarounds this spring have curbed demand for crude in recent months but oil demand is expected to increase sharply between 2Q11 and 3Q11, by as much as 1.7 mb/d. Indeed, refinery throughput rates are forecast to increase by 2.3 mb/d in the same period.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

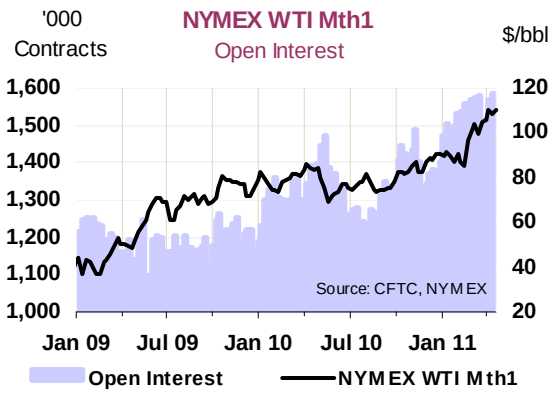
	Feb	Mar	Apr	Apr-Mar Avg Chg	% Chg	Week Commencing: 04 Apr	11 Apr	18 Apr	25 Apr	02 May
NYMEX										
Light Sweet Crude Oil	89.74	102.98	110.04	7.06	6.4	109.75	108.21	109.75	112.81	106.16
RBOB	107.20	125.88	137.25	11.37	8.3	134.49	135.50	137.25	142.75	135.96
No.2 Heating Oil	116.64	127.90	134.66	6.76	5.0	135.02	134.75	134.00	135.36	128.68
No.2 Heating Oil ($/mmbtu)	20.02	21.96	23.12	1.16	5.0	23.18	23.13	23.00	23.24	22.09
Henry Hub Natural Gas ($/mmbtu)	4.04	4.07	4.27	0.20	4.7	4.15	4.15	4.28	4.48	4.49
ICE										
Brent	104.03	114.67	123.09	8.42	6.8	122.98	122.72	122.70	124.77	117.74
Gasoil	118.22	130.68	137.60	6.92	5.0	137.86	137.92	136.53	138.52	133.14
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-14.29	-11.69	-13.05	-1.36		-13.23	-14.51	-12.94	-11.96	-11.58
NYMEX No.2 Heating Oil - WTI	26.90	24.92	24.62	-0.30		25.27	26.54	24.25	22.55	22.52
NYMEX RBOB - WTI	17.46	22.90	27.21	4.31		24.74	27.29	27.50	29.94	29.80
NYMEX 3-2-1 Crack (RBOB)	20.60	23.57	26.35	2.78		24.92	27.04	26.42	27.48	27.37
NYMEX No.2 - Natural Gas ($/mmbt	15.99	17.89	18.85	0.96		19.03	18.98	18.72	18.75	17.60
ICE Gasoil - ICE Brent	14.19	16.01	14.51	-1.50		14.88	15.21	13.84	13.76	15.40

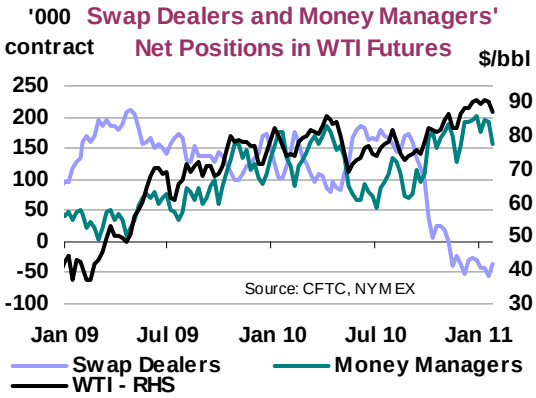
Source: ICE, NYMEX

Futures Markets

Open interest in WTI futures contracts reached yet another record-high in April, increasing in both futures-only and futures and futures-equivalent options (thereafter combined) to 1.62 million and 3.04 million contracts, respectively. Producers decreased their net short position during the month of April; they held 27.02% of the short and 14.6% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 29.33% and 34.4% of the open interest on the long side and short side, respectively, remained net short.

Managed money traders' net long exposure decreased by 3.32% in April to 258 668 futures contracts. The market share of managed money traders has declined from 31.13% to 30.96% on the long side and risen from 14.05% to 15.04% on the short side. Other non-commercials, who accounted for 18.9% of open interest on the long side and 19.8% on the short side, remained net long. Meanwhile, open interest increased in the NYMEX RBOB futures and combined markets by 5.09% and 4.37%, respectively. In April, open interest in NYMEX heating oil increased by 2.7% to 314 173 contracts, while open interest in natural gas markets increased by close to 10.7% to over one million contracts.





Index investors continued to increase their long exposure in commodities in March to a record high of $336 billion. They added another $7.9 billion to the WTI Light Sweet Crude Oil market, which rose to an all time high of 694 000 futures equivalent contracts, or $74.1 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

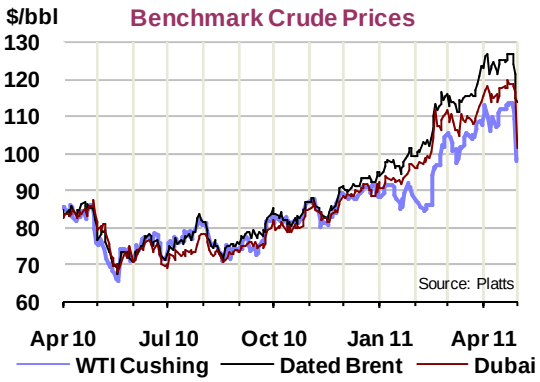
Thousand Contracts

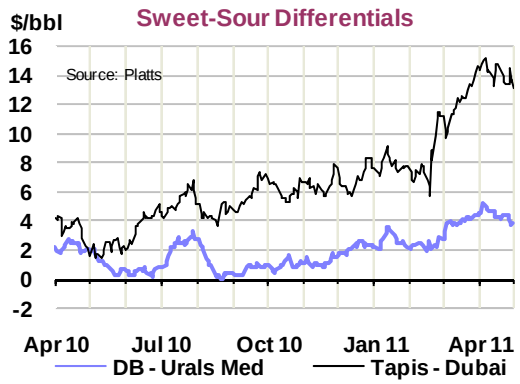
03 May 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	237.2	438.9	-201.7	*Short*	↑ 6.9	↑ 11.8
Swap Dealers' Positions	210.8	292.9	-82.0	*Short*	↑ 0.8	↓ -6.5
Money Managers' Positions	295.6	37.0	258.7	*Long*	↓ -4.6	↓ -8.9
Others' Positions	103.7	118.0	-14.3	*Short*	↓ -9.2	↑ 1.0
Non-Reportable Positions	100.7	61.3	39.4	*Long*	↑ 6.0	↑ 2.5
Open Interest			**1624.3**		↑ 70.6	↑ 57.6

Source: CFTC

Spot Crude Oil Prices

Spot crude oil prices continued their upward trajectory for the seventh monthly increase in a row in April, with benchmark crudes posting gains ranging from 6.5% to almost 8% on average for the month, before plummeting in early May. Supported in part by the loss of Libyan crudes from the market, North Sea Brent posted the largest monthly increase, up on average by $8.89/bbl to $123.49/bbl. Mideast marker Dubai rose by $7.30/bbl to $116.00/bbl while US WTI spot prices were up by just under $7/bbl to $109.89/bbl.





The loss of light, sweet Libyan crudes supported strong premiums for middle distillate and gasoline-rich crudes in March. By April though, refiners, especially in Asia and Europe, were shunning the high-priced lighter crudes, given exceptionally poor margins. Refiners opted to either maintain lower throughput rates after completing maintenance work, especially at simple refineries, or switch to more competitive-priced heavier, sourer crudes where possible.

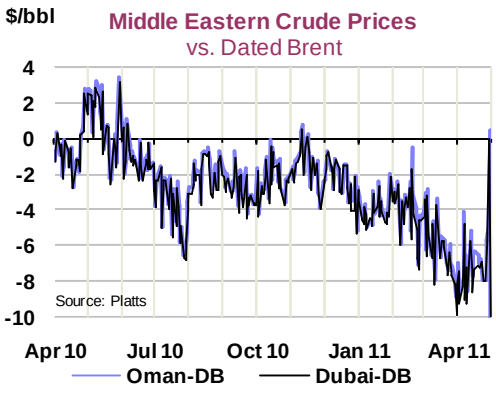
Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

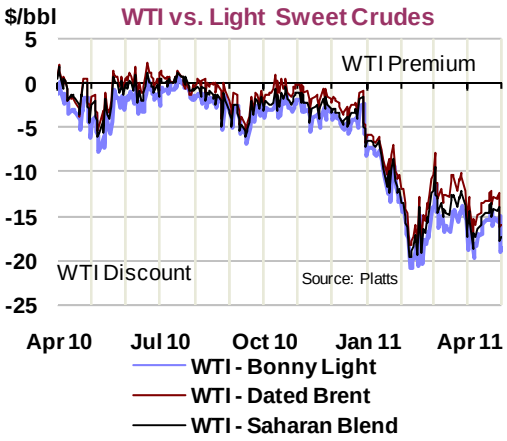
	Feb	Mar	Apr	Apr-Mar Avg Chg	%	Week Commencing: 04 Apr	11 Apr	18 Apr	25 Apr	02 May
Crudes										
Dated Brent	103.76	114.60	123.49	8.89	7.8	123.39	123.75	123.11	125.34	118.49
Brent (Asia) Mth1 adjusted	104.35	114.41	123.08	8.66	7.6	122.05	123.45	122.91	124.89	118.83
WTI (Cushing) Mth1 adjusted	89.57	102.99	109.89	6.91	6.7	109.59	108.13	109.44	112.69	105.98
Urals (Mediterranean)	101.48	111.50	119.38	7.88	7.1	119.52	119.46	118.98	121.07	114.18
Dubai Mth1 adjusted	100.24	108.71	116.00	7.30	6.7	114.83	116.03	115.89	118.25	112.60
Tapis (Dated)	107.76	120.50	130.29	9.79	8.1	129.39	130.68	129.97	132.15	126.35
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-14.19	-11.61	-13.59	-1.98		-13.80	-15.62	-13.68	-12.65	-12.51
Urals (Mediterranean)	-2.28	-3.10	-4.10	-1.00		-3.86	-4.29	-4.13	-4.27	-4.31
Dubai Mth1 adjusted - Dated Brent	-3.52	-5.89	-7.48	-1.59		-8.55	-7.72	-7.23	-7.09	-5.89
Tapis (Dated)	4.00	5.90	6.80	0.90		6.00	6.93	6.86	6.82	7.86
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.45	-0.18	0.32	0.50		0.41	0.38	0.18	0.22	0.22
Forward WTI Cushing Mth1-Mth2 adj	-2.69	-0.89	-0.57	0.32		-0.60	-0.63	-0.57	-0.48	-0.52

Source: Platts

Leaving aside the 5 May price plunge, already-strong Brent crude prices gained further support with the cutback in Forties supplies for the month. Production problems at the key Buzzard field and several other installations have unexpectedly reduced supply of North Sea Forties crude for May and June. Buzzard is the largest field in the UK with production of around 200 kb/d. North Sea Forties is a key crude used for setting the Dated Brent price.



In Asia, the premium for light, sweet Malaysian Tapis over Dubai weakened over the month of April, from $14.56/bbl on average in the first week to $13.90/bbl on average in the last week. By early May, it had narrowed further, to $13.69/bbl. Asian refiners, especially in China, also shied away from some African grades linked to pricier Brent and switched to heavier, but cheaper, Dubai-linked Middle East crudes. In April, average spot Dubai's discount to Brent weakened a further $1.59/bbl, to -$7.48/bbl. However, the weaker monthly average masked the steady erosion in differentials over April. Stronger buyer interest in Middle East grades led to a narrowing in Dubai's discount to Dated Brent by around $2.65/bbl as the month progressed, from -$8.55/bbl in the first week of April to -$7.09/bbl by the last week. By early May the discount had narrowed to -$5.89/bbl.



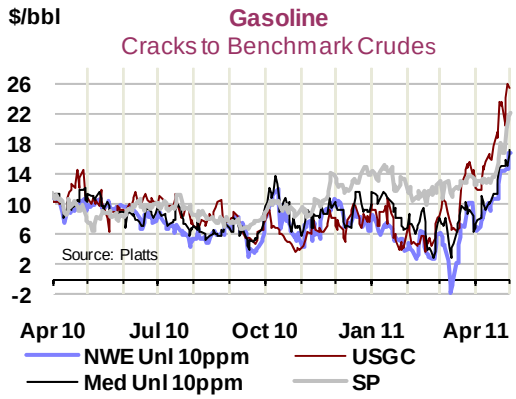
The unexpected, and some refiners argue unwarranted, increase in June prices by Saudi Arabia, the UAE and Qatar (given poor refining margins) may curtail buying interest in Middle East grades and prompt further economic run cuts.

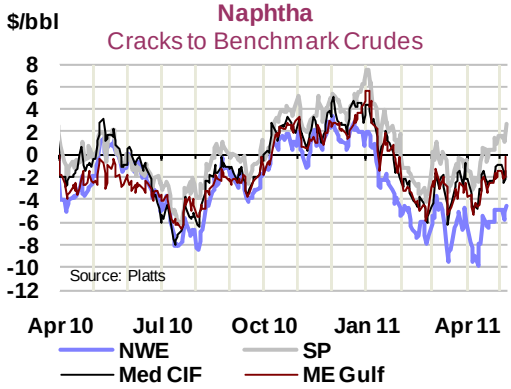
Unlike other markets, US spot crude markets were supported by improving refining margins, especially for gasoline, ahead of the peak summer driving season. Relatively weaker outright spot prices for WTI prompted increased buying of lighter grades linked to the beleaguered benchmark. The price spread between WTI and Dated Brent widened in April, to $13.59/bbl compared with $11.61/bbl on average in

March. Nonetheless, US refiners are bidding up prices for gasoline-rich crudes from Nigeria and Algeria ahead of the summer driving season.

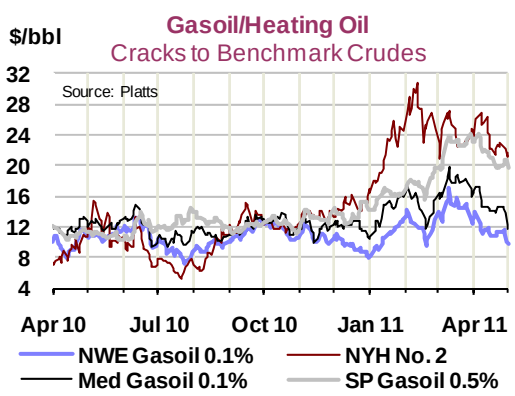
Spot Product Prices

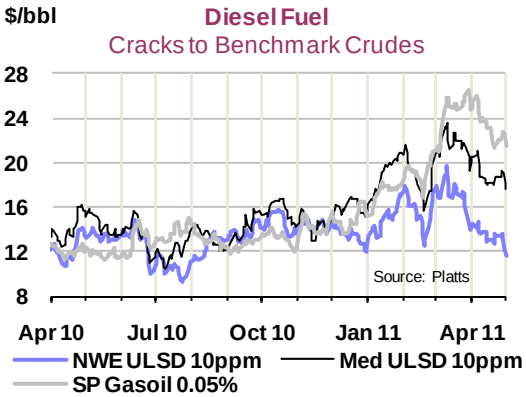
Spot product prices increased smartly in April, especially for light ends such as gasoline and naphtha, as reduced refiner output led to a tightening of supplies. However, the rise in spot crude prices outpaced gains in refined products, and, as a result, cracks spreads were largely weaker month-on-month, with the exception of gasoline in all major markets and naphtha in Europe. Crack spreads saw a recovery in early May as refined product prices lagged the unprecedented plunge in spot crude prices. The loss of Libya's distillate-rich light, sweet crude also helped buoy crack spreads in Europe and Asia.





The cutback in refinery runs to seasonal lows in the March/April period has had the largest impact on gasoline markets. At the US Gulf Coast, unleaded gasoline differentials to Mars jumped to a steep $16.34/bbl, compared to $9.40/bbl in March and just $5.10/bbl in February. A steady drawdown in gasoline stocks is also supporting crack spreads. US gasoline stocks were down again in April after posting the sharpest decline in five years in March. However, early indicators suggest this year's gasoline season may disappoint. Gasoline demand declined by 3.1% y-o-y in April and the relentless rise in prices at the pump may further curtail consumer demand in the months ahead (*see 'Looming Lacklustre Gasoline Demand?'*).



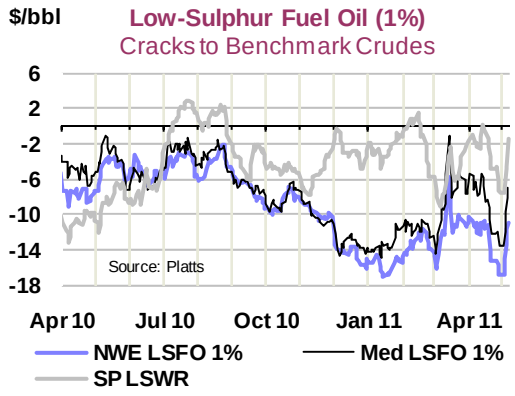


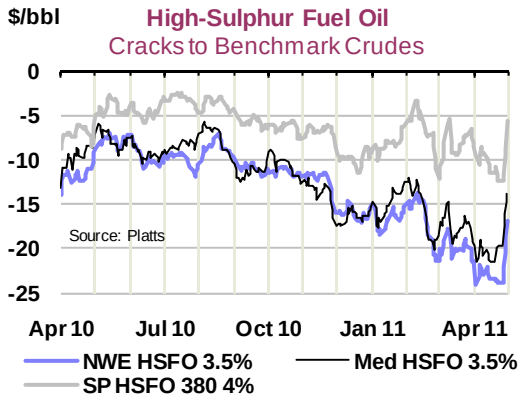
In Europe, gasoline cracks were largely supported by a sharp downturn in refinery runs as well as export demand from the US and Middle East. Gasoline cracks rose by just over $3/bbl in April, averaging $10.09/bbl in the Mediterranean and $8.78/bbl in Rotterdam.

Middle distillate crack spreads were weaker in April in Europe and posted only marginal increases in Singapore. In Northwest Europe, gasoil differentials to Brent declined by $2.09/bbl to $12.21/bbl while diesel was off by $3.38/bbl to $13.94/bbl. In the Mediterranean, gasoil crack spreads to Urals eased by $1.66/bbl to $15.12/bbl, while diesel fell by $1.96/bbl to $19.41/bbl.

In Asia, refinery turnarounds coupled with reduced Japanese runs helped lift gasoil cracks in April, with differentials for Dubai crude in Singapore up by $0.30/bbl, to $22.00/bbl, while they declined by around $0.20/bbl in Japan, though still remaining at a strong $25.48/bbl.

Fuel oil markets were a weak link in all major markets in April, with limited demand and ample stocks pressuring crack spreads. In Europe cracks for high-sulphur fuel oil were around -$20/bbl.





Spot Product Prices

(monthly and weekly averages, $/bbl)

	Feb	Mar	Apr	Apr-Mar *Chg*	Apr-Mar %	Week Commencing: 04 Apr	11 Apr	18 Apr	25 Apr	02 May	Feb	Mar	Apr
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	108.22	120.32	132.26	11.94	9.9	129.44	132.59	132.13	137.91	134.79	4.46	5.72	8.78
Naphtha	97.45	108.53	116.44	7.91	7.3	114.67	116.28	116.88	120.42	113.32	-6.31	-6.07	-7.04
Jet/Kerosene	121.08	133.75	140.00	6.25	4.7	140.30	140.08	139.18	141.50	134.31	17.32	19.15	16.51
ULSD 10ppm	119.51	131.92	137.43	5.51	4.2	137.71	137.78	136.47	138.58	131.17	15.75	17.32	13.94
Gasoil 0.1%	115.88	128.90	135.69	6.80	5.3	136.60	135.73	134.54	136.53	129.13	12.13	14.30	12.21
LSFO 1%	90.37	103.18	111.03	7.85	7.6	112.12	112.38	109.89	109.39	105.66	-13.39	-11.42	-12.45
HSFO 3.5%	88.16	94.72	101.04	6.32	6.7	101.68	101.20	100.20	101.64	99.00	-15.60	-19.88	-22.44
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	108.41	118.43	129.47	11.04	9.3	126.92	129.31	129.60	135.58	130.40	6.93	6.93	10.09
Naphtha	97.50	108.06	116.07	8.01	7.4	114.51	115.97	116.21	119.94	112.67	-3.99	-3.44	-3.31
Jet Aviation fuel	119.65	131.44	138.38	6.94	5.3	138.50	138.69	137.66	139.68	132.27	18.17	19.94	18.99
ULSD 10ppm	120.48	132.87	138.80	5.92	4.5	139.68	139.24	137.20	139.53	132.75	18.99	21.37	19.41
Gasoil 0.1%	116.59	128.28	134.51	6.23	4.9	135.58	134.58	132.97	135.43	127.73	15.11	16.78	15.12
LSFO 1%	89.91	103.66	110.94	7.28	7.0	112.77	112.59	108.78	108.52	104.95	-11.57	-7.84	-8.44
HSFO 3.5%	87.16	93.82	99.51	5.68	6.1	100.10	99.35	98.11	101.17	98.61	-14.32	-17.68	-19.88
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	111.02	127.27	143.38	16.10	12.7	139.83	142.09	144.33	148.51	140.88	21.45	24.29	33.48
Unleaded	106.56	120.79	133.13	12.35	10.2	130.85	131.96	133.20	137.13	132.59	16.99	17.80	23.24
Jet/Kerosene	121.19	138.39	139.47	1.08	0.8	139.11	138.40	138.58	142.00	135.65	31.62	35.41	29.58
No. 2 (Heating Oil)	116.14	127.41	134.20	6.79	5.3	134.30	134.33	133.64	134.98	127.92	26.57	24.43	24.31
LSFO 1%†	90.09	101.81	107.59	5.78	5.7	108.07	108.13	107.45	107.25	103.00	0.52	-1.18	-2.31
No. 6 3%†	88.73	97.92	104.44	6.52	6.7	105.89	104.85	103.45	103.69	98.84	-0.84	-5.07	-5.46
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	111.84	120.97	129.97	9.01	7.4	127.95	129.22	129.07	134.48	133.91	11.60	12.26	13.97
Naphtha	97.87	107.83	115.38	7.55	7.0	112.45	115.09	115.93	119.32	114.26	-2.37	-0.88	-0.63
Jet/Kerosene	120.18	131.92	138.69	6.77	5.1	138.42	139.45	137.96	139.50	133.78	19.94	23.21	22.69
Gasoil 0.5%	117.46	130.41	138.01	7.59	5.8	138.18	138.87	137.35	138.20	132.91	17.22	21.71	22.00
LSWR Cracked	98.76	103.40	113.08	9.68	9.4	113.01	115.05	112.88	112.12	108.09	-1.48	-5.30	-2.92
HSFO 180 CST	93.88	99.35	105.23	5.88	5.9	105.53	105.96	104.42	105.43	102.49	-6.36	-9.36	-10.77
HSFO 380 CST 4%	94.50	100.08	106.24	6.16	6.2	106.81	106.56	105.39	106.51	103.70	-5.74	-8.63	-9.77

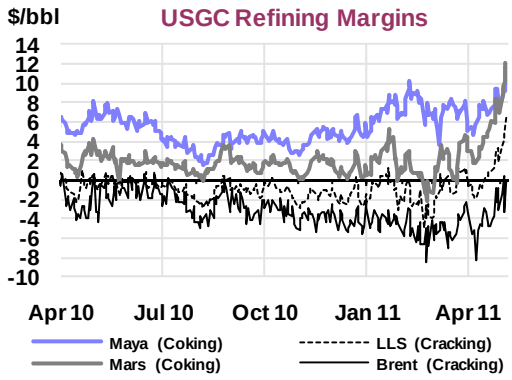
Source: Platts * CIF † Cargoes

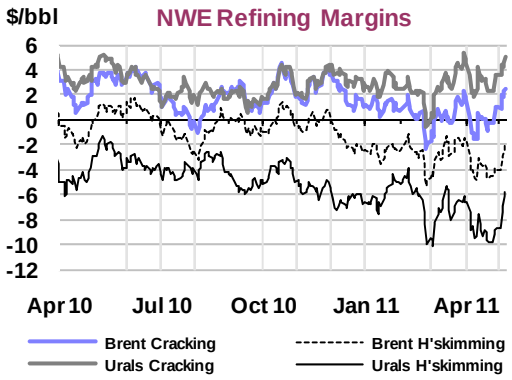
Refining Margins

Refining margins fell to new lows in Europe in April, as both middle distillates and fuel oil cracks remained weak. Margins improved towards month-end as reduced runs and an open arbitrage to the US East Coast lifted gasoline cracks, and in early May the sharp drop in crude prices lifted margins further. Margins fared better in the US amid steep gasoline stock draws and some unplanned shut downs which pushed gasoline cracks higher. In Asia, margins fell as fuel oil discounts widened in April.

European refineries faced another month with deteriorating margins in April. In Northwest Europe cracking margins fell and Brent margins were negative for the month on average, a situation not seen since November 2009. Urals cracking margins remained in the black, although also fell month-on-month. The main reason for the falling margins was weaker middle distillates and fuel oil cracks, but refineries using Urals also had the advantage of relatively cheaper feedstock. Profits improved towards month-end however, lifted by a higher gasoline crack as a result of turnarounds and run cuts in the Mediterranean and increased arbitrage possibilities to the US East Coast.

In the Mediterranean, Urals hydroskimming margins fell further to new record-lows with an average loss of -$8.80/bbl in April. They were pressured by weak fuel oil cracks in particular, due to a closed arbitrage to Singapore.





In the US the situation improved in April, although refining margins remained weak. Both LLS and Mars cracking margins moved into positive territory in April, supported by stronger gasoline cracks, especially in the second half of the month, due to falling inventories and unplanned refinery shut-downs. Mars coking margins had a calculated profit of $4.40/bbl in April, an increase of $2.50/bbl since March. They were supported by the steep increase in the gasoline crack in the last week in April, as a power outage in Texas shut down around 5% of US refining capacity, raising fears of gasoline shortages.

US West Coast margins showed diverging trends in April, with cracking margins falling slightly over the month, and Kern coking margins showing a small improvement. Cracking margins fell as fuel oil discounts increased over the month, while the coking margin was supported in part by a slightly stronger diesel crack.

In Asia, Singapore margins all fell in April and, as last month, refineries using Tapis crude as feedstock showed the largest losses. Simple refineries using Tapis showed a calculated loss of $10.70/bbl on average in April. Margins were pressured by both weak middle distillates cracks and increasing discounts for fuel oil. Refining margins also fell in China. Refineries, both simple and complex, using Daqing crude as feedstock posted the largest losses over the month, where losses worsened by around $2.50/bbl versus March.

Selected Refining Margins in Major Refining Centres

($/bbl)

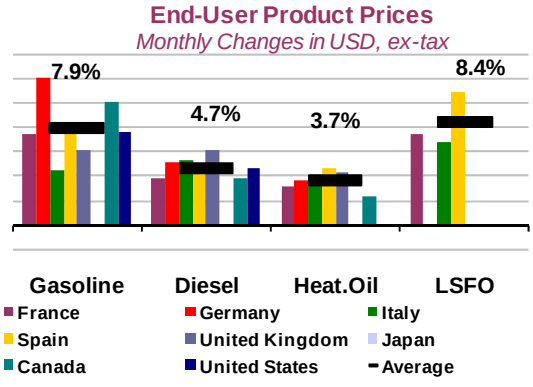
		Monthly Average				Change	Average for week ending:				
		Feb 11	Mar 11	Apr 11		Apr 11-Mar 11	08 Apr	15 Apr	22 Apr	29 Apr	06 May
NW Europe	Brent (Cracking)	0.18	0.54	-0.13	↓	-0.67	-0.90	-0.09	-0.35	0.47	1.94
	Urals (Cracking)	1.88	3.15	2.97	↓	-0.18	2.42	3.37	2.67	3.07	4.35
	Brent (Hydroskimming)	-2.86	-2.45	-3.93	↓	-1.48	-4.03	-3.72	-4.24	-4.16	-2.88
	Urals (Hydroskimming)	-4.04	-3.86	-5.38	↓	-1.52	-5.21	-4.92	-5.72	-6.09	-4.80
Mediterranean	Es Sider (Cracking)	0.89	1.73	2.01	↑	0.28	1.61	2.36	1.54	2.28	3.54
	Urals (Cracking)	0.66	0.55	0.21	↓	-0.34	-0.40	0.13	-0.13	0.98	2.45
	Es Sider (Hydroskimming)	-4.51	-2.85	-3.55	↓	-0.70	-2.86	-2.51	-4.38	-4.93	-3.55
	Urals (Hydroskimming)	-6.22	-7.08	-8.80	↓	-1.72	-8.62	-8.65	-9.39	-8.98	-6.99
US Gulf Coast	Bonny (Cracking)	-4.09	-3.55	-1.96	↑	1.59	-3.59	-2.97	-1.30	-0.03	0.01
	Brent (Cracking)	-5.45	-4.83	-4.14	↑	0.69	-5.03	-5.41	-4.11	-2.37	-1.59
	LLS (Cracking)	-2.22	-0.63	0.20	↑	0.83	-1.21	-0.98	0.51	2.32	4.10
	Mars (Cracking)	-1.91	-1.85	0.09	↑	1.95	-1.14	-1.46	0.33	2.51	4.87
	Mars (Coking)	0.55	1.84	4.36	↑	2.52	2.30	2.88	4.88	7.37	9.67
	Maya (Coking)	7.85	7.13	6.97	↓	-0.16	5.26	6.98	7.15	8.67	9.28
US West Coast	ANS (Cracking)	3.48	-0.50	0.66	↑	1.16	1.26	1.33	0.65	-1.00	0.24
	Kern (Cracking)	10.19	1.61	0.74	↓	-0.87	2.54	0.18	1.07	-1.72	-1.29
	Oman (Cracking)	0.35	4.77	4.13	↓	-0.64	5.83	2.96	3.25	3.42	3.73
	Kern (Coking)	18.68	13.37	14.23	↑	0.86	14.53	14.43	13.87	13.87	12.04
Singapore	Dubai (Hydroskimming)	-1.76	-1.56	-2.12	↓	-0.56	-1.11	-1.77	-2.66	-3.31	-1.77
	Tapis (Hydroskimming)	-5.03	-8.46	-10.66	↓	-2.20	-10.56	-10.44	-10.90	-11.04	-9.47
	Dubai (Hydrocracking)	1.15	2.50	2.36	↓	-0.14	2.95	2.62	1.90	1.70	3.22
	Tapis (Hydrocracking)	-3.61	-5.91	-8.38	↓	-2.47	-8.51	-8.47	-8.61	-8.20	-6.56
China	Cabinda (Hydroskimming)	-3.88	-7.29	-6.57	↑	0.72	-6.79	-5.15	-6.27	-8.22	-6.57
	Daqing (Hydroskimming)	-2.00	-4.16	-6.45	↓	-2.29	-5.77	-5.11	-6.71	-8.47	-7.63
	Dubai (Hydroskimming)	-2.16	-1.95	-2.39	↓	-0.44	-1.35	-2.06	-2.93	-3.57	-2.05
	Daqing (Hydrocracking)	1.12	0.22	-2.39	↓	-2.61	-2.26	-1.70	-2.67	-3.12	-1.81
	Dubai (Hydrocracking)	0.82	2.20	2.16	↓	-0.03	2.78	2.40	1.69	1.51	3.01

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.
Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in April

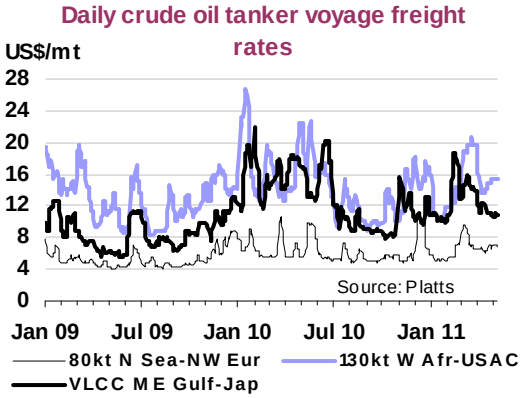
End-user prices for selected IEA countries continued their upward rally during April, for the fifth successive month. Gasoline prices rose on average by 7.9% month-on-month (m-o-m) and by 35.13% year-on-year (y-o-y). Diesel was up 4.7% m-o-m and 40.1% y-o-y. With respect to the remaining surveyed products, heating oil and low-sulphur fuel oil (LSFO) experienced price hikes of 3.7% and 8.4% m-o-m, respectively. On a yearly basis, heating oil rose by 40.1% and LSFO by 41%.

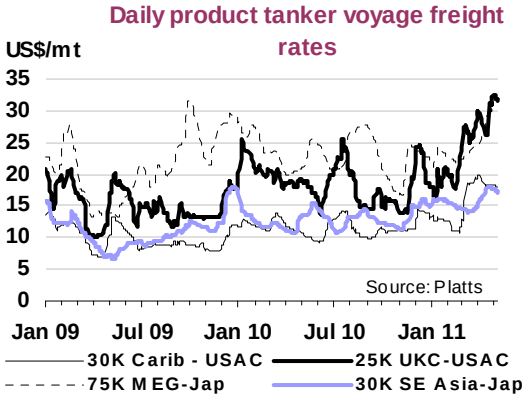


Germany saw the strongest increase in gasoline prices, for the second month in a row (12% m-o-m) and the UK the strongest diesel price hike (6.2% m-o-m). In Italy, gasoline prices saw the smallest increments among the surveyed countries (+4.5%), while Canada saw the smallest diesel price increments (+3.75%). The m-o-m change in gasoline and diesel prices, when stated in local currencies, was smaller than when measured in US dollars. In part, this difference is explained by the recent weakening of the US dollar. Japanese end-user prices for April, missing from the above analysis, will be available later in the year.

Freight

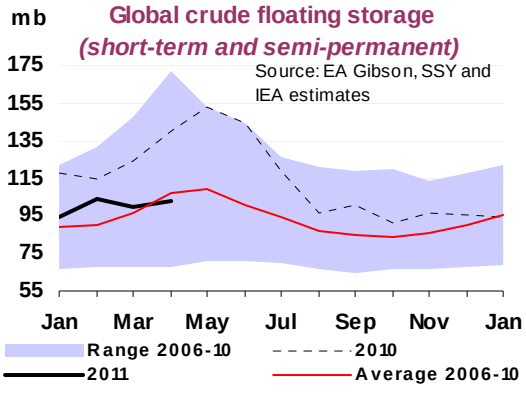
Despite healthy demand, the oversupply of VLCCs East of Suez weighed again on the tanker market in April. Rates on the benchmark VLCC Middle East Gulf – Japan crude trade softened during the month, so that by early-May they stood below $11/mt, at close to break-even levels. Although these lows are above their mid-2010 slump, ship owners are increasingly pressured by spiralling bunker fuel costs. Indeed, recent data indicate that marine gasoil bunker prices in the Middle East Gulf have risen by approximately 28% so far this year. Rates on the Suezmax West Africa – US Atlantic Coast route plummeted in early April following a drop in demand and slack tonnage. However, rates recovered somewhat over the second half of the month, to once again exceed the $15/mt level in early-May. In North-West Europe, rates held firm at close to $7/mt, although rates for voyages calling at Baltic ports softened considerably as Primorsk reduced its ice-class requirement, thus increasing the pool of suitable tonnage.





Rates for product tankers fared somewhat better than their crude counterparts as they held onto their recent gains. The UK – US Atlantic Coast trade has once again gone from strength to strength over the past month. Driven by high gasoline demand, transatlantic rates broke the $30/mt level in early-May for the first time since September 2008. However, it is noteworthy that time charter equivalent (TCE) earnings on transatlantic routes remain anchored at close to January 2009 levels, again attributable to high bunker fuel costs. Rates for East of Suez voyages have also experienced a recent resurgence driven by buoyant demand and tightening tonnage. The benchmark Middle East Gulf – Japan trade increased by over $5/mt in April to stand at approximately to $30/mt by early-May. Similarly, the Singapore – Japan route also firmed to reach approximately $17/mt by early-May.

Short-term floating storage of crude and products fell by 5.5 mb to 62.2 mb at end-April. This decline was led by a sharp 9.1 mb draw in products, more than offsetting a 3.6 mb build in crude oil. The fall in products was driven by 7.9 mb of products, likely middle distillates, coming ashore in North-West Europe following the ICE gasoil futures contract moving into backwardation. Elsewhere, products held off West Africa declined by 1.3 mb. At end-April global volumes of products in floating storage stood at 18.3 mb.



The increase in crude was again driven by Iran, where volumes increased to 34.4 mb (+ 4.3 mb m-o-m). US Gulf volumes grew by 1.2 mb, while storage in the Asia Pacific region drew by 1.9 mb. Overall, global crude floating storage amounted to 43.9 mb at end-April. The total storage fleet has now oscillated between 40 and 60 vessels since August 2010, a far cry from its maximum level of over 140 units at end-2009 and again illustrating that floating storage is no-longer underpinning freight rates.

How Transparent Are Crude Oil Derivatives Markets?

Increased volatility, higher crude oil prices and the arrival of new financial participants in the crude oil market during the last decade have raised the question of whether financial players have an impact on commodity prices and price volatility. Unfortunately, limited publicly available data in both physical and financial markets makes it very hard to provide a definitive answer. Understanding the linkages between physical and financial markets on price formation requires more complete information on both than is currently available. Traders in derivatives markets rely on signals from current and expected physical fundamentals , but these signals can be distorted by imperfect or delayed information flows Therefore, it is crucial to have more timely and reliable information from physical markets in order to address the observed volatility as well as to determine the influence of different market participants on prices.

CFTC data and classifications

Data limitations are not restricted to physical oil markets. Energy derivatives markets are also partially opaque. The best available data comes from the US Commodity Futures Trading Commission's (CFTC) Commitments of Traders Report, which break down each Tuesday's positions held in the aggregate by "large traders" (those whose positions are above a certain threshold). Those data are published every Friday as part of the CFTC's Commitments of Traders (COT) or Disaggregated Commitments of Traders (DCOT) reports. Both publications separate reportable large traders into "Commercials" and "Non-commercials".

DCOT reports further disaggregate commercials and non-commercials into two groups: producers and swap dealers for commercials, and managed money traders and other reportables for non-commercials. A trader's positions in a given commodity are classified as commercial if the trader uses futures and option contracts in that particular commodity for hedging, as defined in CFTC regulations. To ensure accurate and consistent classifications, the CFTC may reclassify a trader based on additional information about the trader's use of the markets. "Non-commercials" comprise many types of mostly financial traders, such as hedge funds, mutual funds, floor brokers, etc.

Still, the CFTC's reports are not perfect. For example, non-commercial traders are typically viewed as speculators. On this basis, some observers argue that commercial swap dealers, who use futures markets to hedge over-the-counter positions with financial traders, should also be considered as speculators, since they lack direct exposure to the underlying commodity. In fact, swap dealers commonly take positions for commodity index funds that view commodities as a distinct asset class, raising concerns that these funds could convey herding behaviour from unsophisticated traders into futures markets. Insofar as the client base of swap dealers also includes traditional hedgers, however, the issue is not clear.

Differentiating hedgers and speculators

Furthermore, the distinction between hedging and speculation in futures markets is less clear than it may appear. Traditionally, traders with physical commodity exposure have been called hedgers, while those without a physical position to offset have been called speculators. In practice, however, commercial traders may "take a view" on the price of a commodity or may not hedge in the futures market despite having an exposure to the commodity, positions that could be considered speculative.

Traditional speculators can be differentiated based upon the time horizons during which they operate. Scalpers, or market makers, operate at the shortest time horizon – sometimes trading within a single second. These traders "make markets" by standing ready to buy or sell at a moment's notice. The goal of a market maker is to buy contracts at a slightly lower price than the current market price and sell them at a slightly higher price, perhaps at only a fraction of a cent, to profit on each contract. Skilled market makers can make a profit by trading hundreds or even thousands of contracts a day. Market makers provide immediacy to the market. Without a market maker, a market participant would have to wait until the arrival of a counterparty with an opposite trading interest.

Other types of speculators take longer-term positions based on their view of where prices may be headed. "Day traders" establish positions based on their views of where prices might be moving within minutes or hours, while "trend followers" take positions based on price expectations over a period of days, weeks or months. These speculators can also provide liquidity to hedgers in futures markets. Through their efforts to gather information on underlying commodities, the activity of these traders serves to bring information to the markets and aid in price discovery.

How Transparent Are Crude Oil Derivatives Markets? (continued)

While hedging and speculating are often considered opposing activities and are generally identified with commercial and non-commercial traders, respectively, in practice both groups can contribute to price discovery in futures markets. Futures prices reflect the opinions of all traders in the market. Moreover, the actions of those who can, but choose not to enter the futures market can also contribute to price discovery. For example, a commercial trader holding physical inventory, but choosing not to hedge using futures markets (by taking a short position) not only withholds downward pressure on the futures price, but may also signal that prices are expected to rise in the future.

COT and DCOT identify trader categories based on self-reported lines of business collected and audited by the CFTC. The public reports do not provide any indication of the intraday activities of many traders. Specifically, because the CFTC's reports are based on end-of-day positions, scalpers' and day-traders' activities are not discussed in these reports. Furthermore, the CFTC's public reports fail to differentiate between traditional and non-traditional hedgers in the commercial category, due to active non-traditional commodity speculative activity by some commercial traders in the same commodity market. In order to increase transparency, the CFTC should consider re-classifying some of the commercial traders based on their trading patterns (as well as their hedging exemptions or their cash positions). Furthermore, it may be advisable to discuss the cash positions held by commercial traders to understand the size of their true hedging needs. In order to increase transparency in futures exchanges, more frequent (daily) release of the end of day positions held in the aggregate by different trader groups, as well as more refined information by contract maturity (rather than the current aggregation of all maturity contracts), are needed.

Outside influences on futures markets

Activities that occur in other markets and other instruments can also affect futures markets. There are three potential activities that might impact futures trading on US exchanges: (i) the trading of OTC derivatives contracts; (ii) the trading on exempt commercial markets (ECMs); and (iii) the trading on foreign boards of trade. Futures markets traditionally comprise only one venue for hedging price risk. In the context of risk management, market participants may be involved concurrently in over-the-counter (OTC) transactions, trades on ECMs and transactions in foreign markets. Crude oil traders, for example, can hedge cash market positions using a combination of futures, swaps, bilateral forward contracts, cleared broker and ECM transactions.

Since transactions on the OTC market primarily deal with privately-negotiated contracts, the OTC derivatives market is essentially opaque, with information typically available only to the negotiating parties. Some argue that this lack of public information prevents an appropriate assessment of overall risks by market participants and precludes them from taking the necessary measures against default risks. In order to increase transparency in OTC markets, recent regulatory proposals in the United States and Europe require mandatory reporting of almost all OTC transactions to trade repositories or regulators. More transparency in OTC derivatives is to be welcomed, even if some participants argue that hiding volumes in OTC markets is very difficult since traders know their counterparties.

US regulations adopted in 2008 require significant price discovery contracts traded on ECMs to be subject to certain regulatory requirements, including position-reporting requirements to CFTC. The 2010 Dodd-Frank Act goes further, eliminating the category of ECM from the US Commodity Exchange Act (CEA). Therefore, they have to be registered as either as a swap execution facility or a designated contract market, which will lead to full dissemination of positions established in any contract by traders in these markets. As a result, the so-called Enron loophole in derivatives markets is finally eradicated.

Foreign boards of trade should also be encouraged to start providing detailed information on large trader positions in order to increase market transparency. This is crucial, since some similar contracts are traded in more than one exchange in different countries. For example, the WTI Light Sweet Oil contract is not only traded on NYMEX but also on ICE Europe. ICE Europe started to provide detailed large trader information to CFTC in recent years; however, market participants do not have any data on positions in some key contracts (such as Brent crude on ICE Europe, where most of the trade takes place).

Transparency in both the physical and financial markets is essential to better understand possible linkages between both markets. The 2008 financial crisis has spurred efforts to address limited data availability in commodity derivatives markets. Nevertheless, more international coordination is needed to make headway in increasing the availability of timely and reliable data in physical markets too.

REFINING

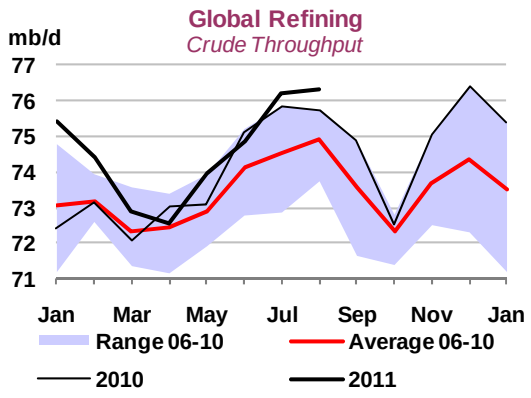
Summary

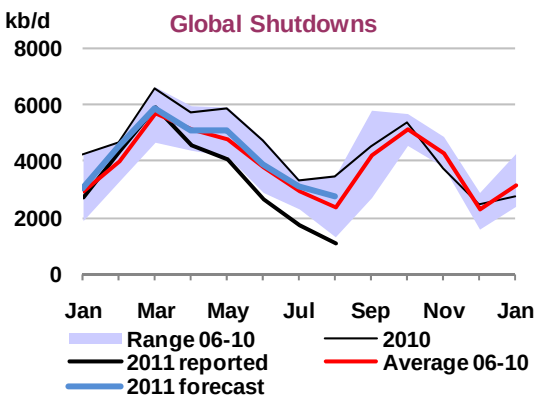
- **Global refinery throughputs averaged 74.2 mb/d in 1Q11**, 385 kb/d below our previous estimate. Lower runs in OECD Europe accounted for much of the revision, as well as slightly weaker throughputs for a number of non-OECD regions, notably Latin America and the Middle East.

- **Global throughputs for 2Q11 are revised down by 740 kb/d to 73.8 mb/d on average,** due to significantly weaker OECD runs. The largest revisions are in Europe, where preliminary April data suggest only a minor month-on-month growth from March. We have also lowered our North American forecast, as US crude runs in April fell counter-seasonally, and Japan due to higher-than-expected scheduled maintenance.

- **Crude runs stand to rise by over 3.5 mb/d from April lows over the course of the summer** as refiners ramp up activity to meet seasonally higher oil product demand and new capacity is brought on stream in Asia. This sharp increase incorporates an assumption that weak margins continue to constrain OECD utilisation rates.

- **OECD crude runs for March** averaged 35.3 mb/d, 580 kb/d lower than February and 640 kb/d below a year earlier. Increased runs in North America, as refineries started to come back from maintenance, were offset by lower runs in both Europe and the Pacific. In Europe planned maintenance peaked in March, whereas a total of 620 kb/d of Japanese refining capacity was still shut-in by end-March due to the earthquake and tsunami.





Global Refinery Throughput

Global refinery crude throughputs averaged 74.2 mb/d in 1Q11, 385 kb/d below our previous estimate, and 1.7 mb/d above a year ago. Lower runs in OECD Europe accounted for much of the revision, as well as slightly weaker throughput rates for a number of non-OECD regions, notably Latin America and the Middle East. March throughputs in OECD Europe were much weaker than expected, even when taking into account a peak in maintenance. This suggests that refiners have been constraining throughputs after maintenance to avoid potential losses, given that margins have been very poor this spring, especially for simple plants.

Global throughputs for 2Q11 are estimated to average 73.8 mb/d, a downward revision of 740 kb/d from our previous projection, with the bulk of the revision stemming from the OECD. The largest change was in Europe, where preliminary April data from Euroilstock suggest throughput rates around 500 kb/d

below our previous forecast. However, we still expect runs to increase from May onwards as summer demand ticks up. There were also large changes in North America, as US crude runs in April fell counter-seasonally, and taking into account Canadian maintenance in May. However, as the April drop in US runs was partly related to operational problems, we expect runs there to increase sharply in May and June in line with rising demand towards the summer. OECD Pacific crude throughputs have also been revised down, even allowing for regional offsets to Japan's refinery outages as we now assume more capacity off-line due to maintenance. In the non-OECD, the overall adjustment was minor, but run rates in Africa are nonetheless adjusted down based on the situation in Libya, offset by slightly higher than expected runs in the FSU.

Notwithstanding the difficulties of projecting crude runs more than a couple of months ahead, global throughputs could potentially rise further in July and August, reaching levels in excess of 76 mb/d. The winding down of seasonal maintenance in the OECD Pacific and new capacity brought on stream in Other Asia, notably India, contribute to this. We have, however, reflected concerns about sustained margin weakness for the more economically sensitive regions in the OECD via suppressed throughput levels. Nonetheless, even allowing for this, crude demand potentially stands to gain over 3.5 mb/d from April lows to a summer highpoint in August.

Global Refinery Crude Throughput[1]

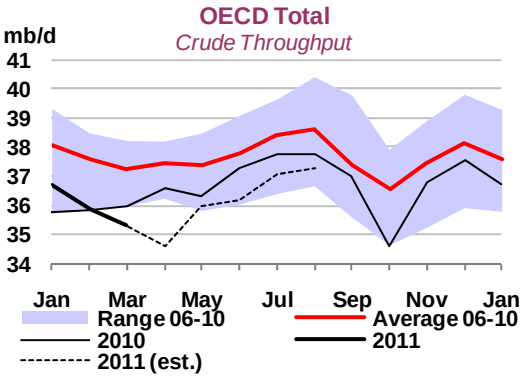
(million barrels per day)

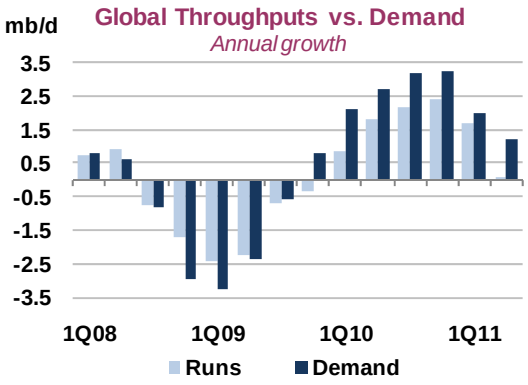
	Jan 11	Feb 11	Mar 11	**1Q2011**	Apr 11	May 11	Jun 11	**2Q2011**	Jul 11	Aug 11
North America	17.2	16.6	17.2	**17.0**	16.9	18.1	18.1	**17.7**	18.3	18.2
Europe	12.5	12.2	11.6	**12.1**	11.6	12.1	12.4	**12.0**	12.6	12.5
Pacific	7.0	7.1	6.5	**6.9**	6.1	5.7	5.7	**5.8**	6.2	6.5
Total OECD	**36.7**	**35.9**	**35.3**	**36.0**	**34.6**	**35.9**	**36.2**	**35.6**	**37.0**	**37.2**
FSU	6.4	6.4	6.2	**6.3**	6.3	6.2	6.4	**6.3**	6.5	6.5
Non-OECD Europe	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5
China	8.8	9.2	8.9	**8.9**	9.2	9.0	8.9	**9.0**	9.0	9.1
Other Asia	9.3	9.1	8.9	**9.1**	8.9	9.1	9.2	**9.1**	9.3	9.2
Latin America	5.2	5.2	5.3	**5.2**	5.2	5.4	5.4	**5.3**	5.4	5.4
Middle East	6.2	5.9	5.7	**5.9**	5.8	5.7	6.1	**5.9**	6.2	6.2
Africa	2.4	2.3	2.0	**2.3**	2.0	2.1	2.2	**2.1**	2.2	2.3
Total Non-OECD	**38.7**	**38.5**	**37.6**	**38.3**	**37.9**	**38.0**	**38.7**	**38.2**	**39.1**	**39.1**
Total	**75.4**	**74.4**	**72.9**	**74.2**	**72.5**	**74.0**	**74.9**	**73.8**	**76.2**	**76.3**

1 Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude runs for March averaged 35.3 mb/d, 580 kb/d lower than February and 640 kb/d below a year earlier. Increased runs in North America, as refineries started to come back from maintenance, were offset by lower runs in both Europe and the Pacific. In Europe, planned maintenance likely peaked in March, whereas a total of 620 kb/d of Japanese refining capacity was still shut-in by end-March due to the earthquake and tsunami.





Total estimated OECD crude runs for April averaged 34.6 mb/d, a further reduction of 700 kb/d from March, as preliminary data suggest falling runs in North America and the Pacific. In all, 2Q11 estimates are now 400 kb/d below 1Q11 in spite of our assumption that runs are forecast to increase in both North America and Europe from May onwards, compensating for lower runs in the Pacific where maintenance normally peaks in 2Q.

Refinery Crude Throughput and Utilisation in OECD Countries

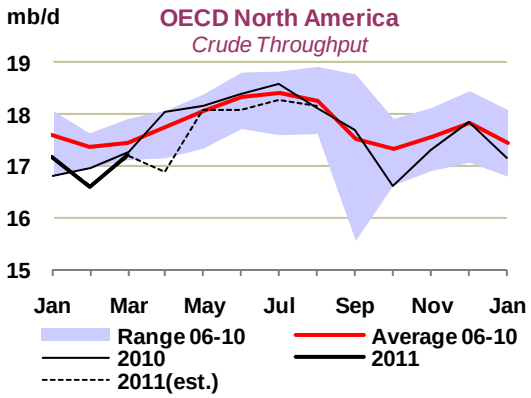
(million barrels per day)

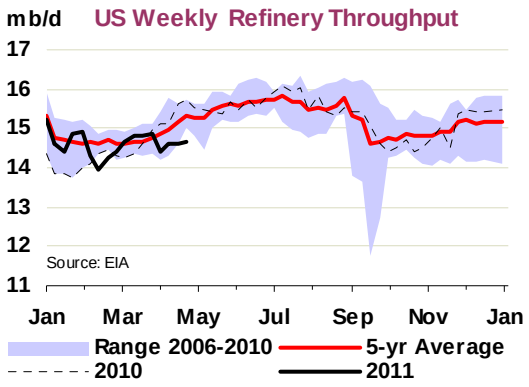
							Change from		Utilisation rate[1]	
	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	*Feb 11*	*Mar 10*	Mar 11	Mar 10
US[2]	14.00	14.63	14.96	14.45	13.75	14.27	0.53	-0.03	81.5%	81.1%
Canada	1.55	1.70	1.81	1.61	1.70	1.74	0.03	0.00	95.0%	88.7%
Mexico	1.08	0.99	1.10	1.12	1.16	1.20	0.03	-0.06	70.8%	81.4%
OECD North America	**16.64**	**17.33**	**17.87**	**17.18**	**16.61**	**17.21**	**0.60**	**-0.09**	**81.8%**	**81.9%**
France	0.64	1.39	1.43	1.42	1.35	1.26	-0.09	-0.19	73.1%	79.6%
Germany	1.99	2.06	1.99	1.98	1.93	1.73	-0.20	-0.03	72.6%	73.8%
Italy	1.66	1.74	1.80	1.77	1.55	1.54	-0.01	-0.11	67.6%	72.5%
Netherlands	0.98	0.97	1.01	1.02	1.12	0.99	-0.14	-0.11	81.6%	90.5%
Spain	1.02	1.04	1.08	1.07	0.97	0.96	-0.01	-0.07	68.0%	78.7%
United Kingdom	1.41	1.39	1.40	1.48	1.42	1.39	-0.03	-0.01	76.8%	77.4%
Other OECD Europe	3.92	4.09	3.94	3.80	3.84	3.74	-0.11	-0.16	75.8%	80.6%
OECD Europe	**11.62**	**12.68**	**12.66**	**12.55**	**12.18**	**11.60**	**-0.58**	**-0.67**	**73.7%**	**78.5%**
Japan	3.20	3.49	3.72	3.73	3.80	3.22	-0.58	-0.35	71.9%	75.3%
South Korea	2.49	2.53	2.57	2.54	2.53	2.52	-0.01	0.30	92.0%	80.9%
Other OECD Pacific	0.66	0.74	0.75	0.71	0.77	0.77	0.00	0.16	14.1%	71.7%
OECD Pacific	**6.35**	**6.76**	**7.04**	**6.98**	**7.09**	**6.50**	**-0.59**	**0.12**	**80.7%**	**76.8%**
OECD Total	**34.60**	**36.77**	**37.56**	**36.71**	**35.89**	**35.31**	**-0.58**	**-0.64**	**78.8%**	**79.8%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

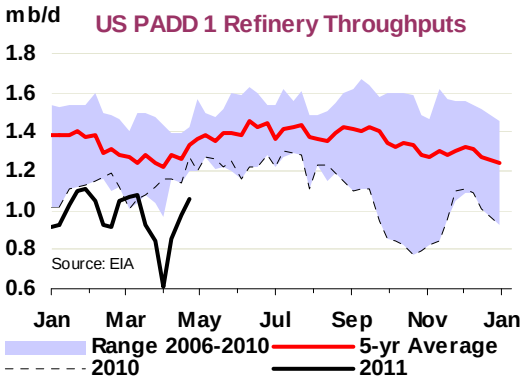
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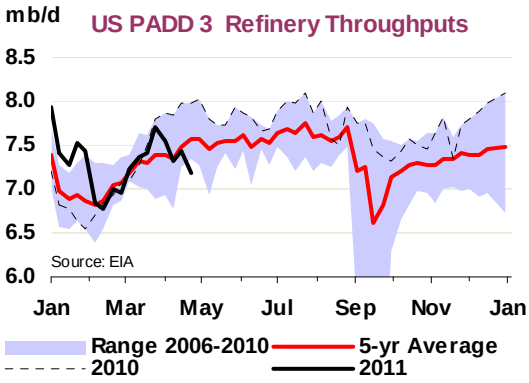
North American March crude runs increased by 600 kb/d month-on-month, in line with preliminary data. Almost all of the increase was concentrated in the US, with runs in Mexico and Canada largely flat compared with February. Weekly data for April show that US crude runs averaged 14.1 mb/d, a decline of 200 kb/d from March, and 690 kb/d below our previous estimate. Runs fell in all regions except the Midwest (PADD 2), and the largest reduction was on the East Coast (PADD 1), where runs declined by 120 kb/d on average. PADD 1 throughputs fell due to operational problems with the FCC unit at Sunoco's 330 kb/d refinery in Philadelphia in the second week of April and because of a shutdown since end-March at Sunoco's 175 kb/d Marcus Hook refinery in Pennsylvania following a power outage.



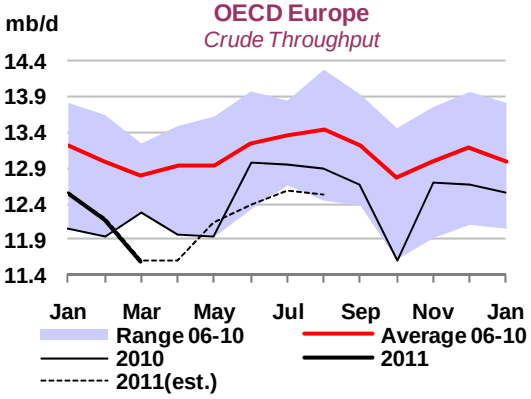


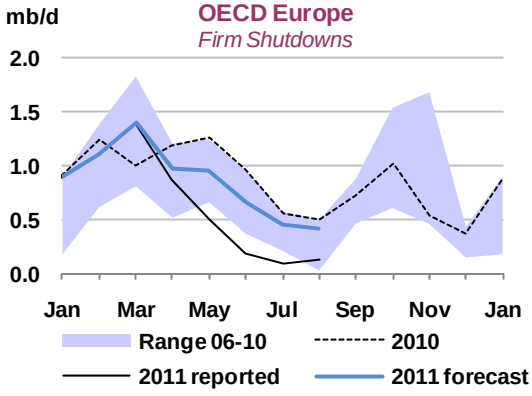
A power outage in Texas City on 25 April forced Valero (225 kb/d), Marathon (72 kb/d) and BP (450 kb/d) to shut down their refineries in the area, taking out 5% of total US refinery capacity. Valero and Marathon both restarted their plants within the same week, whereas BP waited until early May. North American crude runs are expected to increase in May in line with seasonal trends, and are assumed to remain stable at around 18 mb/d throughout the summer.





OECD European throughputs fell by 580 kb/d to 11.6 mb/d from February to March compared to our previous 355 kb/d projected reduction. Monthly data submissions further revised February runs down by 220 kb/d to 12.2 mb/d, with the largest revision in Italy (-130 kb/d). Runs fell in all countries in March with the exception of Portugal as Galp's 220 kb/d Sines refinery ramped up production after maintenance in January and February. Germany and the Netherlands posted the largest declines in runs due to planned maintenance, taking 220 kb/d and 125 kb/d offline, respectively.

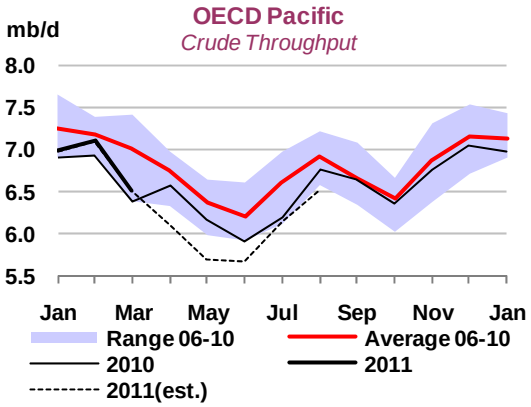


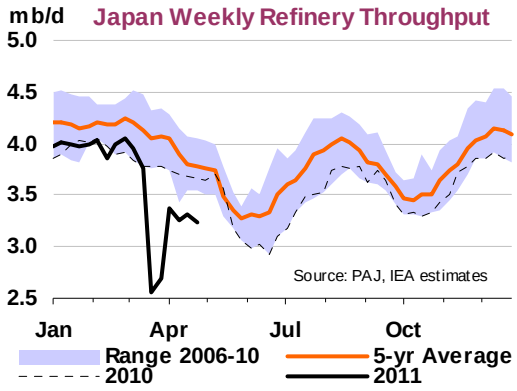


In Germany, OMV announced earlier in April an ongoing conversion of its 72 kb/d Burghausen refinery to run alternative crudes due to the lack of Libyan crude deliveries. A six-week maintenance shutdown of the 200 kb/d Schwechat refinery in Austria was also announced, starting in early May. Although this plant also normally processes Libyan grades, it is not certain that is the reason behind the closure.

Preliminary April data from Euroilstock showed that runs for the EU15+ Norway only increased 80 kb/d from March, which gives an estimated month-on-month increase of only 20 kb/d in April for Europe as a whole taking scheduled maintenance in Switzerland into account. As demand increases towards the summer and product inventories are depleted, refining margins should improve somewhat, and we expect runs to increase throughout May. However, taking into account the current weak margins and difficulties sourcing light sweet barrels of the right price to replace lost Libyan supplies, we assume that runs will only increase slowly through summer, and remain muted over the coming quarters.

OECD Pacific runs averaged 6.5 mb/d in March, falling 590 kb/d from February, and coming in 176 kb/d above our previous estimate. Not surprisingly, the drop was concentrated in Japan as the earthquake and tsunami resulted in over 600 kb/d of Japanese refining capacity being shut down for a prolonged period. South Korean runs in March remained at February levels, suggesting that the country may have postponed spring maintenance in order to help compensate for supplies lost by the Japanese outages.

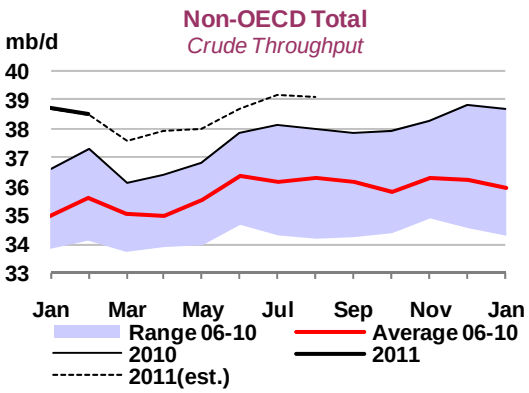


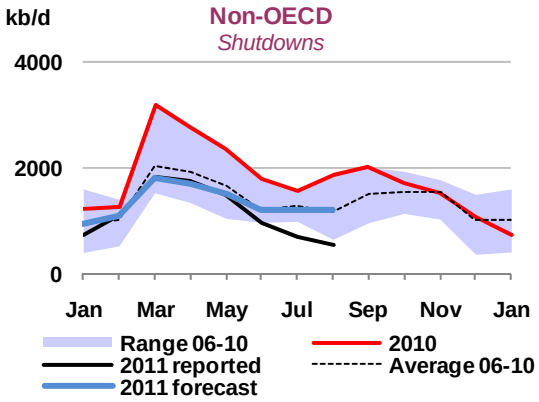


Weekly data from the Petroleum Association of Japan (PAJ) show that Japanese runs averaged 2.9 mb/d in April, down 290 kb/d from March and 120 kb/d below our previous estimate. We expect runs to fall further in May and June as seasonal maintenance increases, but rebound from July onwards. Concerning the capacity shuttered as a result of the earthquake, JX Nippon Oil announced at end-April that it will restart the Kashima refinery in June, bringing 250 kb/d back on stream. The 145 kb/d Sendai and the 220 kb/d Chiba refineries are expected to remain offline at least until summer 2012. Separately, Showa Shell confirmed it will close the 120 kb/d CDU unit at the Keihin refinery later this year. In Australia, Shell announced in mid-April a proposal to turn its 75 kb/d Clyde refinery in Sydney into a fuel import terminal as it is unable to compete against large-scale refineries in the Asia- Pacific region.

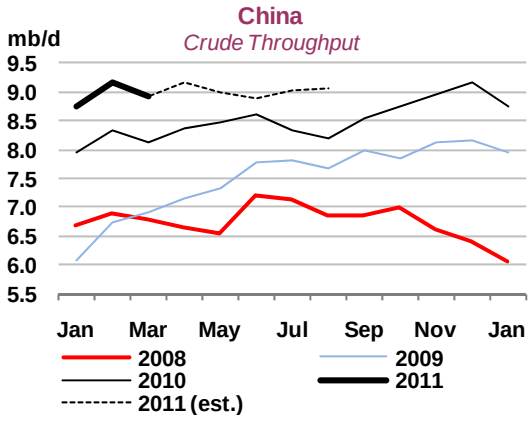
Non-OECD Refinery Throughput

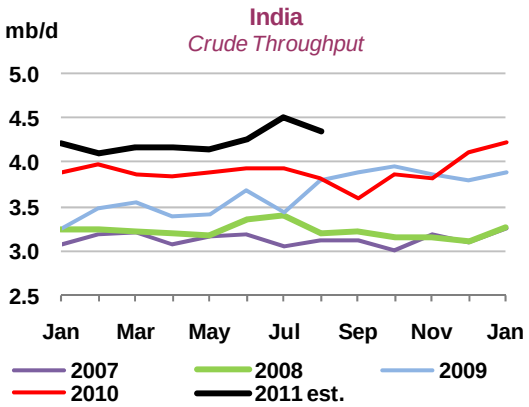
Non-OECD refinery throughputs in March averaged 37.6 mb/d, only slightly lower than expected. Runs fell 900 kb/d compared with February, mainly due to spring turnarounds in the Middle East and the FSU as well as reduced runs in Libya. For 1Q11, refinery throughputs have been revised down by 130 kb/d to 38.3 mb/d on average, with the largest revision seen in Latin America due to an unplanned shutdown of Valero's refinery at Aruba. In all, non-OECD annual growth is estimated at 1.6 mb/d in 1Q11, of which half stems from China, where 760 kb/d of new capacity has come on line. We expect a comparatively shallow rebound in 2Q11 non-OECD runs, although throughputs are forecast to increase in June as refineries within the FSU region and the Middle East return from maintenance and new capacity comes on line in India.



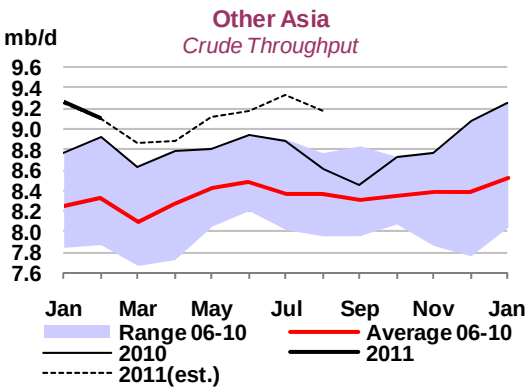


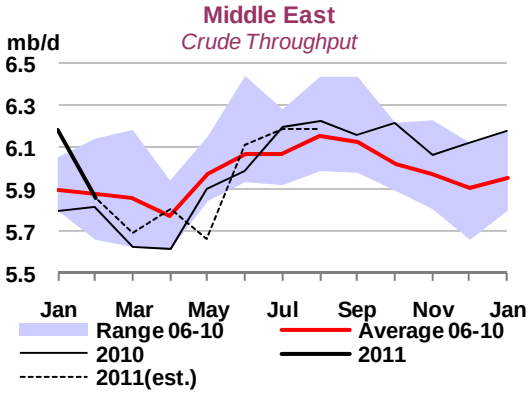
Chinese data for March show that runs averaged 8.9 mb/d, 36 kb/d below our previous forecast and around 200 kb/d lower than the record-high February. Less maintenance outages in April likely saw Chinese runs increase, with both Petrochina and Sinopec having stated that they boosted runs in April. The announced increase in retail prices in early April probably encouraged private refineries to increase runs as well.





In **Other Asia, Indian** throughputs were 4.2 mb/d in March, in line with our previous forecast. For April we have adjusted down our projection as the scheduled start-up of the 120 kb/d Bina refinery was delayed, and we now assume a ramp-up in production from mid-May onwards. This leaves runs in April in line with March levels. Rates are expected to increase from June onwards as refineries come back on stream after maintenance and the new 180 kb/d Bathinda refinery starts up in August. Refinery runs in **Singapore** were almost 100 kb/d lower than forecast for March, as the reduction in operations due to the accident at ExxonMobil's Jurong refinery was more extensive than anticipated. We still assume the refinery to be back in operation in May.

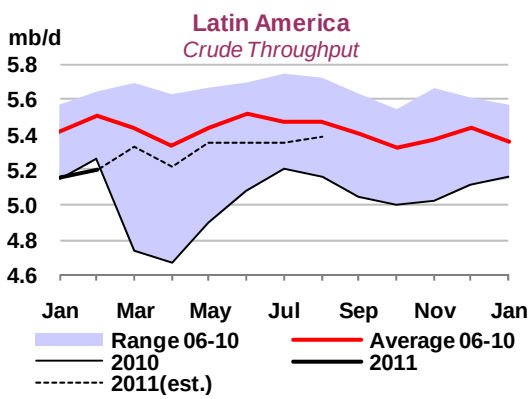


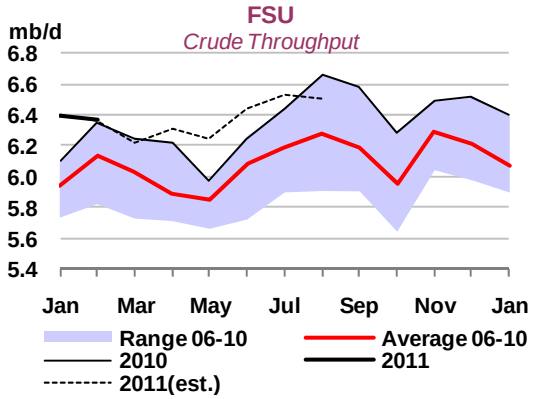


Middle Eastern refinery runs for March are estimated to have averaged 5.7 mb/d, down 170 kb/d from February and only 10 kb/d below our previous forecast. The main reason for the decline in March was refinery turnarounds in Saudi Arabia, where crude runs fell by 150 kb/d. Run rates are expected to have dropped further in April, as several plants in Saudi Arabia and Kuwait shut down for maintenance and will remain closed throughout May.

In **Libya**, March runs were 88 kb/d on average, slightly higher than anticipated, likely due to some throughputs at the Zawia refinery in the southwestern part of the country. Our working assumption for Libyan refinery operations, given the impact of the civil war on both upstream and downstream sectors, restricts throughputs to only 90 kb/d throughout the summer compared with the usual 370 kb/d.

Latin American runs averaged 5.3 mb/d in March, up 130 kb/d from February and a massive 600 kb/d above a year earlier. Extensive shut–downs during spring last year, including PDVSA's 320 kb/d Isla refinery at Curacao and Valero's Aruba refinery, reduced runs to only 4.7 mb/d in March 2010. February throughput rates were revised down by 116 kb/d, most notably for Aruba due to the closure of the 235 kb/d Valero plant in February. The plant restarted production in January after being closed since summer 2009, but was forced to shut down again for much of February due to damage to oil product lines. However, the refinery started up again in early March.

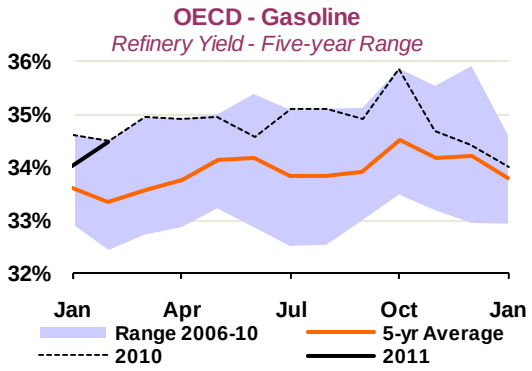


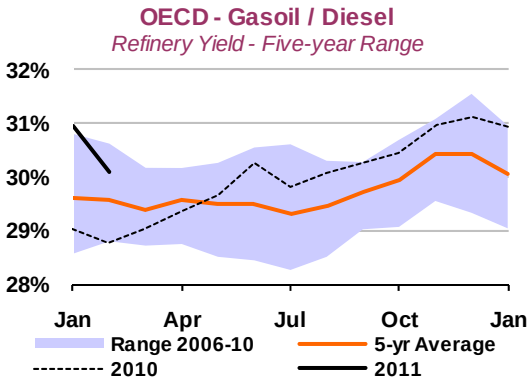


Russian throughputs were 5.0 mb/d in March, 100 kb/d lower than February and 35 kb/d higher than our previous estimate. Maintenance at several Russian refineries started in March and is expected to increase in April, further reducing runs. In Lithuania, a two-week turnaround at PKN Orlen's 200 kb/d Mazeikiu Nafta refinery started at the end of March, reducing rates compared to our previous projection. For the FSU region as a whole, we expect runs to pick up from the yearly lows in March/April to around 6.5 mb/d in July as both Russian refineries and the 360 kb/d Mozyr refinery in Belarus come back on stream.

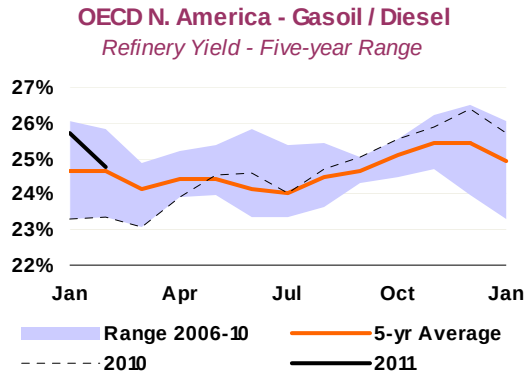
OECD Refinery Yields

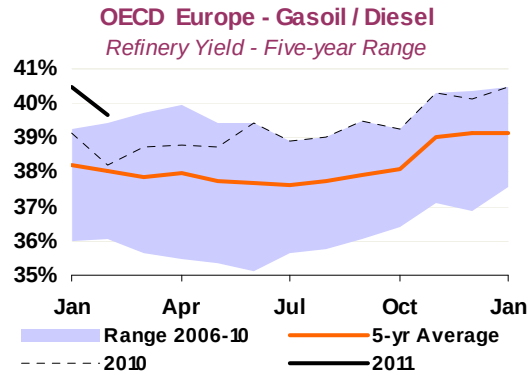
February OECD yields increased for gasoline and 'other products', but declined for all other product categories. The largest changes were for gasoline and gasoil/diesel. North American gasoline yields increased by 1.03 percentage points (pp) but this was partly offset by a 0.35 pp decrease in Europe. Also in the Pacific, yields were slightly up. Compared to January, gasoil/diesel yields were down both in North America and Europe but largely unchanged in the Pacific. Refinery gross output fell by close to 500 kb/d from January due to heavy maintenance in North America and hence lower runs.



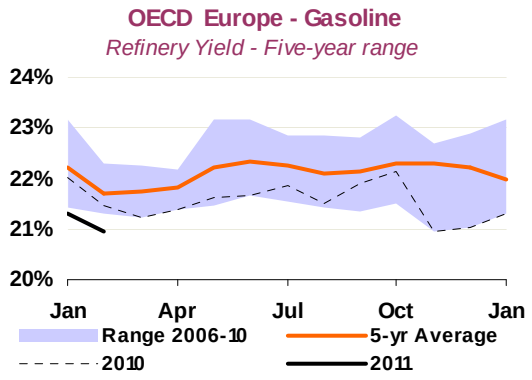


In North America, gasoline yields increased by 1.03 pp in February to a high of 48.4%, after having been decreasing towards the five-year average in 4Q10. The increase came at the expense of both gasoil/diesel and fuel oil. Gasoil/diesel yields increased steadily from spring last year until December but started to reverse last month and yields are now back at the five-year average. The decrease in fuel oil yields followed seasonal patterns, also falling below the five-year range.





In Europe, both gasoline and gasoil/diesel yields fell in February. Gasoline yields averaged 21.6% last year, but fell in February to only 20.9%, a record-low. Gasoil/diesel yields on the other hand declined from a record-high 40.5% last month to 39.7% in February, but are still 0.5 pp higher than last year's average. In the Pacific, the largest movement was in naphtha yields, which fell 0.43 pp while refiners increased production of gasoline and 'other products' in line with seasonal trends.



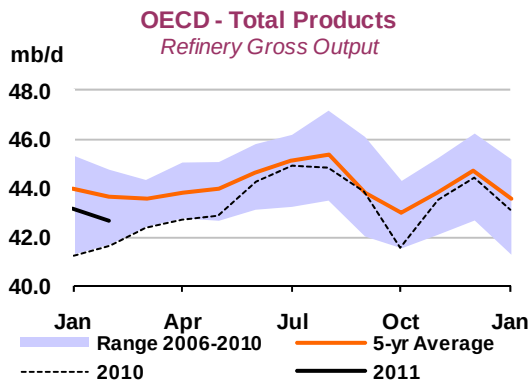


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.5	23.3	23.6	23.8	24.3	24.0	23.9	23.6	23.5	24.0	23.8	23.7
Europe	15.4	15.3	15.1	14.4	14.6	14.5	14.6	14.2	14.1	14.8	14.7	14.4	14.0	14.0	14.6	14.6	14.3
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.3	7.4	7.6	8.1	7.9
Total OECD	49.3	47.6	46.6	44.6	45.1	46.0	45.6	45.9	45.2	46.6	46.8	46.1	46.0	44.9	46.2	46.5	45.9
NON-OECD DEMAND																	
FSU	4.2	4.2	4.0	3.9	4.2	4.1	4.0	4.2	4.2	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.4
Europe	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.2	8.2	8.4	8.5	8.1	8.6	9.1	8.9	9.7	9.1	9.6	9.7	9.6	9.9	9.7
Other Asia	9.5	9.7	9.6	9.9	9.7	10.1	9.8	10.2	10.3	9.9	10.4	10.2	10.5	10.7	10.3	10.7	10.5
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.1	6.3	6.5	6.4	6.3	6.3	6.5	6.7	6.6	6.5
Middle East	6.8	7.2	7.0	7.5	8.0	7.4	7.5	7.4	7.8	8.2	7.7	7.8	7.6	8.0	8.5	7.9	8.0
Africa	3.1	3.3	3.4	3.4	3.3	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Total Non-OECD	37.7	38.8	37.7	39.6	40.4	40.1	39.5	40.5	41.8	42.1	42.7	41.8	42.4	43.3	43.7	43.7	43.3
Total Demand[1]	87.0	86.4	84.3	84.3	85.5	86.2	85.1	86.4	87.0	88.7	89.4	87.9	88.4	88.2	89.9	90.2	89.2
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.4	14.1	14.3	13.9	14.0	14.3	14.1
Europe	5.0	4.8	4.9	4.5	4.3	4.5	4.6	4.5	4.2	3.8	4.2	4.2	4.1	4.2	4.1	4.3	4.2
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.7	0.6
Total OECD	19.5	18.8	19.1	18.6	18.6	19.0	18.8	19.1	18.8	18.5	19.2	18.9	19.0	18.7	18.8	19.4	19.0
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.7	13.5	13.7	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.4	4.3	4.3
Other Asia[2]	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.7
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.5	4.6	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7
Africa[2]	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.4	28.8	29.1	29.3	29.5	29.2	29.7	29.8	30.0	30.1	29.9	30.2	30.3	30.5	30.7	30.4
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.2	1.7	1.8	1.8	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.0	1.9
Total Non-OPEC[2]	51.0	50.9	51.2	51.6	52.0	52.5	51.8	52.4	52.9	52.9	53.4	52.9	53.0	53.2	54.0	54.4	53.7
Non-OPEC: Historical Composition[2]	50.5	49.9	51.2	51.6	52.0	52.5	51.8	52.4	52.9	52.9	53.4	52.9	53.0	53.2	54.0	54.4	53.7
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.8	28.7	29.1	29.1	29.3	29.5	29.2	29.7				
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.1	5.4	5.5	5.3	5.7	5.7	5.9	6.0	5.8
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.9	33.5	34.2	34.2	34.6	35.0	34.5	35.4				
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.9	33.5	34.2	34.2	34.6	35.0	34.5	35.4				
Total Supply[6]	85.6	86.5	84.5	84.8	85.7	86.3	85.3	86.6	87.1	87.5	88.4	87.4	88.4				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.3	-0.1	0.2	1.0	-0.2	-0.9	0.0	-0.1				
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0				
Total	-0.2	0.3	0.8	0.3	0.2	-1.3	0.0	0.2	1.0	-0.3	-0.8	0.0	-0.2				
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2	-0.3	-0.2	0.2				
Miscellaneous to balance[7]	-1.2	-0.3	-1.2	0.1	-0.1	1.0	0.0	0.2	-0.9	-0.7	0.0	-0.3	-0.1				
Total Stock Ch. & Misc	-1.4	0.1	0.2	0.5	0.2	0.2	0.3	0.2	0.1	-1.2	-1.0	-0.5	0.0				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.7	31.1	28.4	28.0	28.6	28.7	28.4	28.9	29.0	30.4	30.5	29.7	29.7	29.3	30.1	29.8	29.7
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.8	27.2	28.0	28.5	29.7	28.4	29.1	28.1	29.8	30.6	29.4	29.6	29.2	30.0	29.7	29.7

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.4	-0.2	-0.2	-0.2	-0.2
Europe	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-
Total OECD	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-0.3	-0.2	-0.2	-0.2	-0.2
NON-OECD DEMAND																	
FSU	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Other Asia	-	-	-0.4	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Middle East	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3
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	-	-	-	-
Total Non-OECD	0.4	0.3	-0.3	-0.1	-	0.1	-0.1	-0.1	-	-	-	-	-	-	0.1	0.1	-
Total Demand	0.3	0.3	-0.2	0.1	0.1	0.2	0.1	-0.1	-0.1	-	-	-	-0.4	-0.2	-0.1	-0.1	-0.2
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.2	-0.1	-0.1
Europe	0.1	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	0.1	0.2	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	0.1	-	-	-	-	-	-	-	-	-	-	-	-0.2	-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
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-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	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-0.2	-0.3	0.1	0.2	-0.1
Non-OPEC: historical composition	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.2	-0.3	0.1	0.2	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-0.1				
NGLs	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-0.1	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-0.1				
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	-0.1				
Total Supply	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1	-0.3				
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	-0.2	-0.2	0.4	0.1	-	-	0.1	0.2	-	-	0.1	0.1					
Total Stock Ch. & Misc	-0.2	-0.2	0.3	0.1	-	-0.1	0.1	0.2	0.1	0.1	0.1	0.1	-				
Memo items:																	
Call on OPEC crude + Stock ch.	0.2	0.2	-0.3	-0.1	-0.1	0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.1	-0.1	-0.2	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-0.1	-	-	-	-	-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

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.54	23.30	23.58	23.76	24.26	24.02	23.91	23.58	23.50	23.99	23.77	23.71
Europe	15.34	15.06	14.41	14.56	14.50	14.63	14.18	14.12	14.79	14.69	14.45	14.03	14.03	14.64	14.60	14.33
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.04	7.79	8.34	7.41	7.60	8.14	7.87
Total OECD	47.56	46.61	44.62	45.09	46.03	45.58	45.95	45.19	46.65	46.76	46.14	45.96	44.95	46.24	46.50	45.91
Asia	17.40	16.76	18.07	18.14	18.61	17.90	18.80	19.40	18.86	20.03	19.27	20.07	20.35	19.88	20.57	20.21
Middle East	7.17	7.01	7.52	7.97	7.35	7.46	7.36	7.77	8.23	7.66	7.76	7.65	8.02	8.51	7.85	8.01
Latin America	5.99	5.82	6.02	6.13	6.15	6.03	6.06	6.31	6.47	6.40	6.31	6.28	6.54	6.68	6.59	6.52
FSU	4.23	3.96	3.90	4.15	4.08	4.02	4.23	4.18	4.41	4.43	4.31	4.32	4.22	4.49	4.48	4.38
Africa	3.28	3.40	3.38	3.32	3.24	3.33	3.32	3.42	3.38	3.43	3.39	3.42	3.40	3.38	3.42	3.41
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.73	0.71	0.71	0.73	0.73	0.74	0.73
Total Non-OECD	38.84	37.70	39.64	40.42	40.15	39.48	40.47	41.79	42.05	42.67	41.75	42.44	43.26	43.68	43.66	43.26
World	86.40	84.31	84.26	85.51	86.18	85.07	86.41	86.98	88.70	89.43	87.89	88.40	88.21	89.91	90.16	89.18
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.31	19.23	18.90	18.88	19.37	19.09	19.06
Europe 5*	9.41	9.36	8.79	8.84	8.80	8.94	8.80	8.68	9.08	8.93	8.87	8.65	8.56	8.89	8.82	8.73
China	7.74	7.21	8.16	8.40	8.47	8.06	8.63	9.06	8.92	9.67	9.07	9.58	9.69	9.57	9.88	9.68
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.54	4.42	4.86	4.10	4.35	4.65	4.48
India	3.11	3.10	3.04	2.83	3.05	3.01	3.13	3.19	2.88	3.13	3.08	3.24	3.29	2.99	3.24	3.19
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.19	3.14	3.06	3.01	2.97	3.24	3.18	3.10
Brazil	2.53	2.41	2.50	2.60	2.66	2.54	2.60	2.71	2.82	2.80	2.73	2.71	2.82	2.91	2.91	2.84
Saudi Arabia	2.27	2.07	2.62	2.84	2.33	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.92	3.22	2.69	2.83
Canada	2.24	2.20	2.08	2.16	2.15	2.15	2.19	2.21	2.28	2.26	2.24	2.27	2.19	2.23	2.23	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.35	2.25	2.35	2.21	2.14	2.33	2.26
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.14	2.14	2.10	2.16	2.10	2.13	2.12
Iran	2.05	2.14	2.09	2.09	2.11	2.11	2.10	2.08	2.08	2.09	2.09	2.10	2.01	2.03	2.00	2.03
Total	60.94	59.20	58.75	59.67	60.35	59.50	60.89	61.10	62.45	62.91	61.84	62.23	61.79	63.04	63.15	62.56
% of World	70.5%	70.2%	69.7%	69.8%	70.0%	69.9%	70.5%	70.2%	70.4%	70.4%	70.4%	70.4%	70.0%	70.1%	70.0%	70.1%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.7	-3.6	0.6	3.6	4.2	2.0	2.6	0.0	-1.1	-1.1	-1.1	-0.8
Europe	-0.5	-1.7	-4.6	-6.3	-5.6	-4.6	-5.9	-2.0	1.6	1.3	-1.3	-1.0	-0.6	-1.0	-0.6	-0.8
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.7	1.7	1.8	1.3	0.1	1.1	1.1
Total OECD	-3.5	-4.8	-5.8	-3.3	-2.6	-4.1	-1.4	1.3	3.5	1.6	1.2	0.0	-0.5	-0.9	-0.5	-0.5
Asia	1.7	-5.3	1.7	4.7	10.6	2.9	12.1	7.4	4.0	7.7	7.7	6.8	4.9	5.4	2.7	4.9
Middle East	5.6	2.6	4.1	4.4	4.8	4.0	5.0	3.4	3.3	4.2	3.9	4.0	3.3	3.4	2.6	3.3
Latin America	4.7	0.3	-0.5	0.0	2.5	0.6	4.1	4.8	5.6	4.0	4.6	3.7	3.7	3.3	3.0	3.4
FSU	1.2	-5.6	-6.0	-5.3	-2.6	-4.9	7.0	7.2	6.2	8.5	7.2	2.1	1.1	1.9	1.3	1.6
Africa	5.0	3.3	2.7	2.5	-2.0	1.6	-2.3	1.4	2.0	5.8	1.7	2.9	-0.8	0.0	-0.2	0.5
Europe	0.0	-4.6	-1.5	-1.4	-6.7	-3.6	-6.6	-6.2	-3.0	1.8	-3.6	0.7	3.1	2.7	1.8	2.1
Total Non-OECD	3.0	-2.3	1.0	2.5	5.4	1.7	7.4	5.4	4.0	6.3	5.7	4.9	3.5	3.9	2.3	3.6
World	-0.7	-3.7	-2.7	-0.7	1.0	-1.5	2.5	3.2	3.7	3.8	3.3	2.3	1.4	1.4	0.8	1.5
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.40	-0.88	0.15	0.82	0.98	0.48	0.61	0.01	-0.25	-0.27	-0.25	-0.19
Europe	-0.07	-0.26	-0.70	-0.98	-0.86	-0.70	-0.88	-0.28	0.23	0.19	-0.18	-0.15	-0.09	-0.15	-0.09	-0.12
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.06	0.13	0.15	0.10	0.01	0.09	0.09
Total OECD	-1.74	-2.37	-2.75	-1.55	-1.22	-1.97	-0.67	0.57	1.56	0.73	0.56	0.01	-0.25	-0.41	-0.25	-0.23
Asia	0.29	-0.94	0.31	0.82	1.79	0.50	2.03	1.33	0.72	1.42	1.37	1.27	0.94	1.02	0.54	0.94
Middle East	0.38	0.18	0.30	0.34	0.34	0.29	0.35	0.25	0.26	0.31	0.29	0.29	0.25	0.28	0.20	0.26
Latin America	0.27	0.02	-0.03	0.00	0.15	0.03	0.24	0.29	0.34	0.25	0.28	0.23	0.23	0.22	0.19	0.22
FSU	0.05	-0.24	-0.25	-0.23	-0.11	-0.21	0.28	0.28	0.26	0.35	0.29	0.09	0.05	0.09	0.06	0.07
Africa	0.16	0.11	0.09	0.08	-0.07	0.05	-0.08	0.05	0.07	0.19	0.06	0.10	-0.03	0.00	-0.01	0.02
Europe	0.00	-0.04	-0.01	-0.01	-0.05	-0.03	-0.05	-0.05	-0.02	0.01	-0.03	0.01	0.02	0.02	0.01	0.01
Total Non-OECD	1.15	-0.91	0.40	0.99	2.05	0.64	2.77	2.15	1.63	2.52	2.27	1.98	1.47	1.62	0.99	1.51
World	-0.60	-3.28	-2.35	-0.56	0.83	-1.33	2.10	2.73	3.19	3.25	2.82	1.99	1.22	1.21	0.73	1.29
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	-0.02	0.03	0.02	0.01	-0.37	-0.17	-0.18	-0.16	-0.22
Europe	0.00	0.13	0.12	0.09	0.15	0.12	0.00	0.00	0.00	0.00	0.00	-0.14	0.00	0.02	0.03	-0.02
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	-0.01	-0.03	-0.03	0.03
Total OECD	0.00	0.13	0.12	0.09	0.13	0.12	0.00	-0.02	0.03	0.02	0.01	-0.32	-0.17	-0.19	-0.16	-0.21
Asia	0.02	-0.74	-0.55	-0.46	-0.37	-0.53	-0.50	-0.50	-0.51	-0.50	-0.50	-0.45	-0.45	-0.41	-0.39	-0.42
Middle East	0.17	0.28	0.28	0.26	0.28	0.28	0.25	0.28	0.27	0.28	0.27	0.22	0.31	0.34	0.32	0.30
Latin America	0.00	0.03	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.07	0.08	0.08	0.08	0.08
FSU	-0.01	-0.03	0.02	0.04	0.04	0.02	0.03	0.02	0.02	0.03	0.03	0.02	0.00	0.03	0.03	0.02
Africa	0.09	0.14	0.14	0.13	0.12	0.13	0.13	0.13	0.14	0.13	0.13	0.09	0.02	0.04	0.04	0.05
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	0.01	0.00	0.00	0.00
Total Non-OECD	0.27	-0.32	-0.07	0.02	0.10	-0.07	-0.06	-0.04	-0.04	-0.04	-0.04	-0.04	-0.03	0.08	0.09	0.02
World	0.27	-0.19	0.06	0.11	0.23	0.05	-0.06	-0.05	-0.01	-0.02	-0.04	-0.36	-0.20	-0.11	-0.07	-0.19
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.04	-0.46	-0.21	-0.17	-0.04	-0.22	0.13	-0.11	-0.12	-0.25	-0.09	-0.30	-0.15	-0.10	-0.05	-0.15

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Dec 10	Jan 11	Feb 11 [2]	Latest month vs. Jan 11	Latest month vs. Feb 10
North America											
LPG&Ethane	2.79	2.86	3.18	2.53	2.70	3.03	3.44	3.48	3.26	-0.22	-0.01
Naphtha	0.33	0.40	0.40	0.41	0.42	0.35	0.34	0.36	0.34	-0.02	-0.09
Motor Gasoline	10.56	10.63	10.21	10.81	10.91	10.60	10.62	9.92	10.21	0.29	0.00
Jet/Kerosene	1.62	1.65	1.62	1.66	1.70	1.64	1.62	1.58	1.60	0.02	0.01
Gasoil/Diesel Oil	4.61	4.83	4.80	4.69	4.79	5.02	5.25	5.04	5.02	-0.02	0.10
Residual Fuel Oil	0.93	0.96	0.99	0.96	0.94	0.95	0.93	1.00	1.05	0.05	0.09
Other Products	2.46	2.58	2.36	2.69	2.81	2.44	2.32	2.40	2.32	-0.08	-0.01
Total	23.30	23.91	23.58	23.76	24.26	24.02	24.52	23.78	23.80	0.02	0.09
Europe											
LPG&Ethane	0.93	0.92	0.98	0.94	0.85	0.92	1.02	0.95	0.98	0.04	-0.03
Naphtha	1.15	1.21	1.27	1.15	1.21	1.23	1.22	1.28	1.28	0.00	0.01
Motor Gasoline	2.30	2.20	2.06	2.27	2.33	2.12	2.05	1.91	2.04	0.13	-0.02
Jet/Kerosene	1.26	1.27	1.21	1.24	1.38	1.26	1.22	1.18	1.21	0.02	-0.05
Gasoil/Diesel Oil	6.03	6.13	6.11	5.85	6.14	6.43	6.41	5.65	6.45	0.80	0.02
Residual Fuel Oil	1.45	1.28	1.33	1.21	1.29	1.31	1.33	1.29	1.29	0.00	-0.05
Other Products	1.51	1.43	1.22	1.46	1.60	1.42	1.24	1.25	1.31	0.06	0.13
Total	14.63	14.45	14.18	14.12	14.79	14.69	14.48	13.52	14.56	1.05	0.01
Pacific											
LPG&Ethane	0.86	0.84	0.90	0.83	0.79	0.82	0.93	0.96	0.86	-0.10	-0.07
Naphtha	1.63	1.69	1.76	1.60	1.65	1.77	1.79	1.81	1.89	0.08	0.06
Motor Gasoline	1.55	1.57	1.52	1.52	1.66	1.59	1.65	1.43	1.60	0.18	0.05
Jet/Kerosene	0.85	0.88	1.15	0.71	0.65	0.99	1.22	1.29	1.21	-0.08	-0.01
Gasoil/Diesel Oil	1.60	1.61	1.64	1.55	1.56	1.69	1.74	1.54	1.78	0.24	0.09
Residual Fuel Oil	0.75	0.73	0.77	0.67	0.74	0.72	0.78	0.84	0.81	-0.03	0.05
Other Products	0.42	0.47	0.45	0.42	0.56	0.46	0.50	0.49	0.49	0.00	0.02
Total	7.66	7.79	8.19	7.32	7.60	8.04	8.61	8.36	8.63	0.28	0.19
OECD											
LPG&Ethane	4.59	4.62	5.06	4.30	4.34	4.77	5.38	5.39	5.10	-0.29	-0.11
Naphtha	3.10	3.30	3.43	3.17	3.27	3.35	3.34	3.46	3.51	0.06	-0.02
Motor Gasoline	14.40	14.40	13.79	14.60	14.90	14.31	14.31	13.26	13.86	0.60	0.02
Jet/Kerosene	3.73	3.80	3.98	3.62	3.73	3.89	4.05	4.05	4.01	-0.04	-0.04
Gasoil/Diesel Oil	12.24	12.57	12.56	12.10	12.48	13.14	13.40	12.24	13.24	1.01	0.20
Residual Fuel Oil	3.14	2.97	3.10	2.84	2.96	2.98	3.05	3.12	3.15	0.03	0.09
Other Products	4.39	4.48	4.04	4.57	4.97	4.32	4.06	4.14	4.12	-0.02	0.14
Total	45.58	46.14	45.95	45.19	46.65	46.76	47.60	45.65	46.99	1.34	0.29

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	1Q10	2Q10	3Q10	4Q10	Dec 10	Jan 11	Feb 11 [2]	Latest month vs. Jan 11	Latest month vs. Feb 10
United States[3]											
LPG	2.05	2.11	2.39	1.80	2.00	2.26	2.63	2.67	2.43	-0.24	-0.04
Naphtha	0.25	0.27	0.27	0.28	0.28	0.23	0.23	0.26	0.24	-0.03	-0.05
Motor Gasoline	9.00	9.06	8.68	9.22	9.31	9.01	8.99	8.43	8.68	0.24	0.00
Jet/Kerosene	1.41	1.45	1.42	1.46	1.48	1.45	1.44	1.38	1.41	0.03	0.01
Gasoil	3.63	3.80	3.79	3.70	3.76	3.94	4.15	3.98	3.87	-0.11	0.01
Residual Fuel Oil	0.51	0.55	0.58	0.53	0.54	0.57	0.57	0.66	0.64	-0.02	0.11
Other Products	1.92	1.99	1.80	2.11	2.19	1.86	1.78	1.87	1.75	-0.12	-0.02
Total	18.77	19.23	18.93	19.10	19.57	19.31	19.79	19.25	19.00	-0.25	0.01
Japan											
LPG	0.49	0.47	0.53	0.46	0.43	0.45	0.53	0.59	0.53	-0.05	0.00
Naphtha	0.73	0.78	0.84	0.71	0.74	0.82	0.82	0.81	0.87	0.05	0.00
Motor Gasoline	0.99	1.00	0.96	0.97	1.08	1.00	1.06	0.91	0.98	0.07	0.01
Jet/Kerosene	0.55	0.55	0.81	0.43	0.36	0.62	0.82	0.88	0.84	-0.04	-0.03
Diesel	0.40	0.38	0.38	0.35	0.38	0.39	0.41	0.34	0.40	0.06	0.00
Other Gasoil	0.44	0.46	0.53	0.43	0.42	0.48	0.53	0.50	0.58	0.08	0.02
Residual Fuel Oil	0.40	0.39	0.39	0.36	0.42	0.38	0.41	0.42	0.44	0.02	0.05
Other Products	0.37	0.39	0.34	0.33	0.50	0.39	0.42	0.44	0.42	-0.02	0.06
Total	4.37	4.42	4.79	4.04	4.33	4.54	5.00	4.90	5.06	0.17	0.11
Germany											
LPG	0.09	0.10	0.10	0.10	0.10	0.08	0.09	0.09	0.09	0.00	-0.02
Naphtha	0.37	0.41	0.43	0.38	0.41	0.41	0.41	0.47	0.48	0.00	0.05
Motor Gasoline	0.47	0.46	0.42	0.48	0.48	0.45	0.41	0.42	0.44	0.02	0.02
Jet/Kerosene	0.19	0.18	0.17	0.19	0.20	0.18	0.15	0.16	0.16	0.00	0.00
Diesel	0.64	0.67	0.60	0.68	0.71	0.69	0.60	0.56	0.65	0.09	0.06
Other Gasoil	0.42	0.43	0.46	0.33	0.45	0.47	0.47	0.34	0.43	0.09	-0.12
Residual Fuel Oil	0.15	0.14	0.14	0.13	0.14	0.15	0.16	0.13	0.15	0.02	0.00
Other Products	0.12	0.11	0.07	0.12	0.14	0.11	0.06	0.06	0.05	-0.01	-0.03
Total	2.46	2.49	2.39	2.39	2.64	2.53	2.34	2.23	2.44	0.21	-0.03
Italy											
LPG	0.10	0.11	0.14	0.10	0.09	0.11	0.15	0.12	0.14	0.02	-0.01
Naphtha	0.09	0.12	0.11	0.12	0.12	0.11	0.11	0.10	0.10	0.00	-0.01
Motor Gasoline	0.25	0.23	0.22	0.24	0.25	0.23	0.25	0.20	0.22	0.02	0.00
Jet/Kerosene	0.09	0.10	0.09	0.11	0.12	0.10	0.10	0.09	0.09	0.01	0.01
Diesel	0.49	0.50	0.47	0.50	0.51	0.50	0.49	0.42	0.50	0.08	0.02
Other Gasoil	0.13	0.12	0.13	0.10	0.11	0.15	0.16	0.11	0.13	0.02	-0.01
Residual Fuel Oil	0.21	0.15	0.15	0.14	0.15	0.14	0.15	0.12	0.13	0.01	-0.04
Other Products	0.16	0.18	0.13	0.16	0.21	0.20	0.18	0.17	0.21	0.05	0.09
Total	1.53	1.50	1.45	1.47	1.55	1.54	1.59	1.33	1.53	0.20	0.04
France											
LPG	0.09	0.11	0.14	0.09	0.09	0.13	0.15	0.14	0.13	-0.01	-0.02
Naphtha	0.14	0.14	0.15	0.15	0.13	0.11	0.12	0.15	0.15	0.01	0.00
Motor Gasoline	0.20	0.19	0.17	0.20	0.20	0.18	0.18	0.16	0.17	0.02	-0.01
Jet/Kerosene	0.15	0.15	0.14	0.15	0.16	0.14	0.14	0.15	0.14	-0.01	0.00
Diesel	0.66	0.68	0.64	0.69	0.70	0.68	0.68	0.63	0.70	0.07	0.01
Other Gasoil	0.31	0.29	0.35	0.21	0.26	0.33	0.40	0.36	0.39	0.03	-0.01
Residual Fuel Oil	0.10	0.09	0.11	0.09	0.08	0.09	0.12	0.07	0.08	0.01	-0.02
Other Products	0.18	0.17	0.16	0.19	0.19	0.15	0.14	0.11	0.14	0.02	0.01
Total	1.83	1.81	1.85	1.77	1.82	1.81	1.92	1.76	1.90	0.14	-0.04
United Kingdom											
LPG	0.16	0.13	0.13	0.15	0.11	0.12	0.12	0.14	0.13	-0.01	0.01
Naphtha	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.03	0.03	0.00	0.00
Motor Gasoline	0.37	0.35	0.35	0.36	0.35	0.34	0.32	0.31	0.34	0.03	-0.01
Jet/Kerosene	0.34	0.33	0.35	0.30	0.33	0.34	0.34	0.34	0.33	-0.01	-0.05
Diesel	0.45	0.46	0.47	0.46	0.47	0.46	0.42	0.45	0.48	0.03	-0.01
Other Gasoil	0.10	0.11	0.11	0.10	0.13	0.10	0.10	0.08	0.10	0.02	0.00
Residual Fuel Oil	0.07	0.06	0.06	0.06	0.06	0.07	0.06	0.08	0.07	-0.01	0.02
Other Products	0.16	0.16	0.14	0.16	0.16	0.16	0.15	0.16	0.17	0.00	0.02
Total	1.67	1.63	1.65	1.62	1.63	1.61	1.52	1.60	1.65	0.05	-0.03
Canada											
LPG	0.34	0.34	0.35	0.35	0.31	0.35	0.35	0.37	0.39	0.03	0.03
Naphtha	0.05	0.08	0.08	0.08	0.09	0.08	0.09	0.08	0.08	0.00	0.00
Motor Gasoline	0.73	0.73	0.70	0.75	0.77	0.73	0.74	0.69	0.71	0.02	0.00
Jet/Kerosene	0.12	0.11	0.11	0.11	0.12	0.10	0.10	0.11	0.11	0.00	0.00
Diesel	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.00	-0.01
Other Gasoil	0.28	0.32	0.32	0.28	0.33	0.36	0.40	0.36	0.43	0.07	0.07
Residual Fuel Oil	0.09	0.10	0.11	0.10	0.08	0.10	0.10	0.12	0.13	0.02	0.01
Other Products	0.30	0.32	0.30	0.31	0.35	0.32	0.30	0.28	0.31	0.02	0.01
Total	2.15	2.24	2.19	2.21	2.28	2.26	2.30	2.24	2.38	0.14	0.11

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	4Q10	1Q11	2Q11	3Q11	4Q11	Feb 11	Mar 11	Apr 11
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.30	8.55				8.62	8.62	8.51
Iran	3.74	3.70		3.67	3.63				3.68	3.55	3.60
Iraq	2.43	2.36		2.43	2.66				2.73	2.62	2.60
UAE	2.27	2.31		2.33	2.48				2.48	2.52	2.51
Kuwait	2.01	2.03		2.03	2.08				2.07	2.14	2.12
Neutral Zone	0.54	0.53		0.54	0.56				0.56	0.57	0.58
Qatar	0.80	0.80		0.81	0.82				0.82	0.82	0.81
Angola	1.77	1.77		1.65	1.65				1.60	1.67	1.58
Nigeria	1.82	2.08		2.21	2.14				2.16	2.01	2.22
Libya	1.55	1.55		1.56	1.13				1.39	0.45	0.20
Algeria	1.24	1.25		1.27	1.27				1.28	1.26	1.28
Ecuador	0.47	0.47		0.47	0.50				0.50	0.51	0.50
Venezuela	2.15	2.23		2.20	2.22				2.20	2.26	2.25
Total Crude Oil[6]	28.67	29.22		29.48	29.69				30.08	28.99	28.75
Total NGLs[1,6]	4.85	5.28	5.82	5.50	5.74	5.71	5.86	5.96	5.74	5.74	5.71
Total OPEC[6]	33.52	34.49		34.98	35.43				35.82	34.72	34.46
OPEC: Historical Composition[6]	33.52	34.49		34.98	35.43				35.82	34.72	34.46
NON-OPEC[2]											
OECD											
North America	13.61	14.12	14.14	14.43	14.30	13.93	14.03	14.32	14.31	14.27	14.04
United States[5]	7.43	7.80	7.79	7.99	7.82	7.84	7.69	7.83	7.81	7.86	7.88
Mexico	2.97	2.95	2.90	2.92	2.96	2.90	2.87	2.87	2.94	2.97	2.91
Canada	3.22	3.37	3.45	3.51	3.52	3.19	3.47	3.62	3.56	3.45	3.25
Europe	4.55	4.17	4.18	4.21	4.11	4.16	4.11	4.34	4.07	4.00	4.21
UK	1.48	1.37	1.35	1.35	1.29	1.36	1.31	1.42	1.19	1.26	1.37
Norway	2.40	2.17	2.18	2.21	2.17	2.13	2.14	2.28	2.23	2.07	2.17
Others	0.67	0.63	0.66	0.65	0.66	0.67	0.66	0.65	0.65	0.67	0.67
Pacific	0.65	0.61	0.62	0.58	0.54	0.59	0.67	0.69	0.52	0.56	0.58
Australia	0.55	0.51	0.53	0.49	0.44	0.50	0.58	0.60	0.43	0.47	0.49
Others	0.10	0.10	0.09	0.09	0.10	0.09	0.09	0.09	0.10	0.10	0.09
Total OECD	18.82	18.90	18.95	19.22	18.95	18.68	18.81	19.36	18.90	18.83	18.84
NON-OECD											
Former USSR	13.28	13.55	13.66	13.66	13.68	13.73	13.54	13.70	13.69	13.67	13.77
Russia	10.21	10.45	10.52	10.54	10.52	10.53	10.51	10.53	10.52	10.51	10.56
Others	3.07	3.10	3.14	3.12	3.16	3.20	3.03	3.17	3.17	3.16	3.21
Asia	7.55	7.82	7.93	7.92	7.91	7.89	7.99	7.92	7.87	7.91	7.95
China	3.89	4.10	4.28	4.22	4.21	4.22	4.35	4.33	4.19	4.18	4.28
Malaysia	0.74	0.72	0.66	0.71	0.70	0.66	0.65	0.64	0.71	0.70	0.66
India	0.80	0.86	0.92	0.91	0.91	0.93	0.92	0.92	0.91	0.94	0.93
Indonesia	0.98	0.97	0.92	0.94	0.93	0.93	0.92	0.89	0.93	0.94	0.93
Others	1.14	1.17	1.15	1.15	1.15	1.15	1.15	1.14	1.13	1.16	1.15
Europe	0.14	0.14	0.13	0.13	0.14	0.14	0.13	0.13	0.14	0.14	0.14
Latin America	3.88	4.08	4.40	4.10	4.17	4.31	4.50	4.60	4.17	4.15	4.20
Brazil[5]	2.03	2.14	2.34	2.18	2.18	2.27	2.41	2.49	2.15	2.17	2.23
Argentina	0.72	0.70	0.69	0.66	0.68	0.67	0.71	0.71	0.70	0.66	0.61
Colombia	0.67	0.79	0.92	0.82	0.87	0.92	0.94	0.96	0.87	0.89	0.91
Others	0.45	0.45	0.45	0.44	0.45	0.45	0.45	0.44	0.45	0.44	0.45
Middle East[3]	1.71	1.72	1.72	1.72	1.73	1.65	1.75	1.77	1.74	1.70	1.64
Oman	0.81	0.86	0.92	0.88	0.89	0.91	0.94	0.95	0.89	0.89	0.90
Syria	0.40	0.39	0.37	0.39	0.38	0.37	0.37	0.36	0.38	0.38	0.37
Yemen	0.31	0.28	0.23	0.27	0.26	0.17	0.24	0.25	0.27	0.23	0.17
Others	0.19	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.59	2.56	2.60	2.56	2.59	2.58	2.61	2.60	2.59	2.60	2.53
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.25	0.21
Others	1.60	1.58	1.62	1.57	1.60	1.61	1.64	1.63	1.60	1.62	1.59
Total Non-OECD	29.16	29.88	30.44	30.09	30.22	30.30	30.53	30.72	30.19	30.17	30.23
Processing Gains[4]	2.25	2.30	2.35	2.31	2.33	2.34	2.37	2.35	2.33	2.33	2.34
Global Biofuels[5]	1.59	1.82	1.91	1.78	1.47	1.88	2.27	2.00	1.46	1.44	1.58
TOTAL NON-OPEC[6]	51.82	52.90	53.65	53.40	52.97	53.19	53.99	54.44	52.89	52.78	52.99
Non-OPEC: Historical Composition[6]	51.82	52.90	53.65	53.40	52.97	53.19	53.99	54.44	52.89	52.78	52.99
TOTAL SUPPLY	85.34	87.40		88.38	88.40				88.71	87.50	87.45

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Nov2010	Dec2010	Jan2011	Feb2011	Mar2011*	Mar2008	Mar2009	Mar2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	489.7	464.6	473.1	484.9	491.4	436.5	488.7	483.5	0.16	-0.04	-0.32	0.30
Motor Gasoline	242.7	250.7	268.1	262.2	247.5	250.2	249.0	258.7	-0.15	0.05	0.01	-0.04
Middle Distillate	235.3	237.3	233.1	221.2	217.8	179.3	220.2	216.6	0.16	0.14	-0.07	-0.22
Residual Fuel Oil	48.0	49.5	47.5	42.5	42.0	47.8	46.7	48.6	0.02	-0.02	0.01	-0.08
Total Products[3]	703.0	702.3	700.8	667.9	650.6	622.6	691.2	673.4	0.42	0.21	-0.31	-0.57
Total[4]	1354.7	1316.6	1321.1	1296.1	1288.4	1197.5	1332.7	1298.5	0.73	0.24	-0.77	-0.31
Europe												
Crude	322.1	323.2	334.4	325.9	330.3	334.0	355.1	330.3	0.11	-0.23	0.05	0.08
Motor Gasoline	96.8	96.5	104.3	104.8	102.1	112.4	97.1	103.7	-0.08	-0.02	0.02	0.06
Middle Distillate	282.4	276.3	299.2	286.2	278.6	245.8	280.2	283.6	0.04	-0.09	-0.03	0.03
Residual Fuel Oil	69.6	67.8	69.1	66.1	66.9	81.7	73.6	73.9	0.04	-0.01	-0.09	-0.01
Total Products[3]	556.3	553.8	588.5	572.0	562.3	554.7	563.0	569.4	0.02	-0.11	-0.08	0.10
Total[4]	946.9	947.2	993.5	964.9	959.1	961.4	991.4	974.0	0.08	-0.38	0.01	0.13
Pacific												
Crude	164.8	158.0	160.0	156.9	172.9	158.2	170.2	164.7	0.02	-0.12	0.03	0.17
Motor Gasoline	24.5	23.2	25.1	25.7	23.4	26.7	26.4	25.1	0.01	-0.03	-0.01	0.00
Middle Distillate	65.3	59.7	60.1	58.0	53.8	57.3	56.6	57.9	0.00	0.09	-0.07	-0.07
Residual Fuel Oil	19.4	18.9	18.6	18.4	20.8	20.1	20.2	20.3	0.01	0.01	-0.03	0.02
Total Products[3]	178.8	162.7	168.4	162.2	154.9	165.8	167.9	158.0	0.11	0.11	-0.16	-0.09
Total[4]	414.7	390.4	402.3	391.4	395.6	394.4	407.5	385.9	0.21	-0.03	-0.13	0.06
Total OECD												
Crude	976.6	945.9	967.4	967.6	994.6	928.7	1014.1	978.6	0.29	-0.39	-0.25	0.54
Motor Gasoline	364.0	370.4	397.6	392.6	373.0	389.2	372.4	387.5	-0.21	0.00	0.02	0.03
Middle Distillate	582.9	573.3	592.4	565.4	550.2	482.4	557.1	558.0	0.19	0.14	-0.17	-0.26
Residual Fuel Oil	137.0	136.2	135.2	127.0	129.6	149.6	140.5	142.7	0.07	-0.02	-0.12	-0.07
Total Products[3]	1438.1	1418.7	1457.7	1402.1	1367.8	1343.1	1422.0	1400.8	0.55	0.21	-0.56	-0.57
Total[4]	2716.3	2654.3	2716.9	2652.4	2643.2	2553.3	2731.6	2658.3	1.02	-0.17	-0.88	-0.12

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Nov2010	Dec2010	Jan2011	Feb2011	Mar2011*	Mar2008	Mar2009	Mar2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	726.6	726.6	726.5	726.5	726.5	700.4	712.8	726.6	0.00	0.00	0.00	0.00
Products	2.0	2.0	2.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	0.00	-0.02
Europe												
Crude	186.2	186.5	185.8	185.9	185.9	185.0	188.1	187.8	-0.03	-0.04	0.05	-0.01
Products	231.2	234.9	233.6	233.4	233.4	237.0	234.2	240.3	-0.05	0.00	-0.01	-0.02
Pacific												
Crude	387.1	389.6	389.7	390.3	390.3	385.0	389.2	388.8	0.02	-0.10	0.08	0.01
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1299.9	1302.5	1302.0	1302.7	1302.7	1270.4	1290.0	1303.2	0.00	-0.13	0.13	0.00
Products	253.2	256.9	255.6	253.4	253.4	257.8	255.4	262.3	-0.05	0.00	-0.01	-0.04
Total[4]	1554.4	1560.7	1559.0	1557.6	1557.6	1529.2	1547.0	1566.7	-0.05	-0.14	0.12	-0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2010		End June 2010		End September 2010		End December 2010		End March 2011 [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	172.1	75	176.5	77	186.2	80	183.0	-	-	-
Mexico	51.5	24	54.4	26	49.0	23	44.5	-	-	-
United States[4]	1781.4	94	1840.7	94	1858.7	97	1795.5	-	-	-
Total[4]	2027.1	85	2093.7	87	2116.1	88	2045.2	87	2015.0	86
Pacific										
Australia	41.5	44	42.7	45	40.5	41	38.1	-	-	-
Japan	581.5	144	597.1	138	581.8	128	588.3	-	-	-
Korea	163.6	75	167.3	78	173.5	74	165.4	-	-	-
New Zealand	8.1	59	8.9	57	8.2	51	8.2	-	-	-
Total	794.7	109	816.0	107	804.0	100	800.0	96	805.9	109
Europe[5]										
Austria	22.7	85	20.1	69	18.9	65	19.9	-	-	-
Belgium	35.3	69	37.8	64	34.3	53	33.6	-	-	-
Czech Republic	21.7	106	20.4	99	21.1	105	21.2	-	-	-
Denmark	27.2	171	28.2	160	26.5	157	25.3	-	-	-
Finland	32.5	171	28.5	138	28.5	124	27.8	-	-	-
France	171.8	97	170.1	93	163.4	90	168.2	-	-	-
Germany	288.8	121	280.4	106	285.6	113	286.8	-	-	-
Greece	35.6	104	33.9	97	36.3	94	34.3	-	-	-
Hungary	16.8	115	17.0	107	15.9	103	15.9	-	-	-
Ireland	12.7	79	12.8	84	11.4	66	9.8	-	-	-
Italy	129.2	88	132.5	85	126.6	82	133.3	-	-	-
Luxembourg	0.8	13	0.7	12	0.7	13	0.6	-	-	-
Netherlands	131.0	123	138.8	135	120.9	120	125.9	-	-	-
Norway	21.1	93	22.1	112	20.8	80	20.8	-	-	-
Poland	62.5	115	63.8	106	64.2	108	65.5	-	-	-
Portugal	23.4	85	24.9	88	22.8	86	22.9	-	-	-
Slovak Republic	9.5	122	9.3	99	8.6	101	8.3	-	-	-
Spain	132.0	93	134.1	94	133.0	92	133.2	-	-	-
Sweden	39.3	109	35.4	99	34.4	90	32.3	-	-	-
Switzerland	37.8	158	38.1	142	37.7	140	36.8	-	-	-
Turkey	58.1	96	58.4	87	58.5	98	58.5	-	-	-
United Kingdom	93.4	58	96.1	59	94.5	59	88.8	-	-	-
Total	1403.2	99	1403.2	95	1364.7	93	1369.8	98	1379.9	98
Total OECD	4225.0	93	4312.8	93	4284.8	92	4215.0	92	4200.8	93
DAYS OF IEA Net Imports[6]	-	145	-	146	-	145	-	146	-	-

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
1Q2008	4083	1529	2553	86	32	54
2Q2008	4111	1526	2585	88	33	55
3Q2008	4164	1522	2642	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4279	1547	2732	96	35	61
2Q2009	4306	1561	2745	96	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	58
1Q2010	4225	1567	2658	93	35	59
2Q2010	4313	1562	2751	93	34	59
3Q2010	4285	1549	2735	92	33	58
4Q2010	4215	1561	2654	92	34	58
1Q2011	4201	1558	2643	93	35	59

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 1Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Dec 10	Jan 11	Feb 11	Year Earlier Feb 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.56	0.69	0.73	0.75	0.78	0.79	0.60	0.44	0.16
Europe	0.70	0.59	0.66	0.55	0.64	0.74	0.69	0.63	0.75	0.68	0.54	0.14
Pacific	1.22	1.28	1.21	1.25	1.17	1.15	1.26	1.27	1.30	1.31	1.20	0.11
Saudi Medium												
North America	0.64	0.40	0.36	0.38	0.36	0.33	0.36	0.36	0.32	0.34	0.40	-0.06
Europe	0.05	0.02	0.00	-	0.00	-	-	-	-	-	-	-
Pacific	0.39	0.34	0.34	0.33	0.37	0.30	0.37	0.32	0.40	0.35	0.30	0.04
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.02	0.03	0.01	0.02	0.02	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	0.00	0.00	-	-	0.01	-	-	-
Pacific	0.24	0.15	0.22	0.23	0.19	0.23	0.21	0.20	0.19	0.24	0.20	0.04
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.42	0.43	0.29	0.29	0.35	0.18	0.23	0.50	-0.27
Europe	0.21	0.12	0.09	0.06	0.09	0.13	0.08	0.04	0.06	0.00	0.04	-0.04
Pacific	0.15	0.24	0.29	0.35	0.19	0.26	0.38	0.32	0.30	0.56	0.34	0.22
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.01	0.03	0.05	0.04	0.06	0.14	0.07	-	-
Europe	0.23	0.31	0.27	0.33	0.27	0.25	0.23	0.20	0.20	0.22	0.35	-0.13
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.20	0.24	0.33	0.18	0.22	0.16	0.30	0.22	0.08
Pacific	0.08	0.07	0.04	0.06	0.07	0.04	0.01	0.02	0.04	0.06	0.04	0.02
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.35	0.47	0.70	0.43	0.43	0.33	0.24	0.30	-0.06
Pacific	0.61	0.57	0.52	0.61	0.44	0.53	0.52	0.57	0.62	0.57	0.59	-0.02
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.11	0.21	0.08	0.16	0.13	0.18	-	0.19	-
Europe	0.06	0.07	0.02	0.01	0.02	0.05	0.01	-	0.04	0.02	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.89	0.83	0.96	0.75	0.74	0.99	0.84	0.88	-0.05
Europe	0.07	0.07	0.06	0.07	0.06	0.06	0.05	0.05	0.03	0.06	0.07	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.82	0.96	0.94	0.92	0.88	0.88	0.80	0.78	0.02
Europe	0.14	0.10	0.11	0.12	0.11	0.11	0.09	0.05	0.11	0.16	0.11	0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.03	0.02	0.02	0.09	0.10	0.01	0.06	0.01	0.05
Europe	0.01	0.01	0.02	-	0.02	-	0.05	0.02	0.02	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.13	0.08	0.03	0.02	-	-	0.05	-
Europe	1.81	1.72	1.80	1.76	1.86	1.88	1.71	1.96	1.78	1.65	1.72	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.55	0.64	0.64	0.58	0.72	0.77	0.67	0.56	0.11
Europe	0.29	0.32	0.34	0.26	0.29	0.31	0.49	0.42	0.44	0.44	0.26	0.18
Pacific	-	0.00	-	-	-	-	-	-	0.06	0.03	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.24	0.29	0.25	0.22	0.23	0.30	0.19	0.29	-0.10
Europe	0.14	0.13	0.09	0.07	0.09	0.09	0.11	0.13	0.07	0.16	0.09	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	1Q10	2Q10	3Q10	4Q10	Dec-10	Jan-11	Feb-11	Year Earlier Feb-10	Year Earlier % change
Crude Oil												
North America	8046	7327	7319	7057	7902	7716	6600	6590	6852	5854	6515	-10%
Europe	9776	8914	9076	8561	9160	9463	9110	9263	9218	8801	8491	4%
Pacific	6605	6082	6244	6445	5899	6159	6472	6664	6756	6752	6477	4%
Total OECD	24427	22323	22638	22062	22961	23338	22183	22517	22827	21407	22005	-3%
LPG												
North America	31	13	8	12	7	7	6	2	37	9	5	83%
Europe	268	260	270	286	269	226	299	323	322	314	301	4%
Pacific	589	529	558	534	600	533	567	528	631	542	477	14%
Total OECD	887	802	836	832	876	766	872	853	990	865	783	10%
Naphtha												
North America	56	22	36	23	28	59	35	12	22	22	24	-11%
Europe	298	352	390	444	391	345	382	407	437	165	380	-57%
Pacific	776	841	900	953	899	855	893	837	984	998	988	1%
Total OECD	1130	1215	1326	1421	1317	1260	1309	1257	1443	1184	1392	-15%
Gasoline[3]												
North America	1077	878	793	692	839	927	712	679	661	596	737	-19%
Europe	215	193	173	163	196	207	127	193	224	280	80	250%
Pacific	90	96	64	70	73	44	67	62	54	114	68	68%
Total OECD	1382	1167	1030	926	1108	1178	906	934	939	990	884	12%
Jet & Kerosene												
North America	64	62	76	69	59	86	88	57	68	63	64	-1%
Europe	401	452	417	439	358	475	396	358	381	332	444	-25%
Pacific	34	53	40	46	37	29	46	45	63	63	58	9%
Total OECD	500	567	532	553	454	590	530	460	511	458	565	-19%
Gasoil/Diesel												
North America	74	56	49	113	43	27	14	30	82	22	121	-82%
Europe	871	1035	1045	1126	885	933	1235	1081	1183	1058	972	9%
Pacific	119	87	97	88	121	88	92	93	79	100	80	25%
Total OECD	1064	1177	1191	1327	1048	1049	1340	1205	1343	1180	1173	1%
Heavy Fuel Oil												
North America	288	270	277	277	293	285	254	231	318	337	317	6%
Europe	458	534	529	564	545	504	504	542	533	456	500	-9%
Pacific	125	113	117	136	104	127	101	102	137	172	147	17%
Total OECD	871	917	923	978	941	916	859	874	988	965	963	0%
Other Products												
North America	1078	870	805	676	782	852	907	873	945	762	621	23%
Europe	734	770	666	622	606	699	737	737	665	724	577	26%
Pacific	298	325	335	330	276	382	352	362	410	335	305	10%
Total OECD	2110	1965	1807	1628	1665	1933	1996	1972	2020	1821	1504	21%
Total Products												
North America	2667	2171	2044	1863	2050	2242	2015	1885	2132	1811	1888	-4%
Europe	3245	3595	3490	3644	3249	3390	3679	3641	3745	3330	3253	2%
Pacific	2032	2045	2111	2157	2110	2059	2118	2029	2357	2323	2123	9%
Total OECD	7944	7810	7645	7664	7409	7690	7812	7555	8234	7464	7265	3%
Total Oil												
North America	10713	9497	9362	8919	9953	9959	8616	8475	8984	7665	8925	-14%
Europe	13022	12509	12567	12206	12409	12852	12789	12904	12963	12131	11745	3%
Pacific	8637	8127	8354	8602	8008	8218	8590	8692	9114	9075	8600	6%
Total OECD	32371	30133	30283	29727	30370	31029	29995	30072	31061	28871	29270	-1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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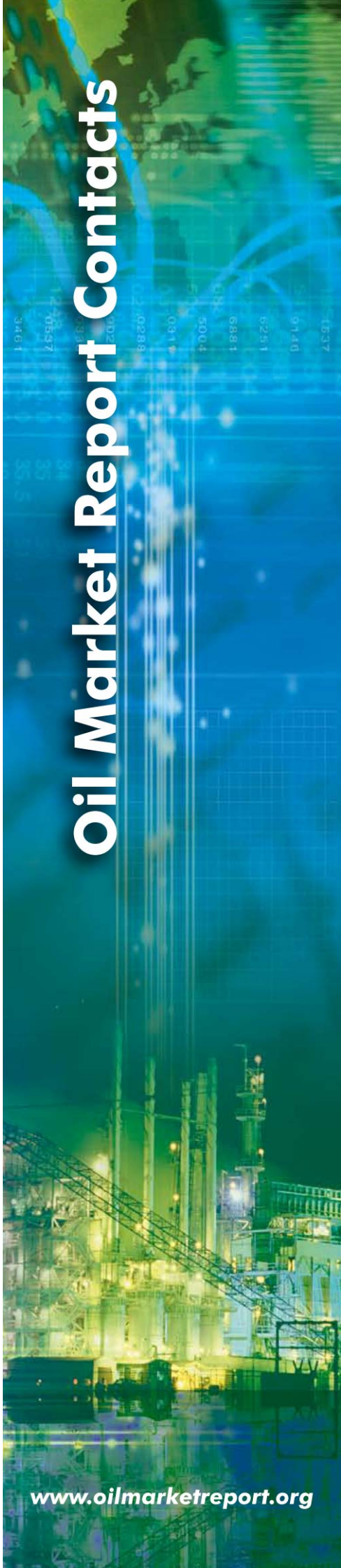
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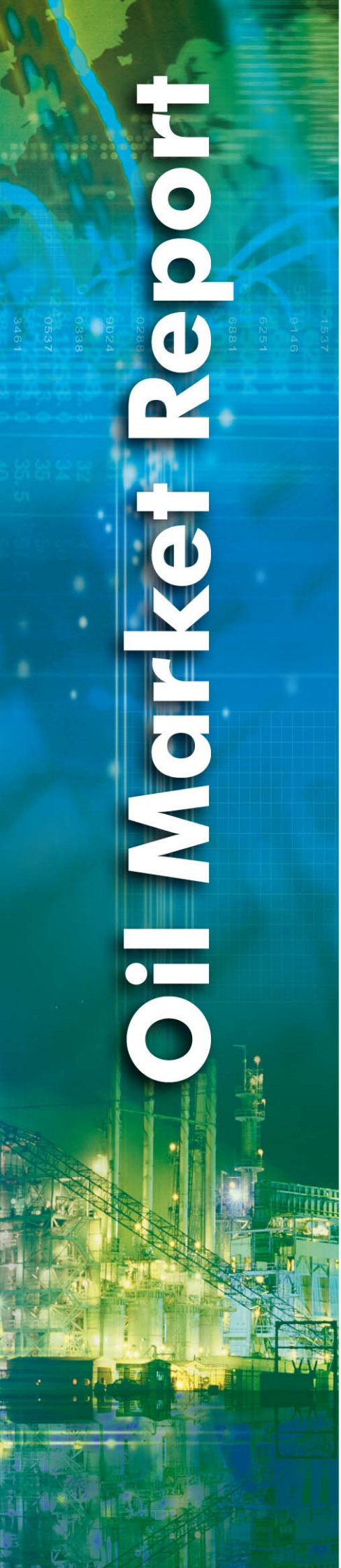
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of McGraw-Hill Inc.).

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Next Issue: 16 June 2011





International Energy Agency

16 June 2011

HIGHLIGHTS

- **Average May futures prices of $101.36/bbl (WTI) and $114.52/bbl (Brent) were around $8.50/bbl lower than April,** after a widespread commodity sell-off in early May. Since the 8 June OPEC meeting, crude prices have recovered to $118/bbl for Brent, with WTI remaining relatively weak at around $98/bbl.

- **Global oil demand for 2010 and 2011 is raised by 0.1 mb/d on average**, largely on non-OECD baseline revisions. Estimates now stand at 88.0 mb/d in 2010 (+2.8 mb/d year-on-year), and 89.3 mb/d in 2011 (+1.3 mb/d). Weaker OECD readings reflect slower economic activity, high prices and a mild spring, while stronger non-OECD estimates derive from reappraised gasoil use in India and China.

- **Global oil supply rose by 270 kb/d in May to 87.41 mb/d**, with OPEC crude underpinning the rise. Non-OPEC supply growth in 2011 is now +560 kb/d, half of 2010 levels. Revisions to refinery processing gains cut 0.2 mb/d from 2008-2011 supply, and outages in the Americas, UK and Yemen shave another 0.2 mb/d off 2011.

- **OPEC May crude supply rose by 210 kb/d to average 29.18 mb/d**, but remains 1.25 mb/d below pre-Libyan crisis levels. Increases from Saudi Arabia, Nigeria, Kuwait and Iraq offset lower UAE and Angolan output. Effective spare capacity stands at 4.01 mb/d. The 2011 'call on OPEC crude and stock change' is revised up by 0.4 mb/d to 30.1 mb/d, and increases by 1 mb/d between 2Q11 and 3Q11.

- **April OECD industry stocks rose by a seasonally strong 34.5 mb, to 2 668 mb or 59.1 days of forward demand cover.** Japanese restocking accounted for almost 75% of the increase. Preliminary data indicate OECD inventories built by a further 19.5 mb in May, but oil held in short-term floating storage, especially products, declined.

- **Global refinery crude demand is expected to rise sharply from a low point of 72.6 mb/d in April to 76.4 mb/d in July** as US and European refiners exit turnarounds and replenish depleted oil product stocks for peak summer demand. Global throughputs are estimated to add 2.5 mb/d between 2Q11 and 3Q11, reaching 76.1 mb/d on average.

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International Energy Agency

- Energy security
- Environmental protection
- Economic growth
- Engagement worldwide

The IEA is Seeking to Recruit a Senior Oil Market Analyst

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 to recruit a Senior Oil Market Analyst to examine developments and future prospects in the global oil markets. The successful applicant will work under the guidance of the Head of the Oil Industry and Markets Division of the IEA.

The ideal candidate will possess:

- A university degree(s) in relevant disciplines, such as finance, economics/econometrics, statistics, physical sciences or engineering.
- In-depth knowledge of, and eight to ten years' experience in, oil industry and markets analysis, with a focus on oil demand developments and macro-economics. International experience desirable.
- Policy experience with exposure to energy questions in government and/or industry. Demonstrated experience in quantitative data analysis, modelling and in developing analytical methodologies. Proven skills in working with databases, spreadsheets and word-processing software.
- Ability to work well under extremely demanding deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of French would be an advantage.

The IEA operates as an autonomous agency within the Organisation for Economic Co-operation and Development (OECD), a forum within which the governments of 34 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 full vacancy notice and on-line application form will shortly be available at **www.oecd.org**. Click on *Job Vacancies*, Job Reference No. **3996** - ***Senior Economist/Analyst – Oil Market***). On-line applications (in English or French) from nationals of OECD Member countries should include a CV and covering letter and should be submitted *by no later than midnight (CET)* on **Thursday 23 June 2011**.

Please note that only candidates selected for interview will be contacted.

The OECD is an equal opportunity employer offering an attractive remuneration package and encourages applications from all qualified candidates.

OECD OCDE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Organisation de coopération et de développement économiques

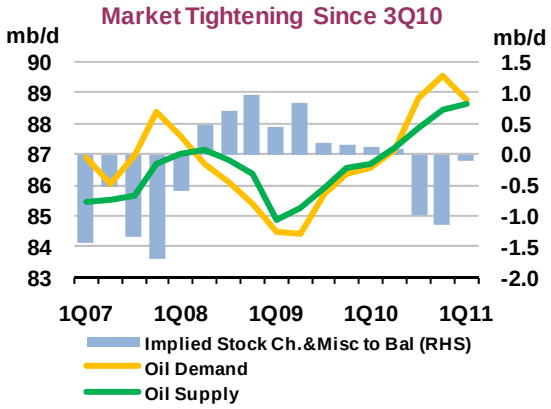
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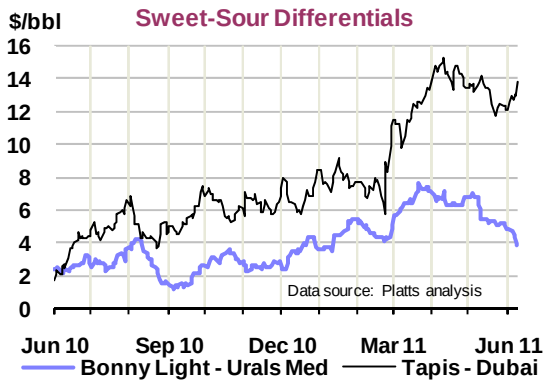
This month's ***Oil Market Report*** coincides with the release of ***Medium-Term Oil and Gas Markets (MTOGM)***, 2011. This month's report is an abbreviated release of our monthly statistics, plus front page Highlights and a lead article only. The normal *OMR* format with detailed written analysis will resume for the July edition.

SHORT AND SWEET

The June *OMR* this year is an abbreviated version of the normal report, coinciding with the release of *Medium-Term Oil and Gas Markets (MTOGM) 2011* on 16 June. Readers will, however, find the majority of the usual statistical content in this *OMR* (alongside the release of a complete set of accompanying MODS statistics). The normal *OMR* format, with extensive written analysis, will resume in July, when we will also take our first detailed look at quarterly market fundamentals for 2012.

This month's report sees 2011 oil demand estimates hiked by around 0.1 mb/d, to 89.3 mb/d. This is partly the result of stronger baseline Indian demand, and also reflects potentially stronger 3Q11 Chinese gasoil demand amid widespread power shortages. Global demand growth for 2011, however, remains close to last month's estimate of 1.3 mb/d. On the supply side, a number of adjustments arise from our detailed *MTOGM* analysis curbing baseline non-OPEC supply, but raising the baseline for OPEC. Revisiting our global products supply model, refinery processing gains (which count towards non-OPEC supply) are trimmed by 0.2 mb/d. On top of this, temporary supply outages confronting production in the UK, US, Canada, Argentina, Yemen, Sudan and Kazakhstan cut a further 0.2 mb/d from the 2011 total. Baseline OPEC oil supplies, however, are revised up, by between 0.3-0.6 mb/d for 2007-2010, amid a re-evaluation of our Venezuelan supply methodology and higher NGL supplies. The rationale for the former is described in the *MTOGM*.





Looking ahead to the remainder of 2011, stronger Asian demand combined with weaker non-OPEC supply leaves the 'call on OPEC crude and stock change' for the year around 0.4 mb/d higher than in our last report. The 'call' now increases from 29.7 mb/d in 2Q11 to 30.7 mb/d in 3Q11, before dipping to 30.1 mb/d in 4Q11. With OPEC estimated to have produced 29.2 mb/d in May, there is a clear need for the organisation to boost supply as refining operations ramp up to help meet peak summer season demand (indeed OPEC's own monthly report has said very much the same, with an even higher estimate for the increase in the 3Q11 call).

Rather as we have kept the report 'short and sweet' this month, so the oil market for the rest of this year looks potentially short of sweet crude, should the Libyan crisis continue to keep those supplies restrained. OPEC's Ministerial meeting on 8 June surprised observers with no collective decision on production or target output levels. That of course does not mean OPEC supply will necessarily remain anchored at 29.2 mb/d. Indeed, there have been reassuring signs that Saudi Arabia and some other producers will rise to the challenge in the months ahead to help fill the gap left by the ongoing absence of Libyan supplies. Even if the quality match is not one-for-one, incremental and competitively priced OPEC barrels from whatever source could bring welcome relief. Without such positive developments, there is a risk of substantial further market tightening in coming months, with all the damaging implications that a resultant overheating in prices could hold for the global economy.

DEMAND

Tables

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.4	3.4	3.3	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.0	30.7	30.4	30.2	30.2	30.2	30.7	30.4	30.3
Asia/Pacific	25.2	25.6	25.6	26.9	25.8	27.2	26.9	26.7	28.3	27.3	28.6	27.9	27.8	28.9	28.3
Europe	15.8	15.1	15.3	15.2	15.4	14.9	14.8	15.5	15.4	15.1	14.7	14.6	15.3	15.3	15.0
FSU	3.8	3.9	4.1	4.1	4.0	4.2	4.1	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.3
Middle East	7.0	7.5	8.0	7.4	7.5	7.4	7.8	8.2	7.7	7.8	7.6	7.9	8.5	7.8	7.9
World	**84.5**	**84.4**	**85.7**	**86.4**	**85.3**	**86.5**	**87.1**	**88.8**	**89.6**	**88.0**	**88.7**	**88.1**	**90.0**	**90.3**	**89.3**
Annual Chg (%)	-3.6	-2.6	-0.4	1.2	-1.4	2.5	3.2	3.6	3.7	3.3	2.5	1.1	1.4	0.8	1.4
Annual Chg (mb/d)	-3.1	-2.2	-0.4	1.0	-1.2	2.1	2.7	3.1	3.2	2.8	2.2	1.0	1.2	0.7	1.3
Changes from last OMR (mb/d)	0.15	0.19	0.19	0.19	0.18	0.14	0.13	0.13	0.13	0.13	0.33	-0.10	0.12	0.13	0.12

OECD Demand based on Adjusted Preliminary Submissions - April 2011

(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.44**	**-2.4**	**1.66**	**3.9**	**4.17**	**8.1**	**0.88**	**10.5**	**0.88**	**-9.1**	**5.75**	**2.65**	**23.78**	**1.1**
US50	8.87	-2.9	1.47	4.6	3.62	8.8	0.45	17.5	0.52	-10.0	4.36	4.5	19.29	1.5
Canada	0.74	-0.2	0.11	-0.9	0.21	1.9	0.27	3.4	0.09	-15.0	0.73	0.8	2.15	0.0
Mexico	0.79	2.1	0.06	-3.1	0.30	5.5	0.13	5.5	0.20	-6.8	0.62	-7.2	2.10	-1.2
OECD Europe	**2.20**	**-3.8**	**1.27**	**12.1**	**4.34**	**-1.5**	**1.21**	**-17.8**	**1.25**	**-0.6**	**3.44**	**-2.8**	**13.71**	**-2.7**
Germany	0.46	-3.5	0.19	20.9	0.67	-2.3	0.19	-26.3	0.16	20.6	0.60	4.0	2.26	-0.8
United Kingdom	0.34	-5.8	0.31	8.2	0.45	1.1	0.10	-9.0	0.07	-7.2	0.33	-8.4	1.60	-2.3
France	0.20	-3.3	0.16	18.4	0.70	-1.0	0.17	-31.3	0.09	6.3	0.41	-5.6	1.74	-4.7
Italy	0.22	-6.0	0.11	20.6	0.51	0.5	0.09	-16.0	0.12	-20.6	0.38	-1.6	1.43	-3.2
Spain	0.13	-4.3	0.12	20.3	0.47	-3.5	0.15	-12.7	0.18	-7.7	0.32	-3.6	1.38	-3.6
OECD Pacific	**1.44**	**-7.9**	**0.74**	**-15.9**	**0.99**	**-5.6**	**0.51**	**-13.4**	**0.66**	**-4.9**	**2.89**	**0.8**	**7.24**	**-5.4**
Japan	0.89	-11.8	0.43	-24.9	0.36	-6.1	0.41	-12.5	0.37	2.4	1.65	7.6	4.10	-5.1
Korea	0.17	-4.7	0.16	-2.7	0.24	-17.4	0.10	-18.2	0.27	-14.0	1.06	-8.2	2.00	-10.0
Australia	0.32	0.8	0.12	4.3	0.34	4.0	0.00	0.0	0.02	-4.9	0.16	-0.9	0.96	1.9
OECD Total	**14.08**	**-3.2**	**3.67**	**1.6**	**9.50**	**2.0**	**2.60**	**-9.1**	**2.79**	**-4.5**	**12.08**	**0.6**	**44.72**	**-1.2**

* Including US territories

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Feb-11	Mar-11	Apr-11	Mar-11	Apr-11	Mar-11	Apr-11
LPG & Ethane	4,807	4,758	4,696	265	249	5.9	5.6
Naphtha	2,753	2,629	2,735	63	78	2.5	2.9
Motor Gasoline	8,214	8,014	8,202	193	249	2.5	3.1
Jet Fuel & Kerosene	2,718	2,547	2,642	79	70	3.2	2.7
Gas/Diesel Oil	13,404	13,283	13,480	517	674	4.0	5.3
Residual Fuel Oil	5,613	5,537	5,488	92	75	1.7	1.4
Other Products	5,677	5,452	5,637	113	88	2.1	1.6
Total Products	**43,186**	**42,220**	**42,880**	**1,322**	**1,482**	**3.2**	**3.6**

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Feb-11	Mar-11	Apr-11	Mar-11	Apr-11	Mar-11	Apr-11
Africa	3,462	3,317	3,299	-87	-41	-2.5	-1.2
Asia	20,782	20,093	20,556	1,026	1,046	5.4	5.4
FSU	4,328	4,272	4,173	95	166	2.3	4.1
Latin America	6,369	6,398	6,491	197	211	3.2	3.4
Middle East	7,559	7,421	7,647	96	85	1.3	1.1
Non-OECD Europe	684	718	714	-6	16	-0.8	2.3
Total Products	**43,186**	**42,220**	**42,880**	**1,322**	**1,482**	**3.2**	**3.6**

SUPPLY

Tables

OPEC Crude Production

(million barrels per day)

	Mar 2011 Supply	Apr 2011 Supply	May 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs May 2011 Supply	End-2011 Sustainable Production Capacity	OPEC Targets Jan 2009
Algeria	1.26	1.28	1.28	1.34	0.06	1.34	1.203
Angola	1.63	1.58	1.57	1.80	0.23	2.00	1.517
Ecuador	0.51	0.50	0.50	0.50	0.00	0.53	0.434
Iran	3.55	3.60	3.60	3.71	0.11	3.68	3.336
Kuwait[2]	2.42	2.41	2.44	2.54	0.10	2.54	2.222
Libya	0.45	0.20	0.10	0.10	0.00	0.20	1.469
Nigeria[3]	2.01	2.22	2.32	2.53	0.21	2.70	1.673
Qatar	0.82	0.81	0.81	1.02	0.21	1.04	0.731
Saudi Arabia[2]	8.90	8.80	9.00	12.04	3.04	12.04	8.051
UAE	2.52	2.51	2.42	2.69	0.27	2.74	2.223
Venezuela[4]	2.49	2.48	2.46	2.64	0.18	2.59	1.986
OPEC-11	**26.56**	**26.38**	**26.50**	**30.91**	**4.41**	**31.40**	**24.845**
Iraq	2.62	2.60	2.68	2.74	0.06	2.78	
Total OPEC	**29.17**	**28.97**	**29.18**	**33.65**	**4.46**	**34.18**	
(excluding Iraq, Nigeria, Venezuela					*4.01)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 455 kb/d in May.

Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.7	13.6	13.9	14.1	14.1	14.4	14.1	14.4	14.0	14.0	14.3	14.2
Europe	4.9	4.5	4.3	4.6	4.6	4.5	4.2	3.8	4.2	4.2	4.1	4.0	4.0	4.3	4.1
Pacific	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.7	0.6
Total OECD	**19.1**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.9**	**18.5**	**19.2**	**18.9**	**19.0**	**18.6**	**18.6**	**19.3**	**18.9**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.7	13.6	13.7	13.7
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
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.1	4.3	4.3	4.2
Other Asia	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.4	4.5	4.3
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.8**	**29.1**	**29.3**	**29.5**	**29.2**	**29.7**	**29.8**	**30.0**	**30.1**	**29.9**	**30.2**	**30.0**	**30.4**	**30.6**	**30.3**
Processing Gains	1.9	2.0	2.1	2.1	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2
Global Biofuels	1.2	1.6	1.8	1.8	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.2	2.0	1.9
Total Non-OPEC	**50.9**	**51.3**	**51.7**	**52.3**	**51.6**	**52.2**	**52.7**	**52.7**	**53.2**	**52.7**	**52.9**	**52.6**	**53.4**	**54.2**	**53.3**
Annual Chg (mb/d)	0.2	0.6	1.4	1.5	0.9	1.3	1.3	1.0	1.0	1.1	0.7	-0.1	0.7	0.9	0.6
Changes from last OMR (mb/d)	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.6	-0.6	-0.3	-0.4

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

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from May 2011, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals -200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OECD STOCKS

Tables & Charts

Preliminary Industry Stock Change in April 2011 and First Quarter 2011

	April (preliminary) *(million barrels)*				*(million barrels per day)*				First Quarter 2011 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**12.0**	**-2.0**	**8.8**	**18.7**	**0.40**	**-0.07**	**0.29**	**0.62**	**0.30**	**0.01**	**0.02**	**0.33**
Gasoline	-10.2	-1.6	2.8	-9.0	-0.34	-0.05	0.09	-0.30	-0.03	0.04	0.01	0.02
Middle Distillates	-9.4	3.9	5.1	-0.5	-0.31	0.13	0.17	-0.02	-0.24	0.09	-0.06	-0.21
Residual Fuel Oil	2.1	1.2	1.3	4.5	0.07	0.04	0.04	0.15	-0.05	0.00	0.02	-0.03
Other Products	8.0	0.1	3.3	11.4	0.27	0.00	0.11	0.38	-0.26	0.00	-0.05	-0.31
Total Products	**-9.5**	**3.5**	**12.3**	**6.3**	**-0.32**	**0.12**	**0.41**	**0.21**	**-0.58**	**0.12**	**-0.09**	**-0.55**
Other Oils[1]	2.5	0.9	6.1	9.5	0.08	0.03	0.20	0.32	-0.06	-0.06	-0.02	-0.13
Total Oil	**5.0**	**2.4**	**27.2**	**34.5**	**0.17**	**0.08**	**0.91**	**1.15**	**-0.34**	**0.07**	**-0.08**	**-0.34**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Revisions versus 12 May 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Feb 11	Mar 11	Feb 11	Mar 11	Feb 11	Mar 11	Feb 11	Mar 11
Crude Oil	**6.1**	**6.6**	**-0.5**	**-6.7**	**0.0**	**-12.8**	**5.6**	**-13.0**
Gasoline	1.4	1.9	-0.2	-1.7	0.0	0.3	1.2	0.6
Middle Distillates	1.8	-0.1	-0.1	5.4	0.0	0.4	1.6	5.7
Residual Fuel Oil	0.0	3.0	0.2	0.7	0.0	0.0	0.2	3.6
Other Products	-0.1	-1.8	0.1	-1.8	0.0	-0.6	-0.1	-4.3
Total Products	**3.0**	**3.0**	**-0.1**	**2.5**	**0.0**	**0.0**	**2.9**	**5.6**
Other Oils[1]	-1.2	-1.8	0.0	-1.3	0.0	0.4	-1.2	-2.7
Total Oil	**7.9**	**7.8**	**-0.6**	**-5.5**	**0.0**	**-12.4**	**7.3**	**-10.1**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Short-Term Oil Floating Storage

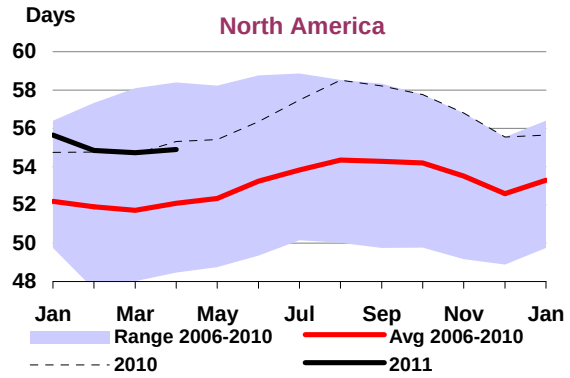
(million barrels)

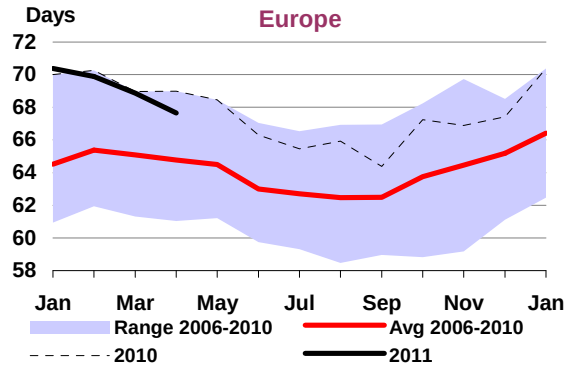
	Apr-11	May-11	change
Crude	43.9	42.7	-1.2
Products	18.3	13.4	-4.9
Total	**62.2**	**56.1**	**-6.1**

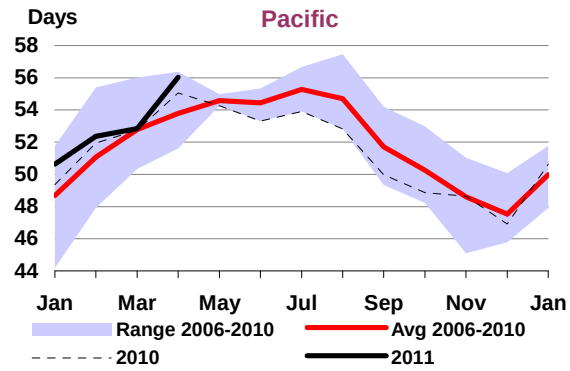
Regional OECD End-of-Month Industry Stocks

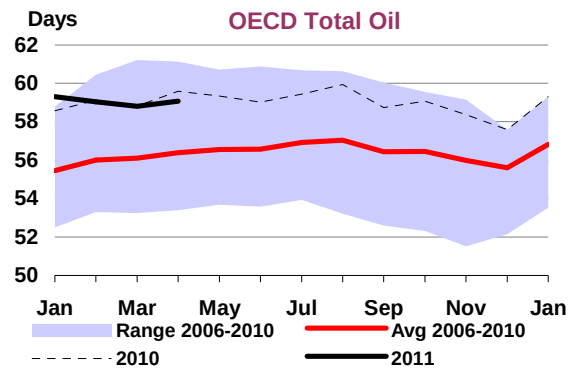
(in days of forward demand and millions barrels of total oil)

Days[1]

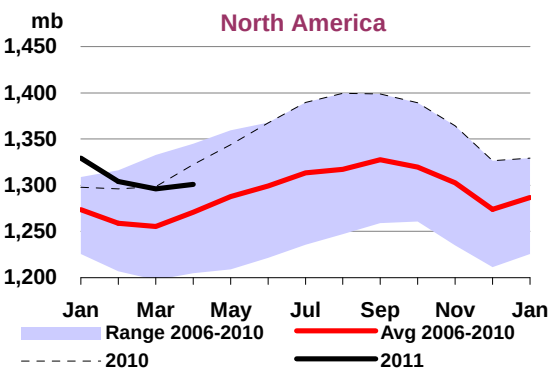


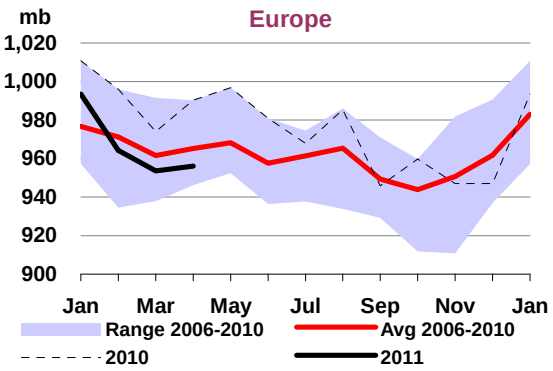


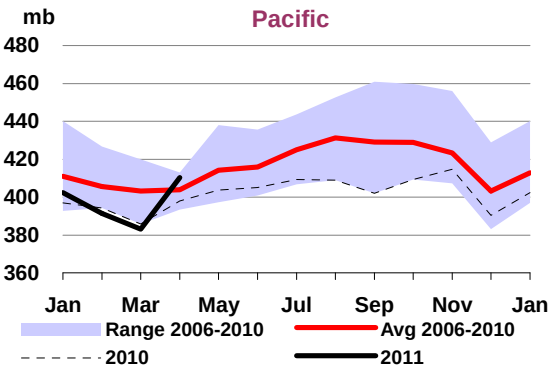


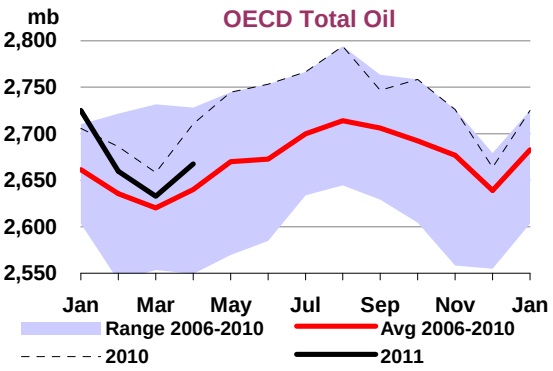


Million Barrels









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

PRICES

Tables

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr Avg Chg	% Chg	Week Commencing: 09 May	16 May	23 May	30 May	06 Jun
NYMEX										
Light Sweet Crude Oil	102.98	110.04	101.36	-8.68	-8.6	100.65	98.46	99.89	100.90	100.01
RBOB	125.88	137.25	130.02	-7.23	-5.6	133.72	123.21	126.73	126.93	125.82
No.2 Heating Oil	127.90	134.66	124.48	-10.18	-8.2	123.62	121.28	123.57	127.74	129.62
No.2 Heating Oil ($/mmbtu)	21.96	23.12	21.37	-1.75	-8.2	21.22	20.82	21.21	21.93	22.25
Henry Hub Natural Gas ($/mmbtu)	4.07	4.27	4.34	0.06	1.5	4.20	4.20	4.38	4.70	4.79
ICE										
Brent	114.67	123.09	114.52	-8.57	-7.5	114.58	111.77	113.53	115.46	117.49
Gasoil	130.68	137.60	126.91	-10.69	-8.4	125.04	123.30	125.45	128.67	130.61
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-11.69	-13.05	-13.17	-0.11		-13.93	-13.30	-13.64	-14.56	-17.48
NYMEX No.2 Heating Oil - WTI	24.92	24.62	23.13	-1.50		22.97	22.82	23.68	26.84	29.61
NYMEX RBOB - WTI	22.90	27.21	28.66	1.45		33.07	24.75	26.85	26.03	25.80
NYMEX 3-2-1 Crack (RBOB)	23.57	26.35	26.82	0.47		29.70	24.10	25.79	26.30	27.07
NYMEX No.2 - Natural Gas ($/mmbtu	17.89	18.85	17.03	-1.81		17.02	16.62	16.83	17.23	17.47
ICE Gasoil - ICE Brent	16.01	14.51	12.39	-2.12		10.46	11.53	11.92	13.20	13.11

Source: ICE, NYMEX

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

07 June 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	199.7	390.5	-190.8	*Short*	↑ 5.5	↑ 8.9
Swap Dealers' Positions	244.3	261.1	-16.8	*Short*	↑ 6.6	↑ 26.7
Money Managers' Positions	236.1	57.9	178.2	*Long*	↓ -27.6	↓ -55.4
Others' Positions	99.1	101.2	-2.1	*Short*	↑ 12.6	↑ 20.0
Non-Reportable Positions	97.8	66.3	31.5	*Long*	↑ 3.0	↓ -0.2
Open Interest			**1515.9**		↑ 7.5	↓ -137.9

Source: CFTC

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr Avg Chg	%	Week Commencing: 09 May	16 May	23 May	30 May	06 Jun
Crudes										
Dated Brent	114.60	123.49	114.55	-8.93	-7.2	114.78	111.97	113.29	115.80	117.78
Brent (Asia) Mth1 adjusted	114.41	123.08	114.52	-8.56	-7.0	114.37	112.25	112.68	115.25	116.66
WTI (Cushing) Mth1 adjusted	102.99	109.89	101.22	-8.68	-7.9	100.71	98.38	99.54	100.92	99.98
Urals (Mediterranean)	111.50	119.38	110.96	-8.42	-7.1	110.79	108.54	110.36	112.89	115.01
Dubai Mth1 adjusted	108.71	116.00	108.38	-7.63	-6.6	108.13	106.48	106.60	108.90	109.99
Tapis (Dated)	120.50	130.29	121.44	-8.85	-6.8	121.96	119.63	118.72	121.20	123.08
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-11.61	-13.59	-13.34	0.25		-14.08	-13.59	-13.75	-14.88	-17.81
Urals (Mediterranean)	-3.10	-4.10	-3.59	0.51		-3.99	-3.44	-2.94	-2.91	-2.77
Dubai Mth1 adjusted - Dated Brent	-5.89	-7.48	-6.18	1.30		-6.65	-5.49	-6.69	-6.90	-7.80
Tapis (Dated)	5.90	6.80	6.88	0.08		7.17	7.66	5.43	5.40	5.29
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.18	0.32	0.30	-0.02		0.53	0.30	0.16	0.27	0.37
Forward WTI Cushing Mth1-Mth2 adj	-0.89	-0.57	-0.52	0.05		-0.52	-0.51	-0.53	-0.56	-0.56

Data source: Platts analysis

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr		Week Commencing:					Mar	Apr	May
				Chg	%	09 May	16 May	23 May	30 May	06 Jun			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	120.32	132.26	128.39	-3.88	-2.9	131.38	122.71	125.77	126.43	125.32	5.72	8.78	13.83
Naphtha	108.53	116.44	109.08	-7.36	-6.3	110.22	106.47	107.18	106.23	105.52	-6.07	-7.04	-5.47
Jet/Kerosene	133.75	140.00	129.52	-10.48	-7.5	128.61	126.93	128.56	131.34	132.59	19.15	16.51	14.97
ULSD 10ppm	131.92	137.43	126.78	-10.65	-7.8	125.58	124.01	126.40	130.09	131.86	17.32	13.94	12.22
Gasoil 0.1%	128.90	135.69	124.04	-11.65	-8.6	122.86	121.03	123.36	127.15	128.60	14.30	12.21	9.49
LSFO 1%	103.18	111.03	101.40	-9.63	-8.7	101.02	99.02	100.27	103.46	106.36	-11.42	-12.45	-13.15
HSFO 3.5%	94.72	101.04	96.36	-4.69	-4.6	96.28	94.43	95.80	97.98	100.20	-19.88	-22.44	-18.20
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	118.43	129.47	124.83	-4.64	-3.6	126.27	119.25	123.83	123.21	121.20	6.93	10.09	13.87
Naphtha	108.06	116.07	108.47	-7.60	-6.5	109.51	105.72	106.74	106.19	105.78	-3.44	-3.31	-2.49
Jet Aviation fuel	131.44	138.38	127.61	-10.77	-7.8	126.76	124.87	126.76	130.00	131.45	19.94	18.99	16.65
ULSD 10ppm	132.87	138.80	128.25	-10.55	-7.6	126.94	125.27	128.18	131.57	133.48	21.37	19.41	17.28
Gasoil 0.1%	128.28	134.51	122.54	-11.97	-8.9	121.23	119.30	122.00	126.45	128.17	16.78	15.12	11.58
LSFO 1%	103.66	110.94	101.43	-9.51	-8.6	100.83	99.65	100.46	103.64	107.28	-7.84	-8.44	-9.53
HSFO 3.5%	93.82	99.51	96.10	-3.41	-3.4	95.94	94.47	95.40	97.63	99.35	-17.68	-19.88	-14.86
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	127.27	143.38	133.19	-10.19	-7.1	138.61	126.00	127.80	128.13	126.44	24.29	33.48	31.97
Unleaded	120.79	133.13	126.78	-6.35	-4.8	132.18	119.95	122.64	123.28	120.95	17.80	23.24	25.57
Jet/Kerosene	138.39	139.47	132.34	-7.14	-5.1	132.08	130.67	130.94	132.08	133.64	35.41	29.58	31.12
No. 2 (Heating Oil)	127.41	134.20	124.00	-10.20	-7.6	123.34	120.72	123.19	127.34	128.90	24.43	24.31	22.78
LSFO 1%†	101.81	107.59	100.17	-7.41	-6.9	98.92	97.55	100.35	104.58	108.28	-1.18	-2.31	-1.04
No. 6 3%†	97.92	104.44	97.28	-7.16	-6.9	95.64	95.25	98.37	102.79	105.40	-5.07	-5.46	-3.94
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	120.97	129.97	124.82	-5.15	-4.0	127.55	119.38	120.13	121.56	122.99	12.26	13.97	16.44
Naphtha	107.83	115.38	108.34	-7.04	-6.1	110.46	105.21	105.06	105.17	104.51	-0.88	-0.63	-0.04
Jet/Kerosene	131.92	138.69	127.76	-10.94	-7.9	127.16	125.35	125.21	128.57	129.99	23.21	22.69	19.38
Gasoil 0.5%	130.41	138.01	126.61	-11.39	-8.3	125.74	124.01	124.29	127.57	129.37	21.71	22.00	18.24
LSWR Cracked	103.40	113.08	104.16	-8.93	-7.9	103.80	102.35	102.52	106.21	109.33	-5.30	-2.92	-4.22
HSFO 180 CST	99.35	105.23	99.83	-5.40	-5.1	99.18	98.45	99.04	101.65	103.35	-9.36	-10.77	-8.54
HSFO 380 CST 4%	100.08	106.24	100.87	-5.37	-5.1	100.43	99.32	99.76	103.12	104.53	-8.63	-9.77	-7.50

Data source: Platts analysis * CIF † Cargoes

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Mar 11	Apr 11	May 11		May 11-Apr 11	13 May	20 May	27 May	03 Jun	10 Jun
NW Europe	Brent (Cracking)	0.54	-0.13	1.23	↑	1.37	1.76	0.26	1.09	0.54	-1.04
	Urals (Cracking)	3.15	2.96	3.06	↑	0.10	3.88	2.27	2.27	1.61	0.93
	Brent (Hydroskimming)	-2.45	-3.94	-3.21	↑	0.72	-3.29	-3.59	-3.10	-3.46	-4.44
	Urals (Hydroskimming)	-3.86	-5.39	-5.21	↑	0.18	-5.03	-5.10	-5.52	-6.05	-6.02
Mediterranean	Es Sider (Cracking)	1.73	2.01	2.25	↑	0.24	2.59	1.08	1.85	1.39	-0.23
	Urals (Cracking)	0.55	0.21	1.54	↑	1.34	1.77	0.59	1.42	0.61	-1.33
	Es Sider (Hydroskimming)	-2.85	-3.56	-4.32	↓	-0.77	-4.34	-4.68	-4.67	-4.48	-4.81
	Urals (Hydroskimming)	-7.08	-8.80	-7.01	↑	1.79	-7.04	-6.94	-6.97	-7.39	-8.36
US Gulf Coast	Bonny (Cracking)	-3.54	-1.95	0.05	↑	2.00	4.20	-1.78	-1.65	-1.41	-1.90
	Brent (Cracking)	-4.82	-4.13	-1.67	↑	2.46	2.69	-3.79	-3.43	-3.35	-4.68
	LLS (Cracking)	-0.62	0.20	2.78	↑	2.58	6.26	0.74	0.74	0.97	1.99
	Mars (Cracking)	-1.85	0.09	3.28	↑	3.19	6.80	1.58	0.87	0.97	0.98
	Mars (Coking)	1.83	4.36	7.33	↑	2.97	11.78	4.96	4.15	3.81	3.47
	Maya (Coking)	7.12	6.96	7.91	↑	0.94	12.17	5.61	5.37	5.01	4.83
US West Coast	ANS (Cracking)	-0.56	0.60	-1.60	↓	-2.20	0.57	-3.21	-3.22	-3.44	-2.61
	Kern (Cracking)	1.55	0.69	1.22	↑	0.53	4.41	1.45	0.37	0.78	2.63
	Oman (Cracking)	4.72	4.08	1.70	↓	-2.37	3.75	-0.68	0.58	-0.21	-1.02
	Kern (Coking)	13.31	14.17	11.61	↓	-2.56	14.69	8.90	10.60	10.04	9.88
Singapore	Dubai (Hydroskimming)	-1.56	-2.12	-1.96	↑	0.16	-1.75	-2.16	-2.18	-1.73	-1.61
	Tapis (Hydroskimming)	-8.46	-10.65	-10.20	↑	0.45	-10.31	-11.10	-10.07	-10.20	-10.66
	Dubai (Hydrocracking)	2.50	2.36	2.04	↓	-0.33	2.50	1.39	1.28	1.38	1.42
	Tapis (Hydrocracking)	-5.91	-8.37	-7.80	↑	0.57	-7.79	-8.92	-7.97	-8.41	-9.22
China	Cabinda (Hydroskimming)	-7.29	-6.57	-6.98	↓	-0.41	-6.82	-6.16	-7.83	-7.31	-7.10
	Daqing (Hydroskimming)	-4.16	-6.45	-7.43	↓	-0.98	-7.65	-7.14	-7.17	-6.37	-3.86
	Dubai (Hydroskimming)	-1.94	-2.38	-2.24	↑	0.15	-2.03	-2.45	-2.45	-1.98	-1.90
	Daqing (Hydrocracking)	0.22	-2.39	-2.57	↓	-0.18	-2.26	-2.80	-2.96	-2.80	-0.89
	Dubai (Hydrocracking)	2.20	2.16	1.82	↓	-0.34	2.28	1.16	1.06	1.19	1.20

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.
Sources: IEA, Purvin & Gertz Inc.

REFINING

Tables

Global Refinery Crude Throughput[1]

(million barrels per day)

	Feb 11	Mar 11	1Q11	Apr 11	May 11	Jun 11	2Q11	Jul 11	Aug 11	Sep 11	3Q2011
North America	16.6	17.3	**17.1**	17.0	*17.3*	*18.2*	***17.5***	*18.5*	*18.1*	*17.9*	***18.2***
Europe	12.2	11.7	**12.2**	11.8	*12.1*	*12.4*	***12.1***	*12.7*	*12.7*	*12.8*	***12.7***
Pacific	7.1	6.4	**6.8**	6.5	*5.8*	*5.9*	***6.1***	*6.2*	*6.6*	*6.4*	***6.4***
Total OECD	**35.9**	**35.5**	**36.1**	**35.3**	***35.3***	***36.5***	***35.7***	***37.4***	***37.4***	***37.1***	***37.3***
FSU	6.4	6.2	**6.3**	*6.2*	*6.2*	*6.4*	***6.3***	*6.5*	*6.5*	*6.6*	***6.5***
Non-OECD Europe	0.5	0.5	**0.5**	*0.5*	*0.5*	*0.5*	***0.5***	*0.5*	*0.5*	*0.4*	***0.5***
China	9.2	8.9	**8.9**	*9.1*	*9.0*	*8.9*	***9.0***	*9.0*	*9.0*	*9.1*	***9.1***
Other Asia	9.1	8.8	**9.1**	*8.6*	*9.0*	*9.2*	***8.9***	*9.2*	*8.9*	*8.8*	***9.0***
Latin America	5.4	5.4	**5.4**	*5.2*	*5.4*	*5.4*	***5.3***	*5.4*	*5.4*	*5.4*	***5.4***
Middle East	5.9	5.6	**5.9**	*5.7*	*5.6*	*6.0*	***5.8***	*6.2*	*6.2*	*6.2*	***6.2***
Africa	2.3	2.1	**2.3**	*2.1*	*2.1*	*2.2*	***2.1***	*2.2*	*2.2*	*2.2*	***2.2***
Total Non-OECD	**38.7**	**37.5**	**38.4**	***37.4***	***37.8***	***38.6***	***37.9***	***39.0***	***38.8***	***38.7***	***38.8***
Total	**74.6**	**73.0**	**74.5**	***72.6***	***73.1***	***75.1***	***73.6***	***76.4***	***76.2***	***75.7***	***76.1***

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

							Change from		Utilisation rate[1]	
	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	*Mar 11*	*Apr 10*	Apr 11	Apr 10
US[2]	14.63	14.96	14.45	13.75	14.45	14.07	-0.39	-1.05	80.3%	86.1%
Canada	1.70	1.81	1.79	1.72	1.67	1.62	-0.05	-0.06	88.7%	86.1%
Mexico	0.99	1.10	1.12	1.16	1.20	1.26	0.07	0.00	74.7%	74.5%
OECD North America	**17.33**	**17.87**	**17.36**	**16.63**	**17.32**	**16.95**	**-0.37**	**-1.11**	**80.6%**	**85.2%**
France	1.39	1.43	1.42	1.35	1.26	1.18	-0.08	-0.27	68.7%	80.3%
Germany	2.06	1.99	1.98	1.93	1.73	1.84	0.11	-0.05	77.3%	79.5%
Italy	1.74	1.80	1.77	1.55	1.54	1.52	-0.02	-0.08	69.4%	70.2%
Netherlands	0.97	1.01	1.02	1.12	1.08	1.04	-0.04	-0.02	85.6%	86.9%
Spain	1.04	1.08	1.07	0.97	0.96	1.09	0.14	0.01	77.9%	83.2%
United Kingdom	1.39	1.40	1.48	1.42	1.39	1.51	0.12	0.13	83.4%	76.1%
Other OECD Europe	4.09	3.94	3.81	3.83	3.79	3.66	-0.13	0.15	74.3%	71.8%
OECD Europe	**12.68**	**12.66**	**12.56**	**12.16**	**11.74**	**11.84**	**0.10**	**-0.13**	**75.7%**	**76.3%**
Japan	3.49	3.72	3.73	3.80	3.15	3.12	-0.04	-0.39	69.6%	76.4%
South Korea	2.53	2.57	2.54	2.53	2.52	2.58	0.07	0.27	94.4%	84.4%
Other OECD Pacific	0.74	0.75	0.71	0.77	0.78	0.78	0.00	0.03	92.5%	89.0%
OECD Pacific	**6.76**	**7.04**	**6.98**	**7.09**	**6.45**	**6.48**	**0.03**	**-0.08**	**80.4%**	**80.4%**
OECD Total	**36.77**	**37.57**	**36.90**	**35.89**	**35.51**	**35.28**	**-0.23**	**-1.32**	**78.9%**	**81.2%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.5	23.3	23.6	23.8	24.3	24.0	23.9	23.9	23.7	24.0	23.8	23.8
Europe	15.4	15.3	15.1	14.4	14.6	14.5	14.6	14.2	14.1	14.8	14.7	14.4	14.0	13.8	14.6	14.5	14.3
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.3	7.3	7.6	8.1	7.8
Total OECD	49.3	47.6	46.6	44.6	45.1	46.0	45.6	45.9	45.2	46.7	46.8	46.1	46.2	44.8	46.2	46.5	45.9
NON-OECD DEMAND																	
FSU	4.2	4.2	3.8	3.9	4.1	4.1	4.0	4.2	4.1	4.4	4.4	4.3	4.3	4.2	4.5	4.5	4.3
Europe	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.2	8.2	8.4	8.5	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.7	9.7	9.9	9.7
Other Asia	9.6	9.7	9.9	10.2	10.0	10.4	10.1	10.4	10.6	10.2	10.6	10.4	10.7	10.9	10.5	10.9	10.8
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.4	6.4	6.3	6.3	6.5	6.7	6.6	6.5
Middle East	6.8	7.2	7.0	7.5	8.0	7.4	7.5	7.4	7.8	8.2	7.7	7.8	7.6	7.9	8.5	7.8	7.9
Africa	3.1	3.3	3.4	3.4	3.3	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Total Non-OECD	37.8	38.9	37.8	39.8	40.6	40.3	39.7	40.6	41.9	42.2	42.8	41.9	42.5	43.3	43.8	43.8	43.4
Total Demand[1]	87.1	86.4	84.5	84.4	85.7	86.4	85.3	86.5	87.1	88.8	89.6	88.0	88.7	88.1	90.0	90.3	89.3
OECD SUPPLY																	
North America[4]	13.8	13.3	13.5	13.5	13.7	13.7	13.6	13.9	14.1	14.1	14.4	14.1	14.4	14.0	14.0	14.3	14.2
Europe	5.0	4.8	4.9	4.5	4.3	4.6	4.6	4.5	4.2	3.8	4.2	4.2	4.1	4.0	4.0	4.3	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.7	0.6
Total OECD	19.5	18.8	19.1	18.6	18.6	18.9	18.8	19.1	18.9	18.5	19.2	18.9	19.0	18.6	18.6	19.3	18.9
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.7	13.6	13.7	13.7	13.6	13.7	13.7
Europe	0.2	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	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.1	4.3	4.3	4.2
Other Asia[2]	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.4	4.5	4.3
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7
Africa[2]	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.4	28.8	29.1	29.3	29.5	29.2	29.7	29.8	30.0	30.1	29.9	30.2	30.0	30.4	30.6	30.3
Processing Gains[3]	2.0	2.0	1.9	2.0	2.1	2.1	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2
Global Biofuels[4]	1.1	1.4	1.2	1.7	1.8	1.8	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.2	2.0	1.9
Total Non-OPEC[2]	50.8	50.7	50.9	51.3	51.8	52.3	51.6	52.2	52.7	52.7	53.2	52.7	52.9	52.6	53.4	54.2	53.3
Non-OPEC: Historical Composition[2]	50.3	49.7	50.9	51.3	51.8	52.3	51.6	52.2	52.7	52.7	53.2	52.7	52.9	52.6	53.4	54.2	53.3
OPEC																	
Crude[5]	30.7	31.6	29.2	29.1	29.1	29.1	29.1	29.3	29.3	29.7	29.6	29.5	29.9				
NGLs	4.3	4.5	4.8	4.8	5.0	5.1	4.9	5.2	5.2	5.5	5.6	5.3	5.8	5.8	5.9	6.0	5.9
Total OPEC[2]	35.0	36.2	34.0	33.9	34.1	34.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7				
OPEC: Historical Composition[2]	35.5	37.2	34.0	33.9	34.1	34.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7				
Total Supply[6]	85.8	86.8	84.9	85.3	85.9	86.5	85.7	86.7	87.2	87.8	88.4	87.5	88.6				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.3	-0.1	0.2	1.0	-0.1	-0.9	0.1	-0.3				
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0				
Total	-0.2	0.3	0.8	0.3	0.2	-1.3	0.0	0.2	1.0	-0.2	-0.8	0.1	-0.4				
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2	-0.3	-0.2	0.2				
Miscellaneous to balance[7]	-1.1	0.0	-0.9	0.3	-0.1	1.0	0.1	0.1	-0.9	-0.6	0.0	-0.4	0.1				
Total Stock Ch. & Misc	-1.3	0.4	0.4	0.8	0.2	0.2	0.4	0.1	0.1	-1.0	-1.1	-0.5	-0.1				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.9	31.2	28.8	28.3	28.9	29.0	28.7	29.2	29.2	30.7	30.7	30.0	30.0	29.7	30.7	30.1	30.1
Adjusted Call on OPEC + Stock ch.[9]	30.9	31.3	27.8	28.6	28.9	30.0	28.8	29.3	28.3	30.1	30.7	29.6	30.1	29.7	30.7	30.1	30.1

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.2	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-0.2	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-0.1	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Other Asia	0.1	-	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.1	-	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	-	0.1	0.2	0.1	0.1
Total Demand	0.1	-	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.3	-0.1	0.1	0.1	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-0.1	-0.2	-	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.1	-0.1
Processing Gains	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.6	-0.6	-0.3	-0.4
Non-OPEC: historical composition	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.6	-0.6	-0.3	-0.4
OPEC																	
Crude	0.3	0.4	0.6	0.6	0.4	0.3	0.5	0.2	0.3	0.4	0.1	0.2	0.3				
NGLs	-	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 OPEC	0.4	0.5	0.7	0.7	0.4	0.4	0.6	0.3	0.3	0.5	0.2	0.3	0.3				
OPEC: historical composition	0.4	0.5	0.7	0.7	0.4	0.4	0.6	0.3	0.3	0.5	0.2	0.3	0.3				
Total Supply	0.2	0.3	0.4	0.5	0.2	0.2	0.3	0.1	0.1	0.3	-	0.1	0.2				
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.2				
Government	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.2				
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous to balance	0.1	0.3	0.2	0.3	-	-	0.1	-0.1	-	0.1	-0.1	-	0.1				
Total Stock Ch. & Misc	0.1	0.3	0.2	0.3	-	-	0.1	-0.1	-	0.2	-0.1	-	-0.1				
Memo items:																	
Call on OPEC crude + Stock ch.	0.2	0.1	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.4	0.6	0.3	0.4
Adjusted Call on OPEC + Stock ch.	0.3	0.4	0.6	0.6	0.4	0.3	0.5	0.2	0.2	0.3	0.1	0.2	0.5	0.5	0.7	0.4	0.5

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

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.54	23.30	23.58	23.76	24.26	24.03	23.91	23.88	23.68	24.01	23.79	23.84
Europe	15.34	15.06	14.41	14.56	14.50	14.63	14.18	14.12	14.79	14.69	14.45	14.05	13.85	14.58	14.55	14.26
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	8.04	7.79	8.32	7.25	7.61	8.14	7.83
Total OECD	47.56	46.61	44.62	45.09	46.03	45.58	45.95	45.20	46.65	46.76	46.14	46.25	44.78	46.20	46.48	45.93
Asia	17.44	17.08	18.36	18.40	18.88	18.18	19.04	19.63	19.09	20.26	19.51	20.25	20.62	20.16	20.81	20.46
Middle East	7.17	7.01	7.52	7.97	7.35	7.46	7.35	7.77	8.23	7.65	7.75	7.59	7.91	8.46	7.81	7.94
Latin America	5.99	5.78	5.99	6.10	6.12	6.00	6.03	6.28	6.45	6.37	6.29	6.27	6.50	6.65	6.57	6.50
FSU	4.24	3.84	3.85	4.13	4.06	3.97	4.17	4.12	4.35	4.37	4.26	4.27	4.20	4.46	4.47	4.35
Africa	3.27	3.39	3.37	3.31	3.23	3.33	3.32	3.42	3.37	3.42	3.38	3.41	3.39	3.39	3.42	3.40
Europe	0.76	0.74	0.74	0.72	0.70	0.72	0.69	0.69	0.69	0.72	0.70	0.69	0.71	0.71	0.73	0.71
Total Non-OECD	38.87	37.85	39.83	40.62	40.34	39.67	40.60	41.92	42.18	42.79	41.88	42.48	43.32	43.83	43.80	43.37
World	86.43	84.46	84.45	85.70	86.37	85.25	86.55	87.11	88.83	89.56	88.02	88.73	88.10	90.04	90.29	89.30
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.31	19.23	19.20	19.07	19.39	19.12	19.20
Europe 5*	9.41	9.36	8.79	8.84	8.80	8.94	8.80	8.68	9.08	8.93	8.87	8.65	8.44	8.88	8.80	8.69
China	7.74	7.21	8.16	8.40	8.47	8.06	8.63	9.06	8.92	9.67	9.07	9.53	9.73	9.65	9.89	9.70
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.54	4.42	4.83	4.00	4.34	4.64	4.45
India	3.11	3.35	3.30	3.09	3.30	3.26	3.38	3.44	3.13	3.38	3.33	3.50	3.57	3.26	3.51	3.46
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.19	3.14	3.06	2.99	2.98	3.25	3.21	3.11
Brazil	2.53	2.41	2.50	2.60	2.66	2.54	2.60	2.71	2.82	2.80	2.73	2.68	2.78	2.88	2.88	2.81
Saudi Arabia	2.27	2.07	2.62	2.84	2.33	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.82	3.19	2.67	2.79
Canada	2.24	2.20	2.08	2.16	2.15	2.15	2.19	2.21	2.29	2.27	2.24	2.27	2.19	2.23	2.23	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.35	2.25	2.35	2.13	2.14	2.33	2.24
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.14	2.14	2.10	2.14	2.09	2.13	2.11
Iran	2.05	2.14	2.09	2.09	2.11	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.01	2.03	2.00	2.03
Total	60.94	59.45	59.01	59.92	60.61	59.75	61.14	61.35	62.71	63.17	62.10	62.66	61.86	63.33	63.42	62.82
% of World	70.5%	70.4%	69.9%	69.9%	70.2%	70.1%	70.6%	70.4%	70.6%	70.5%	70.5%	70.6%	70.2%	70.3%	70.2%	70.4%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.7	-3.6	0.6	3.6	4.2	2.1	2.6	1.3	-0.3	-1.0	-1.0	-0.3
Europe	-0.5	-1.7	-4.6	-6.3	-5.6	-4.6	-5.9	-2.0	1.6	1.3	-1.3	-0.9	-1.9	-1.4	-1.0	-1.3
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	0.7	1.7	1.6	-0.9	0.2	1.2	0.6
Total OECD	-3.5	-4.8	-5.8	-3.3	-2.6	-4.1	-1.4	1.3	3.5	1.6	1.2	0.7	-0.9	-1.0	-0.6	-0.5
Asia	1.4	-3.6	2.8	6.1	12.1	4.3	11.4	7.0	3.7	7.3	7.3	6.4	5.0	5.6	2.7	4.9
Middle East	5.6	2.6	4.1	4.4	4.8	4.0	4.9	3.3	3.2	4.1	3.9	3.2	1.8	2.9	2.0	2.5
Latin America	4.5	0.0	-0.9	-0.4	2.1	0.2	4.3	4.9	5.8	4.2	4.8	3.9	3.5	3.2	3.1	3.4
FSU	0.9	-8.7	-7.4	-6.2	-3.6	-6.4	8.7	7.0	5.5	7.8	7.2	2.2	1.7	2.5	2.2	2.2
Africa	5.3	3.3	2.7	2.5	-2.1	1.6	-2.2	1.5	1.7	5.6	1.6	2.9	-0.8	0.6	0.2	0.7
Europe	0.0	-5.9	-2.8	-2.6	-8.1	-4.9	-6.8	-6.4	-3.2	1.8	-3.7	0.6	2.6	2.2	1.2	1.6
Total Non-OECD	2.9	-2.0	1.3	2.9	5.8	2.0	7.3	5.3	3.8	6.1	5.6	4.6	3.4	3.9	2.4	3.5
World	-0.7	-3.6	-2.6	-0.4	1.2	-1.4	2.5	3.2	3.6	3.7	3.3	2.5	1.1	1.4	0.8	1.4
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.40	-0.88	0.15	0.82	0.99	0.49	0.61	0.31	-0.08	-0.25	-0.23	-0.07
Europe	-0.07	-0.26	-0.70	-0.98	-0.86	-0.70	-0.88	-0.28	0.23	0.19	-0.18	-0.13	-0.27	-0.21	-0.15	-0.19
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	0.06	0.13	0.13	-0.06	0.02	0.10	0.05
Total OECD	-1.74	-2.37	-2.75	-1.55	-1.22	-1.97	-0.67	0.58	1.57	0.73	0.56	0.30	-0.42	-0.45	-0.28	-0.21
Asia	0.25	-0.64	0.50	1.06	2.04	0.75	1.95	1.28	0.69	1.39	1.32	1.22	0.98	1.07	0.54	0.95
Middle East	0.38	0.18	0.30	0.34	0.34	0.29	0.34	0.25	0.26	0.30	0.29	0.24	0.14	0.24	0.15	0.19
Latin America	0.26	0.00	-0.05	-0.02	0.13	0.01	0.25	0.29	0.35	0.26	0.29	0.23	0.22	0.21	0.20	0.21
FSU	0.04	-0.36	-0.31	-0.27	-0.15	-0.27	0.33	0.27	0.23	0.32	0.29	0.09	0.07	0.11	0.10	0.09
Africa	0.17	0.11	0.09	0.08	-0.07	0.05	-0.08	0.05	0.06	0.18	0.05	0.10	-0.03	0.02	0.01	0.02
Europe	0.00	-0.05	-0.02	-0.02	-0.06	-0.04	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.02	0.02	0.01	0.01
Total Non-OECD	1.09	-0.77	0.51	1.16	2.23	0.79	2.75	2.09	1.56	2.45	2.21	1.88	1.41	1.66	1.01	1.49
World	-0.65	-3.14	-2.24	-0.39	1.00	-1.18	2.09	2.67	3.13	3.19	2.77	2.18	0.99	1.21	0.73	1.27
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.30	0.18	0.02	0.03	0.13
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.19	-0.07	-0.05	-0.07
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.16	0.01	0.01	-0.04
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.29	-0.17	-0.03	-0.02	0.02
Asia	0.04	0.32	0.28	0.27	0.27	0.28	0.24	0.23	0.23	0.23	0.23	0.19	0.27	0.28	0.24	0.25
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.11	-0.05	-0.05	-0.07
Latin America	-0.01	-0.03	-0.03	-0.03	-0.03	-0.03	-0.02	-0.03	-0.02	-0.02	-0.02	-0.01	-0.04	-0.03	-0.02	-0.03
FSU	0.01	-0.11	-0.05	-0.02	-0.03	-0.05	-0.06	-0.05	-0.05	-0.06	-0.06	-0.06	-0.03	-0.03	-0.02	-0.03
Africa	-0.01	-0.01	-0.01	0.00	-0.01	-0.01	0.00	0.00	-0.02	-0.01	-0.01	0.00	-0.01	0.00	0.00	0.00
Europe	0.00	-0.01	-0.01	-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
Total Non-OECD	0.03	0.15	0.19	0.19	0.19	0.18	0.14	0.13	0.12	0.12	0.13	0.04	0.07	0.16	0.14	0.10
World	0.03	0.15	0.19	0.19	0.19	0.18	0.14	0.13	0.13	0.13	0.13	0.33	-0.10	0.12	0.13	0.12
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.05	0.14	0.11	0.18	0.18	0.15	-0.02	-0.06	-0.06	-0.06	-0.05	0.19	-0.23	0.00	0.00	-0.01

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	2Q10	3Q10	4Q10	1Q11	Jan 11	Feb 11	Mar 11 [2]	Latest month vs. Feb 11	Latest month vs. Mar 10
North America											
LPG&Ethane	2.79	2.86	2.53	2.70	3.03	3.26	3.46	3.25	3.08	-0.16	0.16
Naphtha	0.33	0.40	0.41	0.42	0.35	0.38	0.36	0.34	0.43	0.09	0.00
Motor Gasoline	10.56	10.63	10.81	10.91	10.60	10.16	9.93	10.21	10.34	0.13	-0.05
Jet/Kerosene	1.62	1.66	1.66	1.70	1.64	1.60	1.57	1.60	1.63	0.03	-0.05
Gasoil/Diesel Oil	4.61	4.83	4.69	4.79	5.01	5.04	5.02	5.00	5.09	0.09	0.22
Residual Fuel Oil	0.93	0.96	0.96	0.94	0.95	1.01	1.00	1.05	0.98	-0.07	0.00
Other Products	2.46	2.58	2.69	2.81	2.44	2.43	2.40	2.32	2.57	0.25	-0.06
Total	23.30	23.91	23.76	24.26	24.03	23.88	23.75	23.77	24.13	0.36	0.22
Europe											
LPG&Ethane	0.93	0.92	0.94	0.85	0.92	0.97	0.95	0.98	0.97	-0.01	-0.04
Naphtha	1.15	1.21	1.15	1.21	1.23	1.26	1.28	1.28	1.21	-0.07	-0.08
Motor Gasoline	2.30	2.20	2.27	2.33	2.12	2.01	1.91	2.04	2.07	0.03	-0.13
Jet/Kerosene	1.26	1.27	1.24	1.38	1.26	1.20	1.18	1.20	1.22	0.02	0.03
Gasoil/Diesel Oil	6.03	6.13	5.85	6.14	6.43	6.05	5.65	6.44	6.09	-0.36	-0.30
Residual Fuel Oil	1.45	1.28	1.21	1.29	1.31	1.29	1.29	1.29	1.28	-0.02	0.02
Other Products	1.51	1.43	1.46	1.60	1.42	1.28	1.25	1.26	1.32	0.06	-0.01
Total	14.63	14.45	14.12	14.79	14.69	14.05	13.52	14.50	14.16	-0.34	-0.51
Pacific											
LPG&Ethane	0.86	0.84	0.83	0.79	0.82	0.87	0.96	0.86	0.80	-0.06	-0.09
Naphtha	1.63	1.69	1.60	1.65	1.77	1.79	1.81	1.89	1.68	-0.20	0.07
Motor Gasoline	1.55	1.57	1.52	1.66	1.59	1.52	1.43	1.60	1.53	-0.07	-0.04
Jet/Kerosene	0.85	0.88	0.71	0.65	0.99	1.18	1.29	1.21	1.04	-0.16	0.00
Gasoil/Diesel Oil	1.60	1.61	1.55	1.56	1.69	1.66	1.54	1.78	1.66	-0.12	-0.07
Residual Fuel Oil	0.75	0.73	0.67	0.74	0.72	0.78	0.83	0.80	0.72	-0.08	-0.04
Other Products	0.42	0.47	0.42	0.56	0.46	0.52	0.49	0.49	0.57	0.08	0.11
Total	7.66	7.79	7.32	7.60	8.04	8.32	8.35	8.63	8.01	-0.62	-0.05
OECD											
LPG&Ethane	4.59	4.62	4.30	4.34	4.78	5.10	5.37	5.09	4.86	-0.23	0.03
Naphtha	3.10	3.30	3.17	3.27	3.34	3.43	3.46	3.51	3.32	-0.19	-0.01
Motor Gasoline	14.40	14.40	14.60	14.90	14.31	13.69	13.27	13.86	13.95	0.09	-0.22
Jet/Kerosene	3.73	3.80	3.62	3.73	3.89	3.98	4.04	4.01	3.90	-0.11	-0.02
Gasoil/Diesel Oil	12.24	12.57	12.10	12.48	13.13	12.74	12.22	13.22	12.84	-0.38	-0.14
Residual Fuel Oil	3.14	2.97	2.84	2.96	2.98	3.08	3.12	3.15	2.98	-0.17	-0.02
Other Products	4.39	4.48	4.57	4.97	4.33	4.23	4.14	4.07	4.45	0.39	0.04
Total	45.58	46.14	45.20	46.65	46.76	46.25	45.62	46.90	46.29	-0.60	-0.34

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	2Q10	3Q10	4Q10	1Q11	Jan 11	Feb 11	Mar 11 [2]	Latest month vs. Feb 11	Latest month vs. Mar 10
United States[3]											
LPG	2.05	2.11	1.80	2.00	2.26	2.47	2.67	2.43	2.30	-0.13	0.14
Naphtha	0.25	0.27	0.28	0.28	0.23	0.27	0.26	0.24	0.31	0.08	0.02
Motor Gasoline	9.00	9.06	9.22	9.31	9.01	8.62	8.43	8.68	8.77	0.09	-0.04
Jet/Kerosene	1.41	1.45	1.46	1.48	1.45	1.40	1.38	1.41	1.42	0.01	-0.04
Gasoil	3.63	3.80	3.70	3.76	3.94	3.95	3.98	3.87	4.00	0.13	0.15
Residual Fuel Oil	0.51	0.55	0.53	0.54	0.57	0.62	0.66	0.64	0.55	-0.09	0.00
Other Products	1.92	1.99	2.11	2.19	1.86	1.87	1.87	1.75	1.98	0.23	-0.05
Total	18.77	19.23	19.10	19.57	19.31	19.20	19.25	19.00	19.33	0.33	0.18
Japan											
LPG	0.49	0.47	0.46	0.43	0.45	0.53	0.59	0.53	0.46	-0.08	-0.07
Naphtha	0.73	0.78	0.71	0.74	0.82	0.80	0.81	0.87	0.71	-0.16	-0.04
Motor Gasoline	0.99	1.00	0.97	1.08	1.00	0.95	0.91	0.98	0.96	-0.02	-0.04
Jet/Kerosene	0.55	0.55	0.43	0.36	0.62	0.80	0.88	0.84	0.69	-0.14	-0.02
Diesel	0.40	0.38	0.35	0.38	0.39	0.37	0.34	0.40	0.37	-0.03	-0.04
Other Gasoil	0.44	0.46	0.43	0.42	0.48	0.52	0.50	0.58	0.49	-0.09	-0.04
Residual Fuel Oil	0.40	0.39	0.36	0.42	0.38	0.41	0.42	0.44	0.37	-0.08	-0.02
Other Products	0.37	0.39	0.33	0.50	0.39	0.46	0.44	0.42	0.50	0.08	0.13
Total	4.37	4.42	4.04	4.33	4.54	4.83	4.90	5.06	4.55	-0.52	-0.14
Germany											
LPG	0.09	0.10	0.10	0.10	0.08	0.09	0.09	0.09	0.09	0.00	-0.02
Naphtha	0.37	0.41	0.38	0.41	0.41	0.48	0.47	0.48	0.48	0.00	0.03
Motor Gasoline	0.47	0.46	0.48	0.48	0.45	0.43	0.42	0.44	0.45	0.01	-0.03
Jet/Kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.16	0.16	0.17	0.01	-0.01
Diesel	0.64	0.67	0.68	0.71	0.69	0.63	0.56	0.65	0.69	0.04	0.00
Other Gasoil	0.42	0.43	0.33	0.45	0.47	0.36	0.34	0.43	0.33	-0.09	-0.08
Residual Fuel Oil	0.15	0.14	0.13	0.14	0.15	0.14	0.13	0.15	0.15	0.00	0.01
Other Products	0.12	0.11	0.12	0.14	0.11	0.07	0.06	0.05	0.09	0.04	0.01
Total	2.46	2.49	2.39	2.64	2.53	2.37	2.23	2.44	2.45	0.00	-0.08
Italy											
LPG	0.10	0.11	0.10	0.09	0.11	0.13	0.12	0.14	0.12	-0.02	-0.01
Naphtha	0.09	0.12	0.12	0.12	0.11	0.10	0.10	0.10	0.11	0.02	-0.01
Motor Gasoline	0.25	0.23	0.24	0.25	0.23	0.21	0.20	0.22	0.22	0.00	-0.02
Jet/Kerosene	0.09	0.10	0.11	0.12	0.10	0.09	0.09	0.09	0.10	0.01	0.01
Diesel	0.49	0.50	0.50	0.51	0.50	0.47	0.42	0.50	0.50	-0.01	-0.03
Other Gasoil	0.13	0.12	0.10	0.11	0.15	0.12	0.11	0.13	0.11	-0.02	-0.02
Residual Fuel Oil	0.21	0.15	0.14	0.15	0.14	0.12	0.12	0.13	0.12	0.00	-0.02
Other Products	0.16	0.18	0.16	0.21	0.20	0.16	0.17	0.16	0.14	-0.02	-0.01
Total	1.53	1.50	1.47	1.55	1.54	1.41	1.33	1.48	1.42	-0.06	-0.10
France											
LPG	0.09	0.11	0.09	0.09	0.13	0.13	0.14	0.13	0.11	-0.02	-0.02
Naphtha	0.14	0.14	0.15	0.13	0.11	0.14	0.15	0.15	0.13	-0.03	-0.02
Motor Gasoline	0.20	0.19	0.20	0.20	0.18	0.17	0.16	0.17	0.17	0.00	0.00
Jet/Kerosene	0.15	0.15	0.15	0.16	0.14	0.14	0.15	0.14	0.14	0.00	0.00
Diesel	0.66	0.68	0.69	0.70	0.68	0.68	0.63	0.70	0.70	0.00	0.03
Other Gasoil	0.31	0.29	0.21	0.26	0.33	0.34	0.36	0.39	0.28	-0.11	-0.04
Residual Fuel Oil	0.10	0.09	0.09	0.08	0.09	0.08	0.07	0.08	0.08	0.01	-0.02
Other Products	0.18	0.17	0.19	0.19	0.15	0.14	0.11	0.14	0.16	0.02	-0.04
Total	1.83	1.81	1.77	1.82	1.81	1.81	1.76	1.90	1.77	-0.12	-0.12
United Kingdom											
LPG	0.16	0.13	0.15	0.11	0.12	0.13	0.14	0.13	0.13	0.00	-0.02
Naphtha	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.02	-0.01	0.00
Motor Gasoline	0.37	0.35	0.36	0.35	0.34	0.33	0.31	0.34	0.35	0.00	-0.02
Jet/Kerosene	0.34	0.33	0.30	0.33	0.34	0.34	0.34	0.33	0.34	0.01	0.02
Diesel	0.45	0.46	0.46	0.47	0.46	0.47	0.45	0.48	0.48	0.00	0.01
Other Gasoil	0.10	0.11	0.10	0.13	0.10	0.10	0.08	0.10	0.11	0.01	-0.01
Residual Fuel Oil	0.07	0.06	0.06	0.06	0.07	0.07	0.08	0.07	0.06	-0.02	-0.01
Other Products	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.17	0.15	-0.01	0.00
Total	1.67	1.63	1.62	1.63	1.61	1.63	1.60	1.65	1.63	-0.02	-0.04
Canada											
LPG	0.34	0.34	0.35	0.32	0.35	0.37	0.35	0.38	0.37	-0.01	0.04
Naphtha	0.05	0.08	0.08	0.09	0.08	0.09	0.08	0.08	0.10	0.01	0.02
Motor Gasoline	0.73	0.73	0.75	0.77	0.73	0.70	0.70	0.71	0.70	0.00	0.00
Jet/Kerosene	0.12	0.11	0.11	0.12	0.11	0.10	0.10	0.11	0.10	0.00	-0.01
Diesel	0.23	0.23	0.23	0.23	0.23	0.22	0.22	0.23	0.20	-0.03	-0.02
Other Gasoil	0.28	0.32	0.28	0.33	0.35	0.37	0.35	0.41	0.35	-0.05	0.08
Residual Fuel Oil	0.09	0.10	0.10	0.08	0.10	0.12	0.12	0.13	0.11	-0.03	-0.01
Other Products	0.30	0.32	0.31	0.36	0.32	0.30	0.28	0.31	0.32	0.01	0.00
Total	2.15	2.24	2.21	2.29	2.27	2.27	2.21	2.35	2.26	-0.09	0.10

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	4Q10	1Q11	2Q11	3Q11	4Q11	Mar 11	Apr 11	May 11
OPEC											
Crude Oil											
Saudi Arabia	7.89	8.13		8.30	8.55				8.62	8.51	8.71
Iran	3.74	3.70		3.67	3.63				3.55	3.60	3.60
Iraq	2.43	2.36		2.43	2.66				2.62	2.60	2.68
UAE	2.27	2.31		2.33	2.48				2.52	2.51	2.42
Kuwait	2.01	2.03		2.03	2.08				2.14	2.12	2.15
Neutral Zone	0.54	0.53		0.54	0.56				0.57	0.58	0.58
Qatar	0.80	0.80		0.81	0.82				0.82	0.81	0.81
Angola	1.73	1.73		1.61	1.61				1.63	1.58	1.57
Nigeria	1.82	2.08		2.21	2.14				2.01	2.22	2.32
Libya	1.55	1.55		1.56	1.13				0.45	0.20	0.10
Algeria	1.24	1.25		1.27	1.27				1.26	1.28	1.28
Ecuador	0.47	0.47		0.47	0.50				0.51	0.50	0.50
Venezuela	2.67	2.52		2.36	2.52				2.49	2.48	2.46
Total Crude Oil[6]	29.15	29.47		29.60	29.95				29.17	28.97	29.18
Total NGLs[1,6]	4.93	5.35	5.88	5.58	5.80	5.78	5.92	6.02	5.80	5.78	5.78
Total OPEC[6]	34.08	34.81		35.18	35.75				34.97	34.75	34.96
OPEC: Historical Composition[6]	34.08	34.81		35.18	35.75				34.97	34.75	34.96
NON-OPEC[2]											
OECD											
North America	13.60	14.13	14.17	14.44	14.42	13.96	13.97	14.33	14.57	14.11	13.92
United States[5]	7.41	7.80	7.83	8.00	7.92	7.87	7.69	7.84	8.12	7.92	7.89
Mexico	2.98	2.96	2.92	2.93	2.97	2.93	2.88	2.88	2.97	2.98	2.91
Canada	3.22	3.37	3.43	3.51	3.53	3.16	3.40	3.61	3.48	3.21	3.11
Europe	4.55	4.18	4.10	4.22	4.10	4.01	4.00	4.29	3.96	4.14	3.82
UK	1.48	1.37	1.28	1.35	1.26	1.25	1.22	1.38	1.19	1.32	1.20
Norway	2.40	2.17	2.15	2.21	2.17	2.08	2.11	2.25	2.10	2.15	1.94
Others	0.67	0.64	0.67	0.66	0.67	0.68	0.67	0.66	0.68	0.68	0.68
Pacific	0.65	0.61	0.62	0.58	0.52	0.59	0.67	0.69	0.51	0.58	0.58
Australia	0.55	0.51	0.53	0.49	0.42	0.50	0.58	0.60	0.42	0.49	0.49
Others	0.10	0.10	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total OECD	18.81	18.92	18.89	19.24	19.04	18.56	18.64	19.31	19.03	18.84	18.32
NON-OECD											
Former USSR	13.28	13.55	13.67	13.66	13.68	13.72	13.57	13.73	13.67	13.64	13.78
Russia	10.21	10.45	10.54	10.54	10.52	10.55	10.54	10.55	10.51	10.55	10.58
Others	3.07	3.10	3.13	3.12	3.16	3.16	3.04	3.18	3.16	3.09	3.20
Asia	7.55	7.82	7.87	7.92	7.90	7.80	7.92	7.86	7.87	7.83	7.77
China	3.89	4.10	4.24	4.22	4.21	4.15	4.31	4.29	4.18	4.17	4.13
Malaysia	0.74	0.72	0.65	0.71	0.70	0.65	0.63	0.63	0.70	0.66	0.65
India	0.80	0.86	0.92	0.91	0.91	0.93	0.92	0.91	0.93	0.93	0.92
Indonesia	0.98	0.97	0.92	0.94	0.94	0.93	0.92	0.89	0.94	0.93	0.94
Others	1.14	1.17	1.14	1.15	1.14	1.14	1.15	1.15	1.12	1.14	1.14
Europe	0.14	0.14	0.14	0.13	0.14	0.14	0.13	0.13	0.14	0.14	0.14
Latin America	3.88	4.08	4.34	4.10	4.19	4.20	4.44	4.55	4.19	4.09	4.19
Brazil[5]	2.03	2.14	2.28	2.18	2.18	2.20	2.33	2.42	2.17	2.14	2.21
Argentina	0.72	0.70	0.69	0.66	0.70	0.63	0.71	0.71	0.70	0.60	0.61
Colombia	0.67	0.79	0.93	0.82	0.87	0.92	0.96	0.98	0.89	0.91	0.93
Others	0.45	0.45	0.44	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44
Middle East[3]	1.71	1.72	1.71	1.72	1.72	1.61	1.72	1.77	1.70	1.61	1.60
Oman	0.81	0.86	0.92	0.88	0.89	0.91	0.94	0.95	0.89	0.90	0.92
Syria	0.40	0.39	0.37	0.39	0.38	0.37	0.37	0.36	0.38	0.37	0.37
Yemen	0.31	0.28	0.21	0.27	0.26	0.13	0.22	0.25	0.23	0.14	0.11
Others	0.19	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.59	2.56	2.59	2.56	2.59	2.58	2.61	2.60	2.60	2.53	2.58
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.21	0.25
Others	1.60	1.58	1.62	1.57	1.60	1.61	1.64	1.63	1.62	1.59	1.60
Total Non-OECD	29.16	29.88	30.33	30.09	30.22	30.03	30.41	30.64	30.17	29.83	30.07
Processing Gains[4]	2.02	2.10	2.17	2.14	2.16	2.14	2.14	2.23	2.16	2.14	2.14
Global Biofuels[5]	1.59	1.82	1.90	1.78	1.47	1.87	2.25	1.99	1.46	1.58	1.93
TOTAL NON-OPEC[6]	51.58	52.72	53.28	53.25	52.89	52.60	53.43	54.17	52.82	52.39	52.45
Non-OPEC: Historical Composition[6]	51.58	52.72	53.28	53.25	52.89	52.60	53.43	54.17	52.82	52.39	52.45
TOTAL SUPPLY	85.66	87.53		88.43	88.64				87.79	87.14	87.41

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Dec2010	Jan2011	Feb2011	Mar2011	Apr2011*	Apr2008	Apr2009	Apr2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	470.8	479.2	491.0	498.0	510.0	438.5	497.9	487.7	0.16	0.05	-0.35	0.30
Motor Gasoline	252.4	269.6	263.5	249.4	239.2	238.5	242.0	252.8	-0.14	0.05	0.02	-0.03
Middle Distillate	239.2	234.8	223.0	217.7	208.3	177.9	225.6	217.0	0.17	0.14	-0.07	-0.24
Residual Fuel Oil	49.5	47.5	42.5	44.9	47.0	47.7	43.0	51.8	0.02	-0.02	0.01	-0.05
Total Products[3]	706.0	704.3	671.0	653.5	644.0	623.8	691.9	683.8	0.45	0.22	-0.30	-0.58
Total[4]	1326.5	1329.4	1304.0	1296.2	1301.1	1205.0	1345.0	1322.4	0.76	0.34	-0.79	-0.34
Europe												
Crude	323.0	334.2	325.4	323.5	321.5	336.5	342.2	354.3	0.11	-0.23	0.04	0.01
Motor Gasoline	96.5	104.3	104.6	100.4	98.8	112.1	94.4	96.0	-0.08	-0.02	0.02	0.04
Middle Distillate	276.3	299.2	286.1	284.0	287.9	235.8	285.0	279.9	0.04	-0.09	-0.03	0.09
Residual Fuel Oil	67.8	69.1	66.2	67.6	68.7	82.8	74.8	75.5	0.04	-0.01	-0.09	0.00
Total Products[3]	553.8	588.5	571.9	564.9	568.4	543.3	566.2	563.4	0.02	-0.11	-0.08	0.12
Total[4]	947.0	993.4	964.3	953.7	956.1	950.8	980.6	990.3	0.08	-0.38	0.01	0.07
Pacific												
Crude	158.0	160.0	156.9	160.1	168.9	155.9	166.5	176.4	0.02	-0.12	0.03	0.02
Motor Gasoline	23.2	25.1	25.7	23.7	26.5	24.2	27.9	26.8	0.01	-0.03	-0.01	0.01
Middle Distillate	59.7	60.1	58.0	54.2	59.3	58.6	58.9	54.5	0.00	0.09	-0.07	-0.06
Residual Fuel Oil	18.9	18.6	18.4	20.7	22.0	21.8	21.2	20.5	0.01	0.01	-0.03	0.02
Total Products[3]	162.7	168.4	162.2	154.9	167.3	166.5	166.7	155.9	0.11	0.11	-0.16	-0.09
Total[4]	390.4	402.3	391.4	383.2	410.4	393.5	402.6	397.9	0.21	-0.03	-0.13	-0.08
Total OECD												
Crude	951.8	973.5	973.3	981.6	1000.3	930.8	1006.6	1018.4	0.29	-0.30	-0.27	0.33
Motor Gasoline	372.1	399.0	393.8	373.6	364.5	374.8	364.2	375.6	-0.20	0.01	0.03	0.02
Middle Distillate	575.2	594.1	567.1	555.9	555.4	472.3	569.5	551.5	0.21	0.15	-0.17	-0.21
Residual Fuel Oil	136.2	135.2	127.2	133.2	137.7	152.3	139.0	147.8	0.07	-0.02	-0.12	-0.03
Total Products[3]	1422.4	1461.3	1405.0	1373.3	1379.7	1333.6	1424.9	1403.1	0.57	0.21	-0.55	-0.55
Total[4]	2663.8	2725.1	2659.7	2633.0	2667.6	2549.3	2728.2	2710.6	1.04	-0.07	-0.90	-0.34

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Dec2010	Jan2011	Feb2011	Mar2011	Apr2011*	Apr2008	Apr2009	Apr2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	726.6	726.5	726.5	726.5	726.5	701.5	718.8	726.6	0.00	0.00	0.00	0.00
Products	2.0	2.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	0.00	-0.02
Europe												
Crude	186.5	185.8	185.9	185.9	185.9	181.4	185.5	184.4	-0.03	-0.04	0.05	-0.01
Products	234.9	233.6	233.4	232.6	232.6	233.1	237.5	237.7	-0.05	0.00	-0.01	-0.03
Pacific												
Crude	389.6	389.7	390.3	391.2	391.2	385.0	388.1	390.0	0.02	-0.10	0.08	0.02
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1302.5	1302.0	1302.7	1303.6	1303.6	1267.9	1292.4	1301.0	0.00	-0.13	0.13	0.01
Products	256.9	255.6	253.4	252.6	252.6	253.9	258.7	259.7	-0.05	0.00	-0.01	-0.05
Total[4]	1560.7	1559.0	1557.6	1557.7	1557.7	1522.8	1552.7	1562.1	-0.05	-0.14	0.12	-0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2010		End June 2010		End September 2010		End December 2010		End March 2011 [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	172.1	75	178.8	78	197.5	85	192.8	82	186.1	-
Mexico	51.5	24	54.4	26	49.0	23	44.5	21	45.0	-
United States[4]	1781.4	94	1840.7	94	1858.7	97	1795.5	94	1769.5	-
Total[4]	2027.1	85	2096.0	87	2127.4	89	2055.0	86	2022.7	85
Pacific										
Australia	41.5	44	42.7	45	40.5	41	38.1	39	39.1	-
Japan	581.5	144	597.1	138	581.8	128	588.3	122	576.9	-
Korea	163.6	75	167.3	78	173.5	74	165.4	70	170.2	-
New Zealand	8.1	59	8.9	57	8.2	51	8.2	50	8.1	-
Total	794.7	109	816.0	107	804.0	100	800.0	96	794.4	110
Europe[5]										
Austria	22.7	85	20.1	69	18.9	65	19.7	78	19.4	-
Belgium	35.3	69	37.8	64	34.3	53	33.6	52	37.0	-
Czech Republic	21.7	106	20.4	99	21.1	105	21.2	117	21.5	-
Denmark	27.2	171	28.2	160	26.5	157	25.3	162	20.7	-
Finland	32.5	171	28.5	138	28.5	124	27.8	130	26.7	-
France	171.8	97	170.1	93	163.4	90	168.2	93	167.4	-
Germany	288.8	121	280.4	106	285.6	113	286.8	121	289.4	-
Greece	35.6	104	33.9	97	36.3	94	34.3	91	33.9	-
Hungary	16.8	115	17.0	107	15.9	103	15.9	119	17.4	-
Ireland	12.7	79	12.8	84	11.4	66	9.8	61	10.8	-
Italy	129.2	88	132.5	85	126.6	82	133.3	95	132.2	-
Luxembourg	0.8	13	0.7	12	0.7	13	0.6	11	0.5	-
Netherlands	131.0	123	138.8	135	120.9	120	125.9	127	126.1	-
Norway	21.1	93	22.1	112	20.8	80	20.8	84	21.1	-
Poland	62.5	115	63.8	106	64.2	108	65.5	124	63.5	-
Portugal	23.4	85	24.9	88	22.8	86	22.9	91	23.5	-
Slovak Republic	9.5	122	9.3	99	8.6	101	8.3	109	9.0	-
Spain	132.0	93	134.1	94	133.0	92	133.2	93	132.9	-
Sweden	39.3	109	35.4	99	34.4	90	32.3	90	32.8	-
Switzerland	37.8	158	38.1	142	37.7	140	36.8	148	36.6	-
Turkey	58.1	96	58.4	87	58.5	98	58.5	110	58.3	-
United Kingdom	93.4	58	96.1	59	94.5	59	88.8	55	92.6	-
Total	1403.2	99	1403.2	95	1364.7	93	1369.6	97	1373.6	99
Total OECD	4225.0	93	4315.1	93	4296.1	92	4224.6	91	4190.7	94
DAYS OF IEA Net Imports[6]	-	145	-	146	-	145	-	146	-	146

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]		
1Q2008	4083	1529	2553	86	32	54
2Q2008	4111	1526	2585	88	33	55
3Q2008	4164	1522	2642	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4279	1547	2732	96	35	61
2Q2009	4306	1561	2745	96	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	58
1Q2010	4225	1567	2658	93	35	59
2Q2010	4315	1562	2753	93	34	59
3Q2010	4296	1549	2747	92	33	59
4Q2010	4225	1561	2664	91	34	58
1Q2011	4191	1558	2633	94	35	59

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 1Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Jan 11	Feb 11	Mar 11	Year Earlier Mar 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.69	0.73	0.75	0.71	0.81	0.60	0.70	0.60	0.10
Europe	0.70	0.59	0.66	0.64	0.74	0.69	0.70	0.75	0.68	0.68	0.55	0.12
Pacific	1.22	1.28	1.21	1.17	1.15	1.26	1.33	1.30	1.31	1.39	1.31	0.08
Saudi Medium												
North America	0.64	0.40	0.36	0.36	0.33	0.36	0.33	0.32	0.34	0.34	0.44	-0.10
Europe	0.05	0.02	0.00	0.00	-	-	-	-	-	-	-	-
Pacific	0.39	0.34	0.34	0.37	0.30	0.37	0.39	0.40	0.35	0.42	0.26	0.16
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.03	0.01	0.02	0.02	0.02	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	0.00	-	0.00	0.01	-	-	0.00	-
Pacific	0.24	0.15	0.22	0.19	0.23	0.21	0.20	0.19	0.24	0.18	0.28	-0.10
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.43	0.29	0.29	0.21	0.18	0.23	0.24	0.42	-0.18
Europe	0.21	0.12	0.09	0.09	0.13	0.08	0.03	0.06	0.00	0.03	0.06	-0.03
Pacific	0.15	0.24	0.29	0.19	0.26	0.38	0.40	0.30	0.56	0.35	0.28	0.07
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.03	0.05	0.04	0.11	0.14	0.07	0.12	-	-
Europe	0.23	0.31	0.27	0.27	0.25	0.23	0.21	0.20	0.22	0.23	0.35	-0.12
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.24	0.33	0.18	0.24	0.16	0.30	0.26	0.20	0.07
Pacific	0.08	0.07	0.04	0.07	0.04	0.01	0.06	0.04	0.06	0.07	0.06	0.02
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.47	0.70	0.43	0.34	0.33	0.24	0.45	0.46	0.00
Pacific	0.61	0.57	0.52	0.44	0.53	0.52	0.63	0.62	0.57	0.69	0.65	0.04
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.21	0.08	0.16	0.06	0.18	-	-	0.13	-
Europe	0.06	0.07	0.02	0.02	0.05	0.01	0.03	0.04	0.02	0.04	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.83	0.96	0.75	0.89	0.99	0.84	0.85	0.93	-0.08
Europe	0.07	0.07	0.06	0.06	0.06	0.05	0.04	0.03	0.06	0.04	0.04	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.96	0.94	0.92	0.82	0.88	0.80	0.77	0.85	-0.08
Europe	0.14	0.10	0.11	0.11	0.11	0.09	0.14	0.11	0.16	0.14	0.17	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.02	0.09	0.05	0.01	0.06	0.10	0.00	0.09
Europe	0.01	0.01	0.02	0.02	-	0.05	0.01	0.02	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.13	0.08	0.03	0.01	-	-	0.02	0.10	-0.07
Europe	1.81	1.72	1.80	1.86	1.88	1.71	1.76	1.78	1.65	1.85	1.79	0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.64	0.58	0.62	0.77	0.67	0.44	0.55	-0.11
Europe	0.29	0.32	0.34	0.29	0.31	0.49	0.40	0.44	0.44	0.34	0.36	-0.02
Pacific	-	0.00	-	-	-	-	0.05	0.06	0.03	0.06	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.29	0.25	0.22	0.20	0.30	0.19	0.13	0.17	-0.04
Europe	0.14	0.13	0.09	0.09	0.09	0.11	0.14	0.07	0.16	0.19	0.02	0.17
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Jan-11	Feb-11	Mar-11	Year Earlier Mar-10	% change
Crude Oil												
North America	8046	7327	7319	7902	7716	6601	6538	6838	5854	6856	6981	-2%
Europe	9776	8893	9076	9160	9463	9110	8911	9241	8734	8740	8755	0%
Pacific	6605	6082	6244	5899	6159	6472	6647	6756	6755	6441	6270	3%
Total OECD	24427	22302	22638	22961	23338	22183	22096	22835	21343	22037	22425	-2%
LPG												
North America	31	13	8	7	7	6	21	37	9	16	6	180%
Europe	268	260	270	269	226	299	322	323	314	329	301	9%
Pacific	589	529	558	600	533	567	569	631	542	532	522	2%
Total OECD	887	802	836	876	766	872	913	991	865	877	828	6%
Naphtha												
North America	56	22	36	28	59	35	34	22	22	57	18	227%
Europe	298	352	390	391	345	382	288	437	165	249	536	-54%
Pacific	776	841	900	899	855	893	917	984	998	776	880	-12%
Total OECD	1130	1215	1326	1317	1260	1309	1238	1443	1184	1083	1434	-24%
Gasoline[3]												
North America	1077	878	793	839	926	712	643	663	596	665	665	0%
Europe	215	193	174	196	207	127	213	224	280	141	97	45%
Pacific	90	96	64	73	44	67	71	54	114	49	74	-34%
Total OECD	1382	1167	1030	1108	1177	907	926	941	990	854	836	2%
Jet & Kerosene												
North America	64	62	76	59	86	89	61	64	63	57	58	-2%
Europe	401	452	417	358	475	396	322	379	329	259	472	-45%
Pacific	34	53	40	37	29	46	58	63	62	49	33	46%
Total OECD	500	567	532	454	590	531	441	506	454	365	563	-35%
Gasoil/Diesel												
North America	74	56	49	43	27	14	46	82	22	33	42	-21%
Europe	871	1035	1045	885	934	1235	1066	1182	1057	956	1232	-22%
Pacific	119	87	97	121	88	92	99	79	98	122	128	-5%
Total OECD	1064	1177	1191	1048	1049	1340	1211	1343	1177	1111	1403	-21%
Heavy Fuel Oil												
North America	288	270	277	293	285	254	345	318	337	380	270	41%
Europe	458	534	529	545	504	504	504	533	449	525	595	-12%
Pacific	125	113	117	104	127	101	147	137	172	133	146	-9%
Total OECD	871	917	923	941	916	859	996	988	959	1038	1011	3%
Other Products												
North America	1078	870	805	782	852	907	856	945	762	852	657	30%
Europe	734	770	666	606	699	737	669	665	725	621	651	-5%
Pacific	298	325	335	276	382	352	383	410	335	401	396	1%
Total OECD	2110	1965	1807	1665	1933	1996	1908	2019	1822	1874	1705	10%
Total Products												
North America	2667	2171	2044	2050	2241	2017	2007	2130	1811	2060	1716	20%
Europe	3245	3595	3491	3249	3390	3680	3383	3743	3319	3080	3885	-21%
Pacific	2032	2045	2111	2110	2059	2118	2244	2357	2320	2061	2179	-5%
Total OECD	7944	7810	7645	7409	7689	7814	7633	8231	7450	7201	7780	-7%
Total Oil												
North America	10713	9497	9362	9953	9957	8617	8545	8968	7665	8916	9116	-2%
Europe	13022	12488	12567	12410	12853	12790	12294	12985	12053	11820	12639	-6%
Pacific	8637	8127	8354	8008	8218	8590	8891	9114	9075	8502	8449	1%
Total OECD	32371	30112	30283	30371	31028	29997	29730	31066	28793	29239	30205	-3%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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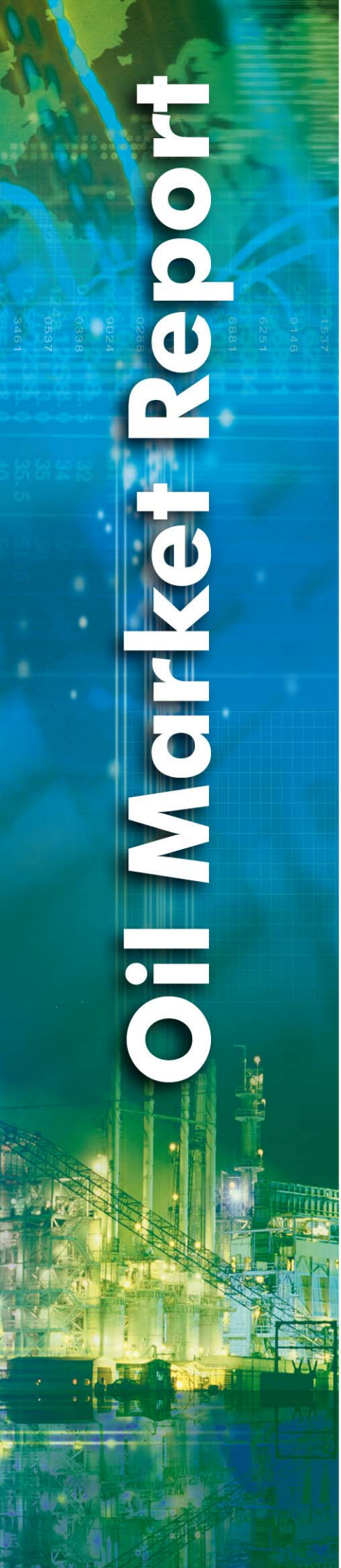
User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of The McGraw-Hill Companies, Inc.).

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Next Issue: 13 July 2011

Oil Market Report Contacts



International Energy Agency

13 July 2011

HIGHLIGHTS

- **The IEA announced on 23 June a coordinated release of 60 mb of strategic stocks for an initial 30 days,** in response to the ongoing Libyan crisis. The Libya collective action aimed to provide a bridge between rising oil demand in 3Q11 and extra supplies made available by major OPEC producers.

- **Crude oil prices were volatile in June, after an initial bearish impact from the collective action was tempered by non-OPEC supply outages.** Early indications are that the stock release has helped realign sweet-sour price spreads, distorted by lost Libyan barrels, and flattened earlier Brent backwardation. Brent and WTI were last trading at $116/bbl and $95/bbl.

- **Global oil demand in 2012 is expected to rise by 1.5 mb/d year-on-year to 91.0 mb/d.** Growth is driven entirely by non-OECD countries, with OECD demand declining slightly. The global estimate for 2011 is raised by 0.2 mb/d to 89.5 mb/d (+1.2 mb/d year-on-year), with upward non-OECD baseline revisions outweighing downward adjustments in the OECD on persistent high prices and weaker economic activity.

- **Global refinery throughputs are set to increase by 2.3 mb/d to 75.9 mb/d from 2Q11 to 3Q11,** on lower maintenance and as refiners strive to meet seasonally higher demand. The sharp rise follows an exceptionally weak 2Q11, when runs were curtailed by extensive turnarounds, Libyan crude and refining outages, earthquake damage in Japan and poor margins.

- **Global oil supply in June increased by 1.2 mb/d from May, to average 88.3 mb/d, with OPEC crude rising by 0.8 mb/d to 30 mb/d as Saudi Arabia boosted supply.** Non-OPEC supply is now seen averaging a lower 53.1 mb/d in 2011, on prolonged production outages, before rising to 54 mb/d in 2012. The 'call on OPEC crude and stock change' now rises by 1.3 mb/d in 3Q11 to 31.3 mb/d. It averages 30.7 mb/d for 2012, +0.1 mb/d versus 2011.

- **OECD industry stocks rose by 23.9 mb to 2 680 mb or 58.6 days of forward demand cover in May.** Preliminary June data point to a decline in both onshore OECD industry stocks and short-term oil floating storage. This takes end-June onshore stocks close to five-year average levels, after many months of substantial overhang versus historical levels.

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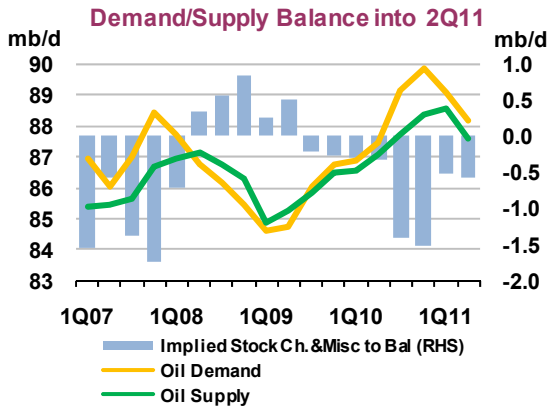
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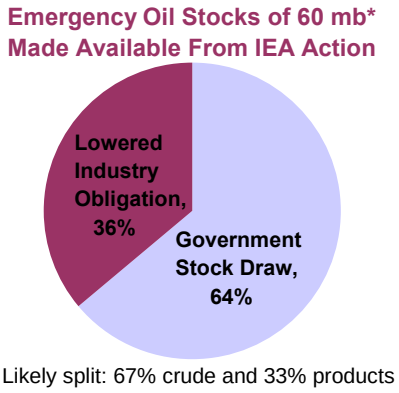
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PROVIDING LIQUIDITY TO A TIGHTER MARKET

This month provides a first detailed look at *OMR* projections for 2012, while also incorporating consolidated annual 2009/2010 oil data for non-OECD and OECD countries, respectively. With higher underlying non-OECD demand (but persistent weakness in the OECD), and a string of 2011 supply-side outages, over and above the one in Libya, the market ledger this month looks slightly tighter than a month ago. Our balances for first-half 2011 show demand continuing to run ahead of supply, if a little less rapidly than in 2H10. Of course, upward price momentum has also come from the absence of 1.5 mb/d of light/sweet Libyan crude. The 'call on OPEC crude and stock change' is now 31.3 mb/d for 3Q11 (a significant, if as-yet unquantifiable, portion of this will come from the IEA's Libya collective action). The 'call' then fluctuates between 29.8-31.4 mb/d through end-2012. Major producers have recognised that demand for their oil is rising, with the seasonal uptick in 3Q11 refinery runs, and more generally as economic growth and short-term fuel substitution keep global and emerging market demand growth robust. We welcome rising OPEC volumes seen in June (30.03 mb/d output), but the market needs still more oil for 3Q.





* Likely split: 67% crude and 33% products

This backdrop is simply a more vivid version of the one underpinning the IEA action, which commenced on 23 June. Member governments agreed to release 60 mb of strategic stocks for an initial 30 days, amid an ongoing disruption to light-sweet Libyan oil supplies, the anticipated rise in 3Q11 refiner and end-user demand and a likely hiatus before incremental OPEC barrels reach the market. Much ink has been spilt subsequently suggesting that the IEA action comes three months too late, depletes emergency stockpiles and has failed to reduce rampant crude and motor fuel prices. However, we feel compelled to point out that critics cannot have their cake and eat it too.

Market intervention in late-February, when the Libyan crisis broke and prices surged by at least $10/bbl, would have been tempting, were price control really the prime motivation. But the presence of a supply disruption, and sharply higher prices is not, by itself, justification for a collective action. Market context is also important. Refiner crude demand was falling seasonally in March and April, but rising sharply in June and moving higher still in July and August, despite modest refining margins. Early-year industry stocks looked comfortable back in March, and there was a presumption then that other OPEC producers would immediately step in to boost supply to replace Libyan outages. In contrast, the absence up until June of major OPEC increases implied a real possibility that commercial stocks could fall to the bottom of their seasonal range, risking a renewed, damaging and sustained surge in international prices in 3Q11. The IEA therefore decided to act to address this supply-side issue, even though prices were then trending lower.

Moreover, the collective action is about providing *short-term* physical liquidity to the market: a combination of draws in strategic stocks of light-sweet crude and products and the added flexibility of reduced mandatory obligations for refiners. So far, the action involves just over 1% of total IEA inventory - hardly a depletion of reserves for future emergencies. That said, oil made available by the collective

action will continue to have a physical impact through July and August. Market appetite for the oil made available so far has been greater than during the Katrina action of 2005. In particular, the US SPR release will likely result in the re-routing of alternative light-sweet crude supplies into Europe and Asia. Member governments have flexibility on the timing and pace for any stock replenishment and look likely to exercise that. Indeed, all 12 IEA countries involved still have emergency reserves well above 90 days of net imports.

Marker crude prices fell by $5/bbl immediately after the action was announced. Since then Brent futures have oscillated between $105-$119/bbl, and WTI between $91-$99/bbl. At writing, flat prices of $116/bbl (Brent) and $95/bbl (WTI) are close to those seen immediately prior to the action, but will doubtless fluctuate further in the weeks ahead. However, it is blinkered to focus on specific price levels, which were never the rationale for the action. Narrower sweet-sour spreads, modestly stronger refining margins and an easing of the steep backwardation evident before the release on the other hand all suggest a more benevolent market reaction. We acknowledge that the impact of the collective action will only be truly evident in hindsight. However, recognising the flexibility and market liquidity it has already provided, we take a resolutely positive view so far.

DEMAND

Summary

- **Global oil demand is forecast to rise by 1.6% (+1.5 mb/d year-on-year) to 91.0 mb/d in 2012.** This is based on IMF economic assumptions (*World Economic Outlook Update*, June 2011), with global real GDP growth reaching 4.4% in 2012, compared to 4.2% in 2011. It also assumes that Brent oil prices will average $108 in nominal terms, and that oil intensity will decline by 2.6%. Oil demand growth in 2012 is expected to be driven entirely by non-OECD countries while the OECD declines. In terms of product categories, middle distillates, gasoline and LPG are expected to grow fastest.

- **Global oil product demand growth for 2011 is reduced to 1.2 mb/d** on persistent high prices and somewhat weaker IMF economic prospects for advanced economies. Demand, which averaged 88.3 mb/d in 2010 (+3.3% or +2.8 mb/d year-on-year and 320 kb/d above our last report with the incorporation of official annual revisions for OECD and non-OECD countries), is expected to reach 89.5 mb/d in 2011 (+1.4% or +1.2 mb/d year-on-year and 250 kb/d higher versus earlier projections).

- **OECD oil demand is projected at 45.7 mb/d in 2012 (-0.3% or -120 kb/d versus 2011).** Despite expectations of relatively strong GDP growth in 2012 (+2.6%), increased vehicle efficiency and a persistent decline in oil-fuelled heating and power generation amid high oil prices will outweigh increases in economic activity. Downside risks will stem from the increasingly fragile financial situation in Europe and the general sustainability of the economic recovery across all three regions. However, upside demand risks may arise due to increasing uncertainty over Japan's power sector, with the potential for greater-than-anticipated oil and gas substitution in place of nuclear generation.

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.6	3.5	3.6	3.5
Americas	29.5	29.9	30.6	30.3	30.1	30.1	29.7	30.5	30.3	30.1	30.2	30.0	30.7	30.5	30.4
Asia/Pacific	27.3	27.0	26.7	28.3	27.3	28.6	27.8	27.8	29.0	28.3	29.4	28.7	28.5	29.7	29.1
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.4	15.4	15.1	14.8	14.7	15.4	15.3	15.1
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.5	4.7	4.7	4.6	4.6	4.5	4.8	4.8	4.7
Middle East	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
World	**86.9**	**87.4**	**89.2**	**89.9**	**88.3**	**89.1**	**88.2**	**90.3**	**90.6**	**89.5**	**90.4**	**89.9**	**91.8**	**92.0**	**91.0**
Annual Chg (%)	2.7	3.2	3.6	3.6	3.3	2.5	0.8	1.3	0.8	1.4	1.5	1.9	1.6	1.6	1.6
Annual Chg (mb/d)	2.3	2.7	3.1	3.1	2.8	2.2	0.7	1.2	0.7	1.2	1.4	1.7	1.4	1.4	1.5
Changes from last OMR (mb/d)	0.31	0.33	0.32	0.31	0.32	0.34	0.08	0.30	0.27	0.25	-0.58	1.19	0.50	0.42	0.39

- **Non-OECD oil demand should reach 45.3 mb/d in 2012 (+3.6% or +1.6 mb/d year-on-year).** Given GDP growth of 6.5%, this forecast is consistent with observed historical income elasticity, though it suggests a less intensive use of oil than during the government-stimulus-backed years of 2009-2010. Non-OECD Asia, the Middle East and Latin America will account for most of oil demand growth in 2012. The latter two regions look to expand faster than in 2011, while non-OECD Asian growth is slower due to more moderate expansion from China. Nevertheless, China's growth (+480 kb/d, versus +630 kb/d in 2011) should account for a sizeable portion (30%) of global demand growth.

Global Overview

This report includes the most recent IMF economic forecasts (*World Economic Outlook Update*, June 2011) and presents our first detailed assessment of global demand prospects for 2012. Our recently released *Medium-Term Oil & Gas Markets 2011 (MTOGM)* provided an initial glimpse of the annual trend, whereas this analysis provides an update and rolls out a more complete quarterly profile.

The economic outlook has changed little since the Fund's previous forecast in April 2011, with global GDP growth adjusted only 0.1% lower in 2011 and unchanged for 2012. The economic assessment has grown more cautious, however, with slowing 1H11 industrial activity in the US, increased financial risk in the euro area and rising inflation, which is prompting monetary tightening in some key emerging markets. Part of this economic pause is arguably related to a temporary disruption of global supply chains following the March earthquake and tsunami in Japan. As such, after slowing in 2Q11, economic growth should strengthen in the second half of the year. Growth is expected to be driven largely by emerging economies, with increased economic downside risks in the OECD.

Indeed, oil demand growth in 2012 is expected to be driven entirely by non-OECD countries (+3.6% or +1.6 mb/d), while the OECD gently declines (-0.3% or -0.1 mb/d). Non-OECD Asia, Latin America and the Middle East will account for virtually all of global growth in 2012, with China generating 30%, though the overall non-OECD growth rate is slightly slower versus 2011. Structural declines borne out through improved efficiency will continue in the OECD, though stronger economic growth versus 2011, particularly in the US and Japan, will provide an offsetting demand support. Global product demand in 2012 will be led by middle distillates, gasoline and LPG.

Real GDP Growth
OMR dated 13 July 2011

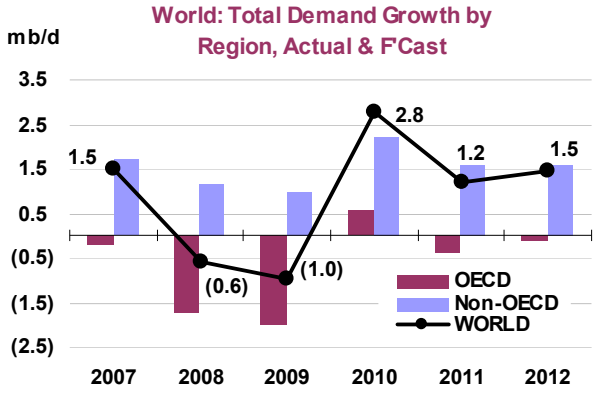
% change	2011	2012
WORLD	**4.2**	**4.4**
OECD	**2.3**	**2.6**
OECD, North America	2.7	2.8
OECD, Europe	2.4	2.0
OECD, Pacific	0.9	3.3
Non-OECD	**6.5**	**6.5**
Africa	3.9	4.8
Latin America	4.5	4.1
China (excl. Hong Kong)	9.6	9.5
Other Asia	6.5	6.4
Non-OECD Europe	2.2	3.8
FSU	5.0	4.6
Middle East	5.1	5.2

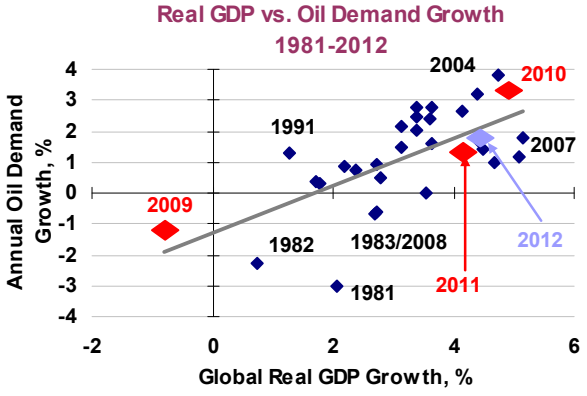
Current vs. Previous
OMR dated 12 May 2011

WORLD	**(0.1)**	**(0.0)**
OECD	**(0.1)**	**(0.0)**
OECD, North America	(0.2)	(0.2)
OECD, Europe	0.4	(0.1)
OECD, Pacific	(1.3)	0.6
Non-OECD	**(0.0)**	**0.0**
Africa	(0.0)	(0.1)
Latin America	(0.1)	(0.1)
China (excl. Hong Kong)	(0.0)	0.0
Other Asia	(0.0)	0.0
Non-OECD Europe	0.0	(0.2)
FSU	0.1	0.0
Middle East	0.1	0.3

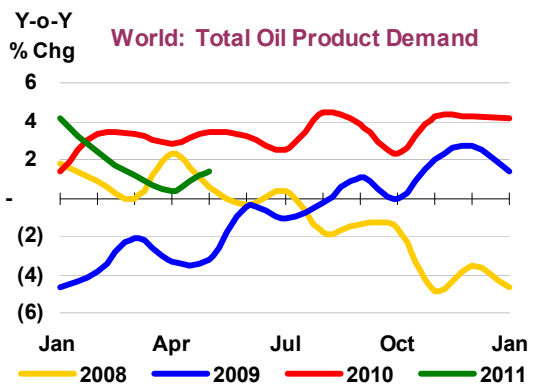
Sources: IMF, IEA

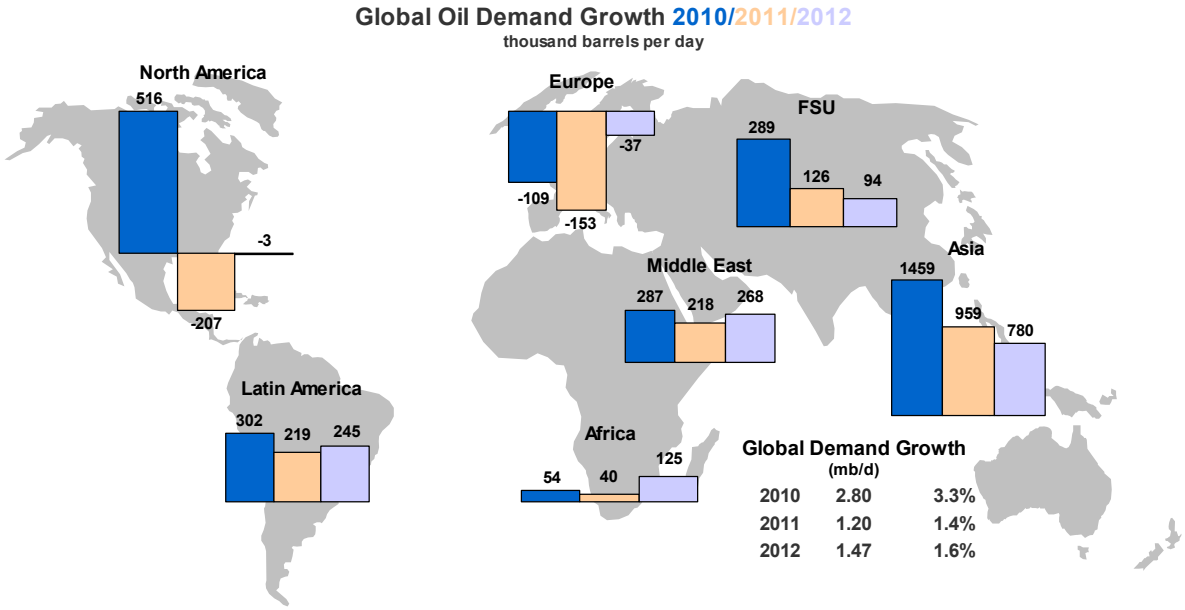
Aside from economic growth, downside pressures from higher-than-expected oil prices also represent a risk to the forecast. While we assume a nominal Brent price of $108/bbl and no significant changes to emerging market price subsidy regimes in 2012, a higher price profile would weaken demand growth, in particular through exacerbated declines in the OECD. Indeed, the most recent demand data for 2011 – albeit preliminary – indicate that a combination of high oil prices (some $10/bbl above our current annual assumption) and slower economic growth have sapped oil demand growth since the beginning of the year. Total OECD demand contracted by 1.9% year-on-year in May and non-OECD demand growth stood at 4.8%. Nevertheless, this represents an uptick from April, when the OECD declined by 2.7% and the non-OECD grew by only 3.5%. As such, should price pressures ease and stronger economic growth materialise, as assumed by this forecast, declines in global demand growth would level off, with potentially subdued increases over the next 18 months.





Demand in 3Q11 is forecast to rise 1.3% (+1.2 mb/d) year-on-year to 90.3 mb/d. Moreover, the quarter-on-quarter increment (+2.2 mb/d), led by the OECD (+1.8 mb/d), looks strong when compared to an especially weak 2Q11. This global increase is higher than the 10-year average change from second to third quarter (+1.2 mb/d, excluding 2008). Part of this higher-than-normal jump reflects implicitly stronger economic growth prospects for 3Q11 relative to 2Q11, particularly in the US and Japan, where reconstruction activity from March's devastating earthquake and tsunami is evident. This support augments anticipated seasonal rises in heating oil purchases in Europe as well as summer transport fuel increases across a number of OECD markets. However, it also benefits from more structural increases in oil-fired power generation anticipated during the summer, particularly in Japan, China and Saudi Arabia. Moreover, with uncertainty over viable (Japan) and economic (China) generation capacity, greater-than-expected oil-based generation represents an upside risk to the forecast during this year and next.





Finally, this month's issue also includes baseline revisions across all OECD regions, with most countries, except the US, having submitted their official estimates for 2010 oil demand and, in some cases, revised previous years as well. Overall, total OECD demand has been increased by 60 kb/d in 2010, with this adjustment largely carried forward. On the non-OECD side, the incorporation of additional official estimates for 2009, notably for Russia and several Middle East countries, has revised up non-OECD oil demand by 230 kb/d for that year, with the adjustment, again, largely carried forward.

OECD

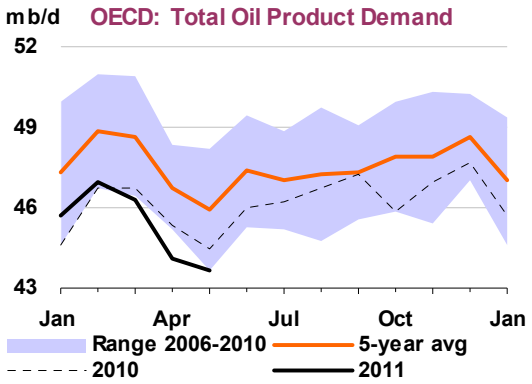
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 1.9% year-on-year in May. Demand declined by 3.0% in the **OECD Pacific**, with weak deliveries of LPG, jet fuel/kerosene, residual fuel oil and 'other products'. In **OECD North America** (which includes US Territories), demand fell by 2.6%, largely on depressed gasoline, LPG and 'other products' deliveries. The decline in **OECD Europe** demand was marginal with a rebound in diesel and naphtha deliveries largely offsetting declines in gasoline and heating oil.

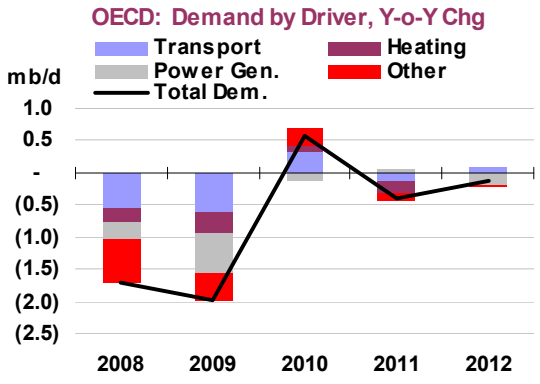
OECD Demand based on Adjusted Preliminary Submissions - May 2011
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.40**	**-3.7**	**1.62**	**-1.6**	**4.03**	**6.6**	**0.82**	**-3.6**	**0.93**	**-1.7**	**5.08**	**-6.94**	**22.88**	**-2.6**
US50	8.83	-4.3	1.43	-0.8	3.45	7.5	0.38	-10.8	0.55	8.6	3.77	-7.9	18.42	-2.6
Canada	0.73	-0.2	0.10	-12.7	0.23	0.1	0.28	4.0	0.10	-0.9	0.71	0.0	2.15	-0.2
Mexico	0.78	-0.8	0.05	-3.2	0.30	3.3	0.13	3.3	0.19	-23.6	0.54	-9.0	2.00	-5.1
OECD Europe	**2.21**	**-1.3**	**1.28**	**0.6**	**4.34**	**3.3**	**1.23**	**-16.0**	**1.18**	**4.1**	**3.64**	**1.9**	**13.88**	**0.0**
Germany	0.50	2.7	0.19	-2.3	0.70	7.4	0.27	-22.6	0.15	12.2	0.68	22.3	2.50	4.9
United Kingdom	0.34	-5.5	0.31	-0.6	0.44	0.1	0.10	-6.0	0.06	15.3	0.30	-10.9	1.55	-3.5
France	0.19	4.5	0.16	0.5	0.70	7.0	0.13	-35.2	0.11	30.0	0.43	-2.9	1.72	-0.3
Italy	0.23	-3.4	0.10	-7.4	0.50	3.7	0.09	-2.4	0.11	0.0	0.39	-4.8	1.42	-1.4
Spain	0.12	-9.1	0.13	12.2	0.46	-3.2	0.13	-18.9	0.19	5.9	0.31	-1.7	1.33	-2.8
OECD Pacific	**1.49**	**0.2**	**0.54**	**-13.5**	**1.03**	**1.6**	**0.41**	**-9.9**	**0.63**	**-7.2**	**2.77**	**-2.0**	**6.87**	**-3.0**
Japan	0.94	-0.4	0.29	-18.3	0.36	2.1	0.31	-8.2	0.38	1.5	1.47	-2.4	3.75	-3.1
Korea	0.19	-2.6	0.11	-17.6	0.27	-4.1	0.09	-16.2	0.22	-22.6	1.13	-1.2	2.02	-6.4
Australia	0.31	1.0	0.12	3.9	0.35	3.3	0.00	0.0	0.02	4.5	0.16	-5.3	0.96	1.1
OECD Total	**14.10**	**-3.0**	**3.44**	**-2.9**	**9.41**	**4.5**	**2.45**	**-11.2**	**2.74**	**-0.7**	**11.49**	**-3.1**	**43.64**	**-1.9**

* Including US territories

Downward revisions to April preliminary data were large (-610 kb/d) and concentrated in North America and the Pacific. In the former, revisions stemmed from lower deliveries for all products except residual fuel oil, with diesel revised down 460 kb/d. In the latter, a downward revision to 'other products' led the adjustment. Revisions to OECD Europe, by contrast, were positive due to naphtha and heating oil. In all, OECD demand growth stood at -2.7% for April, versus -1.2% previously. Total OECD oil product demand is raised by 60 kb/d to 46.2 mb/d in 2010 following the incorporation of official annual submissions across most countries except for the US. Growth, at +1.2% or +560 kb/d year-on-year, remains unchanged given a similar adjustment for 2009. The prognosis for 2011, by contrast, has been trimmed by 110 kb/d to 45.8 mb/d (-0.8% or -390 kb/d versus the previous year), largely on weaker prospects for North America. In 2012, OECD demand is expected to shrink by 0.3% (-120 kb/d) to 45.7 mb/d.

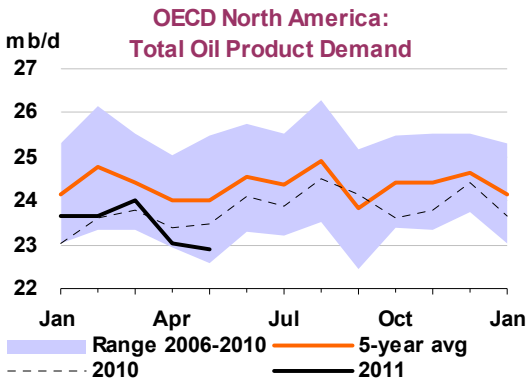


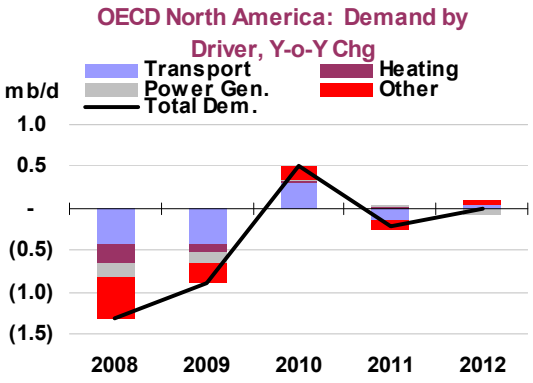


North America

Preliminary data show oil product demand in North America (including US territories) falling by 2.6% year-on-year in May, following a 1.6% decrease in April, due to high prices and slowing economic activity. Indeed, the IMF's latest assessment has revised down North American GDP growth for 2011 and 2012 by 0.2% to 2.7% and 2.8%, respectively. Much of this adjustment comes from the US, where downward revisions to April monthly data were heavy and May/June preliminary data have been weak. Economic growth and oil demand look to improve somewhat from 3Q11 onwards, though the sustainability of the recovery remains an uncertainty, particularly with the US labour market remaining weak. Overall, North American demand is set to fall 0.9% (-210 kb/d) to 23.6 mb/d in 2011 and remain flat for 2012.

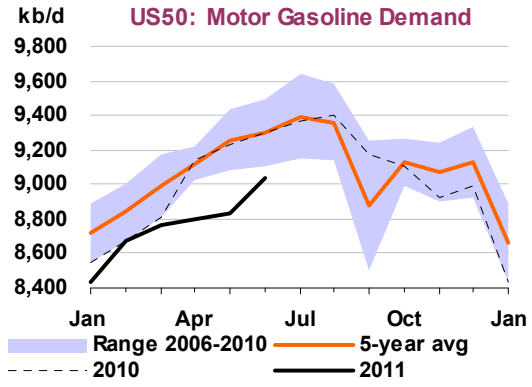
April revisions were steep (-745 kb/d) and occurred across all product categories except residual fuel oil. Diesel (-340 kb/d) and LPG (-110 kb/d) adjustments in the US were particularly large, suggesting slowing industrial activity. The volatile pattern of unadjusted weekly to monthly revisions in the US remains a significant forecasting hazard. Over the past six months, revisions to gasoline have been consistently negative. However, other products have been more unpredictable, with total product demand revisions alternating between positive and negative.

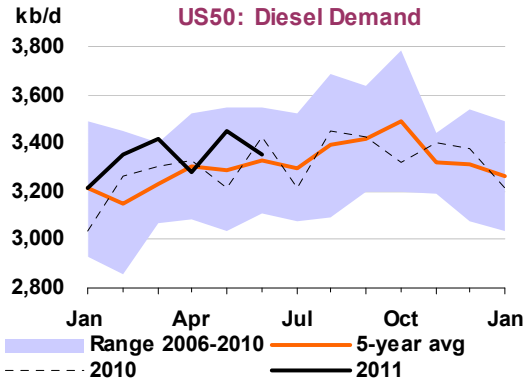




With this caveat in mind, our adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 2.4% year-on-year in June, following a 2.6% decrease in May, with losses in all products except fuel oil and LPG. Despite declining by 2.8% year-on-year, gasoline demand continued to rise month-on-month, suggesting the makings of a normal (albeit weak) summer driving season. Diesel, by contrast, showed greater signs of a summer stall, with demand down both on an annual and monthly basis. Activity has slowed, but rail/road freight and manufacturing orders continue to expand year-on-year. Moreover, supply chains are recovering as Japan recovers from its March earthquake and tsunami. As such, we still expect diesel demand to expand seasonally, rising 60 kb/d from 2Q11 to 3Q11.

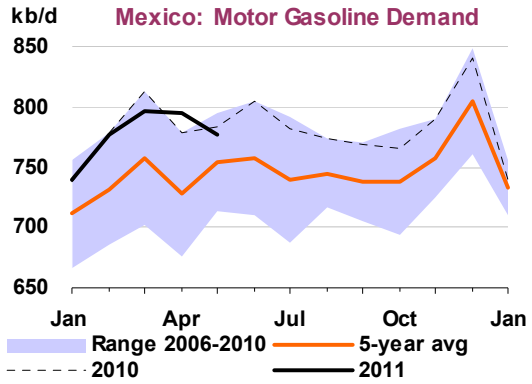
Overall, US total product demand should decline by 0.9% (-170 kb/d) in 2011 to 19.1 mb/d. In 2012, with GDP growth expected at 2.7% (somewhat higher than 2011's 2.5%), oil demand is expected to remain relatively unchanged on average. Increases in LPG, diesel and jet fuel/kerosene (driven by economic activity and favourable gas liquids pricing for petrochemicals) should roughly balance declines in gasoline, heating oil and residual fuel oil (borne out by increased vehicle efficiency and fuel switching towards natural gas).

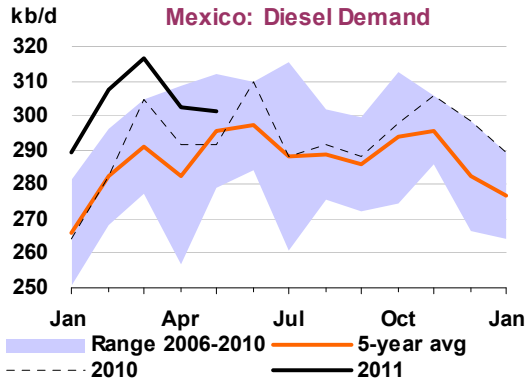




In **Mexico**, oil demand fell by 5.1% in May, led by declines in residual fuel oil (-23.6%) and other products (-10.4%). Mexico's economy has likely temporarily slowed in conjunction with reduced activity in the US. Yet our growth assumptions still indicate strong GDP expansion of 4.7% and 4.0% for 2011 and 2012,

respectively. After falling by 1.4% (-30 kb/d) in 2011 to 2.0 mb/d, Mexican oil demand is expected to remain unchanged on average for 2012.

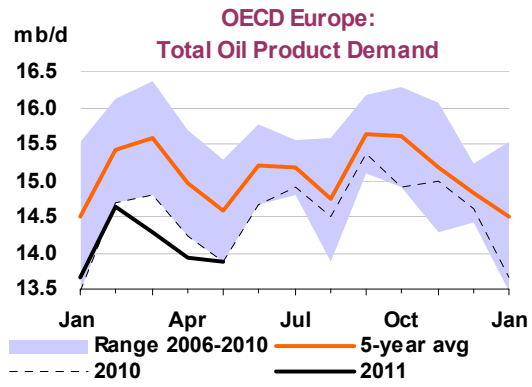


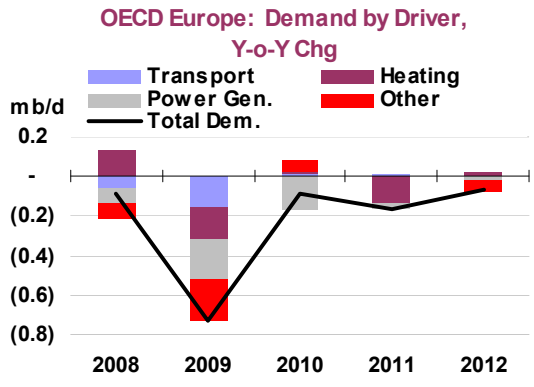


Europe

Preliminary inland data indicate that oil product demand in Europe remained essentially unchanged in May versus 2010, with stronger deliveries of diesel and naphtha offsetting declines in heating oil and gasoline. The contraction in heating oil demand likely signifies both structural decline and delays in consumer tank refilling owing to prevailing high prices. The increase in naphtha demand stems almost entirely from Germany, while diesel strength was due to higher readings across a range of countries. However, this apparent rebound in transport demand may stem partially from fewer holidays versus the prior year.

Revisions to preliminary April demand data were positive (+230 kb/d), with stronger-than expected readings for naphtha and heating oil more than offsetting weaker deliveries of jet fuel/kerosene and diesel. With annual official submissions, total oil product demand in OECD Europe was revised up by 130 kb/d to 14.6 mb/d in 2010, with declines (-0.6% or -80 kb/d compared with the previous year) reduced given a smaller baseline revision to 2009.

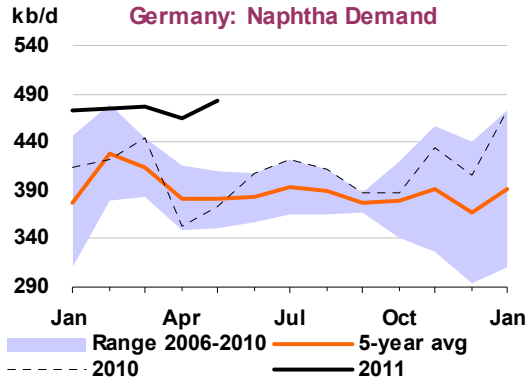


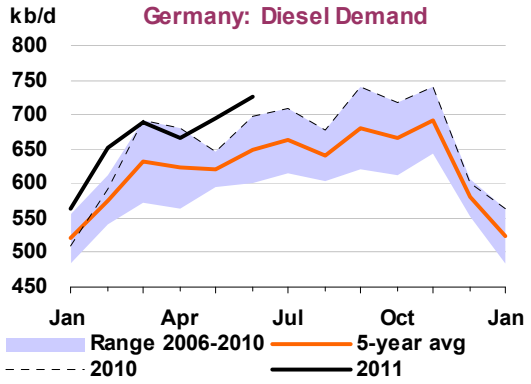


The outlook for OECD Europe demand in 2011 is raised by 160 kb/d to 14.4 mb/d (-1.1% or -160 kb/d versus 2010) with a more robust economic growth assumption of 2.4%. In 2012, OECD Europe demand is expected to decline by 0.4% (-60 kb/d) to remain near 14.4 mb/d, with falls in most product categories outweighing growth in distillates. Economic growth, at only 2.0% for 2012, remains a downside risk, particularly with increased austerity measures and heightened financial risk from peripheral countries.

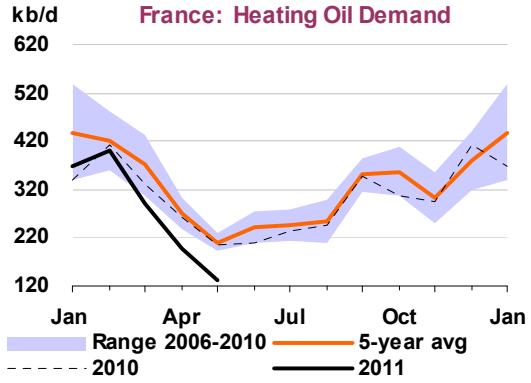
In May, according to preliminary data, oil product deliveries in **Germany** increased by 4.9% year-on-year following a 1.8% rise in April. Demand growth was robust in naphtha (+30.0%) amid strong industrial

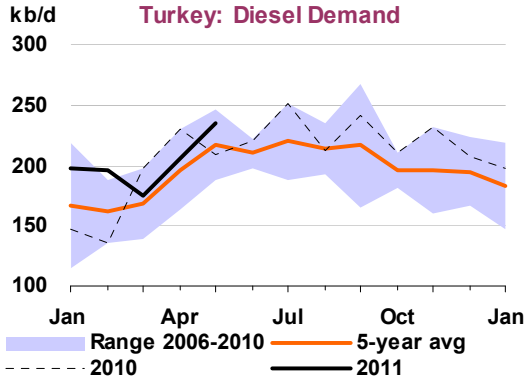
production, and in diesel (+7.4%). However, the presence of two additional working days versus May 2010, due to the holiday calendar, may partly explain the jump in usage in the face of higher oil prices. Higher economic growth – revised up by 0.7% to 3.2% for 2011 – was also supportive. Nevertheless, German demand is expected to decline by 0.2% in 2011. With slowing GDP growth, at 2.0%, in 2012, demand is forecast to fall by 0.5% (-10 kb/d) to 2.5 mb/d.





Total oil demand readings were mixed in other major European markets in May. In **France** (-0.3% year-on-year), diesel demand growth (+7.0%) was strong, again due to more working days, but may also reflect upwardly revised economic growth. By contrast, heating oil deliveries remained weak (-35.2%), with warm weather and consumers delaying tank filling in the face of high prices. In **Turkey** (+6.7%) diesel demand has surged on the back of strong economic growth – GDP growth for 2011 was revised up by 4.1% to 8.7%. Overheating concerns remain and economic growth is expected to slow to 2.5% in 2012. Nevertheless, with annual increments expected at 2.5% (+20 kb/d) in both 2011 and 2012, Turkey represents Europe's strongest oil demand growth engine. Elsewhere, May featured falling demand in the **UK** (-3.5%), **Italy** (-1.4%) and **Spain** (-2.8%) where high oil prices and weaker economic prospects are taking their toll on consumption.

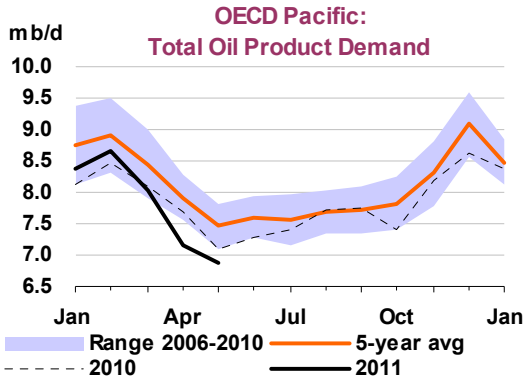


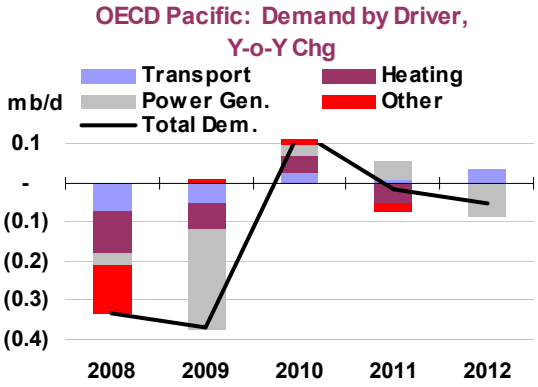


Pacific

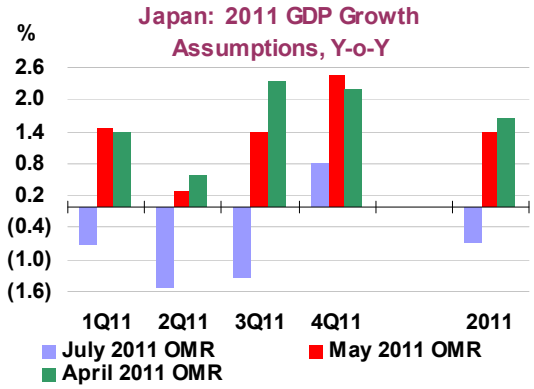
Preliminary data indicate that oil product demand in the Pacific fell by 3.0% year-on-year in May. Weaker economic activity in the aftermath of **Japan's** devastating earthquake and tsunami has played a significant role, with all product categories declining except for diesel and residual fuel oil. The latest IMF assessment suggests that after declining on average by 1.4% during 2Q11-3Q11, Japan's economy will rebound in 4Q11, growing by 0.8% year-on-year. This represents a lower annual GDP profile than in previous assessments, with 2011 growth cut from +1.4% to -0.7%. Our forecast for 2011 sees demand declining to 4.4 mb/d (-0.2% or -10 kb/d year-on-year), as reductions linked to the earthquake and tsunami are largely offset by boosts from reconstruction activity and oil burning for power generation.

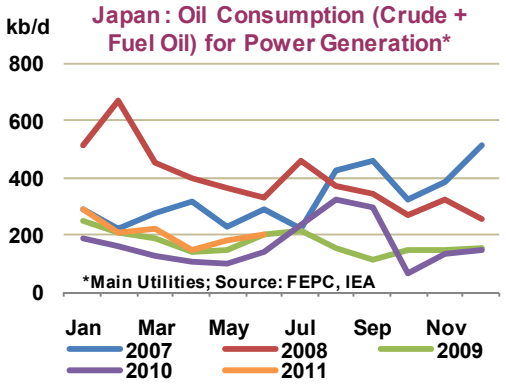
With GDP growth expected at 2.9% in 2012, Japanese oil demand is expected to resume its structural decline, falling 1.5% (-60 kb/d) to below 4.4 mb/d.





However, reconstruction and oil burning for electricity may provide upside demand support during 2H11 and potentially beyond. Japan's oil demand is expected to grow by 0.4 mb/d from 2Q11 to 3Q11, led by diesel, gasoline, fuel oil and 'other products' (which include crude for power generation). However, deliveries of crude oil and fuel oil may yet surprise to the upside given potential struggles in meeting peak summer power demand. Oil consumption by utilities has so far not shown a dramatic uptick, with levels through June running only 50-100 kb/d higher than last year. Yet the restart timing of undamaged nuclear power plants that undertook maintenance shutdowns following the earthquake in March is increasingly uncertain. Moreover, in the event that extra thermal generation capacity is needed to compensate, it is unclear to what extent additional power needs will be met by LNG, oil or both. With already warmer-than-normal June weather and authorities prescribing an array of power saving measures for the summer, it is possible that crude and fuel oil purchases may strengthen by more than anticipated to meet peak demand.

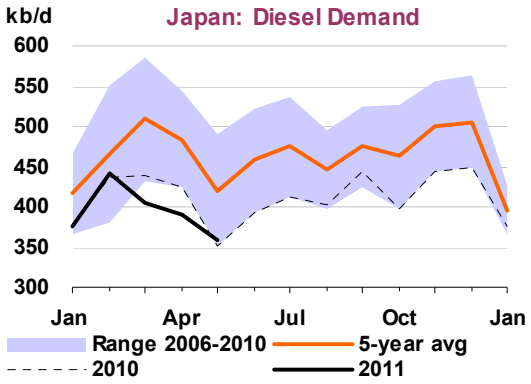


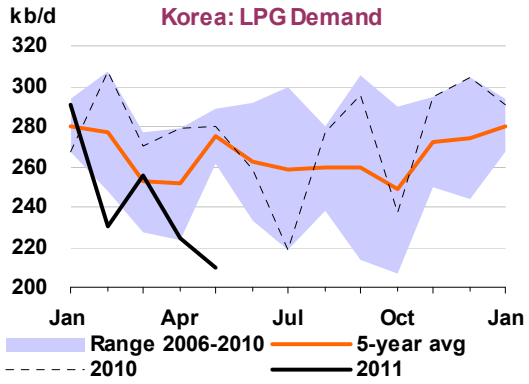


Meanwhile, in **Korea**, oil product demand fell by 6.4% in May, with declines across all categories bar naphtha. With economic growth revised up slightly to 4.5% for 2011, it appears that a combination of interfuel substitution in power generation and high oil prices have sapped oil demand growth, particularly in LPG and fuel oil. Nevertheless, demand for diesel and gasoline appeared to accelerate in June, ahead of an announced price rise by refiners from 8 July. For 2011, Korean total product demand is expected to fall by 1.7% (-40 kb/d) to 2.2 mb/d. In 2012, demand declines slightly by 0.1% (remaining near 2.2 mb/d), with falls in heating oil and fuel oil outweighing an expected rise in diesel and LPG.

Overall, Pacific demand in 2011 is expected to decline by 0.2% (-20 kb/d) to 7.8 mb/d. Relatively stronger demand growth in **Australia** and **New Zealand** should partly offset declines in Japan and Korea this year

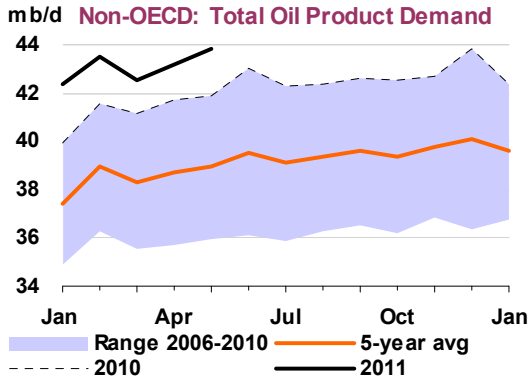
and next. Despite regional economic growth at 3.3% in 2012, OECD Pacific demand is expected to decline by 0.7% (-60 kb/d) as increases in reconstruction-linked diesel demand in Japan are outweighed by falls in gasoline and residual fuel oil. However, should power sector issues persist in Japan, with significant nuclear capacity remaining offline, regional oil demand could yet surprise to the upside.

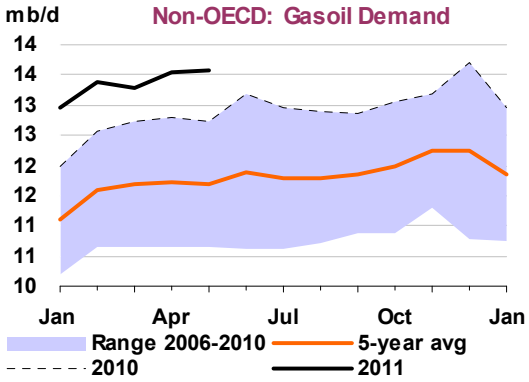




Non-OECD

Preliminary data indicate that non-OECD oil demand growth picked up in May (+4.8% or +2.0 mb/d year-on-year) versus April. Total May demand is estimated at 43.9 mb/d, while April levels were revised up by 285 kb/d, both on baseline changes and revisions to preliminary readings, to 43.2 mb/d (+3.5% or +1.5 mb/d year-on-year).





Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Mar-11	Apr-11	May-11	Apr-11	May-11	Apr-11	May-11
LPG & Ethane	4,966	4,872	4,899	222	233	4.8	5.0
Naphtha	2,650	2,707	2,737	13	183	0.5	7.2
Motor Gasoline	8,034	8,192	8,446	232	362	2.9	4.5
Jet Fuel & Kerosene	2,560	2,648	2,695	59	84	2.3	3.2
Gas/Diesel Oil	13,274	13,551	13,568	769	836	6.0	6.6
Residual Fuel Oil	5,579	5,455	5,535	3	120	0.1	2.2
Other Products	5,473	5,741	5,982	182	173	3.3	3.0
Total Products	**42,536**	**43,165**	**43,862**	**1,480**	**1,991**	**3.5**	**4.8**

Growth across most product categories was strong in May, with naphtha (+7.2% year-on-year), gasoil (+6.6%) and LPG (+5.0%) posting the largest relative gains. Gasoil continued to lead in absolute terms (+840 kb/d, over 40% of total non-OECD growth), growing more than twice as much as gasoline, its

nearest rival (+360 kb/d). The FSU (+8.0% year-on-year), buoyed by Russia, Asia (+5.7%), driven by China, and the Middle East (+4.2%), boosted by Saudi Arabia, provided the strongest regional growth.

Non-OECD demand has been revised up by 250 kb/d on average over 2009-2010, following updates to 2009 data from Russia and a few Middle East countries (Qatar, Israel, United Arab Emirates). Demand has been raised for 2011 (+360 kb/d) on stronger-than expected readings in the FSU, Asia and the Middle East. Growth for 2011 is now seen at 1.6 mb/d (+3.8%) and demand is seen averaging 43.7 mb/d. In 2012 demand is also expected to rise by 1.6 mb/d (+3.6%), climbing to 45.3 mb/d.

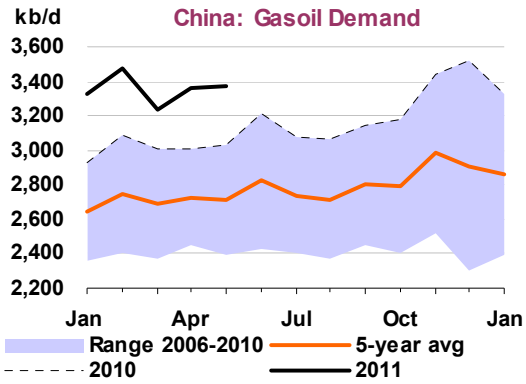
Non-OECD: Demand by Region
(thousand barrels per day)

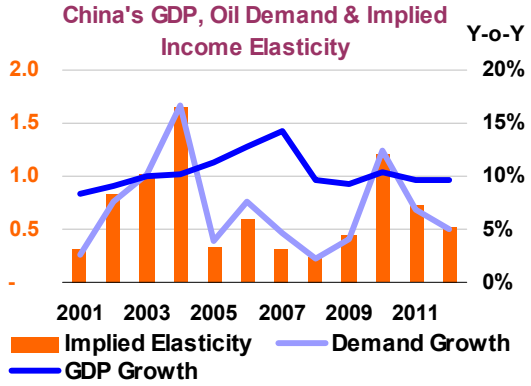
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Mar-11	Apr-11	May-11	Apr-11	May-11	Apr-11	May-11
Africa	3,322	3,408	3,400	64	13	1.9	0.4
Asia	20,158	20,536	20,582	991	1,102	5.1	5.7
FSU	4,492	4,370	4,640	145	344	3.4	8.0
Latin America	6,407	6,462	6,440	171	209	2.7	3.4
Middle East	7,449	7,701	8,101	109	323	1.4	4.2
Non-OECD Europe	709	688	699	0	0	-0.1	0.0
Total Products	**42,536**	**43,165**	**43,862**	**1,480**	**1,991**	**3.5**	**4.8**

China

China's apparent oil demand growth accelerated slightly in May (+8.1% year-on-year), following an increase of 'only' 7.7% in April. Naphtha (+15.8%), gasoil (+11.2%) and motor gasoline (+8.7%) were particularly strong in May. The incorporation of revised refinery throughputs resulted in minor changes to intra-year demand back to 2005, but annual demand remains largely unchanged.

Concerns persist over the ability of Chinese utilities to meet power demand over the summer. Despite an electricity tariff hike in April, the China Electricity Council has reported that generators were still running at a loss in May (due to relatively higher coal prices) and that a capacity shortage of 30 GW may emerge during the summer months. A 1 June increase of electricity tariffs for non-residential users plus recent heavy rains, boosting hydroelectric power, may provide some buffer to generation capacity.





Nevertheless, it is unclear whether the pricing policy will be evenly enforced by local authorities - the National Development and Reform Commission has indicated that preferential electricity prices for industrial users have come about in some areas – and widespread use of diesel generators may emerge. Our forecast sees Chinese gasoil demand hitting its summer high point of 3.5 mb/d in June, some 90 kb/d above May levels, but the potential upside for summer months could be as much as 300 kb/d if 4Q10 experience, when coal-fired generation was severely restricted, is any guide.

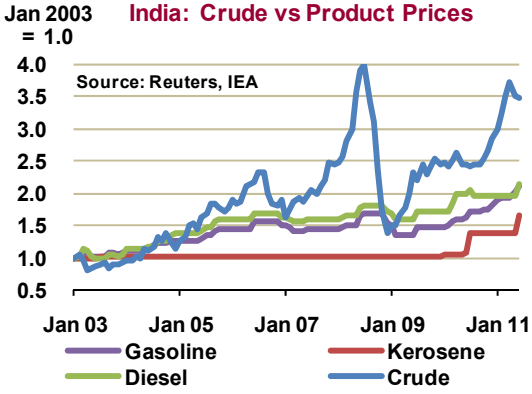
Expectations for 2011 economic and oil demand growth have changed little since our last report with GDP expanding by 9.6% and apparent demand growing by 6.9% (+630 kb/d) to 9.7 mb/d. In 2012, with similar economic growth (+9.5%), oil demand is expected to rise by 5.0% (+480 kb/d) to 10.2 mb/d. Product demand increases will be led by gasoil, gasoline and 'other products'. While the former two categories are seen growing less than in 2011, the results are consistent with envisaged reductions in oil intensity over time. Still, the relationship between income and oil demand in China is notoriously difficult to gauge, with implied income elasticity fluctuating greatly over the past decade. Moreover, a prolongation of power sector problems could add upside to gasoil demand.

China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	695	719	28	24	4.2	3.4
Naphtha	1,129	1,212	1,272	84	59	7.4	4.9
Motor Gasoline	1,546	1,661	1,749	115	88	7.4	5.3
Jet Fuel & Kerosene	368	392	414	24	22	6.4	5.5
Gas/Diesel Oil	3,142	3,379	3,534	237	155	7.5	4.6
Residual Fuel Oil	531	542	545	10	3	2.0	0.6
Other Products	1,685	1,815	1,948	131	133	7.8	7.3
Total Products	**9,069**	**9,697**	**10,180**	**628**	**484**	**6.9**	**5.0**

Other Non-OECD

India: Crude vs Product Prices



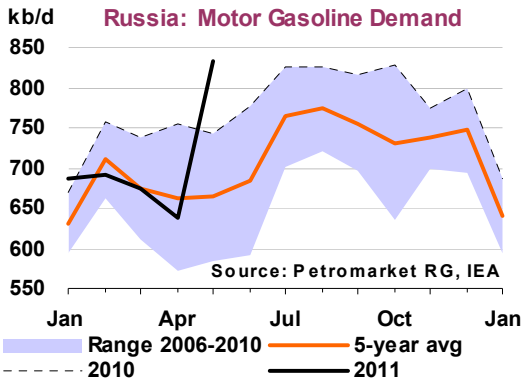
Indian demand rose by 5.7% year-on-year in May, following slower growth of 3.3% in April, with LPG (+12.8%), gasoil (+10.2%) and gasoline (+7.8%) posting the strongest gains. In June, authorities raised domestic prices for gasoil, LPG and kerosene (by 9%, 14% and 20%, respectively), the first such pricing adjustment in a year. The government also reduced tariffs on imported diesel and gasoline to 2.5% from 7.5% in an effort to provide offsetting relief from the move, which will likely stoke higher inflation in the short term. While the price increases should help offset revenue losses by refiners who have faced rising crude prices, the prices of the affected products remain regulated and the price hikes are likely not enough to significantly dent oil demand growth in the short term.

India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	455	492	523	37	31	8.0	6.3
Naphtha	200	194	183	-7	-11	-3.3	-5.5
Motor Gasoline	338	363	388	26	24	7.6	6.7
Jet Fuel & Kerosene	299	306	310	6	4	2.1	1.4
Gas/Diesel Oil	1,290	1,365	1,440	74	76	5.8	5.5
Residual Fuel Oil	194	187	192	-7	4	-3.5	2.2
Other Products	560	555	558	-6	3	-1.0	0.6
Total Products	**3,337**	**3,461**	**3,593**	**124**	**132**	**3.7**	**3.8**

As such, our forecast for Indian oil demand in 2011 continues to be driven primarily by expectations of strong economic growth (+8.2%). Total product demand is seen rising by 3.7% (+125 kb/d) to 3.5 mb/d. In 2012, GDP growth slows slightly, to 7.8%. Yet, oil demand growth is seen maintaining its pace, expanding by 3.8% (+130 kb/d) to 3.6 mb/d, led by gasoil, LPG and gasoline.

In **Russia**, May total product demand soared by 9.7% year-on-year, with gasoil (+17.8%) and gasoline (+12.1%) posting large gains. With retail prices recently lowered, at the government's behest, gasoline shortages have emerged, even with the imposition of sizeable export duties, which look likely to continue in the short term. Annual government submissions have yielded upward revisions to LPG (+175 kb/d) and residual fuel oil (+50 kb/d) for 2009-2010, which have been largely carried forward. Based on GDP growth of 4.8%, Russian total product demand is expected to rise by 2.7% (+90 kb/d) in 2011 to 3.4 mb/d. With economic growth at 4.5%, 2012 oil demand is seen increasing by 1.6% (+50 kb/d), but still near 3.4 mb/d.

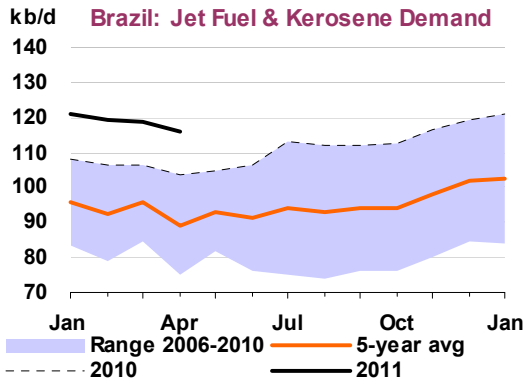


Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	495	512	530	17	18	3.5	3.5
Naphtha	289	294	299	5	5	1.7	1.8
Motor Gasoline	775	766	769	-9	3	-1.2	0.4
Jet Fuel & Kerosene	255	263	268	8	5	3.2	1.7
Gas/Diesel Oil	631	657	673	26	16	4.1	2.5
Residual Fuel Oil	290	295	277	5	-18	1.6	-5.9
Other Products	540	576	600	37	23	6.8	4.0
Total Products	**3,275**	**3,363**	**3,416**	**88**	**52**	**2.7**	**1.6**

Source: Petromarket RG, IEA

In **Brazil**, oil demand grew by only 0.5% year-on-year in April, led by jet fuel/kerosene (+11.9%) and gasoil (+2.6%). Gasoline declined by 0.2% as ethanol consumption fell. Still, seasonally higher ethanol production and vehicle data showing a 27% year-on-year increase in May sales suggests potentially more supportive demand ahead. Brazil's economy is expected to grow by 4.1% in 2011 and 3.6% in 2012. However, growth was revised down in both years on average by 0.4% and high inflation continues to be a concern. In 2011, oil product demand is projected to grow by 2.6% to 2.8 mb/d while 2012 should see growth of 2.9% (+80 kb/d) to 2.9 mb/d, led by middle distillates and gasoline.



Brazil: Demand by Product
(thousand barrels per day)

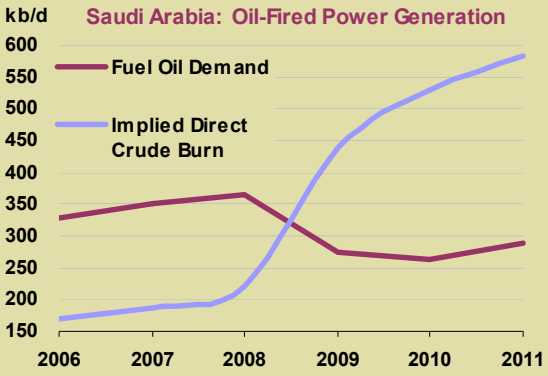
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	219	222	225	3	3	1.3	1.4
Naphtha	166	167	169	1	2	0.6	1.1
Motor Gasoline	792	825	859	33	34	4.2	4.1
Jet Fuel & Kerosene	110	122	132	11	10	10.4	8.3
Gas/Diesel Oil	886	922	956	36	34	4.0	3.7
Residual Fuel Oil	187	167	157	-20	-9	-10.7	-5.7
Other Products	374	380	386	6	6	1.7	1.6
Total Products	**2,733**	**2,804**	**2,884**	**70**	**80**	**2.6**	**2.9**

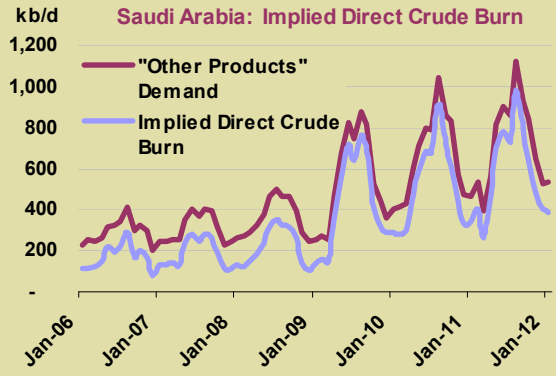
Saudi Arabia's Power Generation from Crude

A recent, yet overlooked, global demand issue relates to oil-fired power generation in several large countries. The most obvious example is Japan, following the shut-in of a majority of the country's nuclear reactors in the wake of March's earthquake and tsunami. However, oil-fired generation outside of the OECD represents a major demand driver, reflecting strong emerging market economic performance and rising electricity needs amid shortages of alternative supplies such as hydropower or natural gas.

Whereas the fuels of choice are typically residual fuel oil – for large-scale plants – and gasoil – better suited for small-scale generators as, for example, in China – the direct burning of medium/heavy, sweet crudes is increasingly favoured in some countries. On the one hand, direct crude burn pollutes less than high-sulphur residual fuel oil; on the other hand, this is a convenient outlet for large oil producers eager to maintain production in periods of weak global demand, as in the recent Great Recession in 2009.

Saudi Arabia is typical of this trend. Direct crude burn (based on implied numbers from JODI data), averaged less than 200 kb/d for most of the 2000s, but more than doubled in 2009 (450 kb/d), coinciding with the collapse of global oil demand. Yet, despite the economic rebound, direct crude burn has continued to rise steadily and is on track to reach a new historical record in 2011 (600 kb/d), potentially capping future Saudi crude exports, despite rising production. Meanwhile, residual fuel oil demand has fallen sharply, by roughly a third, to 250-300 kb/d.





This new pattern of direct crude burning has implications for global demand seasonality. Indeed, the difference between peak and trough Saudi direct crude demand has increased sharply, from about 180 kb/d over 2002-2008 to roughly 660 kb/d since 2009. Treating direct crude burn as a component of 'other products' demand, as this report does, compounds the traditional OECD-driven, third-quarter global product demand swing – and wreaks havoc with 'historical average seasonality' used by many analysts as a guide for demand projections. More generally, as previous issues of this report have already highlighted, a new, non-OECD-driven global seasonality is emerging but is not yet in place. Evidence of such a shift continues to build – namely, a surge in Chinese gasoil use in 4Q10, on the back of restrictions on coal-fired power generation, which boosted global demand sharply during a quarter when non-OECD demand normally eases.

Saudi Arabia: Direct Crude Burn*

(thousand barrels per day)

Year	April - September	October - March	Peak vs. Trough	Yearly Average	Yearly Growth %	Yearly Growth kb/d
2002	195.3	112.3	200.7	179.4		
2003	182.9	107.9	147.9	140.9	-21.5%	-38.5
2004	181.8	114.0	135.6	144.8	2.8%	3.9
2005	195.3	121.6	132.9	158.6	9.5%	13.8
2006	208.0	139.8	215.5	170.2	7.3%	11.5
2007	241.3	135.9	172.4	188.2	10.6%	18.1
2008	287.3	160.9	246.4	219.7	16.7%	31.5
2009	626.1	316.1	622.8	437.4	99.1%	217.7
2010	676.5	398.4	631.5	527.9	20.7%	90.5
2011	741.5	439.8	717.8	581.6	10.2%	53.7

*Crude burning = crude production - refining throughput - net exports - stock change

Source: IEA from JODI

SUPPLY

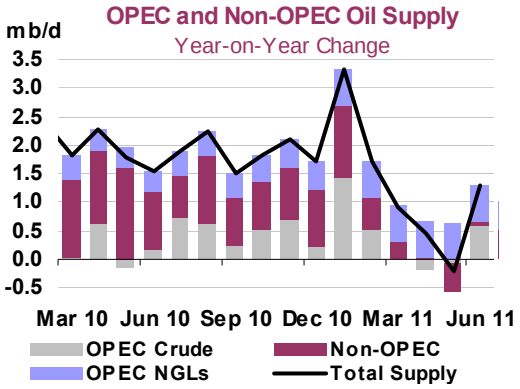
Summary

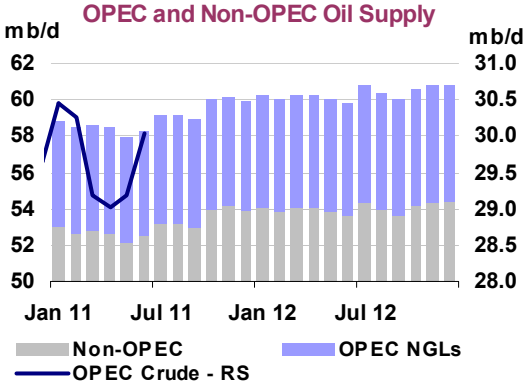
- **Global oil supply rose by 1.2 mb/d to 88.3 mb/d in June** on a hefty 0.8 mb/d increase in OPEC crude output and with non-OPEC production up by 0.4 mb/d. Year-on-year, global oil production was 1.3 mb/d higher, split between OPEC NGLs and OPEC crude.

- **OPEC crude oil supply in June surged to 30.03 mb/d, up by nearly 850 kb/d, due to a sharp rise in supply from Saudi Arabia.** Current group production, however, remains well short of the 31.3 mb/d 'call on OPEC crude and stock change' projected for 3Q11 and the 30.6 mb/d envisaged for 4Q11.

- **For 2012, the 'call' is pegged at 30.7 mb/d on average, up 100 kb/d from average 2011 levels.** Libya's civil war, underway since late February, has radically altered the near-term outlook for OPEC's crude oil production capacity through the first half of 2012, which thereafter posts a marked recovery. Indeed, from 1Q12 to 4Q12, capacity is expected to expand by nearly 1.3 mb/d, amid assumed Libyan recovery and expansions from Angola, Iraq and the UAE.

- **Non-OPEC oil supply rose by 0.4 mb/d to 52.5 mb/d in June**, on a seasonal rise in biofuels output and following maintenance in the North Sea. Production for 2011 is revised down by 0.2 mb/d on baseline adjustments to non-OECD volumes, as well as prolonged production outages in a series of countries, and is now seen averaging 53.1 mb/d. In 2012, non-OPEC supply is projected to rise to 54.0 mb/d, driven by higher output in non-crude liquids, as well as higher conventional crude supply from Canada, Brazil, Australia, China and others.





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

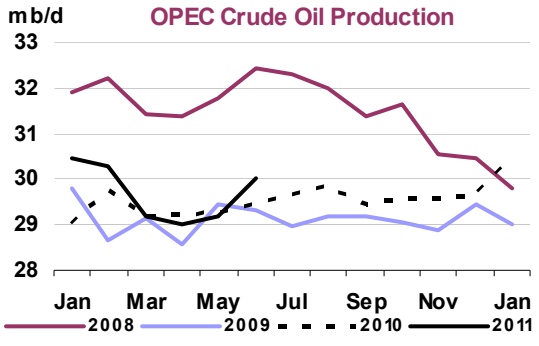
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from May 2011, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

The non-OPEC and OPEC NGL supply sections this month focus on the roll out of our detailed 2012 forecast, with discussion of key trends in production. However, to avoid duplication, several of the themes underpinning this analysis are elaborated upon in the MTOGM 2011 Edition*, released on 16 June 2011. Readers should consult the MTOGM for more detailed discussion of factors affecting supply in 2012 and beyond.*

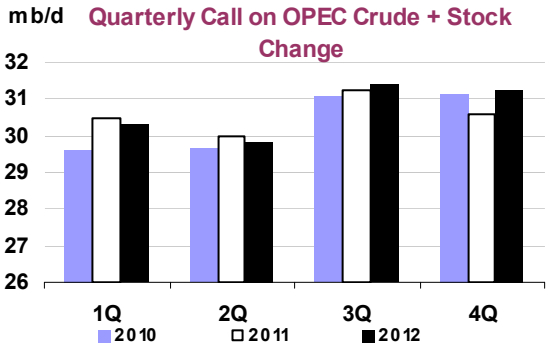
OPEC Crude Oil Supply

OPEC crude oil supply in June surged to 30.03 mb/d, up by nearly 850 kb/d from May due to a sharp rise in production from Saudi Arabia. Five months into Libya's protracted civil war, fellow OPEC members now appear to be moving to replace lost supplies from the war-torn country.

OPEC-11 supplies, which exclude Iraq because it does not have an official output target, rose by around 800 kb/d, to 27.31 mb/d. OPEC's 8 June Vienna gathering collapsed in disarray because the majority of members rejected proposals put forward by Saudi Arabia and other Gulf members to collectively agree to increase output to make up for lost Libyan production. That said, more than half of the 11 producing countries with output targets appeared to have raised production in June. Saudi Arabia, however, provided the lion's share, accounting for almost 90% of incremental June supplies.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



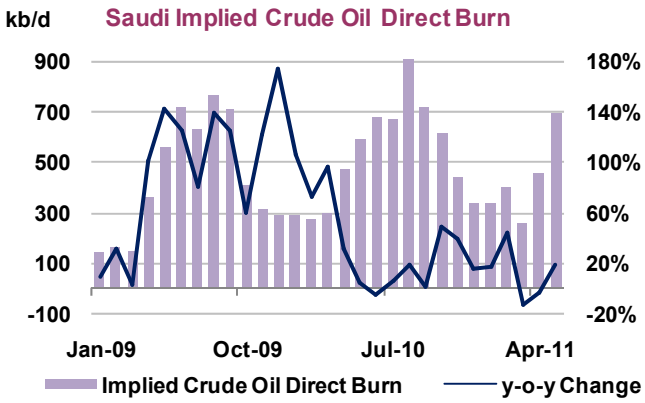
Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

The unexpected acrimony that emerged among members at the June conference, largely along the lines of those with and without spare production capacity, may have temporarily altered the group's dynamics going forward. Indeed, the unusual occurrence of price hawk Iran holding the presidency for the first time in more than 35 years, was reportedly behind the meeting ending without even an official communiqué. A proposal put forward at last month's OPEC ministerial conference by the group's current President, Iran's acting oil minister Mohammad Aliabadi, to hold a meeting in Tehran in September to review the market, was roundly rejected by key Gulf members. The end of Iran's term this year may make for more harmonious gatherings once again going forward, with the next formal Ministerial meeting scheduled for 14 December 2011 in Vienna. Internal OPEC politics aside, production is now 5.19 mb/d above a long-outdated official output target of 24.845 mb/d, agreed in late 2008.

Current crude oil production of just over 30 mb/d, however, is still well short of the 31.3 mb/d 'call on OPEC crude and stock change' projected for 3Q11, and the 30.6 mb/d envisaged for 4Q11. The steep 1.3 mb/d quarterly increase in the 'call' between 2Q and 3Q eases for 3Q and 4Q, but is still 600 kb/d above June production levels. The 'call' for 2011 has been raised by 0.4 mb/d to 30.6 mb/d due to higher forecast demand and lower non-OPEC supply. For 2012, the 'call' is pegged at 30.7 mb/d on average, up 100 kb/d from average 2011 levels.

Higher current production has correspondingly reduced OPEC spare capacity to an estimated 3.2 mb/d in June. Indeed, the group's spare capacity is expected to remain limited while Libyan supplies are constrained. Libyan production is reportedly running at minimal levels, below 100 kb/d, but expansion of the northern no-fly zone to include the eastern oilfields under the control of the new National Transitional Council, if it occurs, could enable a restart of production in 2H11. Indeed, we estimate Libyan production may be restored to 200 kb/d by end-2011 and gradually increase to an average 700 kb/d by 2012. Between 2011 and 2012 total OPEC production capacity is expected to post modest increases, with the recovery in Libyan production offset by natural decline rates and a dearth of new projects (see *'OPEC Crude Production Capacity Remains Constrained Through 2012'*).

Saudi Arabia's output increased substantially in June, up by an estimated 700 kb/d to 9.7 mb/d. *OMR* data suggest that is the highest monthly level since February 2006. The incremental output appears to be split evenly between exports and for domestic use at refineries and direct crude burn at power and desalination plants.



After completing maintenance work in May, refinery throughput rates are estimated to have increased by approximately 250 kb/d in June, to 1.71 mb/d, largely reflecting higher runs at the Rabigh refinery. A smaller portion of the incremental crude supply was likely directed for direct burn, which we estimate up by 80 kb/d to around 780 kb/d in June compared with just under 700 kb/d in May. The month-on-month increase reflects increased demand for power generation and water desalination plants during the peak summer season. Direct crude burning in Saudi Arabia has been rising steadily since 2004 and is on track to reach all-time highs in 2011 *(*see Demand section, *'Saudi Arabia's Power from Crude')*.

Market reports and preliminary tanker data over the course of June indicated Saudi supplies were only up marginally, but latest shipping data suggest the kingdom's crude exports may have increased by at least 350 kb/d month-on-month. It is unclear whether the entirety of higher June exports will go to customers or are earmarked for storage facilities, with China being mooted as a possible location. However, a number of Asian buyers have already bought additional supplies for July and August, which are expected to underpin increased refinery throughput rates. Sources from the market and within the Kingdom earlier suggested that July production might rise to as much as 10 mb/d.

OPEC Crude Production

(million barrels per day)

	Apr 2011 Supply	May 2011 Supply	Jun 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs June 2011 Supply	End-2011 Sustainable Production Capacity	OPEC Targets Jan 2009
Algeria	1.28	1.24	1.26	1.34	0.08	1.34	1.203
Angola	1.58	1.57	1.50	1.80	0.30	2.00	1.517
Ecuador	0.50	0.50	0.50	0.50	0.00	0.53	0.434
Iran	3.60	3.70	3.65	3.71	0.06	3.68	3.336
Kuwait[2]	2.41	2.44	2.49	2.54	0.05	2.54	2.222
Libya	0.20	0.08	0.08	0.10	0.02	0.20	1.469
Nigeria[3]	2.22	2.25	2.28	2.53	0.25	2.70	1.673
Qatar	0.81	0.82	0.82	1.02	0.20	1.04	0.731
Saudi Arabia[2]	8.80	9.00	9.70	12.04	2.34	12.04	8.051
UAE	2.51	2.42	2.50	2.69	0.19	2.74	2.223
Venezuela[4]	2.52	2.49	2.53	2.64	0.11	2.59	1.986
OPEC-11	**26.42**	**26.51**	**27.31**	**30.91**	**3.59**	**31.40**	**24.845**
Iraq	2.60	2.68	2.72	2.74	0.02	2.78	
Total OPEC	**29.02**	**29.19**	**30.03**	**33.65**	**3.61**	**34.18**	
(excluding Iraq, Nigeria, Venezuela					*3.21)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 455 kb/d in June.

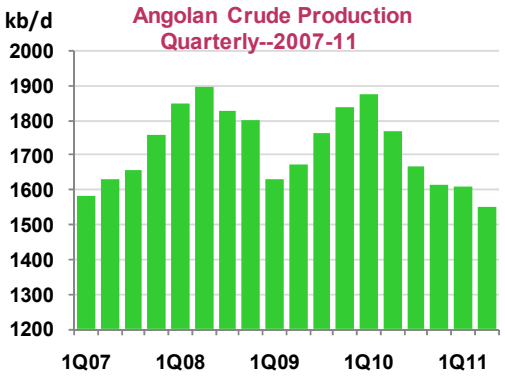
Iraqi crude supply is at the highest level in a decade (since November 2001) thanks to higher production from the northern Kurdish region. Iraqi production in June rose by 40 kb/d to 2.72 mb/d. Total exports rose about 50 kb/d to 2.27 mb/d, with higher northern exports (537 kb/d) largely accounting for the increase. Exports from the south averaged 1.73 mb/d, nearly unchanged from May. Tanker brokers report southern export facilities are hitting maximum capacity levels, with storage tanks now holding more than 4 mb of crude as a result of the logjam.

Production from the Tawke field averaged 70 kb/d and the Taq Taq field was estimated at 80-90 kb/d. Combined with smaller fields in the region, crude output from the Kurdish region was up by around 30 kb/d, to 175 kb/d in June. Volumes are expected to reach more than 250 kb/d in July. Around 40% of the Kurdish output is processed at local refineries and much of the rest exported through the Ceyhan pipeline. Meanwhile, China's CNPC and Zhenhua started production at the 60 kb/d al-Ahdab field on 21 June.

The **UAE** increased production by 80 kb/d to 2.5 mb/d. Output from the Upper Zakum field was curbed in May, but state-owned Adnoc reported production restored in June. UAE production in July, however, looks set to decline after Adnoc told customers that contract supplies of Murban crude would be cut by 10%. **Kuwait** boosted production by 50 kb/d to 2.49 mb/d in June and plans to offer more barrels to term buyers, mostly in Asia, in July and August. However, it appears state-owned KPC is bumping up near capacity of 2.54 mb/d. Meanwhile, **Iranian** supply was down 50 kb/d to 3.65 mb/d from an upwardly revised 3.7 mb/d for May. Iranian crude oil held in floating storage edged lower in June, with market players reporting that several cargoes were sold into Europe.

The protracted civil war in **Libya** continues to stymie production, with most reports suggesting output was just 80 kb/d in June. Oil facilities along the coast continue to be targeted by government forces, with the refinery in Misrata the latest casualty. Rebel leaders recently reported damage to oil infrastructure had been extensive but declined to name the facilities attacked for security reasons.

Angolan output fell a further 70 kb/d to 1.5 mb/d in June and is now at the lowest level since December 2006. Maintenance and repair work on the problematic water injection system at the deepwater Greater Plutonio complex continued in June. Operator BP said in early July it was slowly being brought back online. Technical problems at the Mondo and Saxi-Batuque operations also curbed production by a combined 50-60 kb/d in June. Latest loading programmes indicated production should recover in August, with exports slated to increase by 140 kb/d to 1.64 mb/d.

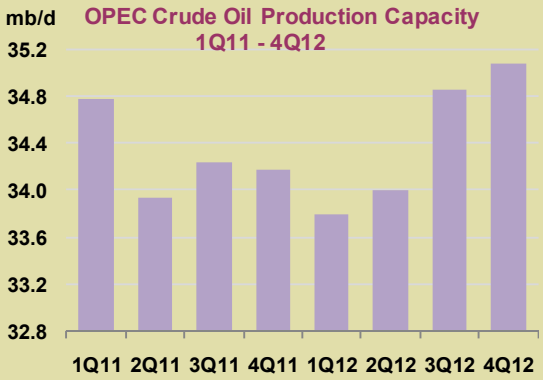


Angolan output is now running 400 kb/d below its peak of 1.9 mb/d in February 2010. This year production has averaged 1.58 mb/d compared with 1.73 mb/d in 2010. Start-up by year-end of new projects will help reverse the country's decline, adding 370 kb/d to nameplate capacity (see '*OPEC Crude Production Capacity Remains Constrained Through 2012*').

Nigerian crude output fell by 70 kb/d to 2.28 mb/d due to problems with the country's Bonny production stream. Sabotage caused a fire and leaks at the Trans-Niger pipeline in mid-June, forcing operator Shell to declare *force majeure* on loadings of Bonny crude for both June and July. Continued sabotage and pipeline thefts have limited further recovery potential for Nigerian production this year, which is up on average by 110 kb/d in the January-June period compared to 2010 levels.

OPEC Crude Production Capacity Remains Constrained Through 2012

Libya's civil war, which erupted in mid-February, has radically altered the near-term outlook for OPEC's crude oil production capacity through the first half of 2012 but thereafter capacity should post a marked recovery. At first glance, it appears the group's capacity is slated to increase by only 155 kb/d to 34.44 mb/d between 2011-2012. However, the yearly averages mask a sharp recovery seen by end-2012. Indeed, from 1Q12 to 4Q12, capacity is expected to expand by a full 1.3 mb/d, with Libya showing a significant recovery, followed by respectable increases by Iraq, the UAE, Angola and Algeria.



After posting a sharp 1.1 mb/d drop in crude capacity in 1Q11, OPEC's capacity low point is expected to be hit in 1Q12, in large part reflecting the ongoing decline in **Iranian** production. Iran's crude oil production capacity is set to fall by around 150 kb/d, to 3.55 mb/d by 2012, due to the country's increasing isolation following stiffer international sanctions implemented in mid-2010, as well as its generally unfavourable investment terms. Even China is now showing tepid interest in the country, and Iranian officials recently said they will cancel Iran's South Pars Phase-11 gas field project if state CNPC continues to delay the project.

OPEC is expected to struggle to maintain capacity until **Libyan** supplies start to recover in 2H12. However, Libyan capacity is not expected to reach pre-crisis production levels until end-2013 (see *'MTOGM, 16 June 2011, 'Libya Faces Long Haul to Restore Production Capacity'*).

Aside from Libya, just three other OPEC members are on course to post significant capacity gains by 2012. **Iraqi** capacity is slated to rise steadily, from 2.71 mb/d in 1Q11 to 3.06 mb/d by 4Q12. Logistical constraints curb southern exports until 2H12, which in turn may force companies to contain their production expansion plans. However, recent increases in production from the Kurdish region hold the promise of significantly increasing production capacity and with it an upward revision to our forecast by end-2011.

The **UAE** is next in the queue in volume terms, with capacity expected to increase by around 175 kb/d to 2.92 mb/d from 3Q11 to 4Q12. The Emirates are slated to bring online five different expansion projects with nameplate capacity of 420 kb/d over the 2011-12 period. However, since the *MTOGM* report was completed there have been fairly significant management changes at the oil ministry and state oil companies, reportedly due to persistent development delays, so timelines may be pushed back beyond our original forecast.

Angolan projects, however, appear to be well on schedule, with capacity set to rise by a net 160 kb/d to 2.11 mb/d between 3Q11 and 4Q12. The 220 kb/d Pazflor project and the 150 kb/d PSVM will be online by end-2011.

OPEC Average Sustainable Crude Oil Production Capacity

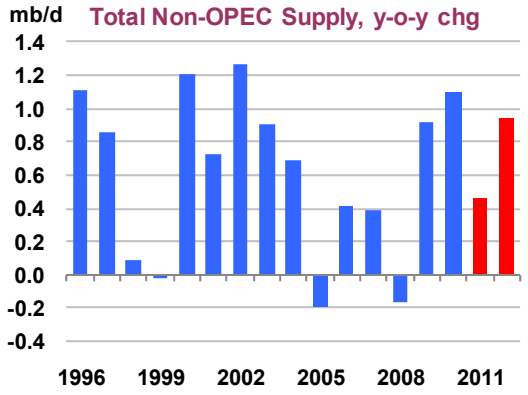
(thousand barrels per day)

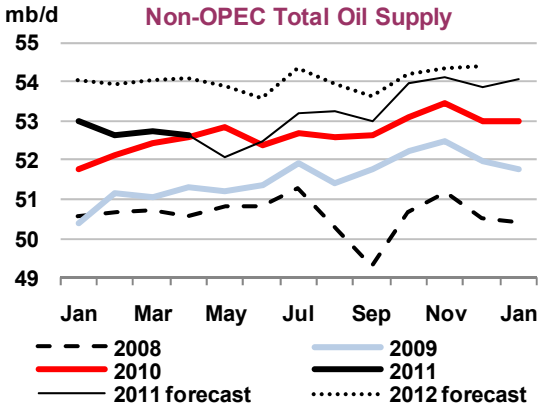
	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	2011	2012	Δ 2011-12
Algeria	1,312	1,337	1,337	1,337	1,285	1,285	1,365	1,427	1,330	1,341	***11***
Angola	1,812	1,798	1,947	2,002	1,902	1,934	2,125	2,108	1,891	2,018	***127***
Ecuador	501	501	531	531	517	517	536	536	515	526	***10***
Iran	3,704	3,707	3,717	3,682	3,535	3,535	3,580	3,548	3,702	3,549	***-153***
Iraq	2,713	2,738	2,784	2,784	2,841	2,841	3,063	3,063	2,755	2,952	***197***
Kuwait	2,544	2,544	2,544	2,544	2,511	2,511	2,511	2,511	2,544	2,511	***-33***
Libya	1,150	200	200	200	450	599	816	931	435	700	***265***
Nigeria	2,733	2,730	2,727	2,699	2,601	2,591	2,580	2,611	2,722	2,596	***-126***
Qatar	1,017	1,017	1,037	1,037	1,032	1,032	1,032	1,032	1,027	1,032	***5***
Saudi Arabia*	12,036	12,036	12,036	12,036	11,823	11,823	11,823	11,823	12,036	11,823	***-213***
UAE	2,693	2,693	2,743	2,743	2,760	2,810	2,810	2,915	2,719	2,824	***106***
Venezuela	2,572	2,644	2,639	2,586	2,539	2,532	2,627	2,580	2,611	2,570	***-41***
Total OPEC	**34,786**	**33,945**	**34,242**	**34,182**	**33,796**	**34,010**	**34,867**	**35,084**	**34,287**	**34,441**	***155***

The 2012 Outlook for Non-OPEC Supply

Overview

Non-OPEC supply is expected to grow a robust 0.9 mb/d in 2012, to 54.0 mb/d, as previewed in the recently published *Medium-Term Oil & Gas Markets 2011* report (*MTOGM*). Growth for 2010-2011 is trimmed slightly, to 0.5 mb/d, following baseline revisions to 2010, as well as new and prolonged production shut-ins for a long list of countries in mid-2011. A return to near 1 mb/d annual growth would put 2012 back on a par with supply increments seen in 2009-2010, as well as the 2000-2004 period, and can be seen as the result of sustained upstream investment on the back of high oil prices and success at slowing decline rates at mature assets.





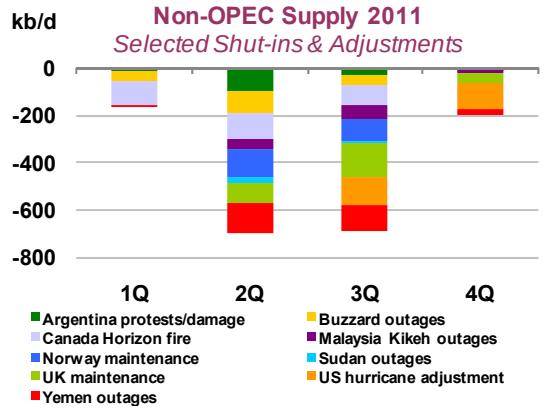
The inclusion of finalised annual supply data for another 23 non-OECD countries results in a lower 2009 baseline of 51.5 mb/d (-50 kb/d compared to the previous report), while 2010 average output is adjusted down by -85 kb/d to 52.6 mb/d. Revisions are spread across the board, but notable adjustments include Egyptian, Vietnamese, Malaysian and Uzbekistani NGL production. For 2011, revisions are mostly carried through, to which is added the impact of ongoing and new short-term supply outages in a string of countries. In addition to those already highlighted in recent reports (Argentina, Canada, Norway, Sudan, the UK and Yemen), strikes, seasonal maintenance and technical problems are currently also affecting output in Australia, Brazil, Kazakhstan, Malaysia and Vietnam. In sum, these are estimated to curb 0.7 mb/d from 2Q11 and 3Q11 non-OPEC supply. New shut-ins, coupled with the baseline changes and recent production data, result in the overall 2011 non-OPEC supply estimate being lowered by 0.2 mb/d to 53.1 mb/d.

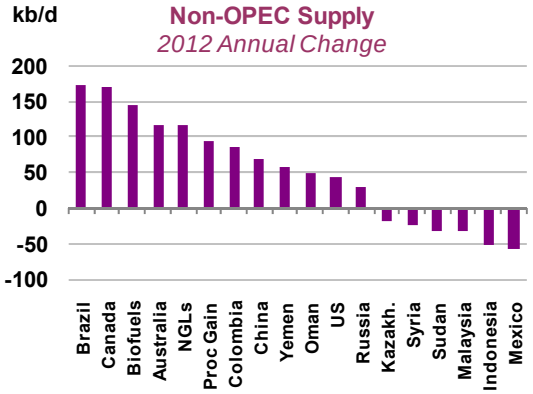
Non-OPEC Supply

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
North America	13.9	14.1	14.1	14.4	14.1	14.4	14.2	14.0	14.3	14.2	14.6	14.3	14.2	14.5	14.4
Europe	4.5	4.2	3.8	4.2	4.2	4.1	3.9	4.0	4.3	4.1	4.3	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.1**	**18.9**	**18.5**	**19.2**	**18.9**	**19.1**	**18.6**	**18.6**	**19.3**	**18.9**	**19.6**	**19.0**	**18.9**	**19.3**	**19.2**
Former USSR	13.5	13.5	13.5	13.6	13.5	13.7	13.6	13.7	13.8	13.7	13.7	13.8	13.6	13.7	13.7
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
China	4.0	4.1	4.1	4.2	4.1	4.2	4.1	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia	3.7	3.7	3.7	3.7	3.7	3.7	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Latin America	4.0	4.1	4.1	4.1	4.1	4.2	4.1	4.4	4.5	4.3	4.5	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.7	1.8
Africa	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**29.6**	**29.7**	**29.9**	**30.0**	**29.8**	**30.1**	**29.7**	**30.2**	**30.5**	**30.1**	**30.6**	**30.6**	**30.4**	**30.5**	**30.5**
Processing Gains	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.0	1.9	1.6	2.0	2.4	2.1	2.1
Total Non-OPEC	**52.1**	**52.6**	**52.6**	**53.2**	**52.6**	**52.8**	**52.4**	**53.1**	**54.0**	**53.1**	**54.0**	**53.9**	**54.0**	**54.3**	**54.0**
Annual Chg (mb/d)	1.2	1.3	0.9	0.9	1.1	0.7	-0.2	0.5	0.8	0.5	1.2	1.5	0.8	0.3	0.9
Changes from last OMR (mb/d)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2					

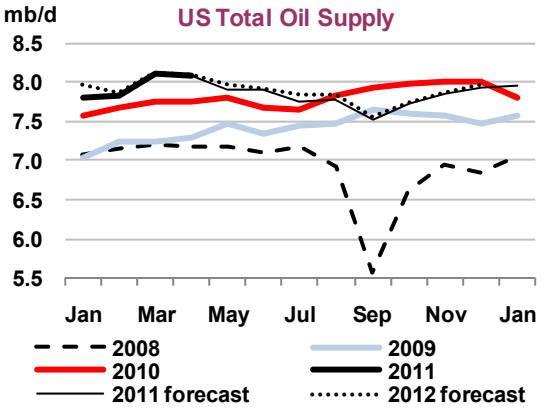
Underlying strength in non-OPEC supply means that 2012 output is projected to grow by 0.9 mb/d to 54.0 mb/d, on the assumption that the above-mentioned outages are short-term in nature and will be resolved before the end of the year. Incremental supply will in large part come from non-crude output, including Canadian oil sands-derived liquids, biofuels, NGLs and refinery processing gains. Brazil, Canada, Australia, Colombia, China and Yemen each add over 50 kb/d of total new supply (albeit, Yemen only as it recovers from shut-in 2011 volumes). Oman, the US, Russia and Ghana add 30-50 kb/d each. The most pronounced annual declines in oil production are projected for Mexico, Indonesia, Malaysia and Sudan, which see output fall by 30-60 kb/d. By contrast, Norway and the UK are expected to see marginal growth (of around +25 kb/d each), as production recovers at key fields that experienced significant problems in 2011, e.g. the Gullfaks complex and Buzzard, and some new capacity start-ups.

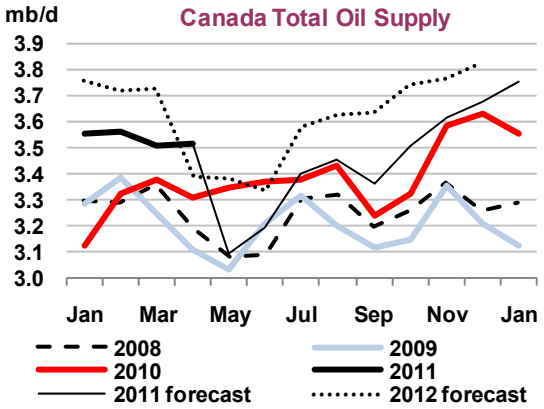




OECD

OECD total oil supply is expected to rise by 0.3 mb/d, to 19.2 mb/d in 2012, with growth in **North America** of 0.2 mb/d (Canada and the US, but not Mexico) and 0.1 mb/d in the **Pacific** (Australia) contributing the lion's share. OECD **Europe** should see a minor rise (+15 kb/d), unusually, as the North Sea recovers from pronounced outages in 2011, and capacity is added at some smaller projects. This would be the first annual increment since 2000.





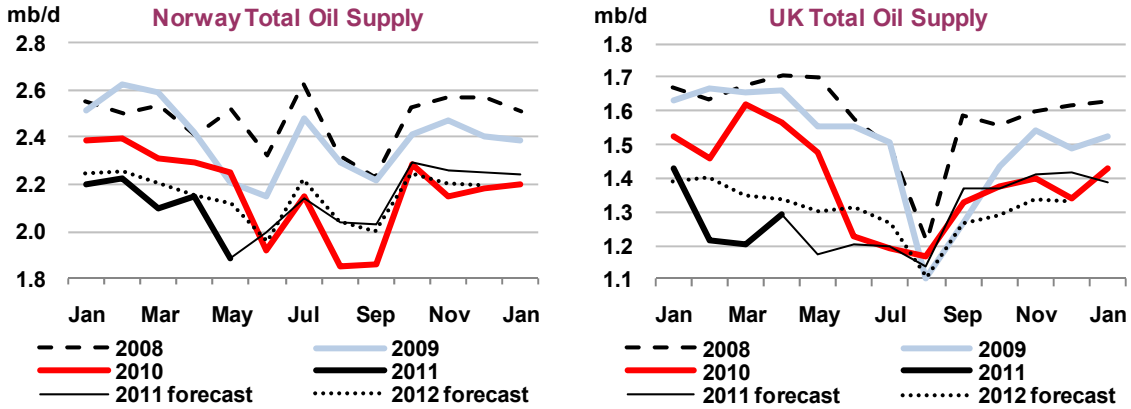
Oil production in the **US** is projected to rise by around 50 kb/d in 2012, to 7.9 mb/d. Growth stems from the Other Lower-48 and, to a lesser extent, from Texas and the Gulf of Mexico. Oil production in California and Alaska, as well as NGLs output, should decline. Onshore growth is driven by increasing volumes of light tight oil, often referred to as shale oil, produced in unconventional formations and a key source of future liquids growth in the US (see *After the Shale Gas Revolution, Now It's Oil's Turn* in the recent *MTOGM* for more detail). Output in the Gulf of Mexico remains affected by drilling delays at many fields and new developments, though this is more than offset by the ramp-up of production at two new complexes, Chinook/Cascade and Great White/Silvertip/Tobago. The 2011 hurricane season has started,

with the first storms hitting the region. This year's storm season is expected to be heavier-than-average, and the forecast includes the usual adjustment based on the five-year average shut-in production volumes, which stand at an average -115 kb/d for the third and fourth quarters of both 2011 and 2012.

Canada's oil production is set to rise by 170 kb/d, to 3.6 mb/d in 2012, as bitumen and mined, upgraded synthetic crude from oil sands increase by 90 kb/d and 75 kb/d respectively, in addition to incremental NGLs supply of 45 kb/d. Other conventional crude declines marginally. Oil sands-driven growth is expected to see Canada remain non-OPEC's largest source of incremental supply in the medium term.

In **Mexico**, oil production is projected to decline by 60 kb/d to 2.9 mb/d in 2012, as output from the mature Cantarell field continues to slide – albeit more slowly than in the 2005-2010 period – and Ku-Maloob-Zaap (KMZ) volumes hit a plateau of around 850 kb/d. Additions at some smaller fields fail to offset this decline. This projection contrasts with state oil company Pemex's own view that oil production will stabilise around current volumes in the short-term and increase to 3 mb/d by 2015. In the absence of major new projects at the development stage, it is difficult to see how this target will be reached.

Norway will see oil production increase by 25 kb/d, to 2.2 mb/d in 2012, with new oil from Yme and Skarv from the latter half of 2011. Norway's Oil Ministry recently published an energy white paper, outlining its plan to slow structural decline in oil production by encouraging wider use of enhanced oil recovery techniques and the development of new, northern areas. It also hopes to speed up permitting and development time for fast-track projects and bring down upstream costs vis-à-vis other North Sea producing areas. Partners ConocoPhillips and Total have just officially launched the kind of programme the ministry is envisaging. For US$11.5 billion, they hope to extend the working life of Ekofisk, Norway's oldest producing field, and neighbouring Eldfisk, by another 40 years, squeezing out another 470 mboe.



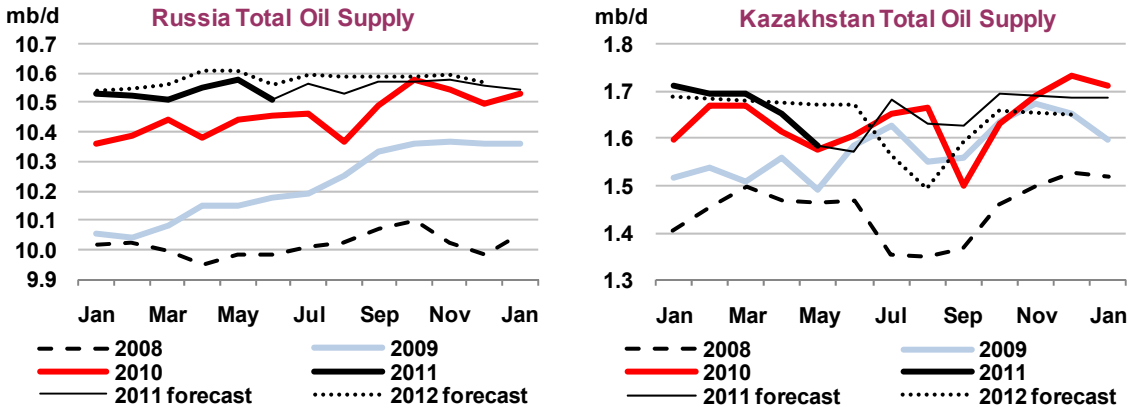
Similarly, the **UK** is projected to experience a brief hiatus in oil production decline, with output rising by 20 kb/d to 1.3 mb/d in 2012. This is largely due to an assumed return to normal output levels around 200 kb/d at the country's largest field, Buzzard, which in the course of installation of a fourth platform has experienced protracted outages in recent months. We assume normal output levels at Buzzard will be reached in the course of August 2011. Following an upstream tax rise announced earlier this year amid protest by industry, the government in July unveiled proposals for a broadening of exceptions to the rule for various 'marginal', i.e. small, challenging or remote, fields. Statoil, which had previously threatened to put its Bressay and Mariner field developments on hold, promptly announced they had been reactivated. Even prior to the recent announcement, equity partner Maersk had given its go-ahead for the development of the 60 kb/d Golden Eagle field, to start production in 2014.

The **OECD Pacific** will see total oil supply increase by 0.1 mb/d, to reach 0.7 mb/d in 2012. This is due to a projected rise in **Australia**'s oil production by 115 kb/d, to 620 kb/d, which sees incremental output at the Van Gogh and Pyrenees fields, recovery at Cossack, which saw its floating production, storage and

offloading (FPSO) vessel exchanged in 2011, and new oil from the Kitan and Montara/Skua developments, which are expected to start production in late 2011 and early 2012 respectively.

Non-OECD

Oil production in the **Former Soviet Union** (FSU) is projected to rise by just 45 kb/d, to 13.7 mb/d, in 2012, with limited new upstream projects only just offsetting mature field decline. **Russia** is expected to see a continuation of 2011's trends, with output rising slowly at Rosneft, TNK-BP and in NGLs, but dipping for Lukoil, Surgutneftegaz and other companies. Rosneft's large Vankor field is scheduled to hit 400 kb/d in the course of 2012. Overall production growth will slow to only 30 kb/d, with output rising to 10.6 mb/d in 2012. This compares with a rise of 100 kb/d in 2011 and 240 kb/d in 2010. Recent positive noises about changes to the tax regime could encourage more investment and ultimately higher production growth.

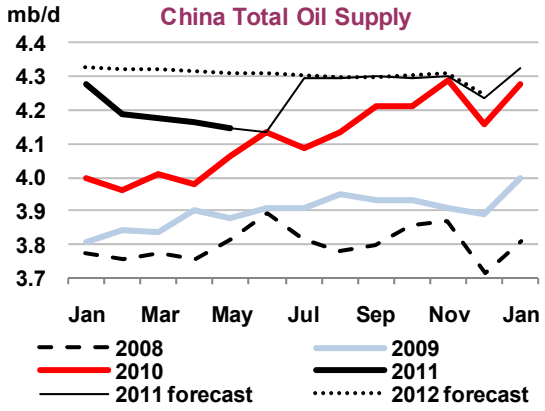


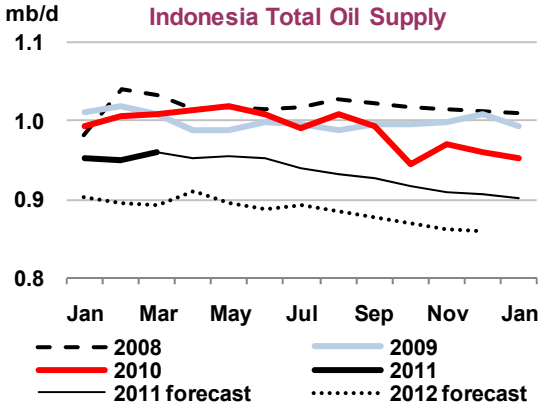
Kazakhstan, while still on track to see production increase in the medium-term, is projected to see a small dip in output in 2012, falling by 20 kb/d to 1.6 mb/d. Looking further ahead, the start-up of the super-giant Kashagan field may be postponed yet again. Officially, the consortium developing the field is bound to pump first oil by late 2013 or face penalties, but apparent disagreements both within the consortium and between the consortium and authorities, may now see first oil delayed into 2014. The field was originally designed to start production in 2005, but delays and rampant cost inflation have caused chronic project slippage.

Some consortium partners are now reportedly looking to exit the project, and while some national oil companies might take their position, this could lead to more contractual delays. The start-up date of the second phase of the project is now effectively on hold and is only likely after 2020. Some surmise that the entire second phase could now be at risk, as the chronic delays mean that consortium partners may not be able to see significant returns before their leases expire. Rather than let this happen, it seems most likely that the state would step in and find new developers. This forecast currently assumes that small volumes of Kashagan oil will be pumped in late-2013, but that first-phase capacity of 370 kb/d will only be reached by early 2016.

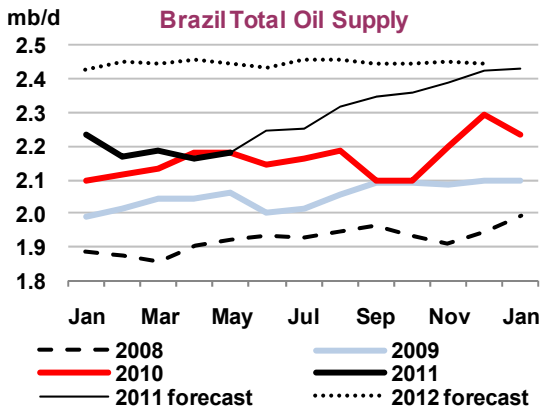
Total non-OECD **Asia-Pacific** oil production will remain flat in 2012, with some growth in China and India offset by declining production in Indonesia and Malaysia. **China**'s oil production is projected to rise by 70 kb/d to 4.3 mb/d in 2012, with increases in Changqing, Yanchang and in offshore fields. **India** is expected to experience growth in oil production of 20 kb/d on rising output from its Mangala-Bhagyam-Aishwariya complex in Rajasthan, though at the time of writing, there were indications that start-up at the 50 kb/d Bhagyam field would be delayed into late 2011. **Malaysia** is currently experiencing problems at its offshore Kikeh field, where production has been curbed to around half its capacity of 100 kb/d for several months. That and steady decline elsewhere mean that Malaysia's oil production could fall by

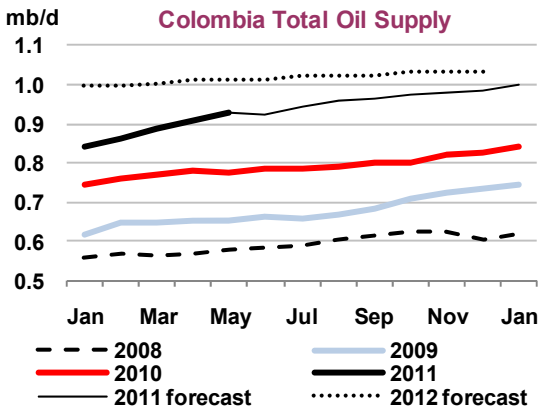
33 kb/d to 585 kb/d in 2012, albeit 2013 should see production rise again, as the Gumusut and Malikai developments start up. In the absence of any significant rise in output at its Banyu Urip field, where production remains stalled at around 20 kb/d, **Indonesia** is projected to see supply decline by 50 kb/d, to 865 kb/d in 2012.





Latin America is the region with strongest growth in output in 2012, with supplies rising by 270 kb/d to 4.6 mb/d. **Brazil** is the main contributor, expected to see total oil production increase by 175 kb/d to 2.4 mb/d as output rises from new offshore developments, including volumes from pre-salt strata. Despite there being a long list of new upstream projects, some concerns remain about spiralling costs and the ability of the domestic supply and service industry to satisfy an ambitious project schedule with mandatory local content. State oil company Petrobras recently delayed again the publication of its much-anticipated 2011-2015 plan, allegedly on wrangling over costs, especially for ambitious downstream projects and resulting government fears of higher fuel prices and inflation. **Colombia** is the region's other key source of growth. Production there is projected to rise by 85 kb/d, to just over 1.0 mb/d in 2012, on rising output in the Llanos region. In **Argentina**, strikes that had been hitting oil production in the Santa Cruz region, reportedly fizzled out in late June. Production in April, May and June is estimated to have been curbed by around 100 kb/d. Projections for 2012 see production flat from 2011, at 675 kb/d.





In the **Middle East**, oil production is set to rise by 75 kb/d, to 1.8 mb/d, in 2012, as output in crisis-stricken Yemen is assumed to recover, and on rising volumes in Oman. In **Yemen**, around 120 kb/d is expected to remain shut-in during 3Q11, only recovering towards the end of the year – assuming repairs to a key crude pipeline can be made if the political situation improves. As a result, annual production is expected to rise by 55 kb/d to 250 kb/d in 2012. In **Syria**, production appears currently unaffected by the deteriorating political situation, despite news reports indicating lower expected exports in July. Oil production remains in decline and is expected to fall by 25 kb/d to 345 kb/d in 2012. In **Oman**, production is expected to rise by 50 kb/d to 970 kb/d in 2012 due to various enhanced oil recovery (EOR) projects and some new, small field developments.

Africa's oil production is set to increase by 30 kb/d, to 2.6 mb/d in 2012, as production rises in newcomers **Ghana** (+30 kb/d) and **Uganda** (+10 kb/d), as well as marginally in **Congo** (+20 kb/d) and **Equatorial Guinea** (+10 kb/d). By contrast, oil production in **Sudan** (now split into northern and southern halves; but for the meantime still listed as one in our databases) and **Egypt** should decline marginally.

FSU Exports

FSU net oil exports reached 9.50 mb/d in May, a 550 kb/d fall from April's exceptionally high level of 10.05 mb/d. Crude exports plummeted by 530 kb/d to 6.38 mb/d as volumes declined across all seaborne and pipeline routes as the economics of exporting crude deteriorated over the month. This was attributed to fluctuations in the Urals reference prices used to calculate the Russian crude export tax. In May this was based on the average price of Urals between 15 March and 14 April, and amounted to $453.7/mt, a $30/mt increase over the April level. However, in early May Urals fell sharply by $12/bbl, remaining well below March–April levels for the duration of the month. Therefore, many producers preferred to hold over shipments until economics improved. As such, exports are expected to pick-up again in June. On a regional basis, cargoes sent via Baltic ports plummeted by 200 kb/d after Primorsk and Gdansk volumes declined by 100 kb/d each. Shipments from Black Sea ports fell by 100 kb/d after declines from the Ukrainian ports of Odessa and Feodosiya combined with a 70 kb/d dip in CPC flows. Volumes sent to Kozmino and China through the ESPO remained close to capacity at a combined 600 kb/d.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	2Q2010	3Q2010	4Q2010	1Q2011	Mar 11	Apr 11	May 11	Latest month vs. Apr 11	Latest month vs. May 10
Crude											
Black Sea	2.00	1.86	1.81	1.92	1.82	1.89	1.92	1.77	1.67	-0.10	-0.27
Baltic	1.60	1.60	1.66	1.56	1.60	1.48	1.58	1.73	1.54	-0.19	-0.18
Arctic/FarEast	0.74	0.98	1.07	0.87	0.97	0.87	0.84	0.92	0.83	-0.09	-0.20
BTC	0.80	0.77	0.81	0.81	0.80	0.72	0.78	0.79	0.70	-0.09	-0.15
Crude Seaborne	**5.15**	**5.22**	**5.35**	**5.17**	**5.19**	**4.96**	**5.12**	**5.22**	**4.74**	**-0.48**	**-0.80**
Druzhba Pipeline	1.11	1.13	1.09	1.16	1.14	1.14	1.16	1.14	1.11	-0.03	0.04
Other Routes	0.40	0.42	0.41	0.40	0.43	0.53	0.54	0.55	0.53	-0.02	0.12
Total Crude Exports	**6.66**	**6.76**	**6.86**	**6.73**	**6.76**	**6.63**	**6.83**	**6.91**	**6.38**	**-0.53**	**-0.64**
Of Which: Transneft[1]	3.93	4.00	4.02	4.04	4.02	4.15	4.33	4.36	4.17	-0.19	0.01
Products											
Fuel oil[2]	1.41	1.54	1.67	1.63	1.51	1.43	1.40	1.78	1.79	0.01	0.02
Gasoil	0.95	0.88	0.89	0.82	0.81	0.90	0.92	0.85	0.79	-0.06	-0.12
Other Products	0.53	0.43	0.44	0.43	0.37	0.48	0.51	0.56	0.58	0.02	0.11
Total Product	**2.89**	**2.85**	**3.01**	**2.88**	**2.69**	**2.81**	**2.83**	**3.19**	**3.15**	**-0.04**	**0.01**
Total Exports	**9.54**	**9.61**	**9.86**	**9.61**	**9.45**	**9.44**	**9.65**	**10.09**	**9.53**	**-0.57**	**-0.63**
Imports	0.06	0.06	0.04	0.08	0.08	0.06	0.05	0.04	0.03	-0.02	0.00
Net Exports	**9.49**	**9.55**	**9.82**	**9.53**	**9.37**	**9.39**	**9.61**	**10.05**	**9.50**	**-0.55**	**-0.63**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

Since Russian product export taxes are also based on the lagged price of Urals, the above factors conspired to erode economics and thus product exports fell by 40 kb/d. Gasoil was hit hardest, decreasing by 60 kb/d with increased supplies into the domestic market.

Starting in this issue, we have changed our data sources and have therefore revised our entire FSU export data series historically. This change has resulted in an average downward revision of 10 kb/d to net FSU exports for the January 2009-March 2011 period. Within the regional breakout, Arctic/Far East crude has been increased by on average 260 kb/d on the increased visibility of exports from Arctic ports and flows moving through the Kenkiyak–Alashankou pipeline from Kazakhstan to China. Additionally, we have reclassified vacuum gasoil from gasoil into fuel oil, based on its likely use as a refinery feedstock, with volumes averaging 260 kb/d from 2009 onwards.

OECD STOCKS

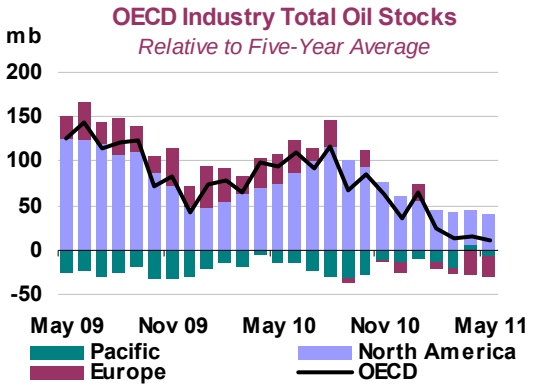
Summary

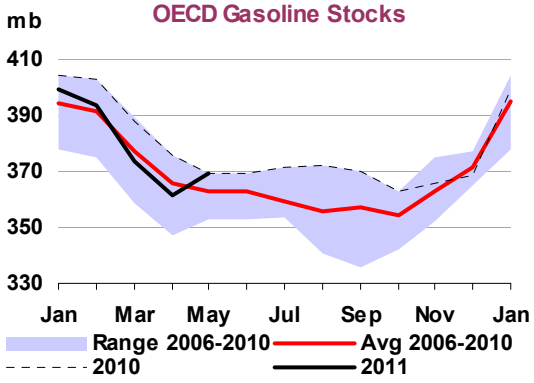
- **OECD industry stocks rose for a second consecutive month, gaining 23.9 mb in May, to 2 680 mb or 58.6 days of forward demand cover**. The bulk of the increase stemmed from product restocking, while April inventory is revised down by 11 mb. Despite the May stockbuild, the surplus to the five-year average narrowed from 16.4 mb in April to 10.3 mb in May.

- **June preliminary data indicate a 2.9 mb decline in OECD commercial inventories**. Crude oil fell by 6.6 mb as draws in the US outweighed European restocking. Refined product holdings rose by 7.1 mb, led by a seasonal build in 'other products'. This contrasts with an average five-year increase of 2.6 mb.

- **Short-term oil floating storage fell to 54.4 mb in June**, from 56.1 mb in May. Crude floating storage declined by 2.1 mb to 40.6 mb, led by the offloading of Iranian crude in the Middle East Gulf, while seaborne product storage rose by 0.4 mb to 13.8 mb on increases in the Asia-Pacific.

- **On 23 June, the IEA announced a coordinated release of 60 mb of oil** in response to ongoing supply disruptions in Libya and an anticipated increase in oil demand in 3Q11. Government stocks account for 40 mb, while lowered stockholding obligations on industry will provide operators with additional flexibility amounting to a further 20 mb.





OECD Inventory Position at End-May and Revisions to Preliminary Data

OECD industry stocks rose for a second consecutive month, gaining by 23.9 mb in May, to 2 680 mb or 58.6 days. This was in line both with the last report's preliminary expectations, and with a 30.0 mb five-year average build. Crude and 'other oils' grew only slightly, by 2.1 mb, while the bulk of the stock increase (21.8 mb) stemmed from product restocking. 'Other products' built by 12.5 mb, in line with seasonal trends, while a 3.8 mb gain in distillates is much lower than a 15.1 mb average increase over the past five years. However, gasoline inventories rose counter-seasonally by 7.6 mb, as refinery output in the US outweighed product demand.

Preliminary Industry Stock Change in May 2011 and First Quarter 2011

	May (preliminary) *(million barrels)*				*(million barrels per day)*				First Quarter 2011 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**4.3**	**1.6**	**-4.4**	**1.4**	**0.14**	**0.05**	**-0.14**	**0.05**	**0.30**	**0.00**	**0.02**	**0.32**
Gasoline	9.0	0.4	-1.8	7.6	0.29	0.01	-0.06	0.25	0.01	0.04	0.01	0.06
Middle Distillates	-4.5	5.1	3.3	3.8	-0.15	0.16	0.11	0.12	-0.24	0.10	-0.06	-0.21
Residual Fuel Oil	-1.2	-0.7	-0.3	-2.2	-0.04	-0.02	-0.01	-0.07	-0.04	-0.01	0.02	-0.03
Other Products	11.9	0.5	0.2	12.5	0.38	0.02	0.01	0.40	-0.26	0.00	-0.05	-0.31
Total Products	**15.1**	**5.3**	**1.4**	**21.8**	**0.49**	**0.17**	**0.04**	**0.70**	**-0.53**	**0.13**	**-0.09**	**-0.49**
Other Oils[1]	-0.2	0.2	0.7	0.7	-0.01	0.01	0.02	0.02	-0.02	-0.05	-0.02	-0.09
Total Oil	**19.2**	**7.1**	**-2.3**	**23.9**	**0.62**	**0.23**	**-0.08**	**0.77**	**-0.25**	**0.07**	**-0.08**	**-0.26**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

OECD forward demand cover remained below year-ago levels at 58.6 days in May, down from 59.2 days in April; nevertheless, stock cover still stood 2.1 days above the five-year average. April OECD inventories built by 23.2 mb, slower than a previously reported 34.5 mb increase, as stock levels were revised down by 11.3 mb upon receipt of more complete monthly data. Downward adjustments were largely centred in crude and gasoline. Moreover, monthly conversion factors for Canadian data were reconciled with those for annual data.

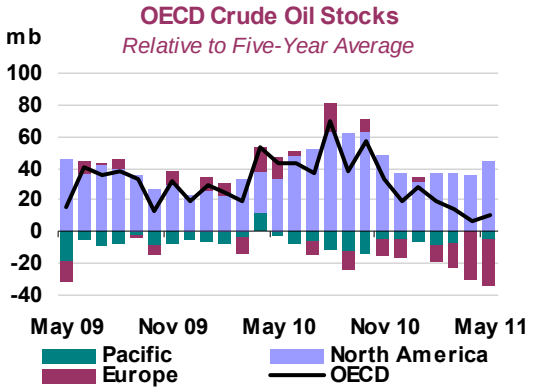
Revisions versus 16 June 2011 Oil Market Report

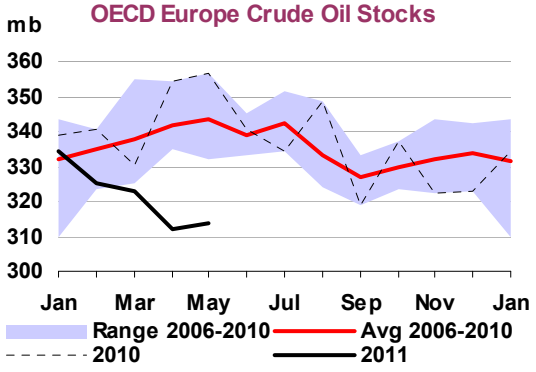
(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Mar 11	Apr 11	Mar 11	Apr 11	Mar 11	Apr 11	Mar 11	Apr 11
Crude Oil	**0.3**	**-4.4**	**-0.6**	**-9.3**	**-0.1**	**-0.6**	**-0.5**	**-14.3**
Gasoline	0.1	0.0	0.1	-3.4	0.0	0.3	0.1	-3.1
Middle Distillates	-0.3	4.1	0.9	-4.4	0.0	1.0	0.7	0.7
Residual Fuel Oil	0.0	0.8	-0.4	-0.4	0.0	0.0	-0.4	0.4
Other Products	-0.1	0.7	0.0	-0.5	0.0	-1.1	0.0	-0.9
Total Products	**-0.3**	**5.6**	**0.6**	**-8.7**	**0.0**	**0.2**	**0.3**	**-2.9**
Other Oils[1]	0.2	6.2	0.1	-0.3	0.0	0.0	0.2	5.8
Total Oil	**0.2**	**7.4**	**0.0**	**-18.3**	**-0.1**	**-0.4**	**0.0**	**-11.3**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Despite the seasonal monthly stockbuild, the surplus of OECD industry stock levels to the five-year average narrowed from 16.4 mb in April to 10.3 mb in May. The overhang remained centred on US crude and European distillates. However, crude oil stock levels in Europe changed dramatically following a 1 mb/d drop in crude imports, resulting from the halt to Libyan exports and production outages in the North Sea. Crude stocks now look to have plunged sharply by 20.5 mb from January to May and have transformed a 2.3 mb surplus to the five-year average evident at the beginning of 2011 into a 29.9 mb deficit.





Preliminary Euroilstock data for June indicate a 6.0 mb build in European crude stocks, but this was outweighed by draws elsewhere. Overall, OECD total oil inventories dropped by 2.9 mb in June. Short-term oil floating storage also fell in June to 54.4 mb, from 56.1 mb in May. Crude oil held offshore on vessels declined by 2.1 mb, as the offloading of Iranian crude oil in the Middle East Gulf offset additions in the US Gulf. Products floating storage increased by a marginal 0.4 mb, following additions to products held in the Asia-Pacific. Further product offloading in the Mediterranean and the release of a vessel held off West Africa provided partial offset.

The IEA's Libya Collective Action Explained

On 23 June at 3 pm Paris time, the IEA announced a release of 60 mb of oil as a response to the ongoing supply disruption of Libyan light sweet crude, an anticipated oil demand increase in 3Q11, and to act as a bridge to incremental supplies from major producers. Although the IEA's Libya Collective Action was agreed upon by all 28 member countries, the action is undertaken by 12 member countries, specifically those with strategic stocks and a share of more than 1% in the total oil consumption of all IEA countries.

The IEA's Libya Collective Action Explained (continued)

The release has been carried out according to standard practices in each of the 12 countries; their procedures are regularly reviewed and rehearsed. Five countries (Belgium, Germany, Korea, the Netherlands and the US) are releasing stocks from public reserves via tender, auction or direct sale. Eight countries (Belgium, France, Italy, Japan, Poland, Spain, Turkey and the UK) lowered the emergency reserves obligation on market operators (Belgium is using both public and industry stocks in this action). The release from public stocks accounts for nearly 40 mb, and obligated industry stocks around 20 mb.

At the end of June the US offered 30.2 mb of light sweet SPR crude via auction. Of 90 bids received, 28 bids were accepted, totalling over 30.6 mb. Uptake of the 2011 tender has been greater than that for the IEA's Katrina Collective Action of 2005. At that time 30 mb were also offered for tender, with only 11 mb sold, in addition to 11.4 mb taken up just prior to the Katrina Action via a US SPR loan program.

In Germany, 4.2 mb, evenly split between crude and products, were tendered in early July. Of this, 66% was taken up; 1.62 mb of crude oil, 0.5 mb of gasoline and 0.65 mb of diesel. During the Katrina Action in 2005, the market took up 25% of the offers (3.63 mb offered; 0.96 mb bought). In Belgium, Korea and the Netherlands, at writing, all stocks offered appear likely to be taken up by the market.

In countries with mandatory industry stocks, governments require importers, refiners, product suppliers or wholesalers to hold a minimum number of days of stocks. Generally, the days of stocks are based on a percentage of the previous year's sales, consumption or imports. In a collective action, a uniform reduction in the stockholding obligation for all operators is the preferred approach in most of these countries. When the industry obligation specifies oil products (gasoline, diesel/gasoil, kerosene, fuel oil), the lowered obligation is usually also product-specific, as shown in the table below.

Emergency Oil Stocks Made Available From IEA Action

thousand barrels

	Total	Public	Industry	Crude Oil	Refined Product	*Of which:* *Gasoline*	*Diesel*	*Residual Fuel Oil*	*Jet Fuel/ Kerosene*
United States	30,640	30,640		30,640					
Total IEA North America	**30,640**	**30,640**		**30,640**					
Japan	7,915		7,915	3,958 *	3,957 *				
Korea	3,467	3,467		1,998	1,469	*300*	*1,169*		
Total IEA Pacific	**11,382**	**3,467**	**7,915**	**5,956**	**5,426**	***300***	***1,169***		
Belgium	797	95	702		797	*43*	*654*	*6*	*95*
France	3,242		3,242		3,242	*476*	*2,375*	*64*	*327*
Germany	2,770	2,770		1,620	1,150	*500*	*650*		
Italy	2,524		2,524		2,524	*1,183*	*373*	*968*	
Netherlands	1,173	1,173		1,023	150		*150*		
Poland	959		959	310	650	*139*	*510*		
Spain	2,274		2,274		2,274	*331*	*1,799*	*144*	
Turkey	1,071		1,071		1,071	*176*	*895*		
United Kingdom	3,000		3,000	600 *	2,400 *				
Total IEA Europe	**17,811**	**4,038**	**13,773**	**3,553**	**14,258**	***2,848***	***7,407***	***1,181***	***422***
Total IEA	**59,833**	**38,145**	**21,688**	**40,149**	**19,684**	***3,148***	***8,576***	***1,181***	***422***

* The breakdown in crude and product has been estimated; overall stockholding obligations on industry, which include both crude and refined products, have been lowered in these countries.

Operators generally have the flexibility to meet their product obligation at least partly with crude oil, according to product yields. Hence, when the obligation is relaxed, it is up to the company to decide whether to lower product stocks or crude oil stocks, or a combination of both, according to its own needs and market circumstances. While relaxing the stock obligation on operators might be a less visible response, or be seen as a more diluted measure, since no formally announced sales or physical movements may occur, it is no less effective. The lowered obligations give operators the opportunity to make additional oil available over the coming months, and they will use this greater flexibility according to market circumstances.

The IEA's Libya Collective Action Explained (continued)

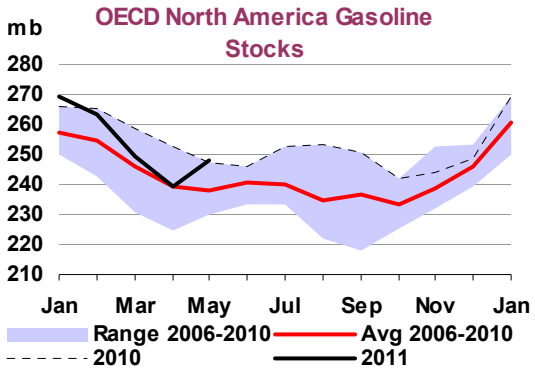
OMR analysis focuses on developments in industry stocks in OECD countries, with Table 5 showing the levels of both government-controlled (public) and industry stocks. The industry stocks category consists of operational stocks, mandatory industry holdings (obligated by governments for emergency use) and the portion of industry stocks estimated as technically unavailable (pipeline fill or tank bottoms). OECD industry oil stocks stood at 2 656 mb in April, with IEA member countries holding 2 607 mb. Around 25% of these IEA industry stocks were held under a government obligation. IEA governments controlled 1 559 mb of oil stocks in April and total IEA oil stocks (industry and government-controlled) stood at 4 166 mb, while total OECD oil stocks reached 4 215 mb. To date, the IEA's Libya Collective Action therefore involves just over 1% of total IEA inventory or just over 2.5% of mandatory held stocks by government and industry.

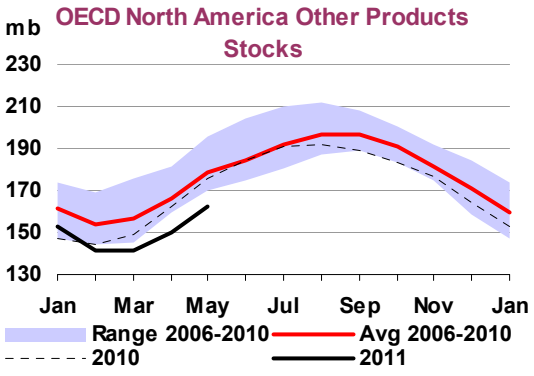
The stockholding regimes of IEA member countries are explained in the IEA publication "*Oil Supply Security, Emergency Response of IEA Countries 2007*", free for download from the IEA website (http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=1981). This publication gives an overview of stockholding systems in all IEA member countries. As the emergency policies of IEA countries are reviewed on a regular basis, new country chapters are added to the website, as soon as a review is concluded; currently 15 updated chapters can be downloaded. Seven IEA countries have their emergency stocks concentrated in public reserves, eight countries have their emergency reserves solely with industry and 11 countries have a mixed system of public reserves and industry obligations (Canada and Australia do not have mandatory stockholding systems).

Analysis of Recent OECD Industry Stock Changes

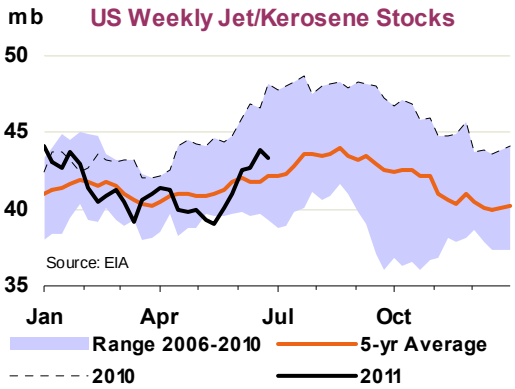
OECD North America

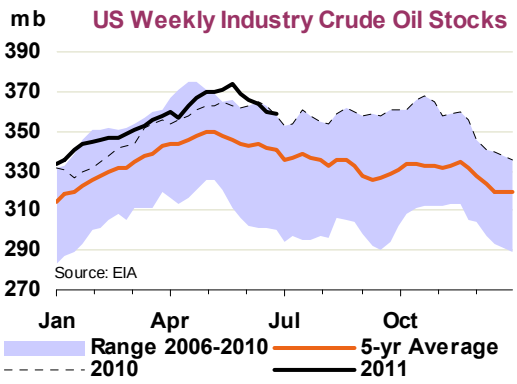
Industry stocks in OECD North America rose seasonally by 19.2 mb to 1 328 mb in May. The second consecutive monthly increase followed a 12.2 mb build in April. However, unlike in April when the build was driven by rising crude and 'other oils' stocks, the inventory gain in May was led by counter-seasonally rising gasoline stocks, resulting from stronger refinery output ahead of the driving season. Nevertheless, a seasonal restocking of 'other products' in the US also contributed.





EIA weekly data point to a 3.0 mb increase in US industry stocks in June, driven by further seasonal increases in 'other products'. Propane inventories rose by 7.4 mb in June. Middle distillates gained 4.0 mb, led by sharp increases in jet fuel and heating oil stocks, while diesel declined. Lower refinery yield of gasoline in June resulted in a 1.3 mb drop in inventories. Overall, however, June product stocks rose by 16.3 mb.

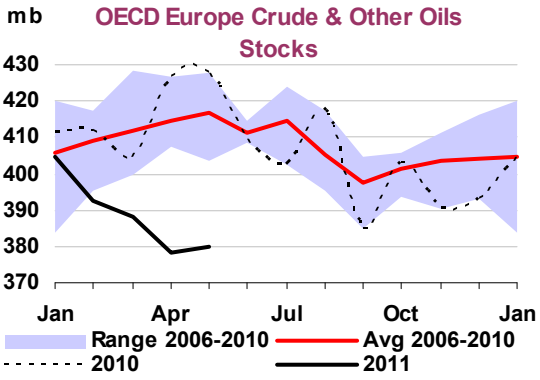


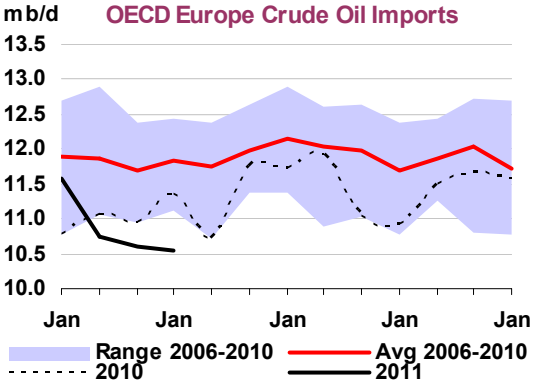


US crude oil inventories declined by 11.8 mb to near year-ago levels in June. Stronger crude runs on the US Gulf and East Coasts led the stockdraw, but crude inventories in the congested Midcontinent also fell due to pipeline problems at the beginning of the month. Moreover, stocks held in Cushing, the delivery point for NYMEX WTI futures, declined by 2.2 mb to 37 mb in June, 4.8 mb below the record high of 41.9 mb reached in April.

OECD Europe

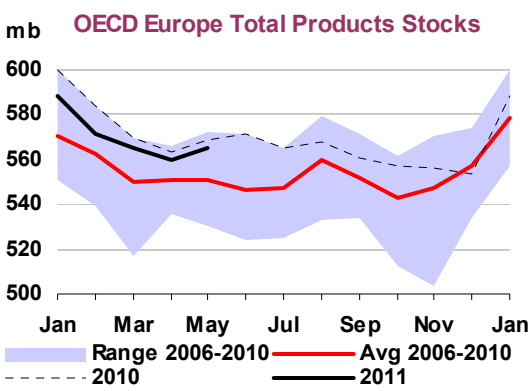
Industry oil inventories in OECD Europe rose by 7.1 mb to 945 mb in May, stronger than the 2.9 mb five-year average stockbuild for the month. However, the stronger-than-seasonal stock increase came after three months of sharp draws, which have depleted European oil inventories by almost 50 mb since January. Crude oil stocks now stand 20.5 mb below January levels after the loss of Libyan supplies and production outages in the North Sea.

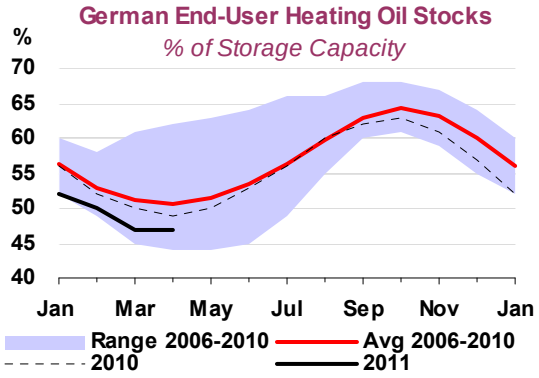




2Q11 refinery maintenance in Europe helped to ease the shortage, at the expense of curtailing both onshore and offshore product stocks. Product inventories on land were down by 23.5 mb from January, largely on gasoline and distillates draws. At the same time, products held in floating storage offshore Europe (largely distillates) also diminished and there are currently no reports of vessels storing crude in the region.

Rising May onshore stocks suggest that some countries managed to secure alternative supplies for their seasonal increase in crude throughputs, either from the FSU, West Africa or from Middle Eastern producers. Nevertheless, end-May European stocks stood 23.4 mb below the five-year average levels near the bottom of the range, kept afloat only by the overhang in middle distillates. Middle distillates also underpinned the overall May stockbuild, as holdings rose by 5.1 mb. Crude stocks rebounded by 1.6 mb, and sub-0.5 mb gains occurred also in gasoline, 'other products' and 'other oil' categories. German end-user heating oil stock data for end-May were delayed, but consumer stocks stood at 47% of capacity in April, and consumers likely postponed significant restocking due to relatively high prices.

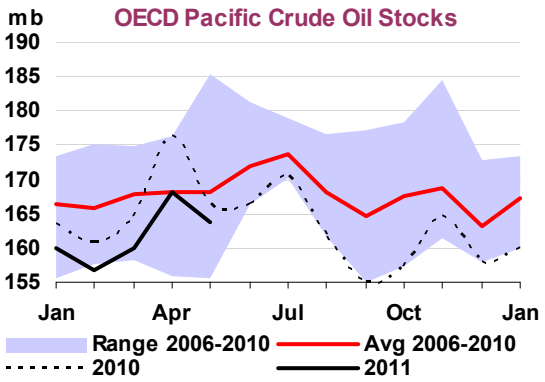


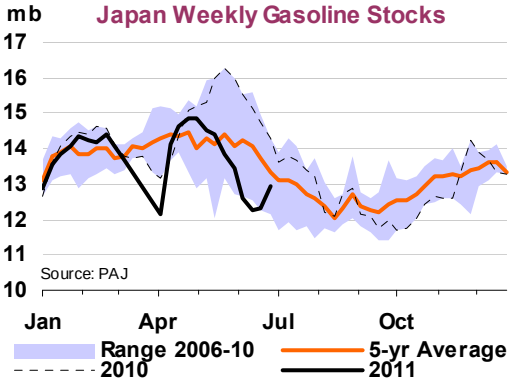


Preliminary June data from Euroilstock point to a 0.6 mb stockbuild in the EU-15 and Norway, as gains in crude oil holdings balanced product draws. Crude oil stocks rose by 6.0 mb, sharply building in the UK, Austria, Germany and France. Products declined by 5.3 mb, led by falling gasoline and distillate inventories in Germany, the Netherlands and the UK. Meanwhile, refined oil product inventories held in Northwest European independent storage rose marginally, as rising gasoline and naphtha stocks outweighed draws in jet fuel, gasoil and fuel oil.

OECD Pacific

Industry oil inventories in the OECD Pacific declined by 2.3 mb to 408 mb in May. The draw strongly contrasted with a 10.3 mb seasonal five-year average build, but it came after a sharp 25.5 mb Japanese post-quake and tsunami restocking in April. Following the March disaster, the Japanese government relaxed the stockholding obligation on industry from 70 days to 45 days of domestic consumption equivalent. The relaxation expired on 21 May and Japanese refiners also reinstated product exports to Singapore while waiting for domestic demand to pick up.



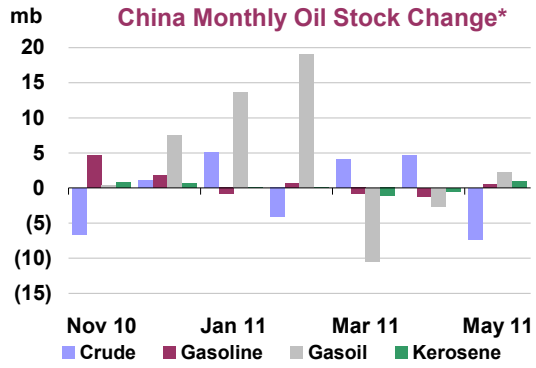


Meanwhile, Korean refiners absorbed some redirected crude cargoes in April, boosted refinery runs and exported the products to fill the gap in regional supplies. However, as the temporary surge in crude imports faded in May, elevated refinery runs drew 5.2 mb of Korean crude stocks in May. Overall, Pacific crude stocks declined by 4.4 mb in May, partly balanced by a 3.3 mb increase in middle distillates.

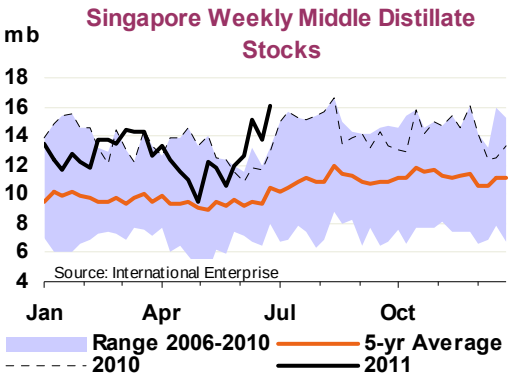
Weekly data from the Petroleum Association of Japan (PAJ) suggest a 6.6 mb draw in Japanese industry inventories in June. As refiners ramped up runs, crude oil stocks declined by 0.8 mb and 'other oils' fell by a further 2.0 mb. Japanese product exports to Singapore rebounded to pre-disaster levels and product stocks also fell by 3.8 mb, led by declines in middle distillates and 'other products'.

Recent Developments in China and Singapore Stocks

Chinese commercial oil inventories fell by an equivalent of 3.6 mb (data are reported in terms of percentage stock change), to just below 350 mb in May, according to *China Oil, Gas and Petrochemicals (China OGP)*. Commercial crude oil inventories decreased by 3.5% (-7.4 mb) from April, as already-high refinery runs rose again, in order to maintain domestic supplies amid concerns that power shortages will hike diesel demand again. Meanwhile product stocks climbed by 2.6% (+3.7 mb) month-on-month, driven by gains in all categories. Gasoline stocks rose by 1.0% (+0.6 mb), diesel by 3.0% (+2.2 mb), and kerosene by 8.0% (+0.9 mb).



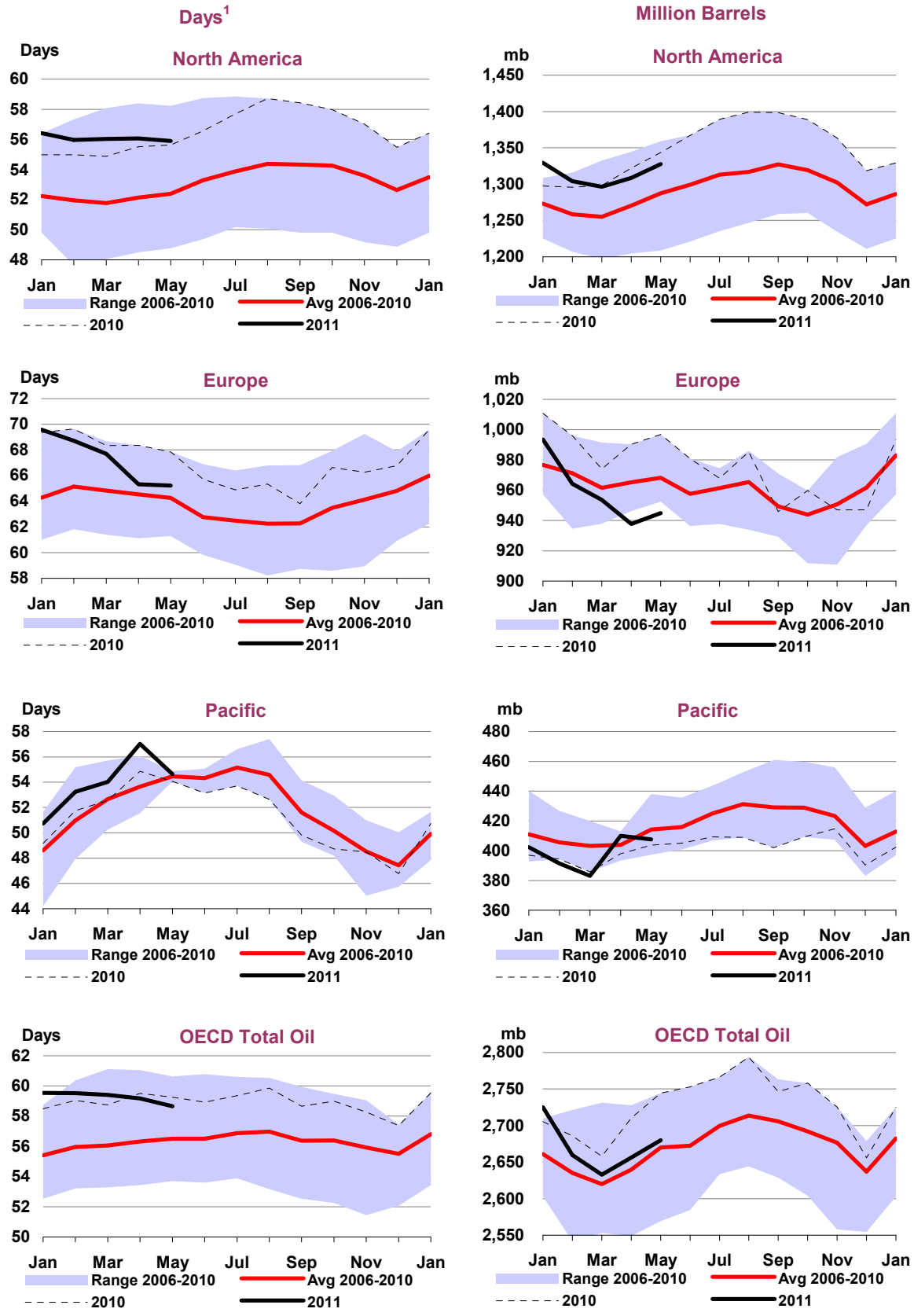
*Since August 2010, COGP only reports percentage stock change



Refined oil product inventories in Singapore rose by 1.0 mb in June. Middle distillate stocks gained 1.2 mb as jet fuel and gasoil imports from Japan returned to February levels and provided partial relief following lower deliveries from China due to concerns over power shortages. Light distillate stocks, including naphtha and gasoline, declined by 0.4 mb on stronger regional exports to cover for refinery maintenance. Gasoline stocks dropped to the five-year average from their April record highs. Fuel oil inventories rose by 0.2 mb, as western arbitrage arrivals offset strong bunker fuel demand.

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

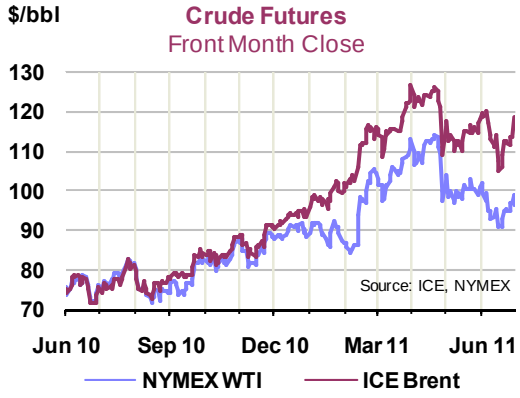
Summary

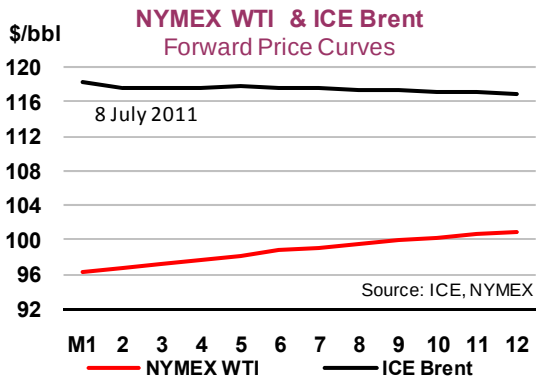
- **Crude oil prices were volatile over the course of June in response to conflicting market drivers, with benchmark crudes trading in a wide $9-15/bbl range.** The initial bearish impact on prompt prices from the IEA's Libya collective action was tempered by significant supply outages among non-OPEC producers, especially the North Sea, with prices retracing their losses by early July. Oil sold under the IEA action will filter into consuming markets in July and August. The more immediate impact may prove to be the realignment of sweet/sour crude price spreads, earlier distorted by the loss of lighter Libyan crude, and a flattening of erstwhile backwardation. Benchmarks Brent and WTI were last trading around $116/bbl and $95/bbl.

- **Weaker crude prices in June generally supported product crack spreads,** but light ends saw differentials decline and stay weak. Middle distillates crack spreads improved slightly while the largest improvement was at the bottom of the barrel, with fuel oil discounts narrowing in June. Refining margins were down in June month-on-month, but generally stronger after the IEA collective action.

- **Well before the IEA stock release pressured prices lower, managed money traders were cutting their net long exposures in light, sweet crude oil contracts**, off by 40% since mid-April to 21 June 2011. However, in the last week of June, long positions increased again, in part on renewed expectations of stronger demand coupled with constrained supplies.

- **Despite higher production from OPEC's Middle East producers, benchmark crude tanker rates remained depressed throughout June.** The Middle East Gulf – Japan VLCC rate has remained close to, or below, break-even levels for much of the past three months due to a combination of high bunker fuel prices, sluggish demand and swelling tonnage.

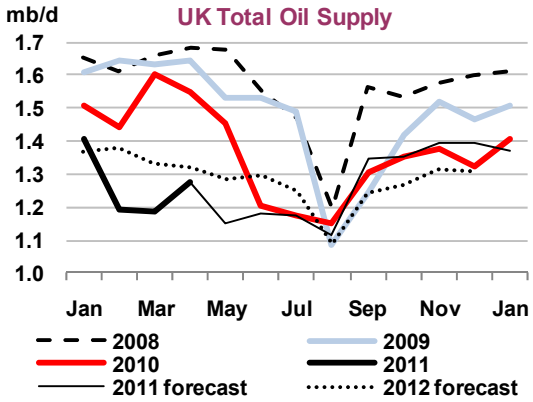




Market Overview

Oil market sentiment rapidly shifted from fears of shortfalls of light, sweet crude to the possibility of oversupply after the 23 June IEA collective action. Prices initially fell by $3-5/bbl, but within days retraced their losses amid stronger economic news and what now look like misplaced fears that the temporary IEA measure might discourage OPEC producers from increasing output as planned during the peak summer demand period. Chronic production outages in the North Sea, coupled with seasonal field maintenance, also added upward momentum, with mounting concern that supply will be eclipsed by seasonally stronger demand in 3Q11. However, in recent days prices turned lower again on renewed concerns about the Eurozone debt crisis and fears recent economic developments may undermine oil demand growth. At writing, prices for benchmark Brent and WTI futures were trading around $116/bbl and $95/bbl.

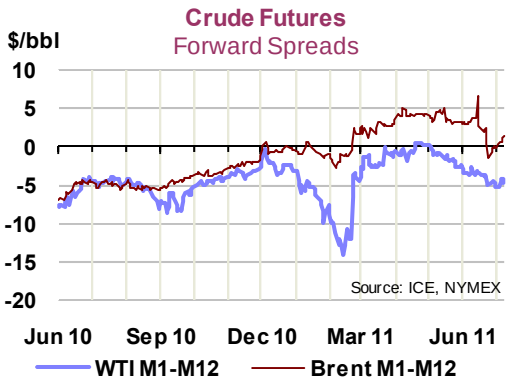
With extra supply from the IEA's collective action likely to take time to filter onto the market the Brent market quickly shrugged off the IEA stock release and refocused its attention on the chronic monthly supply shortfalls of North Sea Forties and other grades evident since February. Problems at the key Buzzard field, part of the Forties complex, have led to a significant loss of supply over the past five months. Indeed, current estimates for lost production from Buzzard top 12 mb from February to June. Seasonal scheduled maintenance will further reduce North Sea supplies in July and August. Buzzard is the largest field in the UK with production of around 200 kb/d. North Sea Forties is a key blend used for setting the Dated Brent price.

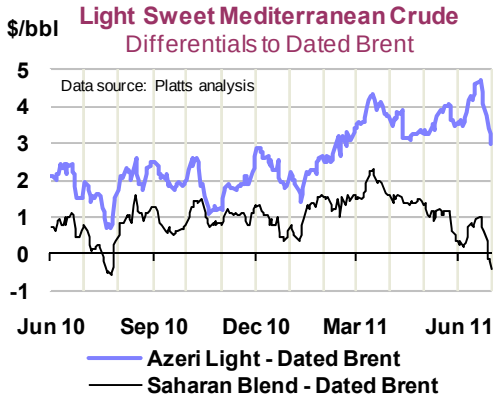


In addition to reduced North Sea crude production, supply outages elsewhere in non-OPEC countries, which include Yemen, Canada and Argentina, were estimated at just shy of 700 kb/d in 2Q11 and are forecast to post a similar loss for 3Q11 (see *Non-OPEC Supply*).

Despite market scepticism that OPEC would follow through on delivering more barrels to the market in the wake of the IEA release, our latest estimates suggest that OPEC supply was up by nearly 850 kb/d, to 30.03 mb/d in June, with Saudi Arabia accounting for 85% of the group's increase (see *OPEC Supply*). Seasonally stronger oil demand in 3Q11 is expected to increase the 'call on OPEC crude and stock change' by a steep 1.3 mb/d from 2Q11 levels. The end of large-scale maintenance programmes at refineries in Europe, Asia and the US is also leading to brisk demand for crude.

While refiners opted not to take up Saudi Arabia's offer of extra barrels, including new hybrid crudes similar to lost Libyan supplies, for the April-June period, there are indications that buyers are showing more interest for July and August, especially in Asia. However, others say August prices set by Saudi Aramco are too expensive, which may discourage increased liftings.

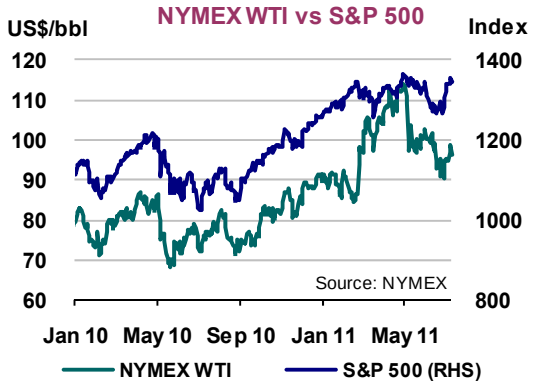


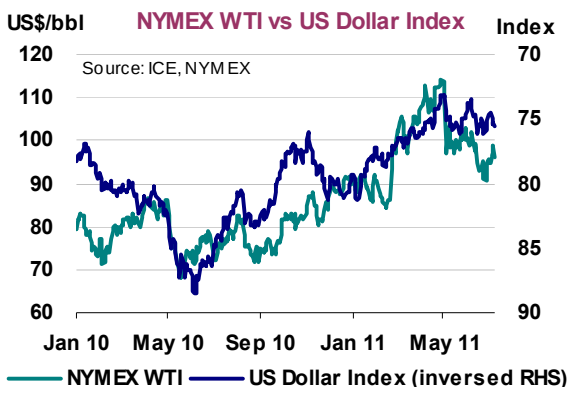


While benchmark crude prices were largely back to where they were before the IEA's collective decision to release stocks, the action has led to a narrowing of the sweet-sour crude price spreads, which ballooned to peak levels following the onset of civil war in Libya. The release of light-sweet SPR crude in the US is seen as diverting alternative supplies into Europe and Asia, helping to nullify the impact of lost Libyan barrels.

In addition, the extra crude supply added downward pressure on prompt month contracts. The forward price curve for M1-M12 Brent contract briefly moved out of backwardation immediately following the IEA's announcement. Before that, the Brent M1-M12 spread averaged around $3.25/bbl in June but post-IEA action it tumbled into contango at -$0.40/bbl on average for the last week of June. Worries over 2H11 supply and demand fundamentals, however, once again pushed Brent M1-M12 into relatively

shallow backwardation, at around $0.80/bbl in the first week of July. Markets have been closely tracking supply and demand data in recent weeks, with the tenuous links with the S&P 500 and other economic and financial market data seemingly less important for now.





Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

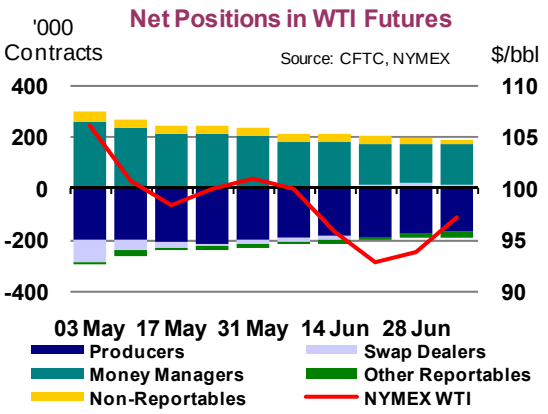
	Apr	May	Jun	Jun-May Avg Chg	% Chg	Week Commencing: 06 Jun	13 Jun	20 Jun	27 Jun	04 Jul
NYMEX										
Light Sweet Crude Oil	110.04	101.36	96.29	-5.07	-5.3	100.01	95.89	92.85	93.73	97.10
RBOB	137.25	130.02	123.93	-6.09	-4.9	125.82	124.99	120.81	123.57	128.04
No.2 Heating Oil	134.66	124.48	125.04	0.56	0.4	129.62	127.71	120.19	120.69	127.24
No.2 Heating Oil ($/mmbtu)	23.12	21.37	21.47	0.10	0.4	22.25	21.92	20.63	20.72	21.84
Henry Hub Natural Gas ($/mmbtu)	4.27	4.34	4.52	0.18	4.0	4.79	4.51	4.29	4.32	4.23
ICE										
Brent	123.09	114.52	113.90	-0.62	-0.5	117.49	116.72	109.85	110.28	115.11
Gasoil	137.60	126.91	127.24	0.32	0.3	130.61	131.20	123.06	122.41	127.10
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-13.05	-13.17	-17.61	-4.45		-17.48	-20.83	-17.00	-16.56	-18.01
NYMEX No.2 Heating Oil - WTI	24.62	23.13	28.75	5.62		29.61	31.82	27.34	26.97	30.14
NYMEX RBOB - WTI	27.21	28.66	27.64	-1.02		25.80	29.11	27.96	29.85	30.94
NYMEX 3-2-1 Crack (RBOB)	26.35	26.82	28.01	1.19		27.07	30.01	27.75	28.89	30.67
NYMEX No.2 - Natural Gas ($/mmbt	18.85	17.03	16.95	-0.08		17.47	17.42	16.35	16.40	17.61
ICE Gasoil - ICE Brent	14.51	12.39	13.33	0.94		13.11	14.48	13.21	12.12	11.99

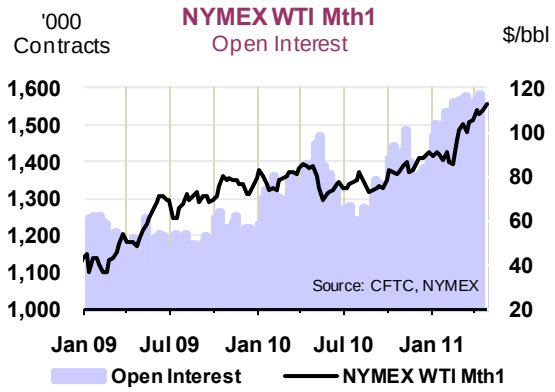
Source: ICE, NYMEX

Futures Markets

Managed money traders have been cutting their net long exposures in light, sweet crude oil contracts since mid-April on both CME and ICE Exchanges. Money managers cut net-long positions in NYMEX WTI crude oil by 40%, from 267 539 contracts in early April to 162 190 contracts on 21 June, just before the IEA announced its 60 mb stock release. They continued to reduce their net long position following the release. However, in the last week of June, they increased their long position by 9 637 to 159 641 contracts in New York. In the meantime, managed money traders also reduced net long exposure in WTI contracts traded in London from almost 50 000 to 12 330 from April to the week following the release. Money managers increased their long positions by 3 768 to 16 098 contracts in the week of 5 July.

Producers decreased their net shorts position during the month of June; they held 25.5% of the short and 14.5% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 33.5% and 32.7% of the open interest on the long side and short side, respectively, reinforced a recent trend of dwindling net short by adding 20 774 gross long contracts. On the other hand, both producers and swap dealers remained net short in London ICE WTI contracts.





Open interest in WTI contracts on the New York CME and London ICE exchanges changed very little in June. While open interest in New York increased in June in futures-only contracts and declined in futures and futures-equivalent options, at the same time, open interest in London ICE WTI contracts declined in both futures-only and combined contracts to 0.46 million and 0.5 million contracts, respectively.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

05 July 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	220.2	388.9	-168.7	*Short*	↑ 8.1	↑ 22.1
Swap Dealers' Positions	253.4	241.5	11.9	*Long*	↓ -8.5	↑ 28.7
Money Managers' Positions	224.1	64.5	159.6	*Long*	↑ 9.6	↓ -18.6
Others' Positions	93.7	115.0	-21.3	*Short*	↓ -5.8	↓ -19.2
Non-Reportable Positions	81.9	63.4	18.4	*Long*	↓ -3.5	↓ -13.0
Open Interest			**1522.4**		↓ -1.9	↑ 6.5

Source: CFTC

Meanwhile, ICE Europe started publishing its weekly Commitments of Traders report for Brent crude oil and gasoil on 20 June, 2011. While somewhat limited in coverage, this new step by ICE Europe toward increased transparency is welcome. The report resembles the CFTC's disaggregated *Commitments of Traders Report* and goes back to the start of June 2011. The report shows that money managers reduced their net long position by 39% from 63 427 to 38 530 contracts from 7 June, 2011 to 28 June, 2011. However, they increased their net long futures exposure by 24 164 to 62 694 contract from 28 June to 5 July, 2011 on expectations of stronger demand coupled with constrained supplies.

Index investors reduced their exposure in commodities in May 2011. They withdrew $9.5 billion from the WTI Light Sweet Crude Oil market in May 2011 — a fall to 669 000 contracts from an all-time high of 694 000 futures-equivalent contracts in March, or $68.90 billion in notional value.

The CFTC also started publishing two new reports on trading activity of large traders. Although it has indicated that the purpose of these two new reports is to promote transparency in the market place, the current reports fail to meet market expectation for more disaggregated data on individual contracts. The new *Large Trader Net Position Changes* report provides daily average net position change and the daily average volume of traders in 35 physical and financial derivatives markets. *The Trading Account Net Position Changes* data, on the other hand, provides the average daily net position change at the trading-account level, for a given week. The current report reveals that most of the volume in crude oil market is due to activity by day traders rather than long-term bets on oil prices.

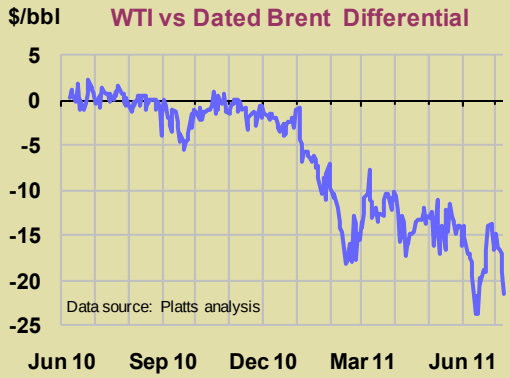
At the same time, and as expected, the CFTC announced that it will miss the 21 July deadline for the implementation of the Dodd-Frank Act. Due to extraordinary comments it has received for the proposed rules, officials now believe that they will be ready for implementation by year-end. However, some market participants think that longer delays are possible.

Is WTI Weakness Purely Physical?

Prices for crude oil benchmarks WTI and Brent have historically been related. In general WTI light sweet crude oil sold at a 5% premium to Brent crude oil between 1994 and 2010. However, this relationship between WTI and Brent crude oil totally collapsed in 2011. Brent crude oil sold at an average premium of $13/bbl in 1H11, or 13%, reaching $23/bbl in mid-June.

That Brent might sell at a premium over WTI is not a new phenomenon. However, the magnitude as well as the duration of the current episode raises questions about the causes of this new 'reality' and whether the weakening of WTI and strengthening of Brent prices are temporary or permanent phenomena.

This report has long noted the combination of rising Canadian and onshore US crude supplies into Cushing, sluggish US demand recovery after the recession and bottlenecks facing the shipment of crude from Cushing to the Gulf Coast refining hub. This has led to a record increase in stock levels in Cushing, thereby depressing WTI crude prices, especially in the front end of the futures curve. At the same time, lower supplies from the North Sea, the loss of Libyan crude and rising demand from large emerging market economies, especially in China, have exerted upward pressure on the price of Brent crude oil. In addition, given its ready access to seaborne markets, Brent crude has gained more acceptance as a global oil benchmark.



Some argue that physical supply and demand cannot explain the magnitude and the duration of divergence between Brent and WTI crude oil prices due to a simple economic principle: arbitrage. The arbitrage principle suggests that if goods are close subsitutes and easily transported, then they should sell for a similar price. Since the transportation costs from Cushing to the Gulf of Mexico is not more than $10/bbl, and carry from the Gulf of Mexico to Europe costs an additional $3-4/bbl, a spread above $15/bbl should not be sustainable. The suggested conclusion is that, aside from physical demand and supply considerations, financial factors might have played some role in widening the spread between Brent and WTI crude oil prices.

There are basically two arguments as to how financial markets could play a role in widening the spread. In the first place, it is argued that, amid anticipation of rules on hard position limits by the CFTC, some speculators and commodity index dealers may have migrated from New York (Nymex) to London (ICE) in order to avoid such position limits. However, open interest data published by CFTC and ICE Europe do not support this hypothesis. Open interest in CME NYMEX WTI contracts has risen by 3.5% since January. Open interest in both ICE WTI and Brent contracts declined by 20% and 7% in the same period, respectively. Although data on speculators' positions on Brent crude oil became available too recently (June 2011) to allow for comparisions, evidence from the ICE WTI contract suggests that the overall positions of speculators and swap dealers declined between January and July.

The second hypothesis is related to changes in the structure of the forward curve for Brent and WTI crudes. Up until December 2010, both WTI and Brent were in deep contango. However, starting last December, the Brent forward curve displayed a steep backwardation, while the WTI curve has stayed in contango. One of the components of the returns in total-return commodity index investments is the roll yield, which is generated by the rolling of expiring nearby futures into the first-deferred contracts. Depending on whether the forward curve is in contango (when longer-dated futures prices are higher than nearby contracts) or, in backwardation (when nearby prices are higher than longer-dated futures prices), the roll yield is either negative (in contango) or positive (in backwardation). All other things equal, and assuming flexibility to switch positions across Brent and WTI, investment by commodity index traders in Brent contracts relative to WTI futures contracts should be expected to have increased since December due to a more positive roll yield in Brent. This shift should also be reinforced by the increase in the share of Brent and decline in the share of WTI crude oil in commodity indices. However, empirical evidence on the role of commodity index traders on prices is mixed; therefore further study is needed to assess the role of index funds on widening the spread.

At the same time, many market observers disagree with the notion that massive WTI-Brent spread necessarily imply a violation of the arbitrage principle. In the first place, those commentators argue that Brent and WTI,

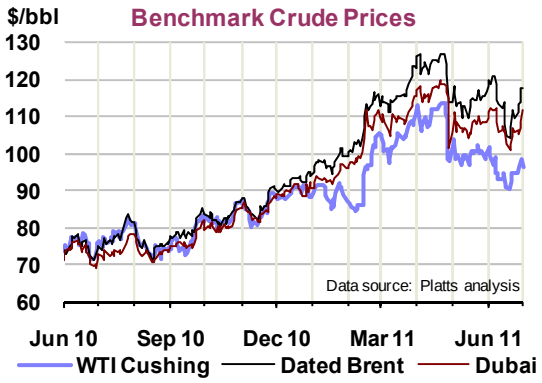
Is WTI Weakness Purely Physical? (continued)

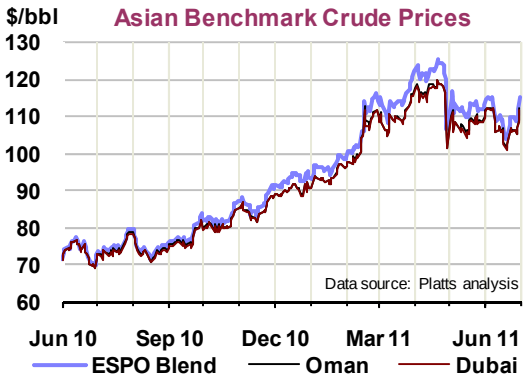
although close substitutes, cannot be directly interchangeable due to different gravity and sulphur content, not to mention restrictions on US crude exports. Second, there is not enough capacity to move oil from Cushing to the Gulf Coast. This last fact suggests that, until we see improvements in the transportation infrastructure from the Midwest to the Gulf, which might be available from 2013 onwards, WTI may continue to trade at well below its historical relative value. Pronounced WTI discounts may primarily be a physical phenomenon after all.

Spot Crude Oil Prices

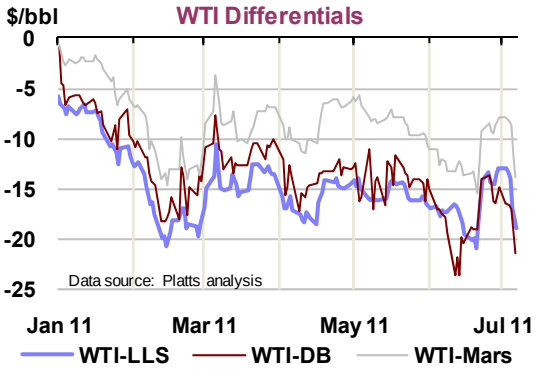
Spot crude oil prices were volatile over the course of June in response to conflicting market drivers, with benchmark crudes trading in a wide $9-15/bbl range at times. Spot prices trended higher in early June as concern mounted over the loss of Libyan and North Sea output at a time when refiners were starting to return from seasonal turnarounds and heading into the relatively stronger third quarter demand period. Later in the month, euro zone debt worries and fears of oversupply following the IEA's Libya Collective Action market pressured prices lower. By early July, however, prices again moved up on supply outages in the North Sea, as well as in Yemen, Canada, and Argentina. Indeed, total non-OPEC supply outages totalled nearly 700 kb/d in 2Q11 and similar shut-in volumes are forecast for 3Q11 (see *Non-OPEC Supply*).

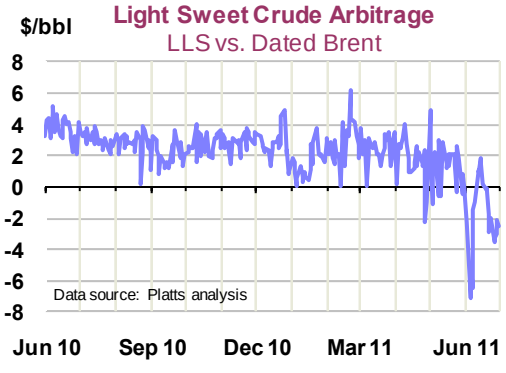
Prices ended lower on average in June, with WTI posting the largest monthly decrease, off $5/bbl to an average $96.21/bbl. Highly-prized light, sweet Malaysian Tapis crude fell by $2.12/bbl, to $119.32/bbl. By contrast, North Sea Dated Brent and Dubai were off a much smaller $0.50-0.60/bbl on average in June, to $114.04/bbl and $107.77/bbl, respectively.





Traditional price spreads went awry as traders digested the impact of the IEA stock release on global, and especially regional, markets. In the US, the successful sale of just over 30 mb of light, sweet crude from the SPR triggered downward pressure on LLS as well as sharp swings in some domestic crude spreads. Pre-SPR sale, the LLS-WTI price spread averaged $17.80/bbl but then quickly narrowed to $14.50/bbl by the last week in June. The unexpected injection of more US domestic light-sweet crude also led to a weakening of African grades as sellers turned to Europe and Asia to offload supplies.

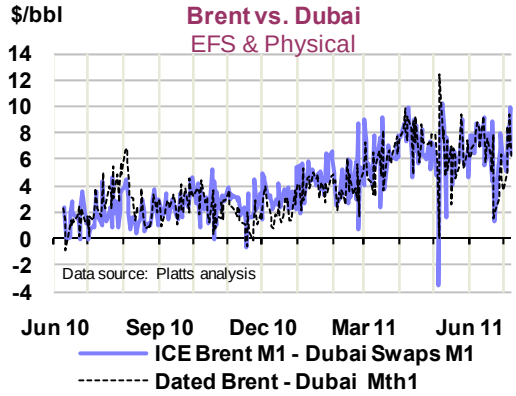


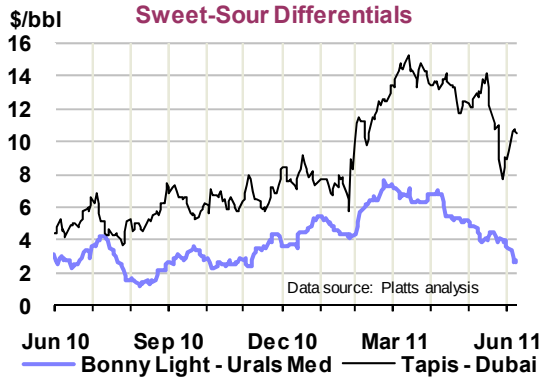


Moreover, pricier Dated Brent crude initially led to a record widening of its premium over WTI, to $23.71/bbl on 13 June, but post-SPR sale the spread narrowed again to around $15/bbl. However, renewed concern about lower North Sea output saw the spread widen once more on 8 July to $21.50/bbl *(see 'Is WTI Weakness Purely Physical?').*

With the US awash with light, sweet crude—or soon to be so in July and August following the SPR sale—African grades are now moving to Europe instead. US buying interest in relatively more expensive light crudes was already curtailed in June as more sophisticated refineries capable of running sour, heavier grades came back online.

Adding further complexity, despite inflated prices for Brent, prices for competing European and African crudes weakened, which also helped narrow the sweet-sour spread. The influx of competing grades also added downward pressure on Azeri crude— hitherto a preferred replacement for lost Libyan grades. A smaller Russian export programme for July, however, helped narrow price differentials to Brent in the Mediterranean.





The Brent/Dubai spread, a barometer of the premium for light sweet grades over heavy sour supplies and a benchmark for moving Atlantic basin crudes eastward, widened on average in June, to -$6.27/bbl compared with -$6.18/bbl in May. However, this masked the overall narrowing trend after the stock release. The Brent/Dubai spread reached a monthly high of -$9.27/bbl on June 14 and then plummeted to a low of -$1.60/bbl on 23 June . By end June, the spread was running at -$4-5/bbl but widened again to over -$7/bbl in early July on expectations of increased Mideast supplies.

Spot Crude Oil Prices and Differentials

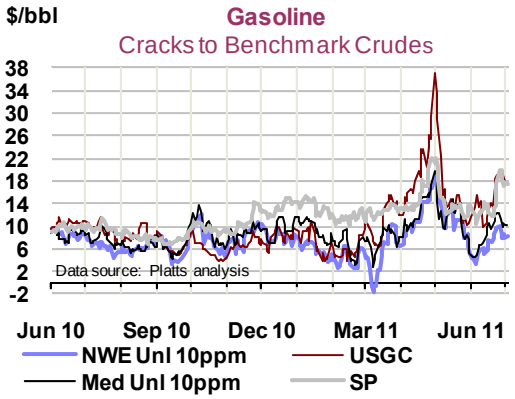
(monthly and weekly averages, $/bbl)

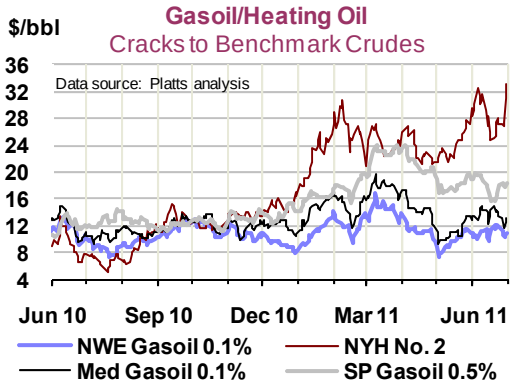
	Apr	May	Jun	Jun-May Avg Chg	%	Week Commencing: 06 Jun	13 Jun	20 Jun	27 Jun	04 Jul
Crudes										
Dated Brent	123.49	114.55	114.04	-0.52	-0.5	117.78	117.70	110.24	108.69	114.75
Brent (Asia) Mth1 adjusted	123.08	114.52	113.92	-0.60	-0.5	116.66	117.34	111.76	108.52	113.77
WTI (Cushing) Mth1 adjusted	109.89	101.22	96.21	-5.00	-4.9	99.98	95.82	92.71	93.53	97.06
Urals (Mediterranean)	119.38	110.96	111.67	0.71	0.6	115.01	115.09	108.16	107.20	113.02
Dubai Mth1 adjusted	116.00	108.38	107.77	-0.61	-0.6	109.99	110.03	105.71	104.24	107.52
Tapis (Dated)	130.29	121.44	119.32	-2.12	-1.7	123.08	123.03	116.24	112.96	118.01
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-13.59	-13.34	-17.82	-4.49		-17.81	-21.87	-17.53	-15.16	-17.69
Urals (Mediterranean)	-4.10	-3.59	-2.36	1.23		-2.77	-2.61	-2.09	-1.49	-1.72
Dubai Mth1 adjusted - Dated Brent	-7.48	-6.18	-6.27	-0.09		-7.80	-7.66	-4.53	-4.45	-7.23
Tapis (Dated)	6.80	6.88	5.28	-1.61		5.29	5.33	6.00	4.27	3.27
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.32	0.30	0.38	0.08		0.37	0.62	0.41	0.18	0.55
Forward WTI Cushing Mth1-Mth2 adj	-0.57	-0.52	-0.50	0.03		-0.56	-0.45	-0.39	-0.55	-0.48

Data source: Platts analysis

Spot Product Prices

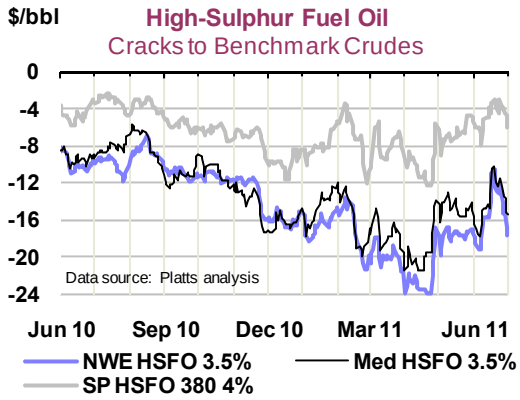
A weaker light end of the barrel saw product cracks falling in June, whereas middle distillates crack spreads gained slightly. The largest improvement was at the bottom of the barrel with fuel oil discounts narrowing in June, albeit they widened again at the beginning of July. Falling crude prices throughout June generally supported product crack spreads, but a sharp increase in crude prices in the beginning of July again pressured product crack spreads lower.

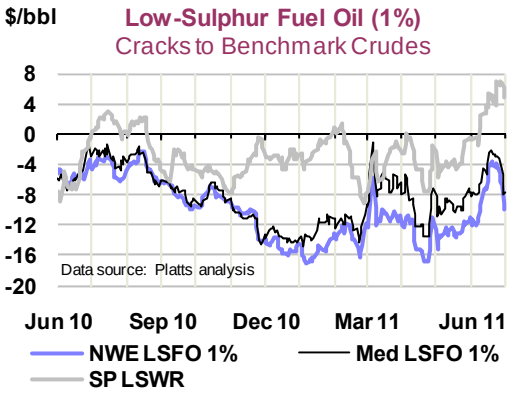




Gasoline crack spreads fell month-on-month in all main regions from the elevated, if volatile levels seen in May. On the US Gulf, crack spreads for Mars fell from an average of $20.2/bbl in May, moving mostly in a $10-14/bbl range in June, and within a higher $25-30/bbl range at the East Coast for WTI. Cracks were, however, supported by a closed arbitrage from Europe and high exports to Latin America. European gasoline crack spreads on the other hand continued to fall in early June due to increased refinery runs and the closed arbitrage, resulting in higher stocks. Nonetheless, gasoline crack spreads improved from around mid-month as product prices lagged a decrease in crude prices. A larger-than-expected draw in US gasoline stocks at end-month gave further support to the gasoline crack spreads in all major regions.

After posting a record-low discount mid-month, naphtha crack spreads improved in second-half of June. Crack spreads have been depressed due to weaker petrochemical demand in addition to low gasoline blending demand, but have now improved again with seasonally stronger gasoline markets.





Middle distillate crack spreads improved month-on-month in all regions, with the largest increase seen in the US, where the heating oil crack spread (vs. WTI) in June increased by $5.5/bbl vs. May. High export demand and the fear of a tightening market ahead were among factors pushing the distillate cracks higher in the US. In Europe, seasonally higher demand for diesel supported prices, together with strong desulphurisation demand, whereas Asian distillate cracks improved on the expectations of high Chinese diesel demand this summer.

Low-sulphur fuel oil crack spreads saw large improvements month-on-month in all regions, supported by high Asian demand. The Singapore LSWR (vs. Dubai) spread was pushed into positive territory in June, averaging $1.2/bbl vs. a discount of $4.2/bbl in May. Also high-sulphur fuel oil crack spreads improved, but the gains were more muted than for low-sulphur fuel oils as refineries have been running more heavy and sour crudes lately.

Spot Product Prices

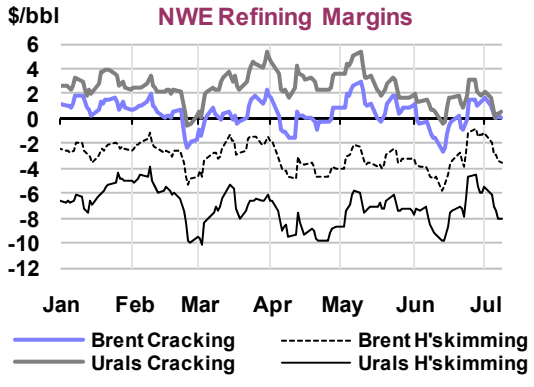
(monthly and weekly averages, $/bbl)

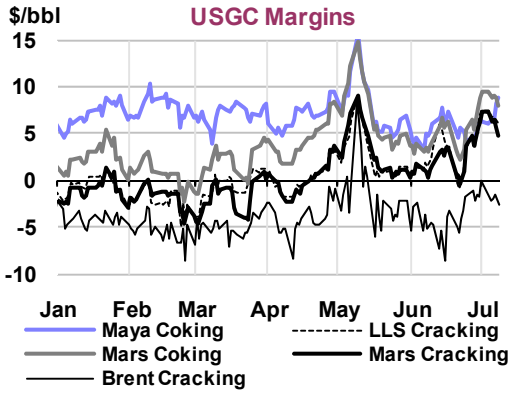
	Apr	May	Jun	Jun-May Chg	Jun-May %	Week Commencing: 13 Jun	20 Jun	27 Jun	04 Jul	11 Jul	Apr	May	Jun
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	132.26	128.39	121.77	-6.62	-5.2	123.68	117.69	117.70	124.16	126.20	8.78	13.83	7.73
Naphtha	116.44	109.08	103.19	-5.90	-5.4	104.45	100.81	100.25	105.77	106.46	-7.04	-5.47	-10.85
Jet/Kerosene	140.00	129.52	129.85	0.33	0.3	133.48	126.05	126.14	130.73	132.91	16.51	14.97	15.81
ULSD 10ppm	137.43	126.78	128.52	1.74	1.4	132.14	124.50	124.08	128.98	131.40	13.94	12.22	14.48
Gasoil 0.1%	135.69	124.04	125.11	1.07	0.9	128.60	120.89	120.52	125.51	128.10	12.21	9.49	11.07
LSFO 1%	111.03	101.40	105.10	3.70	3.6	106.78	103.78	104.68	107.30	107.41	-12.45	-13.15	-8.94
HSFO 3.5%	101.04	96.36	98.09	1.73	1.8	99.95	95.80	96.41	98.88	99.72	-22.44	-18.20	-15.95
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	129.47	124.83	119.57	-5.26	-4.2	120.93	116.93	118.20	123.94	125.00	10.09	13.87	7.90
Naphtha	116.07	108.47	103.48	-4.99	-4.6	104.88	101.18	100.56	106.22	106.93	-3.31	-2.49	-8.19
Jet Aviation fuel	138.38	127.61	128.50	0.89	0.7	132.33	124.57	124.24	128.53	131.00	18.99	16.65	16.83
ULSD 10ppm	138.80	128.25	129.91	1.67	1.3	133.38	125.86	125.21	130.32	132.91	19.41	17.28	18.24
Gasoil 0.1%	134.51	122.54	125.26	2.71	2.2	128.83	121.42	121.36	125.91	128.86	15.12	11.58	13.58
LSFO 1%	110.94	101.43	105.58	4.15	4.1	107.73	103.91	104.56	107.33	107.80	-8.44	-9.53	-6.09
HSFO 3.5%	99.51	96.10	97.10	0.99	1.0	98.71	94.59	95.45	98.94	100.00	-19.88	-14.86	-14.58
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	143.38	133.19	123.65	-9.54	-7.2	125.34	118.93	122.18	130.12	131.41	33.48	31.97	27.44
Unleaded	133.13	126.78	118.83	-7.95	-6.3	120.43	114.76	117.37	124.53	125.55	23.24	25.57	22.61
Jet/Kerosene	139.47	132.34	129.09	-3.25	-2.5	131.91	124.32	124.14	130.21	132.55	29.58	31.12	32.88
No. 2 (Heating Oil)	134.20	124.00	124.51	0.52	0.4	127.13	119.79	120.16	126.73	128.88	24.31	22.78	28.30
LSFO 1%†	107.59	100.17	105.18	5.01	5.0	106.46	102.66	103.59	106.33	107.20	-2.31	-1.04	8.97
No. 6 3%†	104.44	97.28	101.13	3.85	4.0	101.87	97.62	98.09	101.05	101.85	-5.46	-3.94	4.92
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	129.97	124.82	120.33	-4.49	-3.6	121.69	119.01	117.85	126.11	127.63	13.97	16.44	12.56
Naphtha	115.38	108.34	101.90	-6.44	-5.9	103.31	100.26	97.15	102.97	104.68	-0.63	-0.04	-5.87
Jet/Kerosene	138.69	127.76	126.89	-0.86	-0.7	130.29	123.87	121.86	126.16	129.45	22.69	19.38	19.12
Gasoil 0.5%	138.01	126.61	125.95	-0.67	-0.5	129.31	122.73	120.89	125.62	129.07	22.00	18.24	18.18
LSWR Cracked	113.08	104.16	108.98	4.82	4.6	110.14	109.22	109.12	113.67	115.05	-2.92	-4.22	1.21
HSFO 180 CST	105.23	99.83	101.32	1.49	1.5	102.46	99.84	99.05	100.98	102.14	-10.77	-8.54	-6.45
HSFO 380 CST 4%	106.24	100.87	102.66	1.79	1.8	103.56	101.34	100.59	102.88	104.43	-9.77	-7.50	-5.11

Data source: Platts analysis * CIF † Cargoes

Refining Margins

Refining margins declined month-on-month in June in all regions except China and simple refineries in Singapore. Weak middle distillates crack spreads and high fuel oil discounts in the beginning of the month weighed on margins, together with weak gasoline crack spreads in Europe.





Although margins were weaker month-on-month, in general they strengthened towards month-end as most product cracks improved on higher demand and somewhat lower stock levels, in particular for gasoline. Moving into July, margins fell again as product prices lagged behind an increase in crude prices. Refining margins in Europe were still at depressed levels and fell further month-on–month in June, but trended upwards in the second half of the month. Urals hydroskimming margins were unchanged month-on-month as the fuel oil discount narrowed but the average calculated loss was still above $5/bbl. In the Mediterranean, notional Es Sider hydroskimming margins showed a small improvement as the market now looks less tight for light, sweet crudes as well as the narrowing discounts for fuel oils.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Apr 11	May 11	Jun 11		Jun 11-May 11	10 Jun	17 Jun	24 Jun	01 Jul	08 Jul
NW Europe	Brent (Cracking)	-0.13	1.23	-0.28	↓	-1.51	-1.04	-1.42	0.02	1.38	0.29
	Urals (Cracking)	2.96	3.06	1.40	↓	-1.66	0.93	0.70	1.78	2.27	0.64
	Brent (Hydroskimming)	-3.94	-3.21	-3.39	↓	-0.18	-4.44	-4.53	-2.76	-1.26	-2.90
	Urals (Hydroskimming)	-5.39	-5.21	-5.21	↑	0.00	-6.02	-5.97	-4.40	-3.73	-6.24
Mediterranean	Es Sider (Cracking)	2.01	2.25	0.75	↓	-1.50	-0.23	-0.32	1.21	2.63	1.36
	Urals (Cracking)	0.21	1.55	-0.32	↓	-1.87	-1.33	-1.50	0.23	1.46	0.22
	Es Sider (Hydroskimming)	-3.56	-4.32	-3.67	↑	0.65	-4.81	-4.62	-2.84	-1.52	-3.54
	Urals (Hydroskimming)	-8.80	-7.01	-7.37	↓	-0.36	-8.36	-8.60	-6.64	-5.45	-7.31
US Gulf Coast	Bonny (Cracking)	-1.96	0.04	-1.90	↓	-1.95	-1.90	-3.14	-2.31	0.19	0.92
	Brent (Cracking)	-4.14	-1.68	-4.04	↓	-2.36	-4.69	-5.66	-3.96	-1.36	-2.00
	LLS (Cracking)	0.19	2.77	2.67	↓	-0.10	1.98	4.52	0.51	5.68	6.70
	Mars (Cracking)	0.08	3.27	2.25	↓	-1.01	0.98	3.19	1.05	5.48	6.05
	Mars (Coking)	4.35	7.32	4.67	↓	-2.64	3.46	6.07	3.31	7.52	8.81
	Maya (Coking)	6.95	7.89	5.32	↓	-2.58	4.82	6.94	4.92	5.41	7.17
US West Coast	ANS (Cracking)	0.58	-1.62	-3.07	↓	-1.44	-2.63	-0.92	-6.00	-2.39	-1.69
	Kern (Cracking)	0.66	1.19	4.00	↑	2.81	2.61	4.78	4.50	6.55	6.93
	Oman (Cracking)	4.05	1.68	-0.79	↓	-2.48	-1.05	-1.60	-1.66	1.48	2.23
	Kern (Coking)	14.15	11.59	11.05	↓	-0.55	9.86	12.58	10.83	12.56	12.93
Singapore	Dubai (Hydroskimming)	-2.12	-1.96	-1.82	↑	0.14	-1.62	-2.22	-1.79	-1.54	-0.94
	Tapis (Hydroskimming)	-10.65	-10.20	-9.24	↑	0.97	-10.66	-10.83	-7.94	-6.17	-6.12
	Dubai (Hydrocracking)	2.36	2.03	0.96	↓	-1.07	1.41	0.87	0.79	0.81	2.20
	Tapis (Hydrocracking)	-8.38	-7.81	-8.24	↓	-0.43	-9.23	-9.61	-7.37	-5.91	-5.66
China	Cabinda (Hydroskimming)	-6.57	-6.98	-5.38	↑	1.60	-7.10	-6.85	-2.99	-2.71	-2.98
	Daqing (Hydroskimming)	-6.45	-7.43	-2.34	↑	5.09	-3.86	-3.98	-0.37	0.95	-1.39
	Dubai (Hydroskimming)	-2.38	-2.24	-2.08	↑	0.16	-1.90	-2.49	-2.06	-1.72	-1.09
	Daqing (Hydrocracking)	-2.39	-2.57	0.09	↑	2.66	-0.89	-1.45	1.63	2.59	0.84
	Dubai (Hydrocracking)	2.16	1.82	0.78	↓	-1.04	1.19	0.67	0.61	0.75	2.20

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.
Sources: IEA, Purvin & Gertz Inc.

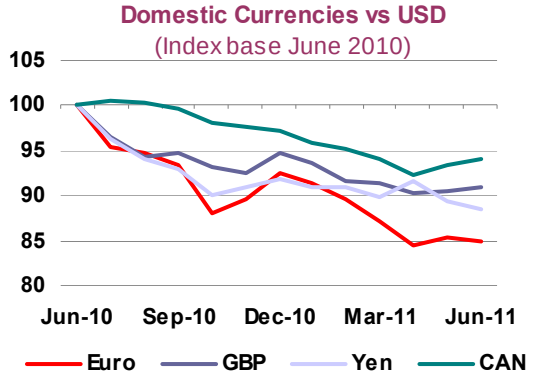
US Gulf refining margins all fell in June, losing $1.00-2.60/bbl compared with May, with the exception of LLS cracking margins, which were unchanged month-on-month after crude economics improved on the narrowing premiums for light sweet crudes in the second half of the month. The main reason for the fall was weaker gasoline product cracks in June compared with the very high gasoline prices seen in early May. Also on the US West Coast, refining margins fell on average in June. Kern cracking margins improved, however, as the high fuel oil yields from this crude helped increase refined value.

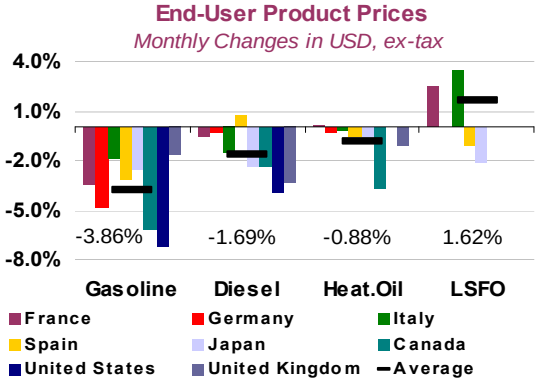
In Asia, refining margins at simple refineries improved slightly on average in June, whereas margins at more complex units weakened. Narrowing fuel oil discounts supported the hydroskimming margins,

together with a lower premium for Tapis towards the end of the month. Weaker gasoline crack spreads in June compared with May are among the factors behind the decrease in hydrocracking margins. In China, calculated refining margins mostly improved in June supported by a strong LSWR price.

End-User Product Prices in June

End-user prices in selected IEA countries declined in May and June, after rising the previous five months. In part, retail prices were affected by relatively lower crude oil prices, but also by a more 'stable' US dollar during 2Q11. May and June saw a reversal in the depreciation of the US dollar compared to previous months. This helps explain the change of trend in end-user prices, in US dollars ex-tax, during the period.



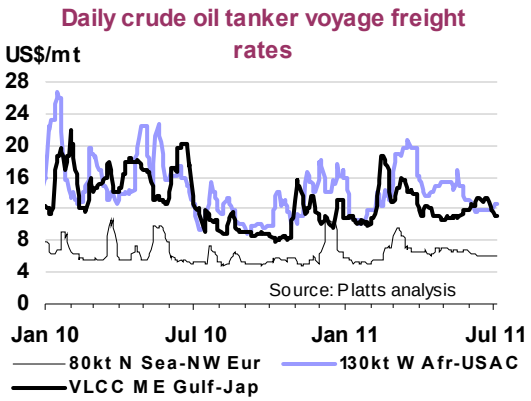


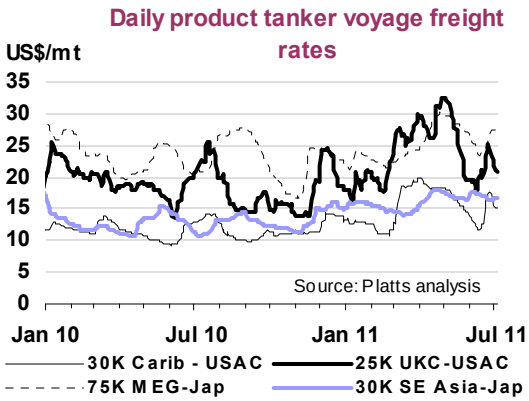
Gasoline prices fell by 1.1% in May and by 3.9% in June, nonetheless they are now 39% above year ago levels. Diesel prices decreased by 2.7% and 1.7% in May and June, respectively, while the annual increase is a hefty 41.3%. With respect to the remaining surveyed products, heating oil contracted by 0.9% and low-sulphur fuel oil (LSFO) increased by 1.6% in June. On a yearly basis, heating oil rose by 41.2% and LSFO by 50%.

The strongest decline in gasoline and diesel prices occurred in the US, down by 7.2% and 3.9%, respectively. The Euro-zone also saw diminishing prices for gasoline especially in Germany (4.9%) and France (3.4%), while diesel had a sizable decrease only in Italy (1.5%). Heating oil end-user prices fell in all surveyed countries, but plummeted in Canada by 3.8% in June. LSFO prices saw mixed movements across countries, gaining value in France (2.5%) and Germany (3.4%), but falling in Spain (1.1%) and Japan (2.10%).

Freight

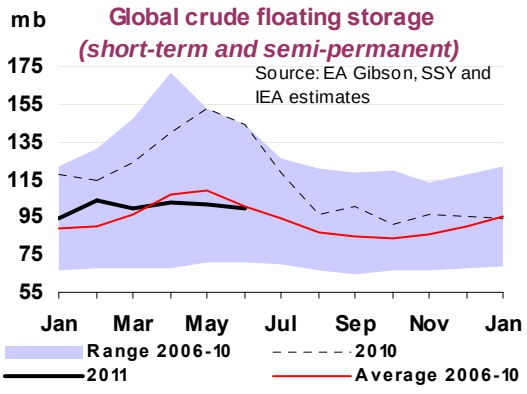
Benchmark crude tanker rates remained depressed throughout June due to soft fundamentals and despite signs of rising OPEC supply. The Middle East Gulf – Japan VLCC rate has remained at close to, or below, break-even levels for much of the past three months due to a combination of relatively high bunker fuel prices, sluggish demand and swelling tonnage. Some upward momentum was generated in June on the back of increased demand, although the swollen fleet easily absorbed this and consequently rates soon fell back down to below their early-month levels by month-end. Rates on the North Sea – Northwest Europe Aframax route have remained stagnant since early-May, hovering close to $6/mt. With the upward momentum from May's firming dissipating, rates on the Suezmax West Africa – US Atlantic coast voyage languished below $12/mt for much of June on low enquiries and plentiful vessel availability. Reports suggest that most owners are trying to buttress rates above break-even levels by slow steaming, which has the benefit of reducing bunker fuel consumption and tying up vessels for longer. Unless there is an uptick in tanker demand in 2H11 this trend is likely to continue.





In contrast to stagnant crude tanker markets, rates for product tankers have been relatively volatile over the past couple of months. After sustained firming for much of 2011 to reach a post-2008 record level of $32/mt in early-May, rates on the benchmark UK - Atlantic Coast route plummeted back to $18/mt by early-June. This crash was provoked by waning US demand for imported gasoline after US refinery output ramped up in response to a rapidly improving gasoline crack. It was further precipitated by swelling tonnage previously attracted into the market. Rates recovered some ground by late June, but again fell back in early-July. The high US gasoline crack was also behind the fall in the Caribbean – US Atlantic Coast rates over the same period. The only route that has remained relatively stable throughout the past couple of months is Southeast Asia – Japan; after firming by approximately $3/mt in early-April rates have generally held their gains, trending close to $17/mt.

Short-term floating storage of crude and products stood at 54.4 mb at end-June, a fall of 1.7 mb from May as crude fell by 2.1 mb offsetting a 0.4 mb rise in products. The fall in crude was led by a 4.4 mb fall in Iranian storage, and indeed these volumes located in the Middle East Gulf have now fallen by a significant 8.8 mb since end-April and are now approximately half of their record high reached in May 2010. Elsewhere, crude built by 2.3 mb in the US Gulf. When long-term floating storage is also taken into account, volumes have receded back in line with the 5-year average and are now 44 mb below last year's level. Products built by 2.4 mb in Asia-Pacific, which offset falls in the Mediterranean (0.7 mb) and West Africa (1.3 mb). The storage fleet now numbers 36 vessels, having come down by eight, largely Aframax and Panamax sized vessels since end-April as a result of products coming ashore.



REFINING

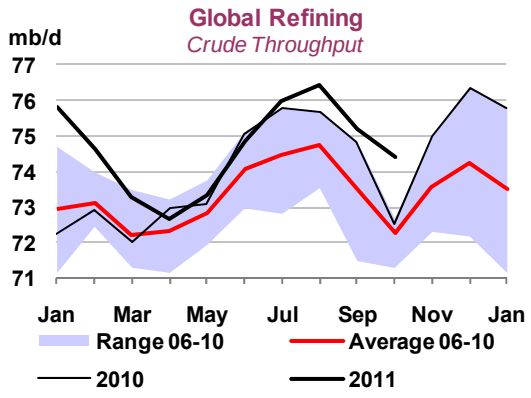
Summary

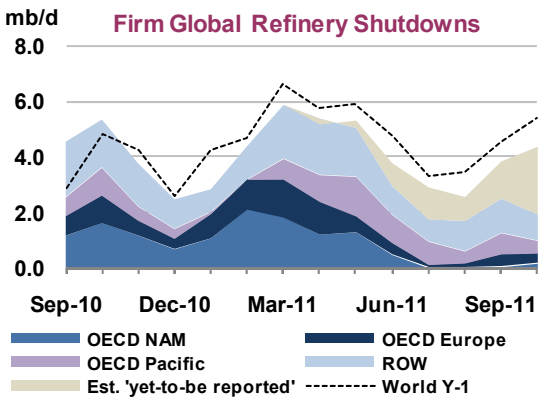
- **Global refinery throughputs are forecast to increase by 2.3 mb/d from 2Q11 to 3Q11,** to reach 75.9 mb/d to meet seasonally higher oil product demand. Refinery maintenance falls sharply from May onwards, and slightly better margins evident in recent weeks could support runs further. Annual growth in throughput has, however, slowed in line with demand patterns, from 2.2 mb/d on average in the previous four quarters to -50 kb/d in 2Q11 and 480 kb/d in 3Q11.

- **2Q11 global refinery runs are estimated to have averaged 73.6 mb/d,** down 945 kb/d from 1Q11 and slipping below year-ago levels on a quarterly basis for the first time since 4Q09. The loss of Libyan crude supplies and refining capacity as well as lower runs in Japan due to earthquake damage amplified normal seasonal maintenance shutdowns. Poor margins further cut runs in some regions.

- **OECD crude runs increased marginally in May, to 35.28 mb/d**, from 35.21 mb/d in April, the season's low point. Improved utilisation rates in Europe and slightly stronger North American throughputs were mostly offset by lower Pacific runs, as refiners there extended maintenance shutdowns. OECD runs are estimated sharply higher from June onwards, reaching a high of 37.5 mb/d in August, as both US and Japanese refiners complete scheduled turnarounds, while European runs are seen climbing on seasonally stronger demand and slightly improved economics.

- **OECD refinery yields increased for gasoline and 'other products'**, and fell for all other product categories in April. OECD gasoline yields increased 0.36 percentage points (pp) mostly due to a higher share in Europe. Yields are, however, still below the five-year range. OECD gasoil/diesel yields have been trending downward so far this year, and fell further by 0.6 pp in April. Declines in both OECD North America and Europe offset an increase in the Pacific.

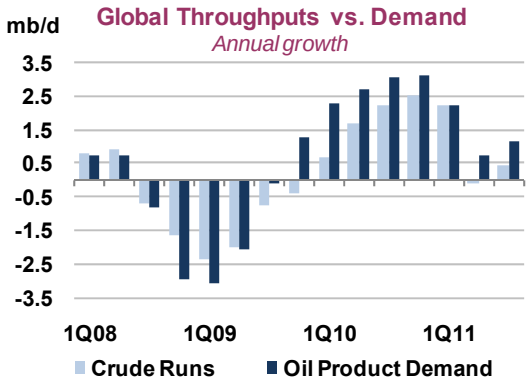


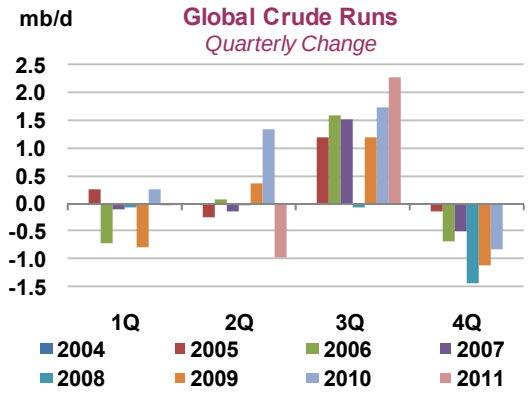


Global Refinery Overview

Global refinery crude throughput estimates for 2Q11 are unchanged overall from last month's report, at 73.6 mb/d. Lower submissions by OECD Europe for April and May were offset by higher-than-expected runs in the OECD Pacific and several non-OECD countries. The exceptionally weak 2Q11 levels, which were almost 1 mb/d lower than 1Q11, and below year-earlier levels for the first time since 4Q09, resulted from a variety of factors. In addition to the traditional 2Q seasonal peak in refinery maintenance and lull in oil product demand, the earthquake that hit Japan in March of this year and the Libya crisis significantly affected global refinery operations. While Japanese crude throughputs surprised to the upside in June, recovering to last year's level earlier than expected, two refineries remain closed due to damage sustained in the disaster. The Libyan crisis not only cut off crude supplies to regular customers in

Europe and elsewhere, it also saw the country's own refining industry grind to an almost complete halt, creating serious product supply shortages. Furthermore, the normal ramp-up in US runs was delayed this year, and throughputs only caught up to year-earlier levels by late May. Operational problems and shutdowns related to power outages and flooding on the Gulf Coast were partly responsible.





As a result of the exceptionally weak 2Q11 throughputs, global refinery runs are expected to see a sharper increase in 3Q than normally. We have revised down 3Q11 estimates by 240 kb/d since last month's report, mainly on a weaker outlook for OECD Europe and North America, but nevertheless see a quarterly increase of close to 2.3 mb/d. This compares to normal 2Q/3Q increases ranging from 1.1 mb/d to 1.7 mb/d; 3Q11 runs are now estimated at 75.9 mb/d, 480 kb/d above the same quarter in 2010.

Higher 3Q throughputs may be easier to sustain now that evidence has begun to emerge of incremental supplies from major OPEC producers, even though pricing terms so far look less than aggressive. Refiners should also find a rather more liquid market in light sweet crude following the IEA collective action announced on 23 June. Lower obligations on stock holding, moreover, allow for some extra operational flexibility.

Global Refinery Crude Throughput[1]

(million barrels per day)

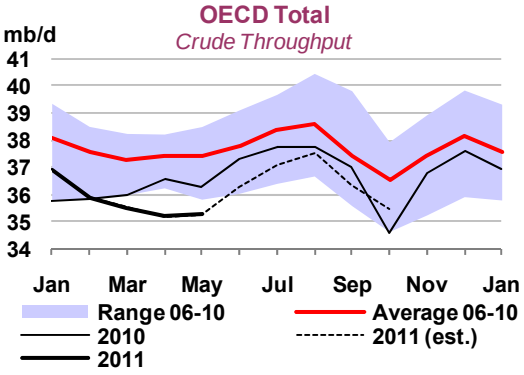
	Mar 11	**1Q2011**	Apr 11	May 11	Jun 11	**2Q2011**	Jul 11	Aug 11	Sep 11	**3Q2011**	Oct 11
North America	17.3	**17.1**	17.2	17.3	17.9	**17.5**	18.3	18.1	17.5	**18.0**	17.0
Europe	11.7	**12.2**	11.6	11.9	12.3	**11.9**	12.5	12.6	12.4	**12.5**	12.2
Pacific	6.4	**6.8**	6.5	6.0	6.1	**6.2**	6.3	6.8	6.5	**6.5**	6.3
Total OECD	**35.5**	**36.1**	**35.2**	**35.3**	**36.3**	**35.6**	**37.1**	**37.5**	**36.4**	**37.0**	**35.5**
FSU	6.3	**6.4**	6.1	6.4	6.5	**6.3**	6.5	6.5	6.5	**6.5**	6.4
Non-OECD Europe	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.4	**0.5**	0.5
China	8.9	**8.9**	9.1	9.1	8.9	**9.0**	8.9	9.0	9.1	**9.0**	9.2
Other Asia	8.9	**9.1**	8.5	9.0	9.1	**8.8**	9.1	9.1	9.0	**9.1**	9.2
Latin America	5.4	**5.2**	5.4	5.4	5.4	**5.4**	5.4	5.4	5.4	**5.4**	5.4
Middle East	5.6	**5.9**	5.8	5.6	6.0	**5.8**	6.2	6.2	6.2	**6.2**	6.2
Africa	2.2	**2.3**	2.1	2.1	2.2	**2.1**	2.2	2.1	2.1	**2.2**	2.1
Total Non-OECD	**37.7**	**38.4**	**37.4**	**38.1**	**38.6**	**38.0**	**38.9**	**38.9**	**38.8**	**38.9**	**38.9**
Total	**73.2**	**74.5**	**72.6**	**73.3**	**74.9**	**73.6**	**76.0**	**76.4**	**75.2**	**75.9**	**74.4**

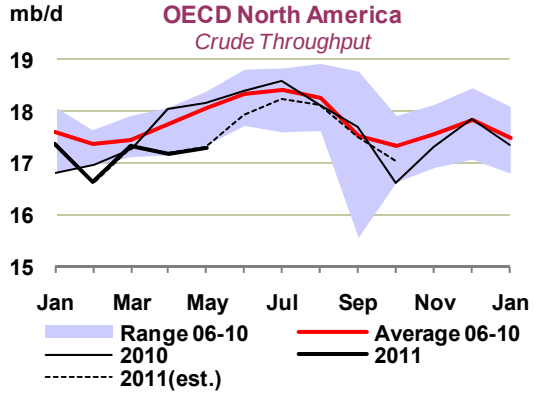
1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

OECD Refinery Throughput

Preliminary data show that OECD crude throughputs nudged higher in May to average 35.3 mb/d, 70 mb/d more than in April but a full 1.0 mb/d below the same month last year. Exceptionally weak runs

in Japan, whose refining industry was devastated by an earthquake and tsunami in late March, and sharply lower runs year-on-year in the US were the key factors behind the slowdown. Total OECD runs were in line with our previous forecast overall, as disappointing European throughputs were offset by higher-than-expected run rates in South Korea. While European runs were some 200 kb/d lower than expected in May (and revised 280 kb/d lower for April), they nevertheless rebounded by 360 kb/d month-on-month to equal last year's levels.





Preliminary data show that OECD runs rose sharply in June, potentially by as much as 1.0 mb/d. US refiners increased crude processed by more than 500 kb/d to regain year-earlier levels mid-month, while Japanese runs rebounded earlier than expected from maintenance lows. While no data was available for European runs for June at the time of writing, these are forecast to have risen by a further 360 kb/d in the month to meet seasonally higher demand. In 3Q11, OECD runs are expected to remain higher overall, despite dipping again in September, after the peak driving season is over and autumn turnarounds commence.

Refinery Crude Throughput and Utilisation in OECD Countries

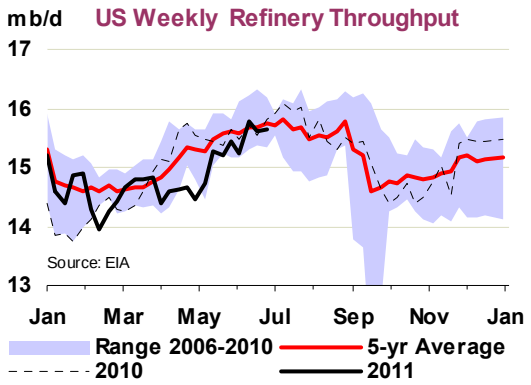
(million barrels per day)

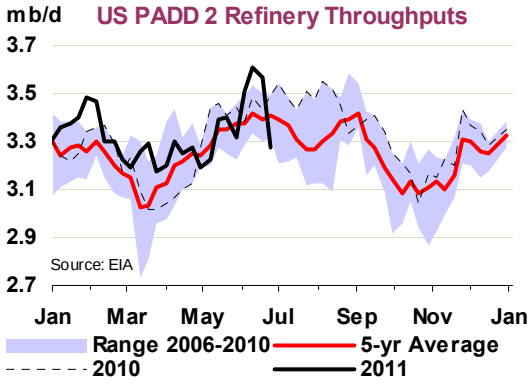
							Change from		Utilisation rate[1]	
	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	*Apr 11*	*May 10*	May 11	May 10
US[2]	14.96	14.45	13.75	14.45	14.30	14.66	0.36	-0.56	83.7%	86.7%
Canada	1.81	1.81	1.72	1.67	1.62	1.51	-0.12	-0.22	82.1%	88.3%
Mexico	1.10	1.12	1.16	1.20	1.26	1.15	-0.11	-0.08	74.6%	79.7%
OECD North America	**17.87**	**17.37**	**16.63**	**17.32**	**17.19**	**17.31**	**0.12**	**-0.86**	**82.9%**	**86.3%**
France	1.43	1.42	1.35	1.26	1.18	1.33	0.14	-0.02	80.7%	74.0%
Germany	1.99	1.98	1.93	1.73	1.84	1.84	-0.01	-0.09	76.8%	80.6%
Italy	1.80	1.77	1.55	1.54	1.52	1.56	0.04	-0.02	71.3%	69.2%
Netherlands	1.01	1.02	1.12	1.08	0.80	1.05	0.24	0.02	81.2%	79.6%
Spain	1.08	1.07	0.97	0.96	1.09	1.01	-0.08	0.11	71.8%	69.4%
United Kingdom	1.40	1.48	1.42	1.39	1.51	1.49	-0.02	0.05	82.6%	79.9%
Other OECD Europe	3.94	3.81	3.83	3.79	3.61	3.65	0.03	-0.06	74.0%	75.6%
OECD Europe	**12.66**	**12.56**	**12.16**	**11.74**	**11.56**	**11.92**	**0.36**	**-0.01**	**76.1%**	**75.6%**
Japan	3.72	3.73	3.80	3.15	3.10	2.78	-0.31	-0.44	59.0%	67.9%
South Korea	2.57	2.54	2.53	2.52	2.58	2.51	-0.07	0.22	91.8%	83.8%
Other OECD Pacific	0.75	0.71	0.77	0.78	0.78	0.75	-0.03	0.09	81.6%	71.7%
OECD Pacific	**7.04**	**6.98**	**7.09**	**6.45**	**6.46**	**6.04**	**-0.41**	**-0.13**	**72.2%**	**73.5%**
OECD Total	**37.57**	**36.92**	**35.89**	**35.51**	**35.21**	**35.28**	**0.07**	**-1.00**	**78.5%**	**80.2%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

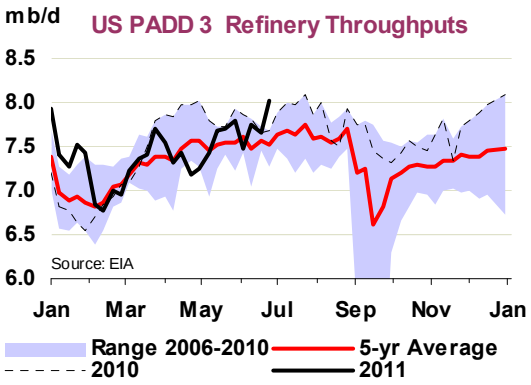
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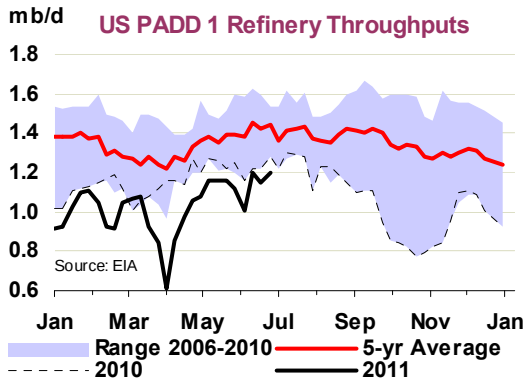
US refinery runs finally recovered to year-earlier levels in mid-June, averaging 15.2 mb/d for the month, some 500 kb/d above May and 870 kb/d above April's monthly low (compared with revised monthly data). Early month, the most significant increase came from refiners in the Midwest (PADD 2), which ramped up runs to their highest level ever (3.59 mb/d in the week ending 17 June). Runs fell sharply in the last week, however, as Lima refining shut a crude unit at its 155 kb/d Ohio refinery and ConocoPhillips' 306 kb/d Wood River refinery had to run at reduced rates due to a 25 June power disruption. PADD 5 runs also gained some 200 kb/d from the previous month, as BP's Cherry Point and Conoco's Wilmington plants returned after scheduled maintenance.





In PADD 1, on the US East Coast, PBF reported flaring related to start-up operations in early June of its 180 kb/d Delaware City refinery. The plant had been closed since November 2009, when previous owner Valero shut it due to poor margins. Refiners on the US Gulf saw smaller gains month-on-month, although increased steadily through early July, and reduced their deficit to year-earlier levels from 530 kb/d in April, and 180 kb/d in May, to only 10 kb/d on average in June.

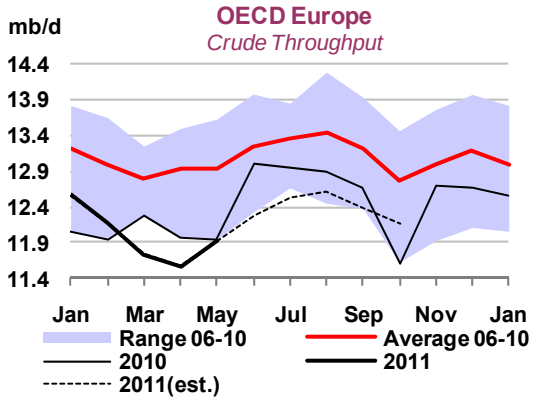


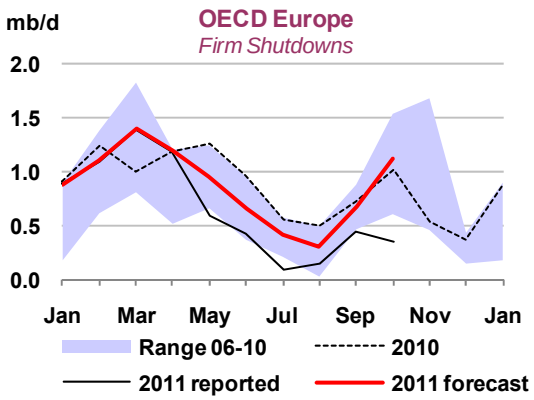


The submissions of official monthly data for April and preliminary data for May led to downward revisions of 280 kb/d and 210 kb/d, respectively, for total **OECD European** crude runs. April's revision was almost entirely due to reduced runs in the **Netherlands**, which fell to 0.8 mb/d, the lowest levels since 1990. The 280 kb/d monthly decline came as BP's Rotterdam and Shell's Pernis refineries both underwent work, while ExxonMobil had to shut its Rotterdam plant for some days due to a fire. April now appears as the lowest point of the season, despite maintenance work estimated to have peaked in March, due to weak margins and some supply difficulties due to the Libyan outage.

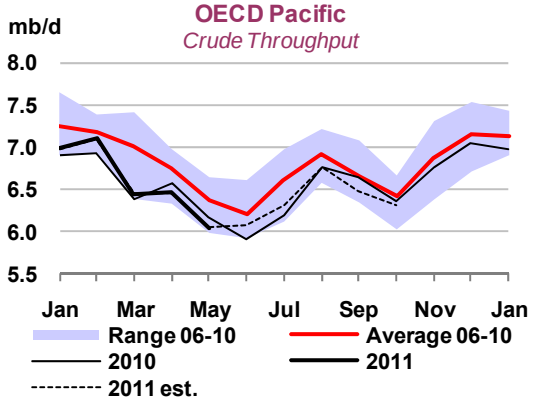
May data, while lower than expected, still showed a monthly increase of 360 kb/d from April's low. While a large part of the increase followed a rebound in Dutch operations, French refinery runs also showed some improvement. **Belgium's** refinery operations in May were hampered by the prolonged maintenance at Total's Antwerp refinery. The plant is the company's largest and most complex, and Europe's second largest by size. The extent of the work at the 360 kb/d refinery is not known, but we assume one of the plant's two CDUs was offline for all of May and a few days in June.

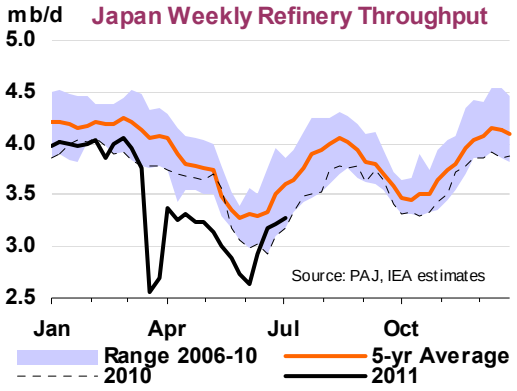
Repsol's 220 kb/d Bilbao refinery in Spain halted operations in June due to a strike. The expansion of the company's Cartagena refinery to double production capacity to 220 kb/d is scheduled for completion in 4Q2011. The upgrade will also significantly cut Spain's import needs of diesel and kerosene, as 50% of the output of the expanded plant will be middle distillates and especially diesel. Company officials have also stated that after the upgrade the refinery will be able to process up to 76% of cheaper heavy crudes, up from 4% at present. In the **UK**, reports were that Total had successfully restarted a 110 kb/d crude unit at its Lindsey refinery in early July. The unit had been closed since June 2010 due to damage sustained in a fire.





OECD Pacific refinery crude runs have been revised higher for both May and June since last month's report, by 200 kb/d and 150 kb/d respectively. In May, preliminary monthly data for South Korea were again stronger than anticipated, at 2.5 mb/d. Both runs and product exports declined slightly month-on-month in May, by 1.1% and 2.5% respectively, according to data released by state-run Korea National Oil Corporation. A partial shutdown of GS Caltex's heavy oil upgrading units in June reduced diesel output and led the company to ask for an emergency supply of 870 kb from the government's strategic stocks. Caltex was forced to shut a 60 kb/d vacuum residue hydrocracker for an estimated two weeks in June as well as a 70 kb/d desulphurisation units for a few days, impacting upon diesel supplies at a time of rising demand (ahead of a planned price increase in July).





Weekly data from the Petroleum Association of Japan (PAJ) show that **Japanese** refinery throughputs rebounded from seasonal lows earlier than expected and had surpassed 3 mb/d in the week ending 18 June. As a result, June totals were revised up by more than 200 kb/d compared to our previous expectations. JX Nippon successfully restarted the 190 kb/d crude distillation unit at its 250 kb/d Kashima refinery on 4 June and the 63 kb/d condensate splitter by mid-month, despite the continued closure of the VLCC berth at the refinery. The company was allowed to use 1.9 mb of strategic stocks stored at the plant, while allocating the same volume of crude stored at its Kire crude import terminal in the south of the country. JX has announced it plans to operate the plant at 60% utilisation until autumn when it expects damaged facilities, including the VLCC berth, to be restored. Two refineries, with a combined capacity of 365 kb/d, remain closed due to damage sustained during the earthquake and tsunami.

Refinery Capacity Investments Back with a Boom in 2012

After a lull in global refinery capacity additions in 2011, 2012 is expected to see a slew of refinery projects completed, with possibly as much as 2.4 mb/d of crude distillation capacity being added globally. The largest share of investments are still coming from non-OECD Asia, led by China in particular, which is seen adding almost 600 kb/d, or 25% of the total. Interestingly, however, after three years of net capacity reductions in the OECD, 2012 reverses this trend with significant expansions coming on-line in North America in particular.

As outlined in the *2011 Medium Term Oil and Gas Markets* report, 2011 provided some respite for the global refinery industry, with only 400 kb/d of distillation capacity added globally. Compared with demand growth currently pegged at 1.2 mb/d for the year, surplus capacity should shrink, providing a somewhat better margin environment for the industry as a whole. Net decline in the OECD, where more than 500 kb/d of capacity was permanently shut in 2011 (-430 kb/d net reduction), offset additions in the non-OECD of some 840 kb/d.

Non-OECD additions in 2011 were dominated by India, which alone accounted for some 400 kb/d. The expected commissioning of Bharat Oman's 120 kb/d Bina refinery and HPCL/Mittal's 180 kb/d Bathinda plant in 3Q11, augmented by an 80 kb/d expansion of Essar's Vadinar refinery in 4Q11 are among key projects. After several years of impressive capacity growth in China, only smaller expansion projects reach completion in 2011. The participation of China National Petroleum Corp. (CNPC) in overseas markets paid off for Chad, however, which started up its first refinery in July 2011, a 20 kb/d plant outside N'Djamena.

World Refinery Capacity Additions

Thousand barrels per day

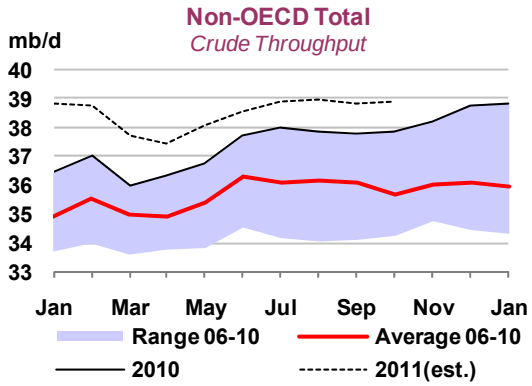
	Crude Distillation		Upgrading		Desulphurisation	
	2011	2012	2011	2012	2011	2012
OECD North America	-95	550	160	445	126	351
OECD Europe	-240		142	35	-19	4
OECD Pacific	-98	100	75		-26	30
FSU	80	323		217	65	196
Non-OECD Europe	10	110	26	59	8	85
China	130	586	94	266	136	424
Other Asia	420	366	381	320	363	339
Latin America		55	30	49	240	213
Middle East	165	124	146	119	123	366
Africa	40	174	8	20		95
Total World	412	2,388	1,062	1,530	1,016	2,102

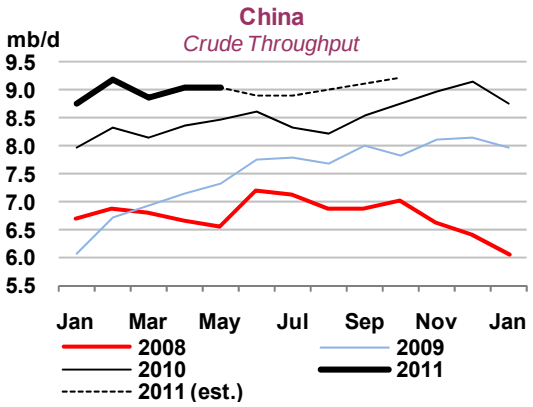
In 2012, however, the IEA expects a massive 2.4 mb/d of crude distillation capacity to be added worldwide. China features again on top of the list, with almost 600 kb/d of net additions expected on line. Key projects include CNPC's 200 kb/d Pengzhou and Yinchuan projects and Sinopec's Beihai, Jinling and Shijiazhuang expansions. India is expected to add a further 240 kb/d, while the expansion of Pakistan's Karachi refinery could add 130 kb/d (if recent financing problems are resolved). While the IEA sees other projects in Iran being challenged by international sanctions and financing problems, we expect the expansion of Iran's Arak refinery from 170 kb/d to 250 kb/d to be completed in 2012. The 100 kb/d expansion of Sudan's Khartoum refinery, also financed by China's CNPC, is expected to be completed next year, albeit questions hang over crude supply from newly independent Southern Sudan.

North American capacity could rise by more than 0.5 mb/d next year, as Mexico's much delayed Minatitlan expansion (150 kb/d) is expected to come on line, and Motiva's Port Arthur refinery on the US Gulf Coast is expanded by a massive 325 kb/d to become the largest refinery in the US and one of the top 10 in the world. Few refinery closures are scheduled for next year, and so far the IEA is including only Shell's Harburg refinery in Germany and its Clyde refinery in Australia.

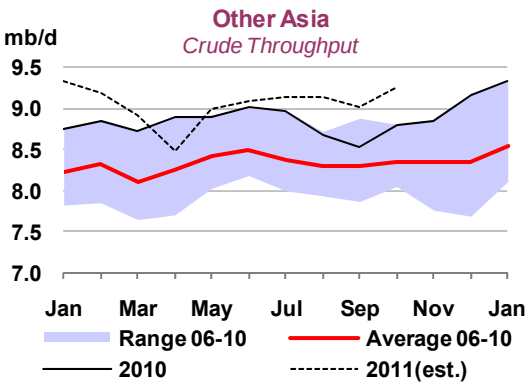
Non-OECD Refinery Throughput

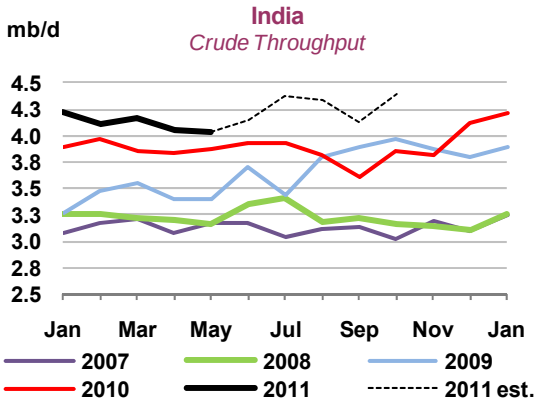
Non-OECD refinery runs are forecast to rise from 38.0 mb/d in 2Q11 to 38.9 mb/d on average in 3Q11, mainly on higher Middle Eastern, Other Asian and Russian throughputs. The inclusion of some consolidated historical data for a number of countries has lowered the 2006-2009 estimates by 100 kb/d on average with adjustments partly carried through the forecast. Spring maintenance in main non-OECD countries and outages seen in 2Q11, led to a dip in runs from 38.8 mb/d in January to only 37.4 mb/d in April. The completion of work and the commissioning of some new capacity are expected to take runs back to 38.9 mb/d in July and August when seasonal summer demand is at its highest.





Chinese refinery runs for May averaged 9.1 mb/d, 55 kb/d higher than our previous forecast. Throughputs are expected to decline slightly over June and July, as several refineries undertake maintenance. Refiners cut crude imports in May by some 200 kb/d from April in anticipation of lower run rates. Crude imports in June fell 5.5% month on month, to 4.8 mb/d. The government abolished import duties on jet fuel and gasoil and import duties on gasoline were lowered from 5% to 1%, while fuel oil import duties were cut from 6% to 1% from 1 July on concerns over potential supply shortages in the summer.

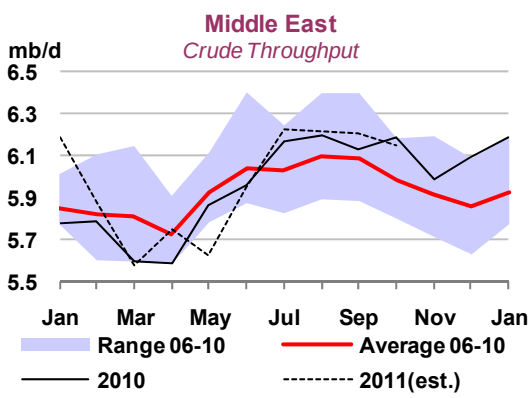


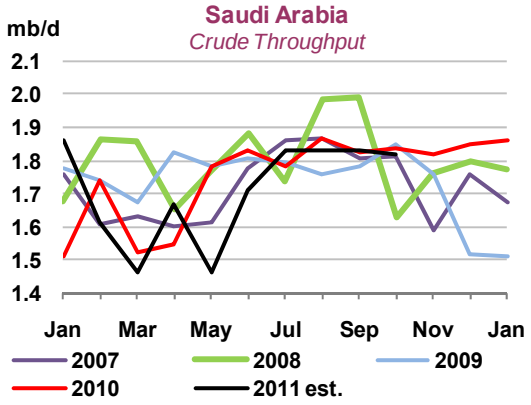


Indian crude throughputs are estimated to have averaged 4.0 mb/d in May, largely unchanged from April but some 160 kb/d above a year earlier. The Indian Prime Minister officially opened the 120 kb/d Bina refinery in May. Although the refinery is not included in May Ministry data, operations should start soon. The Ministry said in a statement in July that India's state refiners are now losing 2.4 billion rupees ($54.3 million) a day on sales of diesel, kerosene and cooking gas at regulated prices, less than half the 4.9 billion rupees they were losing daily before prices were raised late June. India's state refiners are compensated for some of their losses through cash subsidies or bonds from the government, and through discounts on their crude purchases from India's upstream players.

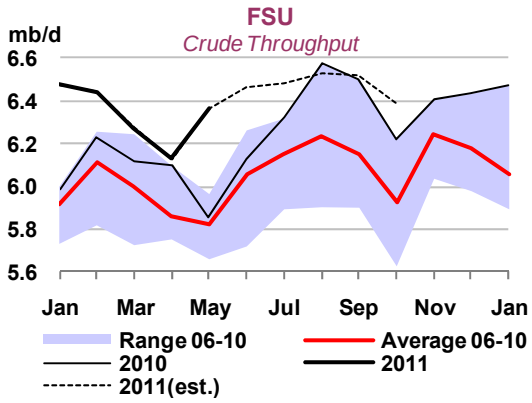
Indonesia's April throughputs were very weak, at around 600 kb/d, compared to levels of 800 kb/d normally (and 80 kb/d lower than our estimate). The explosion and fire at the Cilacap refinery on 2 April, thought to have been operating at 350 kb/d before the blast, forced the plant to shut for some 10 days. **Pakistan** reportedly had to boost imports of gasoline in June after three of the country's five refineries closed. Attock's Morgah plant had to shut, as did National Refinery Limited's Karachi refinery and Byco's Balochistan plant. It is not clear how many days the shutdowns lasted. In **Vietnam**, the country's sole Dung Quat refinery will remain closed for two months starting in mid-July, according to the operator. Vietnam has stopped reporting monthly data to JODI since October 2010.

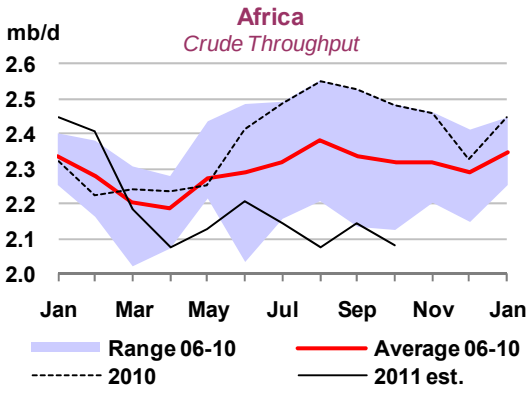
Middle Eastern crude throughput estimates are largely unchanged from previous reports, despite the incorporation of some annual data and an upward adjustment to UAE runs, which previously included only Abu Dhabi crude and some condensates. Regional runs are now seen rising from 5.6 mb/d in May to 6.0 mb/d in June and 6.2 mb/d in July, on higher Saudi Arabian and Kuwaiti runs. The restart of the 400 kb/d PetroRabigh in **Saudi Arabia**, after a six-week full shutdown in June is underpinning the sharp increase in Saudi domestic crude demand, and together with seasonal increases in crude oil direct burn (see *Saudi Arabia's Power from Crude* in the demand section), is absorbing a significant part of recent Saudi production increases. **Kuwait's** 190 kb/d Shuaiba refinery was ramping up production in May, after a month-long maintenance shutdown. In **Yemen**, the 130 kb/d Aden refinery restarted on 20 June after receiving a donation of Arab Light crude from Saudi Arabia. The refinery had to close, as output of Yemeni Light Marib crude was shuttered after an attack on the main pipeline in March.





FSU refinery crude runs estimates for 2Q11 and 3Q11 are largely unchanged since last month's report, at 6.3 mb/d and 6.5 mb/d respectively. Russian crude runs were nevertheless some 170 kb/d higher than expected in May, at 5.1 mb/d, up from 4.94 mb/d in April and 4.78 mb/d in May last year. Revisions to historical estimates based on annual data were minimal, taking 2009 estimates only 25 kb/d lower.



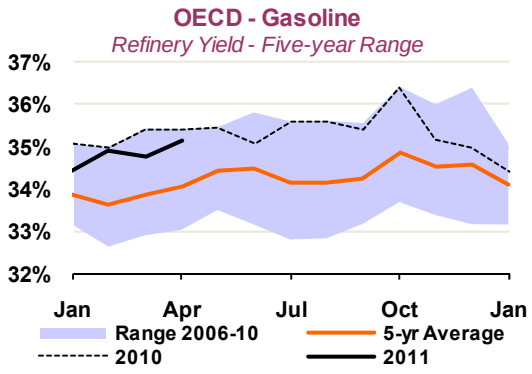


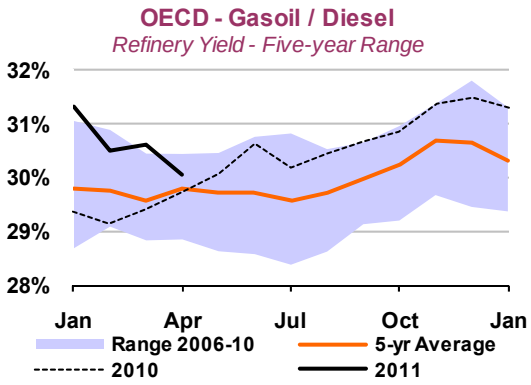
In **Africa**, regional runs are still low following the near complete shut down of refinery operations in Libya due to lack of crude or damage to facilities. According to news reports, Libya's 120 kb/d Azzawiya

refinery near Tripoli had to halt operations in mid-June as rebels cut off the crude supply pipeline to the plant. Also the 20 kb/d Tobruk refinery sustained damage and had to halt operations for an estimated two weeks in June, cutting off gasoline supplies to rebel forces fighting the Gaddafi regime. The country's largest refinery in Ras Lanuf has been shut since late February. It looks likely that all of the country's refineries are out of operation at the moment. Chad's first refinery, a Chinese-funded plant outside of N'Djamena, started operating in late June. The plant has an initial capacity of 20 kb/d, but could be expanded to 50 or 60 kb/d at a later stage.

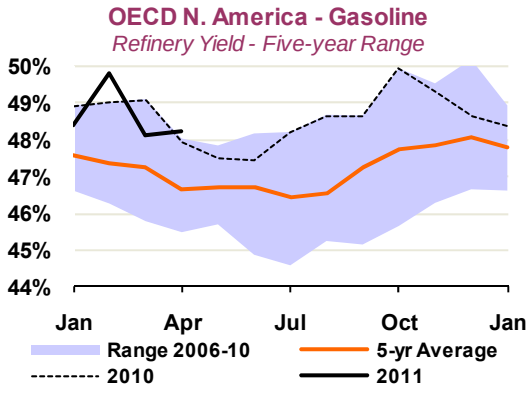
OECD Refinery Yields

OECD refinery yields increased for gasoline and other products, and fell for all other product categories in April. OECD gasoline yields increased by 0.4 percentage points (pp), mostly on account of higher European gasoline yields. Yields are however still below the five-year range. In OECD North America, yields were almost unchanged vs. March, and are now slightly above last year's level. OECD Pacific yields increased somewhat as well, and in April stood at the five-year average. OECD gasoil/diesel yields have been trending downward so far this year, and fell further by 0.6 pp in April. Declines in both OECD North America and Europe offset an increase in the Pacific. OECD gross refinery output in April fell by 440 kb/d compared with March, and was almost 2 mb/d lower than the five-year average amid exceptionally low runs in both OECD North America and Europe.





In OECD North America, gasoline yields increased slightly, ramping up for the summer driving season, whereas gasoil/diesel yields declined by 1.0 pp, partly reflecting weaker product cracks for middle distillates. Refineries in OECD Europe increased gasoline yields in April at the expense of both naphtha and gasoil/diesel. Gasoline yields are however low both compared to last year's level and the five-year average, standing 0.3 pp and 0.8 pp below, respectively. Naphtha yields fell in line with seasonal trends. In the OECD Pacific, gasoil/diesel yields increased by 0.6 pp in April, as demand was strong and a tightening market pushed product cracks higher.



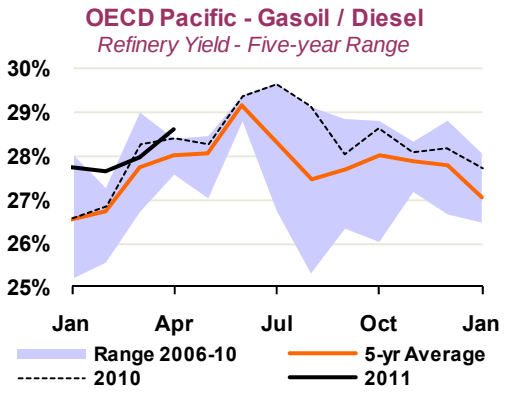


Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.5	23.7	24.2	23.9	23.8	23.8	23.2	23.8	23.7	23.6	23.7	23.2	23.8	23.7	23.6
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.7	14.7	14.4	14.1	14.0	14.7	14.6	14.4
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.6	8.2	7.8	8.3	7.2	7.4	8.0	7.7
Total OECD	47.6	45.6	46.0	45.3	46.7	46.8	46.2	46.3	44.3	46.1	46.5	45.8	46.1	44.5	45.9	46.3	45.7
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.5	4.7	4.7	4.6	4.6	4.5	4.8	4.8	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.7	9.7	9.9	9.7	10.0	10.2	10.1	10.4	10.2
Other Asia	9.7	10.1	10.4	10.6	10.2	10.6	10.4	10.8	10.9	10.5	10.9	10.8	11.1	11.3	10.9	11.3	11.1
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.7	6.6	6.5	6.5	6.8	6.9	6.8	6.8
Middle East	7.2	7.5	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.6	3.5	3.6	3.5
Total Non-OECD	38.9	39.9	40.9	42.2	42.4	43.0	42.1	42.8	43.8	44.2	44.1	43.7	44.3	45.4	45.9	45.7	45.3
Total Demand[1]	86.5	85.5	86.9	87.4	89.2	89.9	88.3	89.1	88.2	90.3	90.6	89.5	90.4	89.9	91.8	92.0	91.0
OECD SUPPLY																	
North America[4]	13.3	13.6	13.9	14.1	14.1	14.4	14.1	14.4	14.2	14.0	14.3	14.2	14.6	14.3	14.2	14.5	14.4
Europe	4.8	4.6	4.5	4.2	3.8	4.2	4.2	4.1	3.9	4.0	4.3	4.1	4.3	4.0	3.9	4.1	4.1
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	18.8	18.8	19.1	18.9	18.5	19.2	18.9	19.1	18.6	18.6	19.3	18.9	19.6	19.0	18.9	19.3	19.2
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.7	13.6	13.7	13.8	13.7	13.7	13.8	13.6	13.7	13.7
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.1	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.1	4.4	4.5	4.3	4.5	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.7	1.8
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.0	29.8	30.1	29.7	30.2	30.5	30.1	30.6	30.6	30.5	30.6	30.5
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.3	2.0	1.9	1.6	2.0	2.4	2.1	2.1
Total Non-OPEC[2]	50.6	51.5	52.1	52.6	52.6	53.2	52.6	52.8	52.4	53.2	54.0	53.1	54.0	53.9	54.0	54.3	54.0
Non-OPEC: Historical Composition[2]	49.6	51.5	52.1	52.6	52.6	53.2	52.6	52.8	52.4	53.2	54.0	53.1	54.0	53.9	54.0	54.3	54.0
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.4								
NGLs	4.5	4.9	5.2	5.2	5.4	5.6	5.3	5.8	5.8	5.9	6.0	5.9	6.2	6.2	6.4	6.4	6.3
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7	35.2								
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7	35.2								
Total Supply[6]	86.8	85.6	86.6	87.1	87.7	88.3	87.4	88.6	87.6								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.2	1.0	-0.1	-1.0	0.0	-0.3									
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0									
Total	0.3	0.0	0.2	1.0	-0.2	-0.9	0.0	-0.3									
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.0	-0.2	-0.3	-0.2	0.2									
Miscellaneous to balance[7]	-0.1	-0.2	-0.3	-1.4	-1.0	-0.3	-0.7	-0.4									
Total Stock Ch. & Misc	0.3	0.1	-0.3	-0.3	-1.4	-1.5	-0.9	-0.5	-0.6								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.6	29.7	31.1	31.1	30.4	30.5	30.0	31.3	30.6	30.6	30.3	29.8	31.4	31.2	30.7
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.3	28.3	30.1	30.8	29.6	30.0	29.6	30.8	30.2	30.2	29.9	29.4	31.0	30.8	30.3

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-0.2	-0.1	-0.2					
Europe	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2					
Pacific	-	-	-	-	-	-	-	-	-0.2	-	-	-					
Total OECD	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-0.4	-0.1	-	-0.1					
NON-OECD DEMAND																	
FSU	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1					
Africa	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OECD	-	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.5	0.4	0.3	0.4					
Total Demand	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.1	0.3	0.3	0.2					
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	0.2	-	-	0.1					
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Pacific	-	-	-	-	-	-	-	-	-	-	-	-					
Total OECD	-	-	-	-	-	-	-	-	0.1	-	-	-					
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-0.1	0.1	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1					
Latin America	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1					
Middle East	-	-	-	-	-	-	-	-	-	-0.1	-	-					
Africa	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1					
Total Non-OECD	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.3	-0.2	-0.2					
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-					
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OPEC	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2					
Non-OPEC: historical composition	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2					
OPEC																	
Crude	-	-	-	-	-	-	-	-									
NGLs	-	-	-	-	-	-	-	-	-	-	-	-					
Total OPEC	-	-	-	-	-	-	-	-									
OPEC: historical composition	-	-	-	-	-	-	-	-									
Total Supply	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1									
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	-0.3	-0.4	-0.4	-0.4	-0.3	-0.4	-0.5									
Total Stock Ch. & Misc	-0.1	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4									
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.6	0.5	0.4					
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	0.1	-	-0.1	-0.1	0.2	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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.47	23.66	24.17	23.94	23.81	23.77	23.16	23.80	23.68	23.60	23.70	23.24	23.79	23.66	23.60
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.18	14.09	14.73	14.66	14.42	14.14	14.03	14.66	14.59	14.35
Pacific	7.68	8.23	7.34	7.62	8.07	7.81	8.35	7.09	7.59	8.16	7.80	8.29	7.21	7.45	8.03	7.74
Total OECD	45.64	46.01	45.25	46.72	46.83	46.20	46.30	44.34	46.13	46.50	45.82	46.13	44.48	45.90	46.27	45.70
Asia	18.19	19.03	19.66	19.11	20.26	19.52	20.29	20.67	20.19	20.81	20.49	21.11	21.52	21.04	21.65	21.33
Middle East	7.49	7.38	7.79	8.25	7.68	7.78	7.62	8.01	8.53	7.82	8.00	7.85	8.27	8.82	8.11	8.26
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.29	6.50	6.68	6.59	6.52	6.52	6.76	6.92	6.84	6.76
FSU	4.18	4.39	4.34	4.57	4.59	4.47	4.48	4.53	4.71	4.68	4.60	4.62	4.55	4.82	4.79	4.69
Africa	3.33	3.32	3.42	3.37	3.42	3.38	3.42	3.44	3.40	3.44	3.42	3.51	3.57	3.54	3.58	3.55
Europe	0.71	0.68	0.68	0.69	0.71	0.69	0.68	0.70	0.70	0.72	0.70	0.71	0.72	0.73	0.74	0.72
Total Non-OECD	39.90	40.85	42.19	42.44	43.04	42.14	42.78	43.84	44.21	44.06	43.73	44.32	45.38	45.87	45.70	45.32
World	85.54	86.86	87.44	89.16	89.87	88.34	89.07	88.18	90.34	90.56	89.54	90.44	89.86	91.77	91.97	91.02
of which: US50	18.77	18.93	19.10	19.57	19.31	19.23	19.20	18.68	19.27	19.09	19.06	19.13	18.75	19.27	19.07	19.06
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.72	8.63	8.99	8.89	8.81	8.66	8.51	8.89	8.80	8.72
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.73	9.65	9.87	9.70	10.00	10.22	10.14	10.36	10.18
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.91	4.34	4.67	4.45	4.81	3.97	4.20	4.55	4.38
India	3.26	3.38	3.45	3.13	3.38	3.34	3.50	3.59	3.25	3.51	3.46	3.65	3.72	3.37	3.63	3.59
Russia	3.03	3.16	3.17	3.41	3.36	3.28	3.21	3.32	3.49	3.42	3.36	3.31	3.30	3.57	3.49	3.42
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.68	2.76	2.88	2.88	2.80	2.75	2.86	2.96	2.97	2.88
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.89	3.23	2.67	2.81	2.59	2.99	3.36	2.80	2.93
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.23	2.13	2.22	2.22	2.20	2.22	2.16	2.21	2.21	2.20
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.05	2.13	2.32	2.21	2.33	2.10	2.11	2.30	2.21
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.07	2.02	2.06	2.04	2.04	2.06	2.02	2.06	2.04
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.03	2.03	2.01	2.04	2.10	2.05	2.06	2.03	2.06
Total	60.03	61.36	61.58	62.93	63.39	62.32	62.87	61.79	63.51	63.61	62.95	63.57	62.68	64.17	64.25	63.67
% of World	70.2%	70.6%	70.4%	70.6%	70.5%	70.5%	70.6%	70.1%	70.3%	70.2%	70.3%	70.3%	69.8%	69.9%	69.9%	70.0%
Annual Change (% per annum)																
North America	-3.7	0.2	3.1	3.9	1.7	2.2	1.3	-2.1	-1.5	-1.1	-0.9	-0.3	0.4	0.0	-0.1	0.0
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.9	-1.1	-1.3	-1.1	-1.1	-0.3	-0.5	-0.5	-0.5	-0.4
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.4	-0.4	1.1	-0.2	-0.7	1.6	-2.0	-1.6	-0.7
Total OECD	-4.2	-1.4	1.3	3.5	1.6	1.2	0.6	-2.0	-1.3	-0.7	-0.8	-0.4	0.3	-0.5	-0.5	-0.3
Asia	4.3	12.3	7.1	3.4	6.9	7.3	6.6	5.2	5.7	2.7	5.0	4.0	4.1	4.2	4.0	4.1
Middle East	3.9	4.8	3.5	3.2	4.1	3.9	3.1	2.8	3.3	1.9	2.8	3.1	3.1	3.5	3.7	3.3
Latin America	0.0	4.6	5.1	6.0	4.4	5.0	4.0	3.3	3.4	3.3	3.5	3.6	4.1	3.7	3.7	3.8
FSU	-1.0	8.3	6.7	5.3	7.4	6.9	2.1	4.3	2.9	2.0	2.8	3.0	0.5	2.5	2.3	2.0
Africa	1.7	-2.2	1.5	1.7	5.7	1.6	2.9	0.4	1.0	0.6	1.2	2.6	3.9	4.0	4.1	3.6
Europe	-6.1	-6.9	-6.4	-3.2	1.8	-3.7	0.7	1.8	2.1	1.1	1.4	4.5	3.4	3.7	3.6	3.8
Total Non-OECD	2.6	7.6	5.4	3.7	5.9	5.6	4.7	3.9	4.2	2.4	3.8	3.6	3.5	3.8	3.7	3.6
World	-1.1	2.7	3.2	3.6	3.6	3.3	2.5	0.8	1.3	0.8	1.4	1.5	1.9	1.6	1.6	1.6
Annual Change (mb/d)																
North America	-0.89	0.05	0.72	0.90	0.39	0.52	0.30	-0.50	-0.36	-0.25	-0.21	-0.06	0.09	-0.01	-0.02	0.00
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.13	-0.16	-0.19	-0.16	-0.16	-0.04	-0.06	-0.07	-0.08	-0.06
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.25	-0.03	0.09	-0.02	-0.06	0.12	-0.15	-0.13	-0.06
Total OECD	-1.98	-0.63	0.56	1.57	0.73	0.56	0.29	-0.91	-0.59	-0.33	-0.39	-0.17	0.14	-0.23	-0.23	-0.12
Asia	0.75	2.09	1.31	0.63	1.30	1.33	1.26	1.02	1.09	0.55	0.98	0.82	0.84	0.84	0.84	0.84
Middle East	0.28	0.34	0.26	0.26	0.30	0.29	0.23	0.22	0.28	0.14	0.22	0.24	0.25	0.30	0.29	0.27
Latin America	0.00	0.26	0.31	0.37	0.27	0.30	0.24	0.21	0.22	0.21	0.22	0.23	0.27	0.24	0.25	0.24
FSU	-0.04	0.34	0.27	0.23	0.32	0.29	0.09	0.19	0.13	0.09	0.13	0.13	0.02	0.12	0.11	0.09
Africa	0.06	-0.08	0.05	0.06	0.18	0.05	0.10	0.01	0.03	0.02	0.04	0.09	0.13	0.14	0.14	0.13
Europe	-0.05	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.01	0.01	0.01	0.01	0.03	0.02	0.03	0.03	0.03
Total Non-OECD	1.00	2.90	2.15	1.52	2.39	2.24	1.92	1.65	1.77	1.02	1.59	1.54	1.54	1.66	1.64	1.59
World	-0.99	2.27	2.71	3.09	3.12	2.80	2.21	0.74	1.18	0.69	1.20	1.37	1.68	1.43	1.41	1.47
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	-0.11	-0.10	-0.10	-0.09	-0.10	-0.12	-0.52	-0.21	-0.11	-0.24					
Europe	0.03	0.13	0.13	0.13	0.13	0.13	0.13	0.24	0.15	0.11	0.16					
Pacific	0.03	0.03	0.03	0.03	0.03	0.03	0.03	-0.16	-0.02	0.02	-0.03					
Total OECD	0.06	0.06	0.05	0.06	0.07	0.06	0.05	-0.44	-0.07	0.02	-0.11					
Asia	0.00	0.00	0.02	0.01	-0.01	0.01	0.04	0.05	0.03	0.00	0.03					
Middle East	0.02	0.03	0.02	0.03	0.03	0.03	0.03	0.10	0.07	0.02	0.05					
Latin America	0.00	0.01	0.01	0.01	0.01	0.01	0.02	0.00	0.02	0.02	0.02					
FSU	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.33	0.24	0.21	0.25					
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.02	0.02	0.02					
Europe	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01					
Total Non-OECD	0.23	0.25	0.27	0.26	0.24	0.26	0.30	0.52	0.37	0.26	0.36					
World	0.29	0.31	0.33	0.32	0.31	0.32	0.34	0.08	0.30	0.28	0.25					
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.19	0.18	0.05	-0.04	-0.07	0.03	0.03	-0.25	-0.03	-0.03	-0.07					

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	2Q10	3Q10	4Q10	1Q11	Feb 11	Mar 11	Apr 11 [2]	Latest month vs. Mar 11	Latest month vs. Apr 10
North America											
LPG&Ethane	2.83	2.89	2.56	2.74	3.06	3.30	3.28	3.10	2.67	-0.44	0.12
Naphtha	0.31	0.38	0.40	0.40	0.34	0.36	0.33	0.41	0.35	-0.06	-0.07
Motor Gasoline	10.56	10.63	10.80	10.92	10.60	10.15	10.21	10.33	10.36	0.03	-0.33
Jet/Kerosene	1.61	1.65	1.66	1.70	1.64	1.60	1.60	1.64	1.64	0.01	0.04
Gasoil/Diesel Oil	4.61	4.81	4.68	4.77	5.00	5.03	4.98	5.08	4.54	-0.54	-0.10
Residual Fuel Oil	0.92	0.95	0.95	0.92	0.94	0.98	1.04	0.95	0.97	0.02	0.02
Other Products	2.45	2.48	2.60	2.72	2.36	2.34	2.22	2.47	2.50	0.04	-0.06
Total	23.29	23.81	23.66	24.17	23.94	23.77	23.66	23.99	23.03	-0.96	-0.37
Europe											
LPG&Ethane	0.96	0.96	0.98	0.89	0.96	1.01	1.03	1.01	0.97	-0.04	-0.09
Naphtha	1.18	1.26	1.20	1.26	1.27	1.31	1.34	1.26	1.30	0.04	0.11
Motor Gasoline	2.31	2.21	2.28	2.35	2.14	2.02	2.06	2.09	2.19	0.10	-0.11
Jet/Kerosene	1.25	1.27	1.24	1.37	1.26	1.20	1.20	1.22	1.21	-0.01	0.08
Gasoil/Diesel Oil	6.04	6.13	5.85	6.14	6.43	6.05	6.44	6.09	5.64	-0.45	-0.24
Residual Fuel Oil	1.44	1.27	1.20	1.28	1.30	1.27	1.28	1.26	1.21	-0.05	-0.04
Other Products	1.50	1.47	1.50	1.64	1.46	1.32	1.30	1.35	1.42	0.06	-0.01
Total	14.66	14.58	14.25	14.92	14.82	14.18	14.64	14.29	13.94	-0.35	-0.29
Pacific											
LPG&Ethane	0.86	0.84	0.84	0.80	0.83	0.88	0.86	0.81	0.89	0.08	0.03
Naphtha	1.62	1.68	1.58	1.63	1.75	1.78	1.87	1.67	1.46	-0.22	-0.15
Motor Gasoline	1.55	1.57	1.52	1.65	1.59	1.51	1.60	1.53	1.43	-0.10	-0.13
Jet/Kerosene	0.85	0.87	0.71	0.65	0.98	1.18	1.20	1.04	0.77	-0.27	-0.11
Gasoil/Diesel Oil	1.61	1.62	1.56	1.57	1.70	1.67	1.79	1.67	1.54	-0.13	-0.12
Residual Fuel Oil	0.76	0.74	0.68	0.75	0.73	0.80	0.82	0.73	0.64	-0.09	-0.06
Other Products	0.44	0.49	0.44	0.58	0.48	0.54	0.51	0.59	0.42	-0.17	0.01
Total	7.68	7.81	7.34	7.62	8.07	8.35	8.66	8.04	7.14	-0.89	-0.54
OECD											
LPG&Ethane	4.65	4.70	4.38	4.42	4.86	5.19	5.17	4.92	4.52	-0.40	0.06
Naphtha	3.11	3.32	3.19	3.29	3.36	3.45	3.53	3.34	3.11	-0.24	-0.10
Motor Gasoline	14.41	14.41	14.61	14.92	14.33	13.69	13.87	13.95	13.98	0.03	-0.57
Jet/Kerosene	3.70	3.80	3.61	3.72	3.88	3.98	4.00	3.90	3.63	-0.27	0.02
Gasoil/Diesel Oil	12.25	12.57	12.10	12.48	13.13	12.74	13.22	12.84	11.71	-1.13	-0.47
Residual Fuel Oil	3.13	2.96	2.83	2.95	2.97	3.05	3.13	2.95	2.83	-0.12	-0.08
Other Products	4.39	4.44	4.54	4.94	4.30	4.19	4.03	4.41	4.34	-0.07	-0.06
Total	45.64	46.20	45.25	46.72	46.83	46.30	46.97	46.31	44.11	-2.20	-1.20

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2009	2010	2Q10	3Q10	4Q10	1Q11	Feb 11	Mar 11	Apr 11 [2]	Mar 11	Apr 10
United States[3]											
LPG	2.05	2.11	1.80	2.00	2.26	2.47	2.43	2.30	1.92	-0.38	0.14
Naphtha	0.25	0.27	0.28	0.28	0.23	0.27	0.24	0.31	0.25	-0.06	-0.04
Motor Gasoline	9.00	9.06	9.22	9.31	9.01	8.62	8.68	8.77	8.79	0.03	-0.34
Jet/Kerosene	1.41	1.45	1.46	1.48	1.45	1.40	1.41	1.42	1.47	0.05	0.06
Gasoil	3.63	3.80	3.70	3.76	3.94	3.95	3.87	4.00	3.69	-0.31	-0.02
Residual Fuel Oil	0.51	0.55	0.53	0.54	0.57	0.62	0.64	0.55	0.60	0.05	0.02
Other Products	1.92	1.99	2.11	2.19	1.86	1.87	1.75	1.98	1.98	0.00	-0.12
Total	18.77	19.23	19.10	19.57	19.31	19.20	19.00	19.33	18.70	-0.63	-0.30
Japan											
LPG	0.50	0.48	0.48	0.44	0.47	0.54	0.55	0.47	0.58	0.11	0.08
Naphtha	0.72	0.77	0.70	0.73	0.81	0.79	0.86	0.70	0.63	-0.07	-0.10
Motor Gasoline	0.99	1.00	0.97	1.08	1.00	0.95	0.98	0.96	0.88	-0.08	-0.12
Jet/Kerosene	0.55	0.55	0.43	0.36	0.62	0.80	0.84	0.69	0.46	-0.23	-0.11
Diesel	0.43	0.41	0.39	0.42	0.43	0.41	0.44	0.40	0.39	-0.01	-0.03
Other Gasoil	0.42	0.43	0.39	0.38	0.44	0.48	0.54	0.45	0.40	-0.05	-0.03
Residual Fuel Oil	0.41	0.40	0.37	0.43	0.39	0.42	0.45	0.38	0.34	-0.03	-0.02
Other Products	0.39	0.41	0.35	0.51	0.40	0.47	0.44	0.52	0.32	-0.19	0.00
Total	4.39	4.45	4.07	4.36	4.57	4.86	5.09	4.58	4.01	-0.57	-0.34
Germany											
LPG	0.10	0.10	0.11	0.11	0.09	0.10	0.10	0.09	0.11	0.01	-0.01
Naphtha	0.36	0.41	0.38	0.41	0.41	0.48	0.48	0.48	0.46	-0.01	0.11
Motor Gasoline	0.47	0.46	0.48	0.48	0.45	0.43	0.44	0.45	0.46	0.01	-0.02
Jet/Kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.16	0.17	0.19	0.02	0.03
Diesel	0.64	0.67	0.68	0.71	0.69	0.63	0.65	0.69	0.67	-0.02	-0.02
Other Gasoil	0.42	0.43	0.33	0.45	0.47	0.37	0.43	0.34	0.18	-0.15	-0.08
Residual Fuel Oil	0.16	0.15	0.14	0.16	0.16	0.16	0.16	0.16	0.15	-0.01	0.01
Other Products	0.11	0.09	0.10	0.12	0.09	0.05	0.03	0.07	0.10	0.03	0.01
Total	2.45	2.49	2.40	2.65	2.53	2.38	2.45	2.45	2.33	-0.12	0.04
Italy											
LPG	0.10	0.11	0.09	0.09	0.11	0.12	0.14	0.12	0.09	-0.03	-0.01
Naphtha	0.10	0.12	0.12	0.12	0.11	0.11	0.10	0.12	0.12	0.01	0.00
Motor Gasoline	0.25	0.24	0.25	0.26	0.24	0.22	0.23	0.23	0.24	0.01	0.00
Jet/Kerosene	0.09	0.10	0.10	0.11	0.09	0.09	0.09	0.10	0.09	0.00	0.01
Diesel	0.49	0.49	0.50	0.50	0.50	0.47	0.50	0.49	0.50	0.01	0.00
Other Gasoil	0.13	0.12	0.10	0.11	0.14	0.11	0.13	0.10	0.08	-0.02	-0.02
Residual Fuel Oil	0.18	0.13	0.12	0.13	0.12	0.10	0.11	0.10	0.10	0.00	-0.03
Other Products	0.20	0.23	0.22	0.26	0.25	0.21	0.22	0.19	0.23	0.04	0.02
Total	1.54	1.53	1.50	1.58	1.56	1.43	1.50	1.45	1.46	0.02	-0.04
France											
LPG	0.12	0.15	0.13	0.13	0.17	0.17	0.18	0.15	0.13	-0.02	-0.02
Naphtha	0.13	0.13	0.14	0.12	0.10	0.13	0.14	0.12	0.14	0.02	-0.01
Motor Gasoline	0.20	0.19	0.20	0.20	0.18	0.17	0.17	0.17	0.20	0.02	-0.01
Jet/Kerosene	0.15	0.15	0.15	0.16	0.14	0.14	0.14	0.14	0.15	0.01	0.02
Diesel	0.67	0.69	0.70	0.71	0.69	0.69	0.71	0.71	0.71	0.00	-0.01
Other Gasoil	0.32	0.30	0.23	0.27	0.34	0.35	0.40	0.29	0.20	-0.09	-0.07
Residual Fuel Oil	0.10	0.09	0.09	0.08	0.09	0.08	0.08	0.08	0.09	0.00	0.00
Other Products	0.18	0.17	0.19	0.19	0.15	0.13	0.13	0.15	0.17	0.02	0.00
Total	1.87	1.86	1.82	1.87	1.86	1.86	1.95	1.82	1.78	-0.04	-0.09
United Kingdom											
LPG	0.15	0.14	0.16	0.12	0.13	0.14	0.14	0.13	0.17	0.03	-0.01
Naphtha	0.02	0.03	0.03	0.03	0.02	0.03	0.03	0.03	0.03	0.01	0.00
Motor Gasoline	0.37	0.35	0.36	0.36	0.34	0.34	0.34	0.35	0.35	0.00	-0.02
Jet/Kerosene	0.33	0.33	0.30	0.33	0.34	0.34	0.33	0.34	0.31	-0.03	0.02
Diesel	0.43	0.45	0.44	0.45	0.44	0.45	0.46	0.46	0.43	-0.04	0.00
Other Gasoil	0.12	0.12	0.11	0.14	0.12	0.11	0.12	0.13	0.11	-0.02	-0.01
Residual Fuel Oil	0.08	0.06	0.06	0.06	0.07	0.07	0.07	0.05	0.07	0.02	-0.01
Other Products	0.14	0.14	0.15	0.15	0.15	0.15	0.15	0.14	0.16	0.02	0.01
Total	1.65	1.62	1.61	1.63	1.60	1.62	1.65	1.63	1.61	-0.02	-0.02
Canada											
LPG	0.35	0.35	0.35	0.33	0.36	0.38	0.39	0.37	0.36	-0.01	0.01
Naphtha	0.05	0.08	0.08	0.09	0.08	0.09	0.08	0.10	0.09	-0.01	0.00
Motor Gasoline	0.73	0.73	0.74	0.77	0.73	0.70	0.71	0.69	0.73	0.04	0.00
Jet/Kerosene	0.11	0.11	0.11	0.12	0.11	0.11	0.10	0.11	0.09	-0.02	-0.02
Diesel	0.23	0.22	0.22	0.22	0.23	0.22	0.24	0.21	0.09	-0.11	-0.11
Other Gasoil	0.28	0.31	0.27	0.31	0.34	0.35	0.38	0.33	0.27	-0.07	0.01
Residual Fuel Oil	0.10	0.10	0.11	0.09	0.11	0.11	0.14	0.09	0.10	0.01	-0.01
Other Products	0.31	0.30	0.29	0.34	0.30	0.28	0.28	0.29	0.27	-0.02	0.00
Total	2.16	2.21	2.17	2.26	2.25	2.23	2.32	2.19	2.00	-0.19	-0.12

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.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	1Q11	2Q11	3Q11	4Q11	1Q12	Apr 11	May 11	Jun 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.55	8.87				8.51	8.71	9.40
Iran	3.70			3.63	3.65				3.60	3.70	3.65
Iraq	2.36			2.66	2.67				2.60	2.68	2.72
UAE	2.31			2.48	2.48				2.51	2.42	2.50
Kuwait	2.03			2.08	2.15				2.12	2.15	2.19
Neutral Zone	0.53			0.56	0.59				0.58	0.58	0.60
Qatar	0.80			0.82	0.82				0.81	0.82	0.82
Angola	1.73			1.61	1.55				1.58	1.57	1.50
Nigeria	2.08			2.14	2.25				2.22	2.25	2.28
Libya	1.55			1.13	0.12				0.20	0.08	0.08
Algeria	1.25			1.27	1.26				1.28	1.24	1.26
Ecuador	0.47			0.50	0.50				0.50	0.50	0.50
Venezuela	2.52			2.52	2.51				2.52	2.49	2.53
Total Crude Oil[6]	29.47			29.95	29.41				29.02	29.19	30.03
Total NGLs[1,6]	5.34	5.89	6.30	5.79	5.80	5.93	6.01	6.16	5.80	5.80	5.80
Total OPEC[6]	34.81			35.75	35.21				34.82	34.99	35.84
OPEC: Historical Composition[6]	34.81			35.75	35.21				34.82	34.99	35.84
NON-OPEC[2]											
OECD											
North America	14.13	14.23	14.39	14.43	14.19	13.99	14.32	14.62	14.57	13.96	14.04
United States[5]	7.80	7.85	7.90	7.92	7.97	7.69	7.84	7.98	8.08	7.90	7.92
Mexico	2.96	2.93	2.87	2.97	2.96	2.90	2.88	2.91	2.98	2.96	2.93
Canada	3.37	3.45	3.62	3.54	3.27	3.41	3.60	3.73	3.51	3.10	3.19
Europe	4.18	4.07	4.09	4.11	3.90	3.96	4.32	4.26	4.12	3.73	3.87
UK	1.37	1.26	1.29	1.26	1.20	1.21	1.38	1.36	1.27	1.15	1.18
Norway	2.17	2.13	2.15	2.17	2.01	2.07	2.27	2.23	2.15	1.89	1.99
Others	0.64	0.68	0.65	0.67	0.69	0.68	0.67	0.66	0.70	0.69	0.69
Pacific	0.61	0.59	0.70	0.52	0.56	0.64	0.65	0.67	0.51	0.58	0.58
Australia	0.51	0.50	0.62	0.42	0.47	0.55	0.56	0.59	0.43	0.49	0.49
Others	0.10	0.09	0.08	0.09	0.08	0.09	0.09	0.09	0.08	0.09	0.09
Total OECD	18.92	18.89	19.18	19.05	18.65	18.59	19.29	19.55	19.20	18.27	18.48
NON-OECD											
Former USSR	13.55	13.67	13.71	13.67	13.61	13.65	13.75	13.74	13.63	13.63	13.57
Russia	10.45	10.55	10.58	10.52	10.55	10.55	10.57	10.55	10.55	10.58	10.51
Others	3.10	3.12	3.14	3.15	3.06	3.10	3.18	3.19	3.08	3.05	3.07
Asia	7.80	7.79	7.80	7.87	7.70	7.81	7.81	7.81	7.77	7.68	7.64
China	4.10	4.23	4.30	4.21	4.15	4.30	4.28	4.32	4.17	4.14	4.14
Malaysia	0.72	0.62	0.59	0.70	0.60	0.57	0.60	0.60	0.66	0.58	0.57
India	0.86	0.91	0.93	0.91	0.91	0.90	0.91	0.91	0.91	0.91	0.91
Indonesia	0.97	0.92	0.87	0.94	0.93	0.92	0.89	0.88	0.93	0.94	0.93
Others	1.14	1.11	1.12	1.11	1.10	1.12	1.12	1.10	1.10	1.11	1.09
Europe	0.14	0.14	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.07	4.29	4.56	4.18	4.15	4.36	4.47	4.55	4.08	4.14	4.22
Brazil[5]	2.14	2.25	2.43	2.18	2.18	2.28	2.37	2.42	2.14	2.16	2.22
Argentina	0.69	0.67	0.68	0.69	0.61	0.68	0.68	0.68	0.60	0.62	0.63
Colombia	0.79	0.93	1.02	0.86	0.92	0.95	0.98	1.00	0.91	0.93	0.93
Others	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.43	0.44	0.44
Middle East[3]	1.72	1.68	1.76	1.72	1.62	1.65	1.74	1.77	1.60	1.62	1.64
Oman	0.86	0.92	0.97	0.89	0.90	0.94	0.95	0.96	0.88	0.92	0.92
Syria	0.39	0.37	0.34	0.38	0.37	0.37	0.36	0.35	0.37	0.37	0.37
Yemen	0.28	0.20	0.25	0.26	0.14	0.15	0.23	0.26	0.15	0.13	0.15
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.54	2.57	2.55	2.51	2.54	2.56	2.56	2.48	2.52	2.52
Egypt	0.70	0.69	0.68	0.70	0.69	0.69	0.68	0.68	0.70	0.69	0.69
Gabon	0.25	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.21	0.25	0.25
Others	1.58	1.60	1.64	1.60	1.58	1.61	1.63	1.63	1.57	1.58	1.58
Total Non-OECD	29.80	30.12	30.54	30.13	29.72	30.16	30.46	30.56	29.68	29.73	29.73
Processing Gains[4]	2.10	2.17	2.26	2.16	2.14	2.14	2.23	2.28	2.14	2.14	2.14
Global Biofuels[5]	1.82	1.91	2.06	1.48	1.89	2.27	2.00	1.63	1.60	1.94	2.13
TOTAL NON-OPEC[6]	52.64	53.09	54.04	52.82	52.40	53.15	53.99	54.01	52.63	52.08	52.48
Non-OPEC: Historical Composition[6]	52.64	53.09	54.04	52.82	52.40	53.15	53.99	54.01	52.63	52.08	52.48
TOTAL SUPPLY	87.45			88.56	87.61				87.45	87.08	88.32

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4
OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jan2011	Feb2011	Mar2011	Apr2011	May2011*	May2008	May2009	May2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	479.5	491.3	498.3	505.6	509.9	421.8	488.6	489.4	0.16	0.05	-0.34	0.30
Motor Gasoline	269.6	263.6	249.5	239.2	248.1	235.2	234.5	247.3	-0.14	0.05	-0.02	0.01
Middle Distillate	234.4	222.7	217.4	212.4	207.9	184.7	232.2	221.9	0.17	0.14	-0.06	-0.24
Residual Fuel Oil	47.5	42.5	44.9	47.8	46.6	47.7	46.5	53.5	0.02	-0.02	0.00	-0.04
Total Products[3]	704.0	670.6	653.2	649.6	664.8	638.9	709.0	698.4	0.45	0.22	-0.35	-0.53
Total[4]	1329.4	1304.2	1296.3	1308.6	1327.7	1208.8	1359.1	1343.6	0.76	0.34	-0.87	-0.25
Europe												
Crude	334.2	325.4	322.9	312.2	313.8	340.0	331.9	356.8	0.11	-0.23	0.04	0.00
Motor Gasoline	104.4	104.6	100.5	95.5	95.9	106.7	93.6	94.8	-0.08	-0.02	0.02	0.04
Middle Distillate	299.2	286.1	284.9	283.4	288.5	240.8	293.2	286.4	0.04	-0.09	-0.03	0.10
Residual Fuel Oil	69.1	66.2	67.2	68.4	67.7	81.2	76.9	74.7	0.04	-0.01	-0.09	-0.01
Total Products[3]	588.6	571.9	565.4	559.7	565.0	539.3	572.2	569.0	0.02	-0.11	-0.08	0.13
Total[4]	993.4	964.3	953.7	937.7	944.8	954.7	975.9	996.8	0.08	-0.38	0.01	0.07
Pacific												
Crude	160.0	156.9	160.0	168.3	163.8	158.7	155.7	166.5	0.02	-0.12	0.03	0.02
Motor Gasoline	25.1	25.7	23.7	26.8	25.1	26.5	27.0	27.4	0.01	-0.03	-0.01	0.01
Middle Distillate	60.1	58.0	54.2	60.3	63.5	58.8	65.2	60.1	0.00	0.09	-0.07	-0.06
Residual Fuel Oil	18.6	18.4	20.7	22.0	21.6	24.1	20.6	21.2	0.01	0.01	-0.03	0.02
Total Products[3]	168.4	162.2	154.9	167.5	168.8	172.8	171.1	166.6	0.11	0.11	-0.16	-0.09
Total[4]	402.3	391.4	383.1	409.9	407.6	405.7	397.4	403.8	0.21	-0.03	-0.13	-0.08
Total OECD												
Crude	973.7	973.5	981.1	986.1	987.5	920.5	976.1	1012.7	0.29	-0.30	-0.27	0.32
Motor Gasoline	399.1	393.9	373.7	361.4	369.0	368.4	355.1	369.6	-0.20	0.01	-0.01	0.06
Middle Distillate	593.7	566.8	556.5	556.1	559.9	484.3	590.6	568.3	0.21	0.15	-0.16	-0.21
Residual Fuel Oil	135.1	127.2	132.8	138.2	136.0	152.9	143.9	149.4	0.07	-0.02	-0.13	-0.03
Total Products[3]	1460.9	1404.7	1373.6	1376.8	1398.6	1351.0	1452.4	1434.0	0.57	0.21	-0.59	-0.49
Total[4]	2725.1	2659.9	2633.0	2656.2	2680.1	2569.2	2732.4	2744.2	1.04	-0.07	-0.98	-0.26

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jan2011	Feb2011	Mar2011	Apr2011	May2011*	May2008	May2009	May2010	2Q2010	3Q2010	4Q2010	1Q2011
North America												
Crude	726.5	726.5	726.5	726.5	726.5	704.3	721.7	726.6	0.00	0.00	0.00	0.00
Products	2.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	0.00	-0.02
Europe												
Crude	185.8	185.9	185.9	185.6	185.6	181.6	186.6	185.2	-0.03	-0.04	0.05	-0.01
Products	233.6	233.4	232.6	234.2	234.2	232.8	238.7	237.1	-0.05	0.00	-0.01	-0.03
Pacific												
Crude	389.7	390.3	391.2	391.1	391.1	385.0	388.8	390.2	0.02	-0.10	0.08	0.02
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1302.0	1302.7	1303.6	1303.3	1303.3	1270.8	1297.1	1302.0	0.00	-0.13	0.13	0.01
Products	255.6	253.4	252.6	254.3	254.3	253.6	259.9	259.1	-0.05	0.00	-0.01	-0.05
Total[4]	1559.0	1557.6	1557.7	1558.9	1558.9	1525.4	1558.5	1562.5	-0.05	-0.14	0.12	-0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2010		End June 2010		End September 2010		End December 2010		End March 2011 [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	171.7	76	178.4	79	197.1	86	185.1	82	186.3	-
Mexico	51.5	25	54.4	27	49.0	24	44.5	22	45.0	-
United States[4]	1781.4	94	1840.7	94	1858.7	97	1795.5	94	1769.5	-
Total[4]	2026.7	86	2095.6	87	2127.0	89	2047.2	86	2022.9	87
Pacific										
Australia	41.5	43	42.7	45	40.5	41	38.1	39	39.1	-
Japan	581.5	143	597.1	137	581.8	127	588.3	121	576.9	-
Korea	163.6	75	167.3	78	173.5	74	165.4	70	170.2	-
New Zealand	8.1	61	8.9	59	8.2	53	8.2	51	8.0	-
Total	794.7	108	816.0	107	804.0	100	800.0	96	794.2	112
Europe[5]										
Austria	22.7	85	20.1	69	18.9	65	19.7	78	19.0	-
Belgium	35.3	66	37.8	62	34.3	51	33.6	50	37.0	-
Czech Republic	21.7	106	20.4	99	21.1	105	21.2	117	21.5	-
Denmark	27.2	171	28.2	160	26.5	157	25.3	162	20.8	-
Finland	32.5	166	28.5	134	28.5	121	27.8	127	26.9	-
France	171.8	94	170.1	91	163.4	88	168.2	91	167.4	-
Germany	288.8	120	280.4	106	285.6	113	286.8	121	289.4	-
Greece	35.6	105	33.9	98	36.3	95	34.3	92	33.9	-
Hungary	16.8	115	17.0	107	15.9	103	15.9	119	17.4	-
Ireland	12.7	81	12.8	87	11.4	68	9.8	63	10.8	-
Italy	129.2	86	132.5	84	126.6	81	133.3	93	132.2	-
Luxembourg	0.8	13	0.7	11	0.7	12	0.6	10	0.5	-
Netherlands	131.0	125	138.8	137	120.9	122	125.9	129	125.9	-
Norway	21.1	90	22.1	107	20.8	77	20.8	81	21.1	-
Poland	62.5	115	63.8	106	64.2	108	65.5	123	62.8	-
Portugal	23.4	84	24.9	87	22.8	84	22.9	89	23.5	-
Slovak Republic	9.5	122	9.3	99	8.6	101	8.3	109	9.0	-
Spain	132.0	93	134.1	94	133.0	92	133.2	93	132.9	-
Sweden	39.3	113	35.4	103	34.4	94	32.3	94	33.7	-
Switzerland	37.8	166	38.1	148	37.7	146	36.8	156	36.6	-
Turkey	58.1	88	58.4	80	58.5	90	58.5	100	58.3	-
United Kingdom	93.4	58	96.1	59	94.5	59	88.8	55	92.8	-
Total	1403.2	98	1403.2	94	1364.7	92	1369.6	96	1373.6	97
Total OECD	4224.6	93	4314.8	93	4295.7	92	4216.8	91	4190.7	95
DAYS OF IEA Net Imports[6]	-	145	-	146	-	145	-	146	-	146

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
1Q2008	4082	1529	2553	86	32	54
2Q2008	4110	1526	2584	88	33	55
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	58
1Q2010	4225	1567	2658	93	35	59
2Q2010	4315	1562	2753	93	34	59
3Q2010	4296	1549	2746	92	33	59
4Q2010	4217	1561	2656	91	34	57
1Q2011	4191	1558	2633	95	35	59

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 1Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Feb 11	Mar 11	Apr 11	Year Earlier Apr 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.69	0.73	0.75	0.71	0.61	0.70	0.63	0.84	-0.22
Europe	0.70	0.59	0.66	0.64	0.74	0.69	0.70	0.68	0.68	0.79	0.71	0.07
Pacific	1.22	1.28	1.21	1.17	1.15	1.26	1.33	1.31	1.39	1.25	1.31	-0.06
Saudi Medium												
North America	0.64	0.40	0.36	0.36	0.33	0.36	0.33	0.34	0.34	0.32	0.37	-0.05
Europe	0.05	0.02	0.00	0.00	-	-	-	-	-	-	0.00	-
Pacific	0.39	0.34	0.34	0.37	0.30	0.37	0.39	0.35	0.42	0.33	0.36	-0.03
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.03	0.01	0.02	0.02	0.02	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	0.00	-	0.00	-	-	-	0.00	-
Pacific	0.24	0.15	0.22	0.19	0.23	0.21	0.20	0.24	0.18	0.22	0.21	0.01
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.43	0.29	0.29	0.21	0.23	0.24	0.46	0.34	0.12
Europe	0.21	0.12	0.09	0.09	0.13	0.08	0.03	0.00	0.03	0.01	0.04	-0.03
Pacific	0.15	0.24	0.29	0.19	0.26	0.38	0.40	0.56	0.35	0.42	0.20	0.22
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.03	0.05	0.04	0.11	0.07	0.12	0.05	0.03	0.03
Europe	0.23	0.31	0.27	0.27	0.25	0.23	0.21	0.22	0.23	0.29	0.28	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.24	0.33	0.18	0.24	0.30	0.26	0.36	0.28	0.08
Pacific	0.08	0.07	0.04	0.07	0.04	0.01	0.06	0.06	0.07	0.02	0.07	-0.05
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.47	0.70	0.43	0.34	0.24	0.45	0.36	0.38	-0.02
Pacific	0.61	0.57	0.52	0.44	0.53	0.52	0.63	0.57	0.69	0.42	0.43	-0.01
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.21	0.08	0.16	0.06	-	-	0.12	-	-
Europe	0.06	0.07	0.02	0.02	0.05	0.01	0.03	0.02	0.04	0.02	0.01	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.83	0.96	0.75	0.89	0.84	0.85	0.83	0.86	-0.03
Europe	0.07	0.07	0.06	0.06	0.06	0.05	0.04	0.06	0.04	0.04	0.07	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.96	0.94	0.92	0.82	0.80	0.77	0.71	0.98	-0.27
Europe	0.14	0.10	0.11	0.11	0.11	0.09	0.14	0.16	0.14	0.14	0.11	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.02	0.09	0.05	0.06	0.10	0.09	0.01	0.08
Europe	0.01	0.01	0.02	0.02	-	0.05	0.01	-	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.13	0.08	0.03	0.01	-	0.02	-	0.14	-
Europe	1.81	1.72	1.80	1.86	1.88	1.71	1.76	1.65	1.85	2.00	1.99	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.64	0.58	0.62	0.67	0.44	0.57	0.60	-0.02
Europe	0.29	0.32	0.34	0.29	0.31	0.49	0.40	0.44	0.34	0.27	0.34	-0.07
Pacific	-	0.00	-	-	-	-	0.05	0.03	0.06	0.03	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.29	0.25	0.22	0.20	0.19	0.13	0.24	0.33	-0.09
Europe	0.14	0.13	0.09	0.09	0.09	0.11	0.14	0.16	0.19	0.14	0.06	0.08
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Feb-11	Mar-11	Apr-11	Year Earlier Apr-10	Year Earlier % change
Crude Oil												
North America	8076	7353	7346	7932	7745	6625	6600	5875	6915	6751	7650	-12%
Europe	9776	8893	9076	9160	9463	9110	8901	8734	8712	8406	9242	-9%
Pacific	6605	6082	6244	5899	6159	6472	6647	6755	6439	6492	6463	0%
Total OECD	24457	22329	22665	22991	23367	22207	22147	21364	22066	21648	23730	-9%
LPG												
North America	31	13	8	7	7	6	21	9	16	6	8	-25%
Europe	268	260	270	269	226	299	313	314	303	252	311	-19%
Pacific	589	529	558	600	533	567	569	542	532	651	529	23%
Total OECD	887	802	836	876	766	872	904	865	851	909	847	7%
Naphtha												
North America	56	22	36	28	59	35	34	22	57	22	28	-24%
Europe	298	352	390	391	345	382	292	165	263	270	478	-43%
Pacific	776	841	900	899	855	893	917	998	776	757	877	-14%
Total OECD	1130	1215	1326	1317	1260	1309	1243	1184	1097	1048	1384	-24%
Gasoline[3]												
North America	1077	878	791	839	926	712	638	596	665	876	797	10%
Europe	215	193	174	196	207	127	223	280	170	181	215	-16%
Pacific	90	96	64	73	44	67	71	114	49	76	81	-6%
Total OECD	1383	1167	1028	1108	1177	907	932	990	884	1133	1093	4%
Jet & Kerosene												
North America	64	62	76	59	86	89	56	63	57	83	56	48%
Europe	401	452	417	358	475	396	322	329	258	385	357	8%
Pacific	34	53	40	37	29	46	58	62	49	48	49	-2%
Total OECD	500	567	532	454	590	531	435	454	364	516	462	12%
Gasoil/Diesel												
North America	74	55	49	42	27	14	48	22	33	40	40	0%
Europe	871	1035	1045	885	934	1235	1086	1057	1016	1021	967	6%
Pacific	119	87	97	121	88	92	99	98	121	203	103	97%
Total OECD	1064	1177	1191	1048	1049	1340	1233	1177	1169	1263	1110	14%
Heavy Fuel Oil												
North America	288	270	277	293	285	254	347	337	380	429	362	18%
Europe	458	534	529	545	504	504	505	449	526	514	580	-11%
Pacific	125	113	117	104	127	101	147	172	133	130	102	27%
Total OECD	871	917	923	941	915	859	998	959	1039	1073	1044	3%
Other Products												
North America	1078	870	805	782	852	906	860	761	852	959	824	16%
Europe	734	770	666	606	699	737	683	725	663	773	531	46%
Pacific	298	325	335	276	382	352	383	335	401	300	281	7%
Total OECD	2110	1964	1806	1664	1932	1996	1926	1821	1916	2032	1635	24%
Total Products												
North America	2667	2171	2042	2050	2241	2017	2004	1810	2061	2414	2115	14%
Europe	3245	3595	3491	3249	3390	3680	3424	3319	3199	3397	3439	-1%
Pacific	2032	2045	2111	2110	2059	2118	2244	2320	2061	2165	2022	7%
Total OECD	7944	7810	7643	7409	7689	7814	7672	7450	7320	7975	7575	5%
Total Oil												
North America	10743	9524	9387	9981	9985	8641	8604	7685	8976	9164	10140	-10%
Europe	13022	12488	12567	12410	12853	12790	12325	12053	11910	11803	12681	-7%
Pacific	8637	8127	8354	8008	8218	8590	8890	9075	8500	8657	8485	2%
Total OECD	32401	30139	30308	30399	31056	30021	29819	28814	29386	29624	31306	-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.

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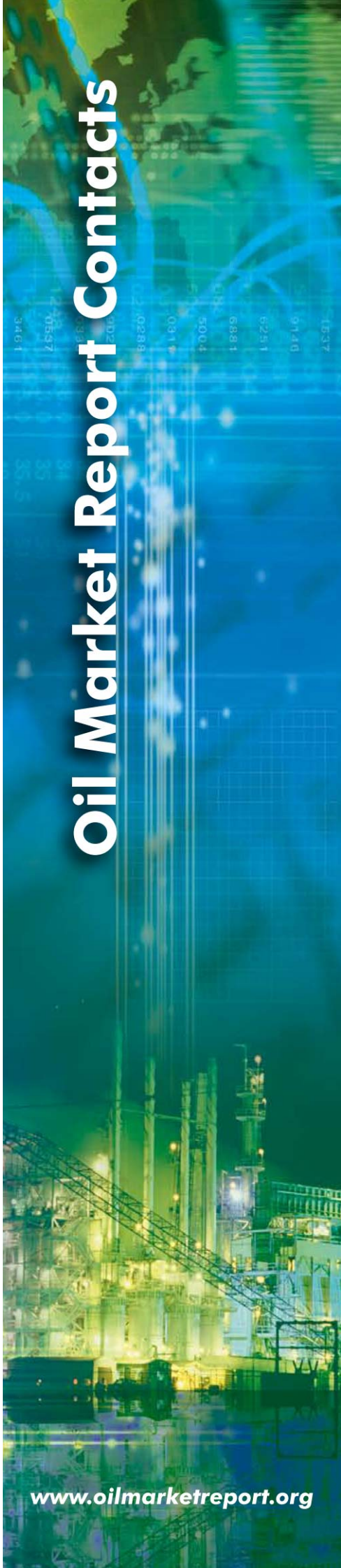
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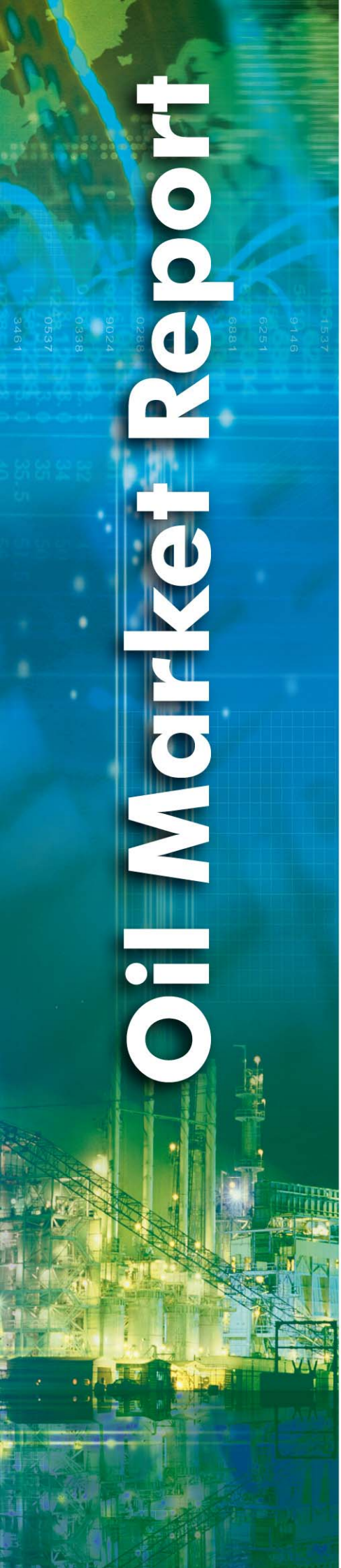
User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of The McGraw-Hill Companies, Inc.).

The *Oil Market Report* is published under the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member-country 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/IEA 2011

Next Issue: 10 August 2011





International Energy Agency

10 August 2011

HIGHLIGHTS

- **Marker crude prices have lost $12-$15/bbl since early-August** amid growing concerns over government debt and the likely impact on the global economy. At writing, Brent and WTI futures stood at $103/bbl and $80/bbl respectively. This follows July's relative calm, when crude rose by $1-$3/bbl, accompanied by modest gains in refining margins.

- **Global 2011 oil demand is trimmed by 0.1 mb/d** on weaker baseline and 2Q11 data, high prices and slowing economic growth. The 2012 outlook is raised by 0.1 mb/d due to oil-fired power needs in Japan. Demand averages 89.5 mb/d in 2011 (+1.4% or 1.2 mb/d y-o-y) and 91.1 mb/d in 2012 (+1.8% or 1.6 mb/d). A lower GDP case would cut 0.3 mb/d and 1.3 mb/d respectively from 2011 and 2012 demand.

- **World oil supply in July rose by 0.6 mb/d from June, to 88.7 mb/d**, with non-OPEC production up by 0.4 mb/d. Rising Canadian production offset lower UK production. Non-OPEC supply is now seen averaging a lower 53 mb/d in 2011 on prolonged production outages, rising to 54 mb/d in 2012.

- **OPEC crude supply in July averaged 30.05 mb/d, up by 0.1 mb/d from June.** Output has regained levels close to those seen before the Libyan crisis, although OPEC spare capacity now stands at only 3.3 mb/d. Output still lags a 'call on OPEC crude and stock change' that averages 31 mb/d in 2H11 and 30.8 mb/d for 2012.

- **June OECD industry oil inventories fell counter-seasonally by 11.8 mb to 2 678 mb, or 58.4 days of forward demand.** The surplus to the five-year average narrowed significantly, from 18.2 mb in May to 4.7 mb in June. Preliminary July data suggest an 18.5 mb gain in onshore OECD inventories, but floating storage fell.

- **Global refinery crude runs for 2Q2011 have been raised by 0.1 mb/d** since last month, as surging Russian June throughputs offset weaker-than-expected Chinese runs. 3Q11 estimates are unchanged, up 2.2 mb/d from 2Q11, at 75.9 mb/d, as stronger expected OECD runs counteract a weaker picture for non-OECD Asia.

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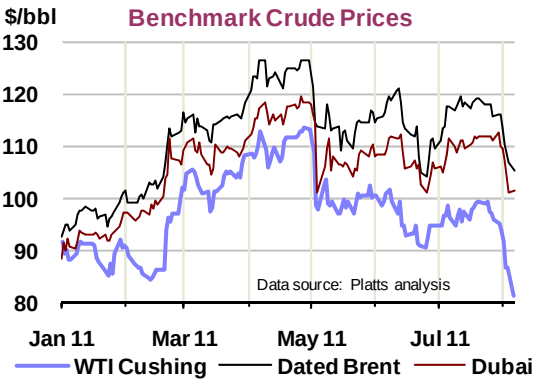
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SUMMER ON THE BIG DIPPER

Crude oil prices have plunged for the third time in three months, reviving all the old clichés about roller-coaster volatility. In passing, we note that just as a certain asymmetry in pump prices is often remarked upon, so too policy makers seem rather less concerned with price volatility when it is to the downside (although arguably there are bigger problems to worry about with financial meltdown on the horizon). Brent and WTI futures at the time of writing are flirting with lows near $100/bbl and $80/bbl respectively. Brent at $125/bbl back in late-April seems a long time ago. Concerns over debt levels in Europe and the US, and signs of slowing economic growth in China and India have spooked the market and raised fears in some quarters of a double-dip recession. From an oil market standpoint, perceived wisdom is that this must inevitably mean weaker oil demand to come. With extra crude volumes now hitting the market after OPEC boosted supply and the IEA released emergency stocks, this has been sufficient to sharply weaken prices. Lower energy input costs are well and good, but not if they are achieved at the cost of another economic crisis. Arguably, political paralysis has played a greater role in the current situation than has the financial sector. Either way, earlier bullish oil market prognoses are being hastily re-examined.



Our own base case demand trend remains remarkably unscathed, partly since our view of 2011 demand growth was already below that of some of our peers. That said, our global 2011/2012 GDP growth assumption in excess of 4% might seem optimistic in the present climate. Downward adjustments to recent US and Chinese demand data carry forward through 2012. But there are inter-fuel substitution offsets, notably in Japan. Our analysis suggests Japanese nuclear outages will see oil-burn for power generation in 2011 and 2012 around 250 kb/d higher than normal, and higher than first thought when the Fukushima disaster struck in March. However, recognising emerging economic storm clouds, we also run a lower, 3% global GDP growth scenario, which more than halves base case 2012 oil demand growth to only 0.6 mb/d. Such an outcome could conceivably push the 'call on OPEC crude and stock change' below 30 mb/d, *all other things being equal.*

Of course, only in forecasters' imaginations are all things ever equal. The unforeseeable 1.5 mb/d Libyan supply disruption rumbles on. Non-OPEC supply remains prone to unexpected outages. OECD industry stocks, despite a potential top-up in August from rising OPEC supply, SPR oil and renewed market contango, now look tighter at around five-year averages, and could go lower still if the near-700 kb/d of current non-OPEC outages proves deeper or more prolonged than we assume here. Aside from UK field problems, political instability in a number of MENA and sub-Saharan African oil producers also risks curtailing supply further in the next 18 months. And although higher prompt OPEC supply is welcome in the face of seasonally rising demand, it has inevitably curbed OPEC spare capacity, down now to 3.3 mb/d, fairly meagre in comparison to the totality of currently perceived supply-side risks.

The above caveats to currently bearish market sentiment explain why we will continue closely monitoring the market this summer, with emergency data reporting by IEA member governments ongoing in August and September. The IEA did not extend the original 60 mb collective action during its 30-day review in late-July, with most SPR barrels from the initial phase still reaching the market in August. But nor was the action formally terminated. By September, market direction may be clearer if the economic outlook itself has become more clear-cut. The so-far benign Atlantic hurricane season has largely spared US Gulf and Mexican energy infrastructure. Then again, August has a habit of springing both geopolitical and meteorological surprises, so the big dipper ride may still have further to run.

DEMAND

Summary

- **Forecast global oil demand is trimmed by 60 kb/d for 2011 and raised by 70 kb/d for 2012.** Adjustments to this year's forecast stem largely from lower-than-expected 2Q11 and 3Q11 demand readings amid the sustained pressure of high oil prices and increased evidence of economic slow-down. Higher expectations for oil-fired power generation in Japan, however, provide a boost to 4Q11 and 2012 demand. Overall, global oil demand is expected to average 89.5 mb/d in 2011 (+1.4% or +1.2 mb/d year-on-year), rising to 91.1 mb/d in 2012 (+1.8% or +1.6 mb/d year-on-year).

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Americas	29.5	30.0	30.5	30.2	30.1	30.0	29.7	30.2	30.2	30.0	30.2	29.9	30.5	30.5	30.3
Asia/Pacific	27.2	27.0	26.7	28.3	27.3	28.6	27.4	27.7	29.2	28.2	29.7	28.8	28.5	29.7	29.2
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.4	15.4	15.1	14.9	14.8	15.3	15.3	15.1
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.7	4.8	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Middle East	7.4	7.8	8.2	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
World	**86.8**	**87.4**	**89.1**	**89.8**	**88.3**	**89.1**	**88.0**	**90.1**	**90.7**	**89.5**	**90.8**	**89.9**	**91.6**	**92.0**	**91.1**
Annual Chg (%)	2.6	3.2	3.5	3.5	3.2	2.6	0.7	1.1	1.0	1.4	1.9	2.2	1.7	1.4	1.8
Annual Chg (mb/d)	2.2	2.7	3.0	3.0	2.7	2.3	0.6	1.0	0.9	1.2	1.7	1.9	1.5	1.3	1.6
Changes from last OMR (mb/d)	-0.09	0.01	-0.08	-0.07	-0.06	-0.02	-0.16	-0.24	0.17	-0.06	0.33	0.06	-0.16	0.07	0.07

- **Projected decline in OECD oil demand moderates by 40 kb/d for 2011 and by 80 kb/d for 2012** to -340 kb/d and -40 kb/d, respectively. Increased requirements for oil-fired generation in Japan amid widespread nuclear outages outweigh downward revisions to US demand. With the incorporation of annual data from the US, OECD demand for 2010 is revised down by 50 kb/d to 46.2 mb/d. OECD demand is now seen at 45.8 mb/d for both 2011 and 2012.

- **Forecast non-OECD demand growth for 2011 is reduced by 50 kb/d to 1.5 mb/d,** largely on weaker 2Q11 readings in China and Latin America, which outweigh stronger-than-expected data from the FSU and the Middle East. Nevertheless, the consumption picture remains strong, with demand estimated at 43.7 mb/d (+3.7%) in 2011, rising to 45.3 mb/d (+3.8% or +1.6 mb/d) in 2012.

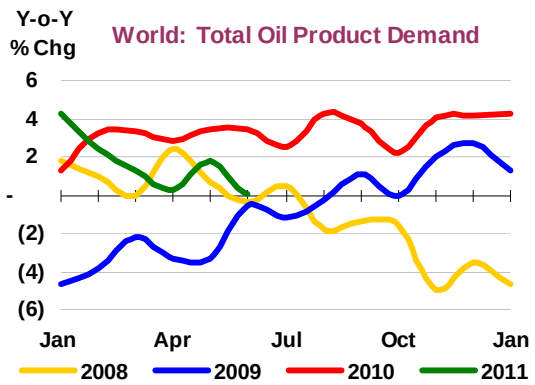
- **An economic sensitivity analysis, with GDP growth one-third lower than in the base case, would cut 0.3 mb/d from expected 2011 oil demand and 1.3 mb/d from the 2012 projection,** effectively curbing global annual demand growth to 0.9 mb/d and 0.6 mb/d, respectively**.**

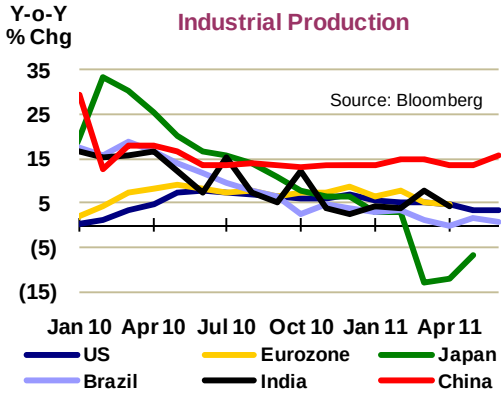
Global Overview

Sustained high oil prices and slowing economic growth have dramatically curbed global oil demand growth in recent months. In April and May, annual increases are assessed at +0.2% and +1.7%, respectively, with June growth, albeit based on preliminary data, coming in at zero. Manufacturing indicators have eased as industries have reversed some of the strong stock building that characterised the recovery in 2010, though partly due to the disruption of supply chains following Japan's earthquake and tsunami in March. Yet, larger cyclical and structural issues persist. In addition to the pressure of high oil prices, an overhang of sovereign debt and an uncertain fiscal picture in the developed world have, so far, sapped consumer confidence and prompted rigorous economic tightening. Moreover, emerging markets have begun decelerating as the lagged effects of monetary tightening in the hope of cooling inflation take hold.

We have revised down 2011 global oil demand by 60 kb/d, with weaker readings in the US and China driving the adjustment. With 2010 revised down by 50 kb/d, amid baseline data revisions to the US,

global growth remains at 1.2 mb/d. Still, 2H11 growth rates, averaging 1.1% year-on-year, look relatively tepid. By contrast, the outlook for 2012 has strengthened, with demand revised up by 70 kb/d and growth now expected at 1.6 mb/d.





Given an increase in the fragility of the global economic and oil demand picture, it is worth examining the reasons for such growth. First, we continue to incorporate global GDP growth of 4.2% and 4.4% for 2011 and 2012, respectively, based on assumptions from the International Monetary Fund published in mid-June. While offering the advantages of being relatively transparent and comprehensive, these assumptions may ultimately prove too optimistic. As such, we have also run a sensitivity analysis employing lower GDP assumptions (see *Downside Economic Risks Could Prompt Lower Oil Demand*).

Downside Economic Risks Could Prompt Lower Oil Demand

In the wake of recent market turmoil and souring economic indicators, the potential has grown for lower-than-assumed economic growth and oil demand. Similar to the sensitivity analysis done in *Medium-Term Oil and Gas Markets 2011* and in previous issues of this report, we have tested the effects on global demand should GDP growth come in around one-third lower than our base case. Economic impacts are assumed spread evenly between the OECD and non-OECD countries, but our oil price assumptions remain unchanged versus the base case.

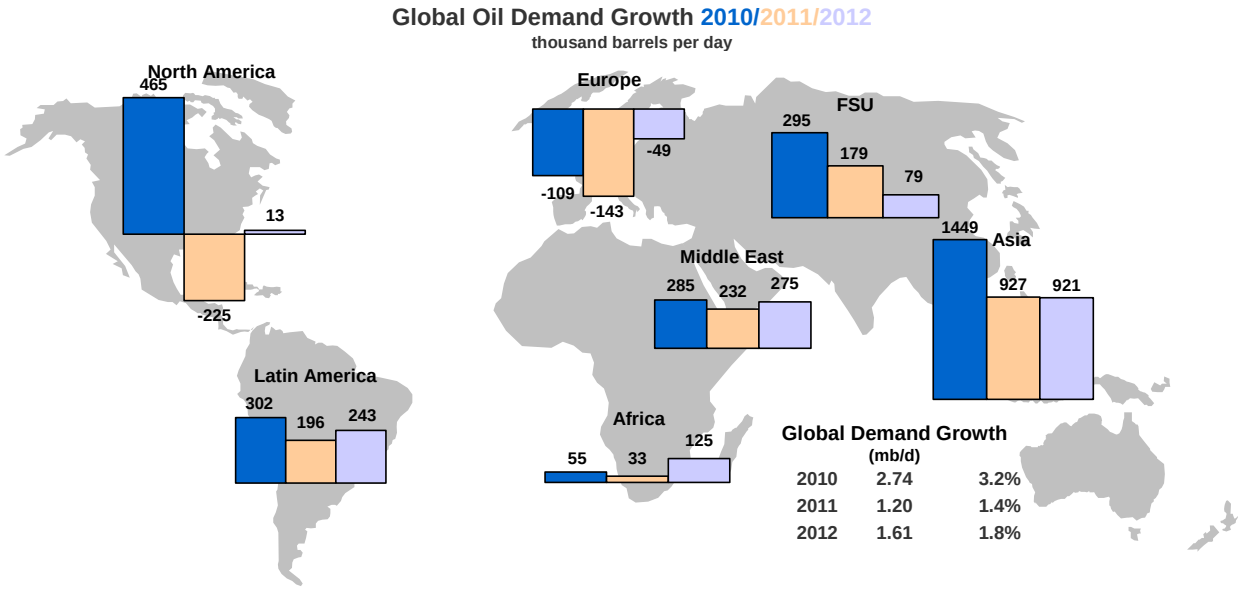
Oil Demand Sensitivity

(million barrels per day)

	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
				%	mb/d	%	mb/d
Base GDP							
Global GDP (y-o-y chg)	4.9%	4.2%	4.4%				
OECD	46.2	45.8	45.8	-0.7%	-0.34	-0.1%	-0.04
Non-OECD	42.1	43.7	45.3	3.7%	1.54	3.8%	1.65
World	88.3	89.5	91.1	1.4%	1.20	1.8%	1.61
Lower GDP							
Global GDP (y-o-y chg)	4.9%	2.8%	3.0%				
OECD	46.2	45.7	45.4	-1.0%	-0.44	-0.7%	-0.34
Non-OECD	42.1	43.4	44.4	3.1%	1.30	2.2%	0.97
World	88.3	89.1	89.8	1.0%	0.86	0.7%	0.63

Assuming GDP growth one-third lower than in our base case and given a half year of estimated demand data for 2011, global oil demand would be reduced by 0.3 mb/d for 2011 and by 1.3 mb/d for 2012. Because of greater income elasticity of demand, the impact of lower GDP is greatest in the non-OECD countries. Offsetting support for OECD demand would still come from our re-assessment of Japanese power needs, which imply a slightly slower pace of oil intensity reduction. Nevertheless, under a lower GDP case, global oil demand would grow by a lesser 0.9 mb/d in 2011 and by 0.6 mb/d in 2012, versus the 1.2 mb/d and 1.6 mb/d, respectively, envisaged in our base case.

Second, while demand weakness in the US now looks more entrenched, the future implications of a sharp June slowdown in Chinese demand growth are less certain. Finally, other areas provide demand offsets. Robust recent monthly data for Russia have augmented our forecast there. More notably, a reassessment of the increasingly problematic nuclear power situation in Japan has prompted significant upward revisions to oil burning in power generation there, particularly in 4Q11 and through 2012.



OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 2.2% year-on-year in June, with all regions posting losses. The heaviest declines were borne by **OECD North America**, where gasoline, jet fuel/kerosene and heating oil were weak. The patterns for **OECD Europe** and the **OECD Pacific** were similar. However, demand in the latter region benefitted from relatively stronger residual fuel oil and 'other products', boosted by increased use in power generation.

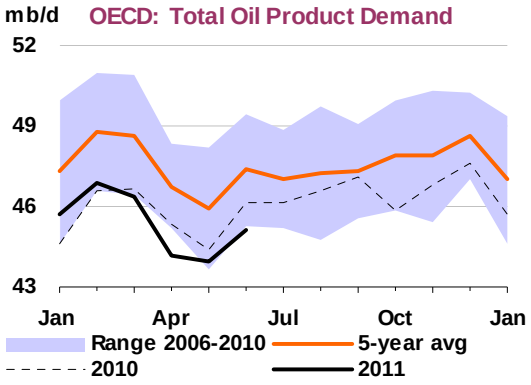
OECD Demand based on Adjusted Preliminary Submissions - June 2011
(million barrels per day)

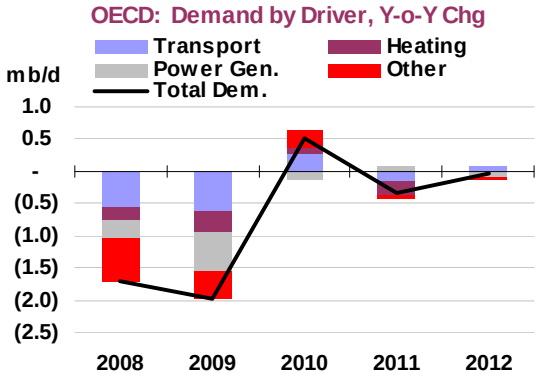
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.78**	**-1.4**	**1.66**	**-5.9**	**4.04**	**0.9**	**0.65**	**-14.1**	**0.96**	**3.4**	**5.50**	**-5.75**	**23.59**	**-2.6**
US50	9.17	-1.5	1.46	-6.2	3.43	0.4	0.21	-36.7	0.59	17.6	4.13	-6.5	18.99	-2.8
Canada	0.75	-0.3	0.11	-4.4	0.24	0.0	0.28	2.4	0.09	-17.4	0.75	-2.5	2.22	-1.8
Mexico	0.80	-0.9	0.05	-5.1	0.33	6.0	0.14	6.0	0.21	-15.4	0.56	-4.6	2.08	-2.3
OECD Europe	**2.23**	**-3.9**	**1.32**	**0.4**	**4.48**	**-0.8**	**1.22**	**-18.3**	**1.21**	**-0.3**	**3.91**	**2.9**	**14.37**	**-2.0**
Germany	0.47	-0.9	0.20	-5.0	0.67	-4.5	0.27	-28.7	0.13	-8.0	0.70	10.1	2.44	-3.9
United Kingdom	0.34	-5.7	0.30	-0.8	0.46	0.3	0.11	-5.0	0.06	46.8	0.30	-4.2	1.57	-1.4
France	0.20	-3.8	0.16	-1.7	0.71	-2.9	0.16	-25.0	0.08	-14.7	0.45	-4.3	1.75	-6.3
Italy	0.25	-5.2	0.11	0.8	0.53	2.5	0.09	-4.9	0.14	7.4	0.46	0.9	1.57	0.6
Spain	0.13	-6.7	0.13	4.1	0.49	-3.5	0.14	-16.0	0.19	-3.6	0.31	-4.9	1.39	-4.9
OECD Pacific	**1.49**	**-0.8**	**0.55**	**-12.9**	**1.10**	**2.6**	**0.42**	**-15.2**	**0.73**	**8.6**	**2.86**	**-0.8**	**7.16**	**-1.5**
Japan	0.95	-1.7	0.28	-22.0	0.40	2.0	0.32	-18.7	0.43	17.5	1.53	0.8	3.91	-2.1
Korea	0.18	-3.4	0.13	-5.6	0.27	-1.7	0.10	-2.1	0.28	-2.1	1.15	-2.0	2.11	-2.4
Australia	0.32	1.2	0.12	4.2	0.38	5.7	0.00	0.0	0.02	7.6	0.16	-2.1	1.00	2.8
OECD Total	**14.50**	**-1.7**	**3.53**	**-4.9**	**9.62**	**0.3**	**2.30**	**-16.6**	**2.90**	**3.0**	**12.27**	**-2.0**	**45.12**	**-2.2**

* Including US territories

Revisions to May preliminary data were positive (+280 kb/d), but concentrated in the relatively volatile categories of LPG in North America and 'other products' in Europe. This moderated total OECD demand

decline from -1.9% year-on-year to -1.1%. Most product categories posted annual declines, except for diesel (+4.8%), 'other products' (+2.1%) and LPG (+0.8%).

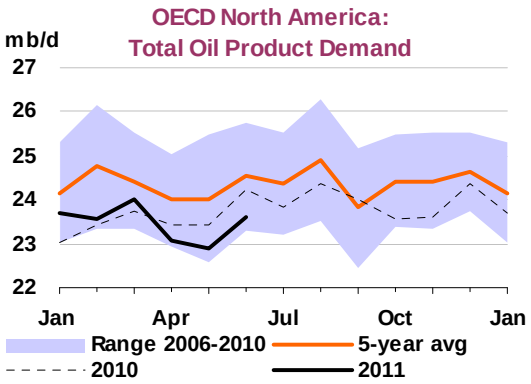


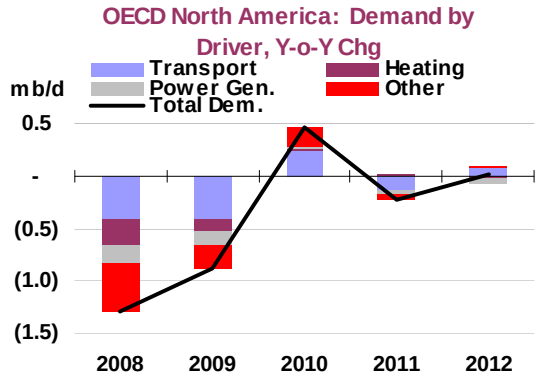


Total OECD oil product demand is revised down by 50 kb/d in 2010, but still remains at 46.2 mb/d (+1.1% or +510 kb/d year-on-year), following upward adjustments to 2010 US demand data. The prognosis for 2011 has been trimmed marginally by 10 kb/d to 45.8 mb/d (-0.7% or -340 kb/d versus the previous year), while the 2012 outlook has been raised by 80 kb/d to 45.8 mb/d (-0.1% or -40 kb/d year-on-year), largely due to stronger expectations for Japanese power sector oil use.

North America

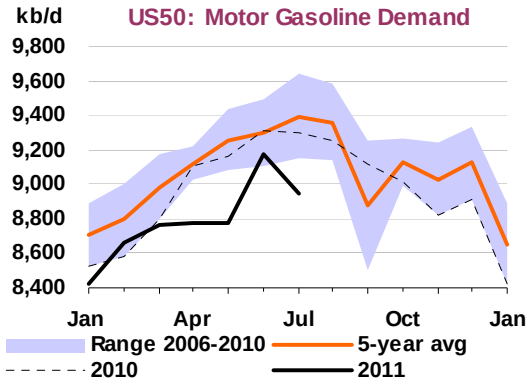
Preliminary data show oil product demand in North America (including US territories) falling by 2.6% year-on-year in June, following a 2.3% decline in May. Serious concerns have emerged over the health of the US economy, with a downward revision to first quarter GDP growth, second quarter GDP growth (at a +1.3% annual rate) coming in less than market expectations and fuel prices remaining high. With downward baseline revisions for 2010 and July preliminary data pointing to continued weakness, our prognosis for North American demand has been cut by 70 kb/d for 2011 and 55 kb/d for 2012. Demand is now expected to fall by 225 kb/d (-0.9%) to 23.5 mb/d in 2011 and stay relatively unchanged at that level for 2012.

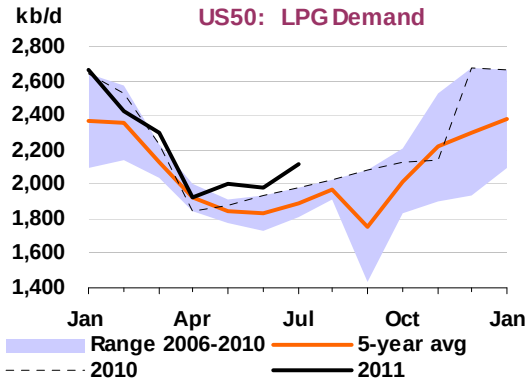




May revisions were light overall (+20 kb/d), though the headline number masked more significant underlying changes. LPG (+340 kb/d) saw a significant upgrade, which more than offset downward adjustments to residual fuel oil (-100 kb/d), diesel (-60 kb/d) and gasoline (-50 kb/d). With the feed-through of updated monthly-to-annual adjustment factors for the US, January-April data were revised as well, though the net overall change was close to zero. Such adjustments derived from an annual update to US baseline data, which saw 2010 revised down by 50 kb/d, with an upward adjustment to LPG (+60 kb/d) overshadowed by a decrease in gasoline (-60 kb/d) and other product categories. Notably,

even with US growth for 2010 now pegged at 410 kb/d, gasoline demand – once the engine of both US and global demand growth – remained stagnant on an annual basis.



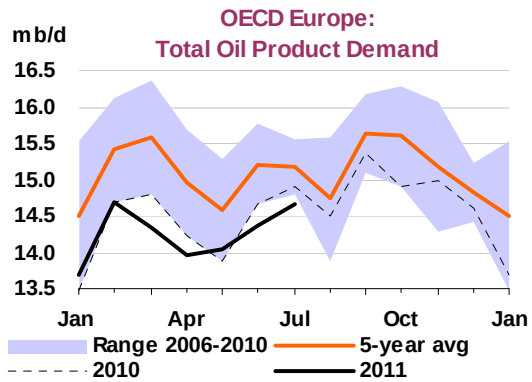


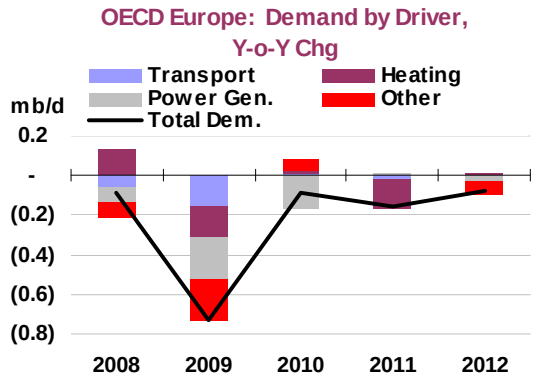
Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 2.5% year-on-year in July, following a 2.8% fall in June. Deciphering the gasoline picture remains problematic given the volatility of weekly data. On the one hand, June data suggest a seasonal upswing in gasoline demand, with year-on-year declines of only 1.5%. On the other hand, July readings signal a counter-seasonal fall, with annual declines widening to 3.8%. Meanwhile, the latest available vehicle miles travelled data, as of May, indicate a year-on-year fall of 1.9%. While the precise path of the US summer driving season remains inconclusive for now, larger persistent declines on an annual basis have prompted gasoline demand downward revisions of 50 kb/d this year and 20 kb/d in 2012.

In **Mexico**, oil demand fell by 2.3% in June, with weakness in gasoline (-0.9%) persisting. Jet fuel/kerosene (-5.1%) and residual fuel oil (-15.4%) also posted declines. Nevertheless, diesel has grown consistently, rising by 6.0% year-on-year in June. The overall outlook for 2011 (-1.7%) and 2012 (+0.2%) is largely unchanged, but a more bearish outlook for its trading partners to the north may foreshadow forecast downside.

Europe

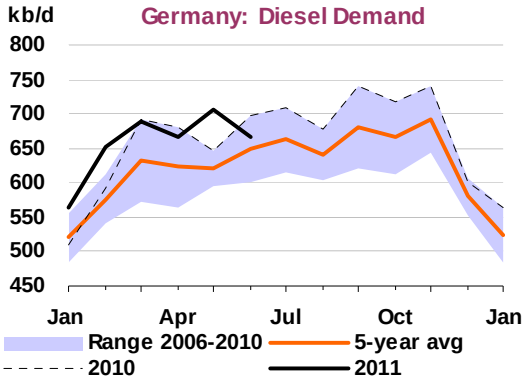
Preliminary inland data indicate that oil product demand growth in Europe declined by 2.0% year-on-year in June, on the back of weak deliveries of heating oil and falling gasoline. The contraction in heating oil demand likely continues to signal both structural decline and delays in consumer tank refilling in the face of high prices. Strong LPG (+6.4%) and naphtha (+3.5%), provided some offset to demand declines.

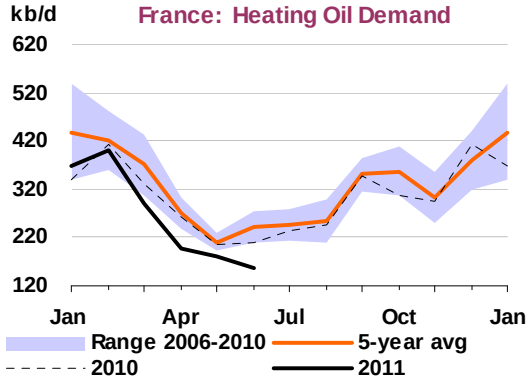




Revisions to preliminary May demand data were positive, at +160 kb/d, with stronger-than expected readings for 'other products', heating oil and diesel offsetting weaker deliveries of naphtha, gasoline and

jet fuel/kerosene. Overall, our OECD Europe forecast is largely unchanged, with demand declining by 160 kb/d (-1.1%) to 14.4 mb/d in 2011 and by 80 kb/d (-0.5%) in 2012.

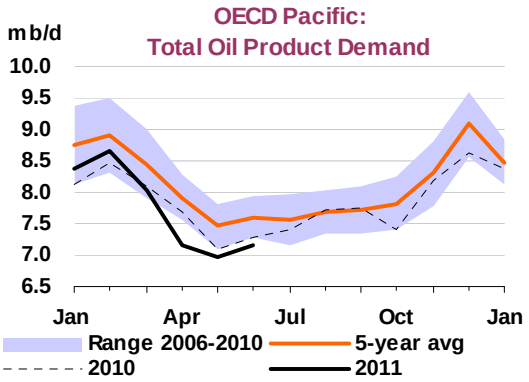


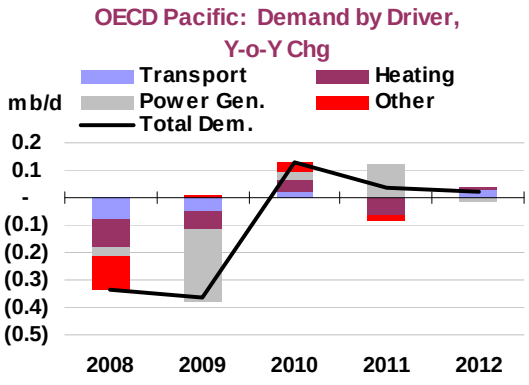


In June, according to preliminary data, oil product deliveries in **Germany** posted a decline of 3.9% year-on-year. Demand fell across all product categories but naphtha and 'other products'. Declines in diesel (-4.5%) and heating oil (-28.7%) were particularly strong. Total oil demand also fell in other major European markets in June. Demand fell by 6.3% in **France**, with declines in all products, except for naphtha. **Spain** posted a decrease of 4.9% year-on-year, with all categories falling except for jet fuel/kerosene. Meanwhile, year-on-year growth was tepid in **Italy** (+0.6%) and in **Turkey** (+0.5%), where the economy is growing relatively fast compared to European counterparts.

Pacific

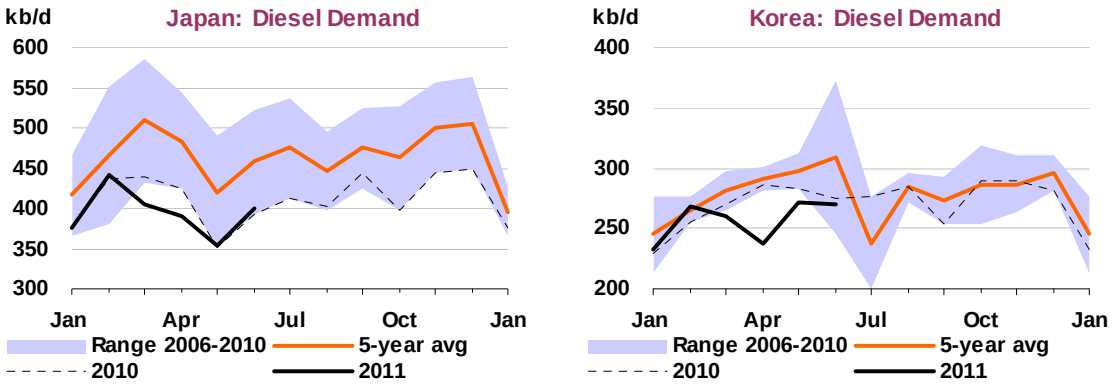
Preliminary data indicate that oil product demand in the Pacific fell by 1.5% year-on-year in June. All product categories posted falls, except for diesel, residual fuel oil and 'other products', which are likely linked to Japan's post-earthquake reconstruction and increased fuel burning needs for power generation. Revisions to May preliminary data, at +100 kb/d, were led by 'other products', diesel and heating oil. Despite evidence of economic weakness and high prices weighing upon regional demand, our assessment is revised up by 60 kb/d to 7.9 mb/d (+0.5% or 40 kb/d) for 2011 and by 140 kb/d to 7.9 mb/d for 2012 (+0.3% or 20 kb/d) due to increased Japanese oil-fired power generation needs.





In **Japan**, oil demand declined by 2.1% year-on-year in June. Jet fuel/kerosene (-22.0%), LPG (-6.7%) and gasoline (-1.7%) all fell. Nevertheless, with diesel (+2.0%), residual fuel oil (+17.5%) and 'other products' (+14.1%), which include direct crude burn, all posting gains, the picture is consistent with post-earthquake reconstruction and power generation needs providing some offset to economic and price induced demand declines. Moreover, that offset is set to rise over the next year – even as overall power generation demand declines – as remaining nuclear power plants go into maintenance amid an increasingly uncertain restart timeframe (see *Nuclear Outages See Japan's Power System Turn to*

Thermal). As such, we have revised up Japanese total oil demand by 50 kb/d in 2011 and 140 kb/d in 2012. Demand in 2011 is expected to grow 50 kb/d (+1.0%) to 4.5 mb/d, while 2012 demand should increase 20 kb/d (+0.4%) but stay near 4.5 mb/d.



Meanwhile, in **Korea** the demand outlook is slightly weaker. June oil demand fell 2.4% year-on-year, with declines in all product categories except naphtha and 'other products' under the pressure of high prices and relatively muted oil-fired power generation needs. Purchases ahead of an anticipated July price rise by refiners may have provided an offsetting boost to diesel and gasoline demand. Nevertheless, the two categories still posted declines of 1.7% and 3.4%, respectively.

Nuclear Outages See Japan's Power Sector Turn to Thermal

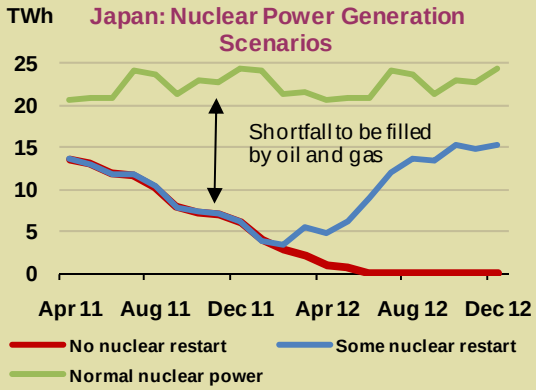
Since our initial analysis following Japan's earthquake and tsunami (see *Adjusting our Demand Projection for Japan*, *OMR* dated 12 April 2011), the power sector outlook looks increasingly tenuous. Our previous forecast assumed the loss of 10 GW of nuclear capacity (60 TWh of annual generation), requiring an average 170 kb/d of additional oil-fired demand, concentrated in the Northeast, versus 'normal' circumstances (combined crude and fuel oil generation demand was about 200 kb/d in 2010). With lower than expected nuclear capacity going forward and outages affecting the entire country, we now estimate this increment at 230 kb/d this year and 270 kb/d for next. Based on this analysis and reported monthly data, we have raised forecasted fuel oil and 'other products' demand (including crude burn) by 35 kb/d for 2011, and by 75 kb/d for 2012. Still, these adjustments depend on tentative variables, notably the duration of the nuclear shortfalls and the allocation of thermal generation sources.

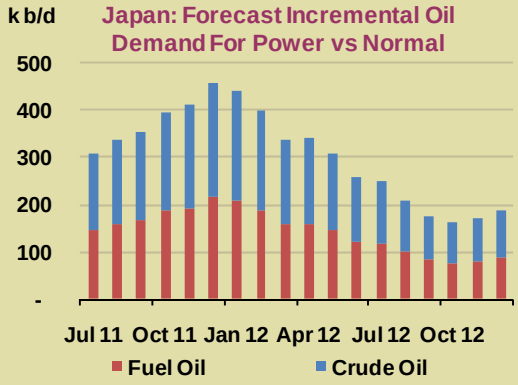
Of Japan's 54 nuclear reactors, which normally account for 27% of electricity demand, currently only 16 are online. In addition to those damaged in the earthquake, plants that have gone offline for normal maintenance face uncertain restart times due to public safety pressures, the need for plants to undergo still-undefined stress tests and pending local government approvals. So far, no plant has returned from a shutdown. Without a change in policy or maintenance schedules, all 54 reactors will be offline by May 2012.

Similar to work done by Japan's Institute of Energy Economics (IEEJ), and in conjunction with the IEA's Gas, Coal and Power (GCP) Division, we have analysed two scenarios of nuclear outages going forward, acknowledging that a range of possibilities exist. In the base case, once restarts are allowed, reactors taken offline for annual maintenance would return to duty after an average period of six months (versus three normally). Nuclear power generation would thus decline steadily through 2011 to a nadir of 3.5 TWh/month in February 2012 before recovering to 15 TWh/month – a level still below 'normal' levels – by October 2012.

Demand saving measures could partially offset such a supply loss. The government has requested industrial users to scale back peak demand by 15% and a conservation campaign aims to reduce demand among smaller users. Indeed, we envisage annual power demand decreasing by 4.5% in 2011. However, with the loss of so much *baseload* generation, the system would need to rely upon substantial contributions from other, primarily thermal, sources. While photovoltaic (PV) solar power deployment could potentially add a degree of non-thermal supply, the extent to which this may occur remains tentative and is not factored into the forecast.

Nuclear Outages See Japan's Power Sector Turn to Thermal (continued)



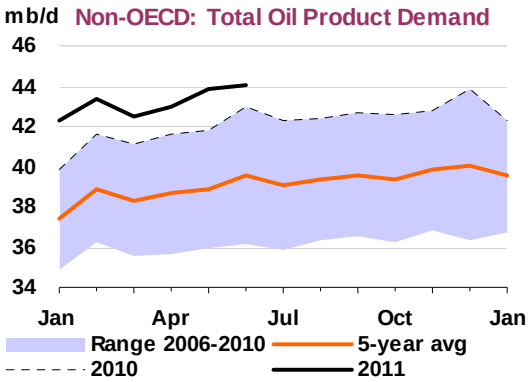


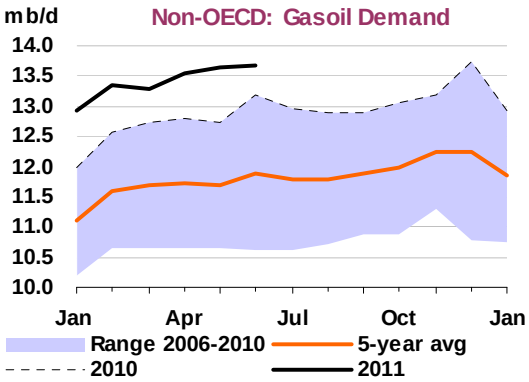
Rather, Japan's 47.5 GW oil and 65.3 GW gas fired generation fleet are likely to make up for the shortfall. Coal (at 41 GW of capacity) will also play a key role, but given already high operating rates, its upside is more limited. We assume that oil (roughly 50% fuel oil, 50% crude oil) and LNG will meet incremental power needs according to a split of 60/40 in 2011 and 50/50 in 2012. These ratios may ultimately differ from the actual buying patterns of Japanese utilities. For now, they represent a 'best guess' based on fuel consumption data since March and greater short-term supply constraints in LNG importation. Operating constraints on the oil side may yet upset this picture, though. Oil-fired plants tend to be older and less efficient than gas counterparts and may face problems running for extended periods at maximum rates.

These assumptions suggest an additional annual 230 kb/d of oil and 10 bcm of LNG demand in 2011 and an extra 270 kb/d and 18 bcm in 2012 versus an outlook of normal nuclear generation. During periods of peak outages this winter, incremental oil needs could rise to 460 kb/d. Yet, we must also acknowledge a worst case scenario in which no nuclear plants restart in the next 18 months. Under such conditions, 2012 requirements for additional oil and gas would stand at 460 kb/d and 30 bcm, respectively. With respect to LNG, while the base case would tighten markets to a manageable extent, the 'no nuclear restart' scenario would create significant supply tensions, given the global addition of only two LNG plants (13.6 bcm capacity) next year.

Non-OECD

Preliminary demand data indicate that non-OECD oil demand growth in June (+2.4% or +1.0 mb/d year-on-year) slowed to its weakest pace since May 2009, largely due to China. Total June demand is estimated at 44.0 mb/d, while May levels have been revised down by 25 kb/d to 43.8 mb/d (+4.8% or +2.0 mb/d).





Growth in all product categories slowed in June, particularly in gasoil (+3.8%), naphtha (-0.4%) and gasoline (+1.8%). At the regional level, the largest change occurred in Asia, where falling Chinese demand dragged down June growth to 0.8%. Nevertheless, the FSU (+9.9%), Middle East (+3.3%) and Latin America (+3.2%) continued to show relatively strong expansions.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Apr-11	May-11	Jun-11	May-11	Jun-11	May-11	Jun-11
LPG & Ethane	4,926	4,984	5,026	259	227	5.5	4.7
Naphtha	2,711	2,687	2,658	128	-10	5.0	-0.4
Motor Gasoline	8,164	8,407	8,383	322	148	4.0	1.8
Jet Fuel & Kerosene	2,629	2,653	2,641	44	22	1.7	0.8
Gas/Diesel Oil	13,542	13,633	13,688	905	496	7.1	3.8
Residual Fuel Oil	5,445	5,448	5,527	23	-34	0.4	-0.6
Other Products	5,571	6,025	6,094	319	180	5.6	3.0
Total Products	**42,988**	**43,836**	**44,016**	**2,001**	**1,029**	**4.8**	**2.4**

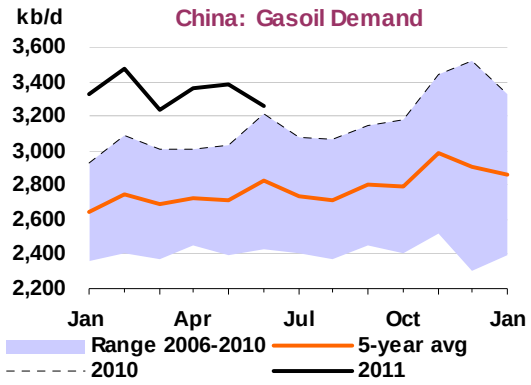
Non-OECD: Demand by Region
(thousand barrels per day)

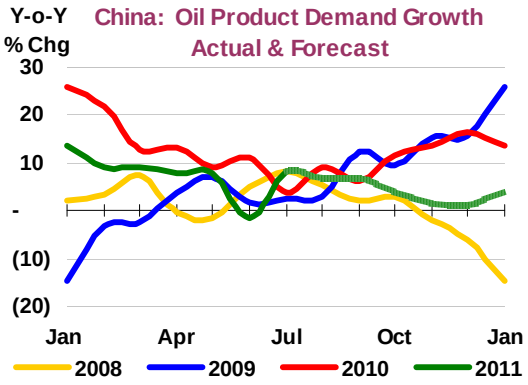
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Apr-11	May-11	Jun-11	May-11	Jun-11	May-11	Jun-11
Africa	3,407	3,374	3,442	-11	-98	-0.3	-2.8
Asia	20,381	20,586	20,086	1,141	159	5.9	0.8
FSU	4,365	4,638	4,950	339	447	7.9	9.9
Latin America	6,442	6,423	6,558	192	205	3.1	3.2
Middle East	7,699	8,117	8,269	341	264	4.4	3.3
Non-OECD Europe	693	698	711	0	51	-0.1	7.7
Total Products	**42,988**	**43,836**	**44,016**	**2,001**	**1,029**	**4.8**	**2.4**

Revisions to baseline data were minor, with 2010 revised down 10 kb/d. Non-OECD annual growth is now assessed at +3.7% (+1.5 mb/d) for 2011, with demand reaching 43.7 mb/d, and at +3.8% (+1.6 mb/d) for 2012, as demand climbs to 45.3 mb/d.

China

For the first time since March 2009, **China's** monthly apparent demand (calculated as refinery output plus net product imports) contracted on an annual basis, falling by 1.5% in June as refinery runs eased some 400 kb/d from May levels. The slowdown was sharp in gasoil, where growth fell from +11.5% in May to only +1.3%, suggesting that widespread diesel usage has not emerged in the face of potential power sector supply constraints. The decline also coincided with evidence that China's economy is also slowing down - though still positive, manufacturing growth has stalled in recent months - and that higher end-user prices are weighing upon demand. As such, we have revised down 2011 demand by 80 kb/d, with 2012 now seen 50 kb/d lower than previously.





Nevertheless, apparent weakness in Chinese demand of such a magnitude deserves caution. June was marked by heavy rains, which curtailed agricultural and industrial activity. Moreover, there was some evidence of product destocking (as calculated in this report, apparent demand implicitly masks stock changes), which would have weighed upon readings. In addition, while coal prices have eased, hydropower has increased and the high price of diesel may be prompting industrial users to forego, rather than substitute, for any electricity shortages, the demand risk for gasoil likely still lies to the

upside. Nevertheless, as this report has previously argued, as Chinese authorities try to engineer an economic soft landing, the oil demand outlook this year and next should be one of moderating growth.

China: Demand by Product
(thousand barrels per day)

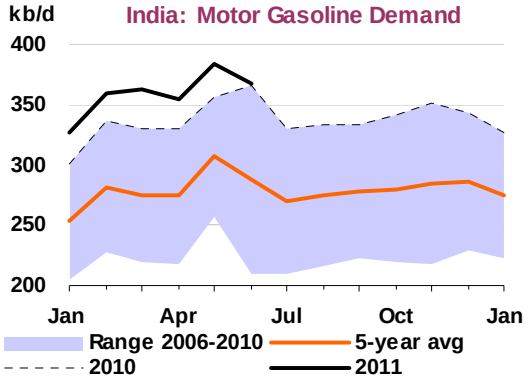
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	687	712	20	24	3.0	3.5
Naphtha	1,129	1,196	1,257	67	62	5.9	5.1
Motor Gasoline	1,546	1,647	1,736	101	89	6.6	5.4
Jet Fuel & Kerosene	368	390	411	22	21	5.9	5.4
Gas/Diesel Oil	3,142	3,363	3,525	221	162	7.0	4.8
Residual Fuel Oil	531	535	543	4	9	0.7	1.6
Other Products	1,685	1,801	1,946	116	145	6.9	8.0
Total Products	**9,069**	**9,619**	**10,130**	**550**	**511**	**6.1**	**5.3**

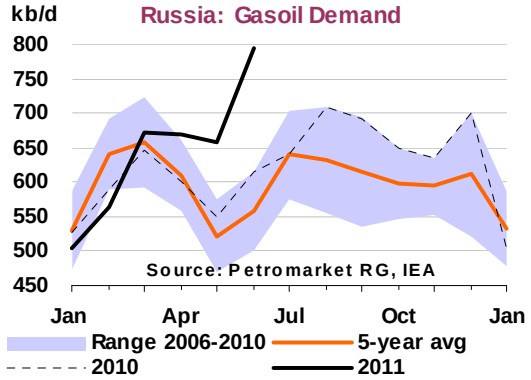
Other Non-OECD

Indian demand rose by 1.8% in June, a notably lower growth rate than during the previous six months, which averaged +4.2%. The Indian economy has shown signs of slowing, with manufacturing growth easing and the government revising down its own forecast of GDP growth for fiscal 2011 from 9.0% to 8.2% (the latter value consistent with our own assumption). Slowdowns have occurred mostly sharply in gasoline (+0.6%), naphtha (-0.4%) and gasoil (+2.2%). Still, some of this weakness stems from a comparison to a stronger-than-normal June 2010, where demand rose ahead of an anticipated increase in fuel prices. As such, revisions to the forecast are light, with 2011 growth trimmed slightly to 3.6%.

India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	455	492	523	37	30	8.1	6.2
Naphtha	200	197	187	-4	-10	-1.9	-5.1
Motor Gasoline	338	362	386	24	25	7.0	6.9
Jet Fuel & Kerosene	299	305	309	5	4	1.8	1.4
Gas/Diesel Oil	1,290	1,361	1,439	71	78	5.5	5.7
Residual Fuel Oil	194	185	191	-10	6	-4.9	3.4
Other Products	560	556	558	-5	3	-0.9	0.5
Total Products	**3,338**	**3,457**	**3,593**	**119**	**136**	**3.6**	**3.9**





In **Russia**, product demand continued to soar on an annual basis, growing by 12.7% in June. Product strength was evident across most categories as gasoil rose by 29.1% year-on-year while gasoline increased by 8.3%. A cap on retail fuel prices at the government's behest has created fuel shortages in recent months. Russian authorities recently announced intentions to create a strategic products reserve of 2 million tonnes to counter such shortages, with filling to be completed by November. Given the hasty timeline and fuzzy logistical details, the viability of such a project remains uncertain. Nevertheless, estimates suggest the potential for 15-20 mb of stockpiling in gasoil, gasoline and jet fuel/kerosene in the next few months, which would also coincide with a period of seasonally higher demand.

Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	493	522	540	29	18	5.9	3.4
Naphtha	289	291	296	2	5	0.8	1.6
Motor Gasoline	776	770	774	-6	4	-0.7	0.5
Jet Fuel & Kerosene	255	267	270	11	4	4.4	1.3
Gas/Diesel Oil	630	671	678	41	8	6.5	1.1
Residual Fuel Oil	291	305	287	14	-18	4.7	-5.8
Other Products	546	594	614	49	20	8.9	3.3
Total Products	**3,281**	**3,421**	**3,460**	**140**	**39**	**4.3**	**1.1**

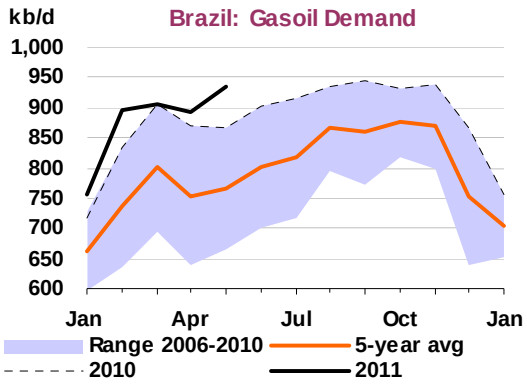
Source: Petromarket RG, IEA

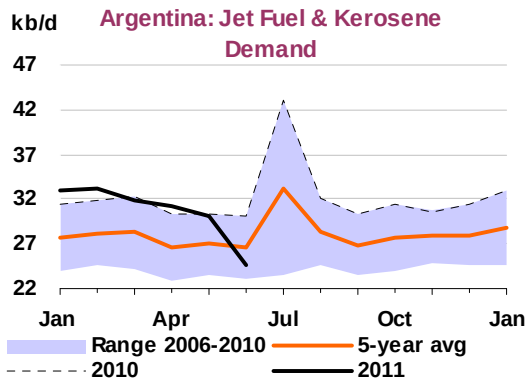
In **Brazil**, oil demand grew by 2.8% in May, led by strength in jet fuel/kerosene (+11.5%), gasoil (+7.7%) and LPG (+4.6%). Gasoline demand grew by only 0.9%; still, domestic supply constraints in both gasoline and ethanol have prompted increased imports, which, anecdotally, appear poised to rise in the months ahead as well as next year. The government recently considered reducing ethanol content in the gasoline pool below 25%, but decided to hold off on an adjustment for now. Meanwhile, high inflation and persistent monetary tightening by the central bank represent a downside risk to the economy. Our forecast remains largely unchanged, however, with demand growth of 2.6% and 2.8% expected this year and next, respectively.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	219	222	225	4	3	1.6	1.2
Naphtha	166	167	168	1	2	0.5	1.0
Motor Gasoline	792	819	852	27	33	3.4	4.1
Jet Fuel & Kerosene	110	122	132	12	10	10.5	8.3
Gas/Diesel Oil	886	928	964	42	36	4.7	3.8
Residual Fuel Oil	187	166	156	-21	-10	-11.1	-5.9
Other Products	374	380	386	6	6	1.7	1.6
Total Products	**2,733**	**2,804**	**2,883**	**70**	**80**	**2.6**	**2.8**

Argentina's total oil demand grew by 2.2% in June, led by LPG (+33.8%), gasoline (+18.0%) and gasoil (+3.7%). Transport fuels have benefitted from positive economic activity and consumer confidence, both observable in recent strong vehicle sales. By contrast, jet fuel/kerosene dropped by 18.2% year-on-year, largely due to the disruption of air traffic caused by a volcanic eruption in June. Finally, the opening of a 2.9 bcm/year LNG terminal at Puerto Escobar near Buenos Aires, which doubles Argentina's import capacity, will likely enhance inter-fuel substitution capabilities going forward, with residual fuel oil demand likely to moderate during peak power seasons.





SUPPLY

Summary

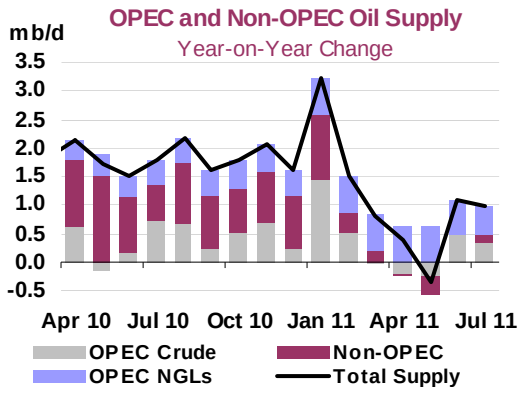
- **Global oil supply rose by 0.6 mb/d to 88.7 mb/d in July, largely on stronger non-OPEC output.** Compared to July 2010, global oil production was up by 1 mb/d, around half of which stemmed from higher OPEC NGLs production, and another third from increased OPEC crude output.

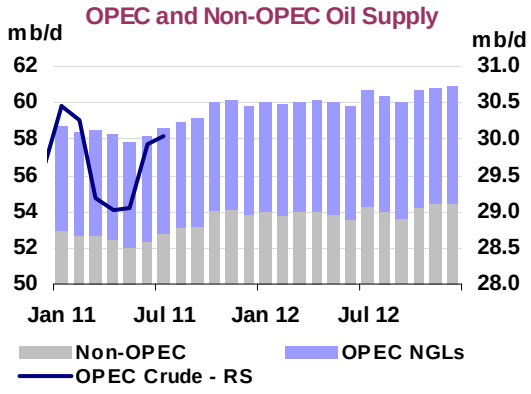
- **Non-OPEC supply rose by 0.4 mb/d to 52.7 mb/d in July, as output recovered from maintenance and other outages.** Inclusion of finalised 2010 US data and other revisions result in 2011 production now being assessed 0.1 mb/d lower, at 53 mb/d. 2012 estimates are revised down by a similar volume, but supply is nonetheless expected to grow to 54 mb/d on higher output, mainly from Australia, Brazil, Canada, Colombia and global biofuels.

- **Total non-OPEC outages curb at least 0.7 mb/d in 3Q11**, of which around one-third is due to normal levels of seasonal maintenance in the North Sea. The hurricane season in the US Gulf of Mexico has started, and is reflected via a five-year average adjustment of -0.1 mb/d in 3Q and 4Q10. Unplanned outages in the North Sea, alongside curtailed output in Argentina, Canada, Malaysia and Yemen add to the shut-ins. In 4Q11, we foresee a reduction in overall levels of outages to slightly over -0.2 mb/d.

- **OPEC crude oil supply in July reached 30.05 mb/d, up by 115 kb/d month-on-month,** thanks to a concerted effort led by Saudi Arabia to increase output to replace lost Libyan supplies. Indeed, Saudi Arabia lifted its production to the highest level in three decades. OPEC NGLs inched higher in July, up 100 kb/d to 5.9 mb/d.

- **Despite the group's higher output levels, July production is still some 1.1 mb/d below the 31.2 mb/d 'call on OPEC crude and stock change' forecast for 3Q11** and 550 kb/d below the 30.7 mb/d projected for 4Q11. The 'call' for 2011 is unchanged at 30.6 mb/d while it has been revised up for 2012, by 100 kb/d, to 30.8 mb/d.





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

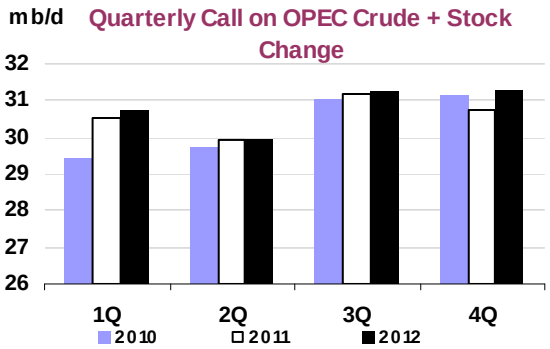
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from May 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. Currently, this totals –200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

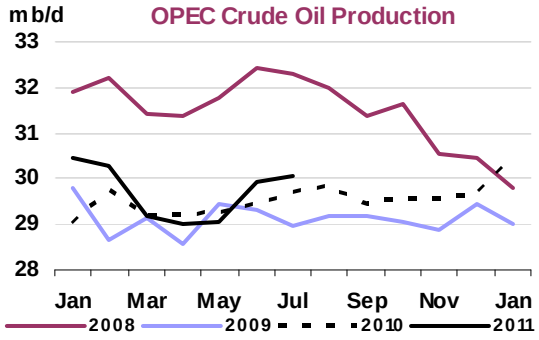
OPEC crude oil supply rose to 30.05 mb/d in July, up by 115 kb/d, largely due to a concerted effort led by Saudi Arabia to increase output to replace lost Libyan supplies. Indeed, Saudi Arabia lifted production to the highest level in three decades. A sharp uptick in output by Angola also helped offset production declines by Iran, Iraq, Ecuador, Nigeria and Libya.

Current crude oil production, however, is still below pre-Libyan crisis levels. OPEC spare capacity is estimated at 3.32 mb/d for July due to the loss of Libyan production, with Saudi Arabia accounting for just under 70%. Market expectations that production in eastern Libya, which theoretically falls under control of Libya's new National Transitional Council, would restart in 2H11, may prove optimistic given the lack of progress at both the political and military level.

Despite the group's higher output levels, July production is still some 1.1 mb/d below the 31.2 mb/d 'call on OPEC crude and stock change' expected for 3Q11 and 550 kb/d below the 30.6 mb/d projected for 4Q11. The 'call' for 2011 overall is unchanged at 30.6 mb/d, while it has been revised up by 100 kb/d for 2012, from 30.7 mb/d to 30.8 mb/d.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Saudi Arabia's output rose to a 30-year high of 9.8 mb/d in July, up 100 kb/d over June levels. The Kingdom's production in July was up by a steep 1.1 mb/d since January and has essentially replaced close to 70% of lost Libyan supplies. The last time Saudi Arabia produced around the 10 mb/d mark was in 1981, after the Kingdom had earlier surged output to offset lost supplies from Iran following the fall of the Shah. Saudi Arabia will step in again in 2011 to replace Iranian supplies, this time sending an extra 3 mb to India in August due to the ongoing payment problems between Iran and India in the wake of international sanctions.

While the incremental Saudi output is largely aimed at replacing shut-in Libyan barrels, increased demand for direct crude burn at power and desalination plants has also absorbed some of the extra barrels. Saudi demand for direct crude burn is projected to increase by around 10% to 580 kb/d on average in 2011 (see *'Saudi Arabia's Power from Crude,'* OMR 13 July 2011*).*

Iranian production in July fell to its lowest level in more than eight and a half years, down by 130 kb/d to 3.53 mb/d. An explosion on a 40 kb/d pipeline along the border with Iraq may reduce supplies further in August. Tanker data underscore the lower July export levels but at the same time show the country offloaded an estimated 3 mb held in floating storage. Shipbroker data show Iranian floating storage declined 4.1 mb by end-July, from 25.6 mb to a still relatively high 21.5 mb.

Reduced exports to India due to the seven-month impasse over payment methods may partly underpin lower production levels. Iran normally exports around 400 kb/d to India but the tighter international

sanctions imposed a year ago have forced India to halt payments for the crude. Various news reports emerged in July that Iran was halting exports to India until arrears, which according to some reports may now top $5 billion, were cleared. Progress in setting up a payment mechanism for India to clear back payments via third parties reportedly moved forward, but it appears only a trickle of payments have so far been made. Moreover, still to be worked out is a payment mechanism for future purchases that does not violate sanctions. Iran is reportedly owed a further $4 billion by South Korean refiners. A new US Government Accounting Office (GAO) report released in July also underscored the impact of sanctions on the country's faltering production.

Iraqi supply was down by 40 kb/d to 2.68 mb/d in July. Total exports were off around 100 kb/d to 2.17 b/d, with the lower volumes partly due to increased domestic demand during the summer season. Shipments from the northern port of Ceyhan on the Mediterranean accounted for 80 kb/d of the decline, and averaged 455 kb/d. Higher production from the Kurdistan region was offset by lower output of Kirkuk crude. Southern exports of Basrah crude were down around 20 kb/d to 1.71 mb/d. Buyers of Iraqi crude report that southern export terminals are bumping up against maximum capacity levels.

Kuwait increased production by 20 kb/d to 2.51 mb/d while output from fellow Gulf states **UAE** and **Qatar** were unchanged, at 2.5 mb/d and 820 kb/d, respectively. The three countries have a combined spare capacity estimated at just under 500 kb/d.

OPEC Crude Production

(million barrels per day)

	May 2011 Supply	Jun 2011 Supply	Jul 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs July 2011 Supply	End-2011 Sustainable Production Capacity
Algeria	1.24	1.26	1.26	1.34	0.08	1.34
Angola	1.57	1.49	1.66	1.95	0.29	2.00
Ecuador	0.50	0.50	0.49	0.53	0.04	0.53
Iran	3.70	3.65	3.53	3.72	0.19	3.68
Kuwait[2]	2.44	2.49	2.51	2.54	0.03	2.54
Libya	0.08	0.08	0.06	0.10	0.04	0.20
Nigeria[3]	2.25	2.28	2.26	2.53	0.27	2.70
Qatar	0.82	0.82	0.82	1.04	0.22	1.04
Saudi Arabia[2]	9.00	9.70	9.80	12.04	2.24	12.04
UAE	2.42	2.50	2.50	2.74	0.24	2.74
Venezuela[4]	2.33	2.45	2.48	2.64	0.16	2.59
OPEC-11	**26.35**	**27.22**	**27.37**	**31.16**	**3.79**	**31.40**
Iraq	2.68	2.72	2.68	2.84	0.16	2.78
Total OPEC	**29.03**	**29.94**	**30.05**	**34.00**	**3.95**	**34.18**
(excluding Iraq, Nigeria, Venezuela					*3.32)*	

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in July.

Angolan production rose to the highest level in a year, up 170 kb/d to 1.66 mb/d. Output rebounded following completion of maintenance and repair work at the BP-operated Greater Plutonio complex and Total's Dalia fields. Angola's production capacity is expected to increase to 2 mb/d by the end of the year following the 4Q11 start-up of the 220 kb/d Pazflor project and the 150 kb/d PSVM.

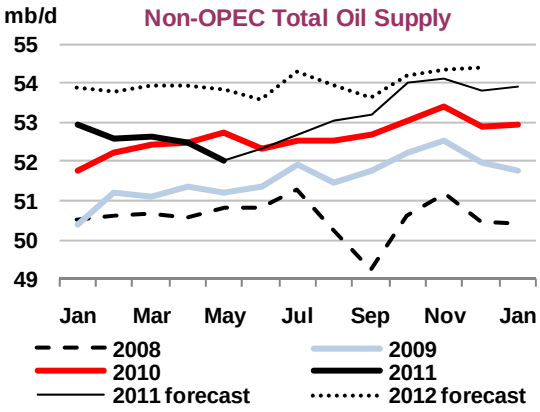
Libyan production was estimated at just 60 kb/d in July. The eastern authorities exported one cargo in July but output is now reportedly totally shut-in due to extensive damage and mine laying in the country's eastern fields. There continue to be conflicting reports on the state of the country's eastern oil field operations but in late July a spokesman for the rebel-led Arabian Gulf Oil Company said all the region's oil infrastructure was under repair and a quick restart was not possible.

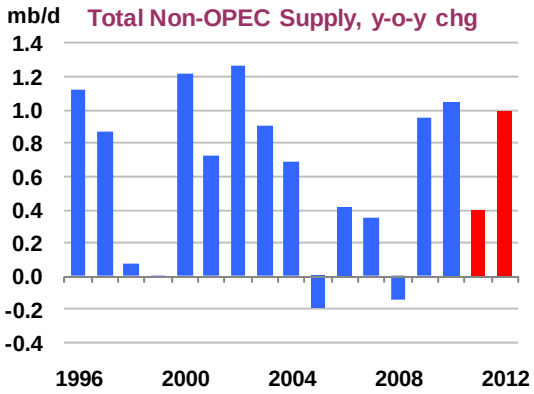
Operator ENI, which prior to the civil war produced 115 kb/d of crude, told shareholders in July that it would need at minimum a full year to restore production given the age of the fields in Libya once the political situation was resolved. Other sources have been more optimistic, suggesting post-hostilities resumption taking anything from a few weeks to six months. Meanwhile, at a gathering of business executives in London last month other companies said that internal political upheaval even once there was a formal end to hostilities would delay their return to the country on the grounds the investment risks were too high.

Nigerian crude output fell by 20 kb/d to 2.26 mb/d in July. Shell lifted the *force majeure* mid-month on loadings of Bonny crude, following a fire and leaks at the Trans-Niger pipeline in mid-June but operational problems elsewhere curtailed output overall for the month. Nigerian production is expected to recover in August judging by robust export schedules.

Non-OPEC Overview

Non-OPEC oil supply rose by 0.4 mb/d to 52.7 mb/d in July, as output started to recover from seasonal maintenance and other outages. Inclusion of lower consolidated historical production data in the US brought some minor revisions to 2010 and prior years, which are partly carried through the forecast, but this fails to overturn the return to US annual growth which is set to continue through 2011 and 2012. In the shorter-term, lower recent oil production in Alaska, the North Sea, Australia and Azerbaijan results in a 0.1 mb/d downward revision to 2011 production, which is now seen averaging 53 mb/d, and as a result a slightly smaller year-on-year increase of 0.4 mb/d over 2010, when compared to last month's report. Having said that, the second half of 2011 is expected to see production 1 mb/d higher than in the first half as temporary shut-ins recede (notably from Yemen, the UK and Canada) and as new fields come onstream in Brazil, Canada and Australia (see *Non-OPEC Supply Curbs Persist but Ease in 4Q11*).





Average 2012 supply is also revised down by 0.1 mb/d to 54 mb/d on some project slippage in the North Sea, Canada and a lower biofuels outlook, though this is partly offset by higher projections for Russia and China. Annual growth in 2012 is now seen at a slightly higher 1 mb/d. Incremental supply is expected from Brazil, Canada, global biofuels, Australia, the FSU and China. In contrast to previous years, oil production in OECD Europe could stay flat year-on-year, as North Sea production experiences a minor uptick, with a handful of new fields coming online.

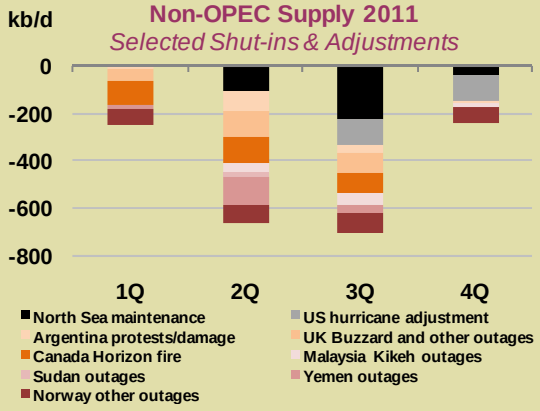
Non-OPEC Supply

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
North America	14.0	14.0	14.1	14.4	14.1	14.4	14.2	14.0	14.3	14.2	14.5	14.3	14.2	14.5	14.4
Europe	4.5	4.2	3.8	4.2	4.2	4.1	3.9	3.9	4.3	4.0	4.2	3.9	3.9	4.1	4.0
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.1**	**18.8**	**18.5**	**19.2**	**18.9**	**19.0**	**18.6**	**18.5**	**19.3**	**18.8**	**19.4**	**18.9**	**18.8**	**19.3**	**19.1**
Former USSR	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.7	13.8	13.6	13.8	13.7
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
China	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America	4.0	4.1	4.1	4.1	4.1	4.2	4.1	4.4	4.5	4.3	4.6	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Africa	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**29.6**	**29.7**	**29.9**	**30.0**	**29.8**	**30.1**	**29.7**	**30.1**	**30.5**	**30.1**	**30.6**	**30.6**	**30.5**	**30.6**	**30.6**
Processing Gains	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.2	2.0	1.9	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC	**52.1**	**52.5**	**52.6**	**53.1**	**52.6**	**52.7**	**52.3**	**53.0**	**54.0**	**53.0**	**53.9**	**53.8**	**53.9**	**54.3**	**54.0**
Annual Chg (mb/d)	1.3	1.2	0.9	0.9	1.1	0.6	-0.3	0.4	0.9	0.4	1.1	1.5	1.0	0.3	1.0
Changes from last OMR (mb/d)	0.0	-0.1	0.0	-0.1	0.0	-0.1	-0.1	-0.2	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1

Non-OPEC Supply Curbs Persist but Ease in 4Q11

As outlined in previous reports, non-OPEC supply this year continues to suffer from a variety of outages, estimated to total around 0.7 mb/d in both 2Q11 and 3Q11, albeit around one-third of this is typical for this time of year. Seasonal maintenance always affects the North Sea in particular. The hurricane season in the US Gulf of Mexico has started, with one storm so far – Tropical Storm Don – forcing brief precautionary shut-ins in late July, and in sum, our hurricane adjustment for the third quarter, based on the five-year average, amounts to -112 kb/d. Outages at the UK's Buzzard field (prolonged workover, as well as maintenance), and curtailed production in Canada, Malaysia, Yemen and Argentina make up the rest.



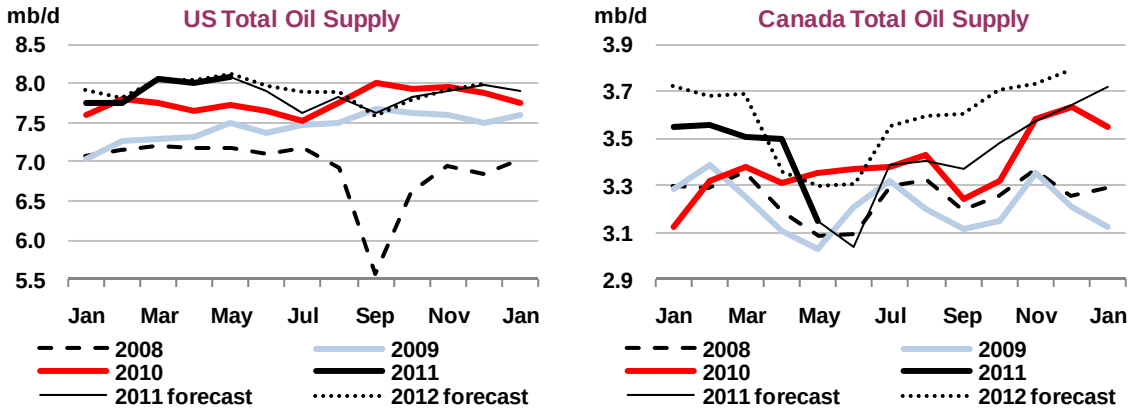
However, heading into 4Q11, these outages are seen to ease. Notably, repairs at a key crude pipeline in Yemen have enabled production to restart from mid-July. The political situation there remains highly volatile, but without evidence to the contrary, we assume normal production (as we do in Syria, despite reports of a crude pipeline bombing). We estimate that Buzzard production should be back to normal at around 200 kb/d in the course of September, while North Sea maintenance is normally minor in the fourth quarter. The Horizon mine and upgrader in Canada, hit by a fire in January, are also expected to resume operations in 3Q11 and be back to normal in the fourth quarter. All told, curbs to non-OPEC production should shrink by 0.4 mb/d and added to incremental supply of 0.6 mb/d, total non-OPEC supply could rise by as much as 1 mb/d in 4Q11 over 3Q11.

OECD

North America

US – July Alaska actual, others estimated: US oil supply dipped to an estimated 7.6 mb/d in July as Alaskan output at the Prudhoe Bay field fell by 0.1 mb/d due to assumed summer maintenance, augmented by some minor leaks in July. By contrast, reported May US data was lifted by 170 kb/d on higher NGLs output. Pre-2010 production levels were slightly revised, following the receipt of finalised historical data. For 2010, lower crude output, notably in the Gulf of Mexico, but also in other areas, was partly offset by higher NGLs output. In part, the historical adjustment is carried through the forecast and includes a more robust outlook for onshore production. Production estimates for 2011 and 2012 are left largely unchanged, each at around 7.9 mb/d, albeit modest year-on-year growth continues.

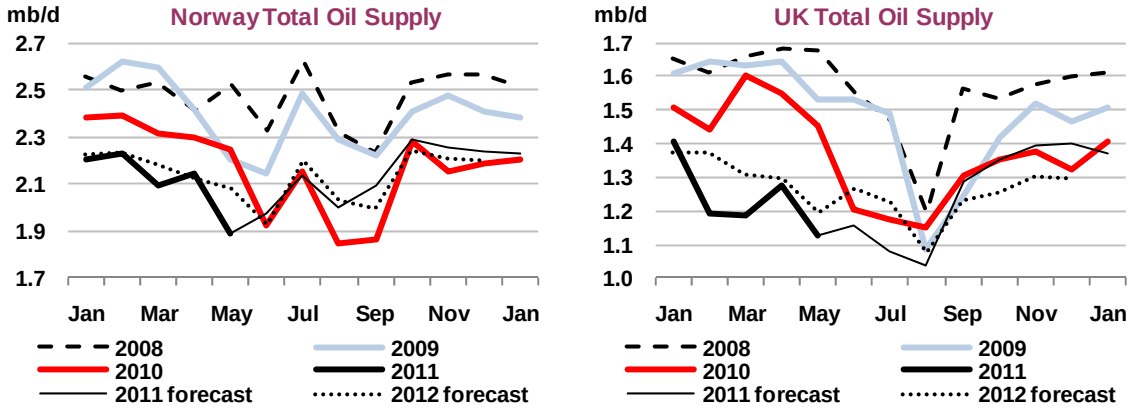
The US House of Representatives passed a bill requiring the Obama administration to either approve or deny a permit for the construction of the Keystone XL pipeline by 1 November. The decision technically falls to the State Department, and Secretary Clinton recently said that her department remains committed to arriving at a decision by year-end. A final Environmental Impact Statement will discuss alternative routes for the pipeline, and the State Department plans a series of consultative meetings in the states through which the pipeline might pass.



Canada – Newfoundland June actual, others May actual: Second-quarter oil production in Canada was revised down by 40 kb/d, due to the earlier-than-expected onset of seasonal maintenance at the Hibernia field offshore Newfoundland and Labrador, and slightly lower recent NGLs production. Total oil supply is estimated to have hovered around 3 mb/d in June due to reduced synthetic crude output – in part seasonal maintenance, in part shut-in production at the fire-hit Horizon mine/upgrader. Output is expected to pick up again in 3Q11. Production levels for 2011 and 2012 are revised down minimally, and are expected to average 3.4 mb/d and 3.6 mb/d respectively, with growth driven largely by oil sands-related output.

North Sea

Norway – May actual, June provisional: Following a June uptick from early maintenance to 2.0 mb/d, Norway's production is expected increase to 2.1 mb/d in July despite fires at the 150 kb/d Ekofisk and 40 kb/d Valhall complexes, ongoing problems at Gullfaks and seasonal maintenance. In addition to unplanned shut-ins, we expect seasonal maintenance to reduce production by around 100 kb/d in both August and September. Other field problems and work could reduce overall production in Norway by another 100 kb/d in August and over 60 kb/d in September.



But Norwegian production is projected to rebound slightly in the latter part of 2011 compared to 1H11 levels due to the completion of maintenance, upgrades at the Asgard field, and the start-up of the 80 kb/d Skarv project. Overall, Norway's production should average 2.1 mb/d, which is 40 kb/d lower than in 2010. Looking ahead, Canada's Talisman Energy announced an additional six-month delay to the projected

start-up date for the Yme field, now seen to come onstream in May 2012, and with an expected 60 kb/d capacity. The 2012 outlook is revised downward by 15 kb/d to 2.1 mb/d largely due to the delay at Yme, but output is nonetheless projected to grow marginally on increasing output at new fields.

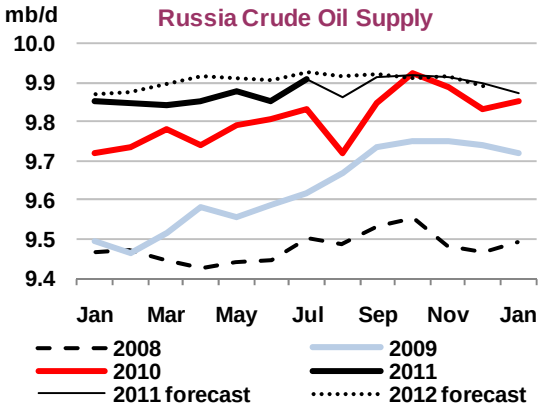
UK – May actual: In the UK, new May production data show oil production declined from the prior month to 1.1 mb/d with the onset of seasonal maintenance. During the summer months crude output should average less than 1 mb/d due to work on fields that is estimated to total 120 kb/d in July and 250 kb/d in August. Over the past few months, unscheduled maintenance has reduced production at the 200 kb/d Buzzard field to less than half of its capacity, but we expect production to return to capacity during September. Other outages that are affecting the UK's output this summer include repair to the Gryphon field from a storm-damaged FPSO and planned maintenance at the Total-operated Elgin and Franklin fields. The Forties pipeline should also carry less crude in August in order to remove an unexploded World War II mine. These outages have lowered estimates for August and September by 80 kb/d and 30 kb/d respectively, and have reduced the outlook for 2011 by around 20 kb/d to 1.24 mb/d. Projections for 2012 (1.27 mb/d) are curbed by a similar amount due to a six-month delay with the start up of the 30 kb/d Huntington field and a slower rebound from the Elgin/Franklin and Schiehallion fields. On a longer-term basis BP has approved a major workover of the Schiehallion/Loyal field, for start-up around 2015/16, which it claims could boost output to 150 kb/d from recent effective capacity of around 50 kb/d.

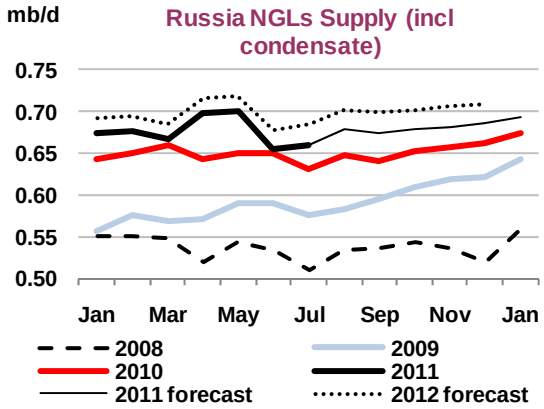
Pacific

Australia – May actual: In Australia May data show production at a lower-than-expected 420 kb/d, although output should increase later in the year with rebounding volumes from the Cossack and Apache fields, as well as increasing NGL production. Australian oil production has been curtailed due to longer-than-expected maintenance at the Van Gogh field. Operator Apache has reduced output at the 40 kb/d field several times since October 2010, although a recent company statement indicates that production resumed in early August. The replacement of the floating production, storage and offloading (FPSO) vessel at Cossack has also curtailed production. Our outlook envisages that production should maintain an upward trajectory in late 2011 and 2012 with ramping up of production at Van Gogh and the Pyrenees field, as well as start-up at Montara and Kitan. A downward-adjusted 2011 is now estimated to average 490 kb/d, with production rising to 620 kb/d in 2012.

Former Soviet Union (FSU)

Russia – June actual, July provisional: Russian total oil supply rose by 60 kb/d to 10.57 mb/d in July, again nearly touching a record high for post-Soviet times. 2011 production should average 10.56 mb/d, unchanged from last month's report, while the 2012 estimate is nudged up slightly and is expected to average 10.6 mb/d. Annual growth of 110 kb/d in 2011 and projected 45 kb/d growth in 2012 has slowed considerably from an average of 220 kb/d in 2009/10, let alone the average yearly increment of +650 kb/d seen in the first half of the past decade.

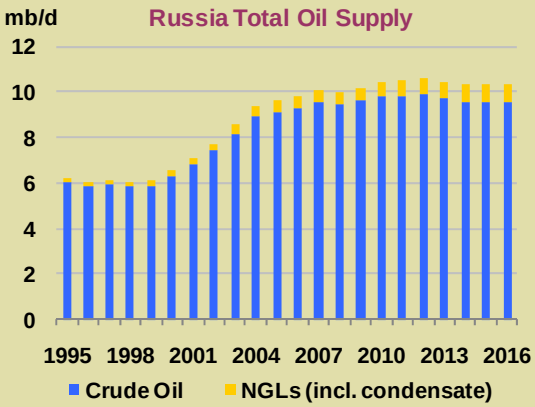




Uncertainty and Age Hold Russian Oil Production Outlook Flat

Russia's oil production continued to rise in the first half of 2011, recently hitting a new post-Soviet record of 10.6 mb/d, as several new fields, mostly in Eastern Siberia, continue to ramp-up production, and as decline in Russia's maturing heartland areas such as Western Siberia has been partly stemmed. But while 2011 and 2012 are both forecast to see combined production growth of 150 kb/d, output is projected to decline slightly in later years. Our recent *Medium-Term Oil and Gas Markets* (*MTOGM*) projected a net decline from 10.45 mb/d in 2010 total oil supply, to 10.32 mb/d in 2016. Growth in NGLs, including field condensate (from 650 kb/d to 800 kb/d) is offset by a decline in crude production (from 9.8 mb/d to 9.5 mb/d). Given the maturity of its large producing base, this is actually no mean feat and Russia remains in the upper echelon of oil producers with Saudi Arabia and the US, well ahead of others.

But while Russia's resource base is unquestionably sufficient to sustain current output levels, a degree of uncertainty nonetheless hangs over the medium and longer-term trajectory of its oil production – and even the relatively modest decline projected in the *MTOGM*. The issues at stake are the degree of government intervention, politicisation of energy markets/flows, access to reserves, the upstream fiscal regime and somewhat heavy-handed tinkering with the downstream and retail sector.



Recent oil production growth has in part been stimulated by tax breaks for new, challenging or remote fields, notably in Eastern Siberia, while upstream profitability was boosted by higher oil prices. Key projects, such as Vankor, Talakan and Verkhnechonsk have also benefited from lower export duty requirements, while many smaller fields in other frontier areas enjoy reduced mineral extraction tax (MET) levels. But Russia's government, which is expected to receive over half of its revenues from taxing hydrocarbons production in 2011, has recently attempted to trim or eliminate some of these tax breaks, arguing that higher oil prices should enable sufficient returns to operators. As a result, preferential export duties for the above-mentioned three fields were eliminated in May this year, while it was just announced that another six would lose them from August (Alinskoye, Ayanskoye, Danilovskoye, Dulisma, Markovskoye and Yaraktinskoye). As in May, the decision came with very short notice, adding to uncertainty for operators (Verkhnechonsk and Talakan were originally supposed to keep them until January 2012 and January 2013 respectively).

Furthermore, the region of Khanty-Mansiysk, a core producing area in Western Siberia, recently announced that it might cut some other tax breaks for local operators. Lukoil and TNK-BP, which both have a large presence there, threatened this could severely cut into attempts to maintain output at mature fields. Rosneft in turn, which protested vehemently at the elimination of tax breaks for Vankor, even suggesting future development stages were under threat, is allegedly holding out for preferential taxation for its large Yurubcheno-Tokhomskoye project in Eastern Siberia before giving development the green light.

At the same time, Russian authorities in late July announced that new fields developed in the southern Black Sea, the Okhotsk Sea (neither of which currently produce any oil), as well as the Yamal-Nenets region would benefit from zero MET until a certain volume of cumulative production was reached (ranging from 20-30 million tonnes). The decision was seen to benefit mainly the development of the Yamal LNG project, which would export 15 million tonnes of LNG by around 2020 from a new northern port. As for oil, despite the tax break, Gazpromneft, which holds the licence to develop the large Messoyakh field in Yamal-Nenets, reckons it will need prices sustained at over $100/bbl in the long-term to make development worthwhile.

It is also unclear what effects Russia's most recent proposed tinkering with the export duty for crude and refined products will have. For several years, refined products have incurred a substantially lower export tax than those for crude, the idea being that Russian refiners would be encouraged to upgrade plants to realise exports of high-quality products. Increasing tightness in Russia's domestic market for higher-quality refined product (even though largely self-inflicted, by a cap on domestic prices) has spurred the government to examine the current system, and potentially reverse the advantage hitherto enjoyed by exported products.

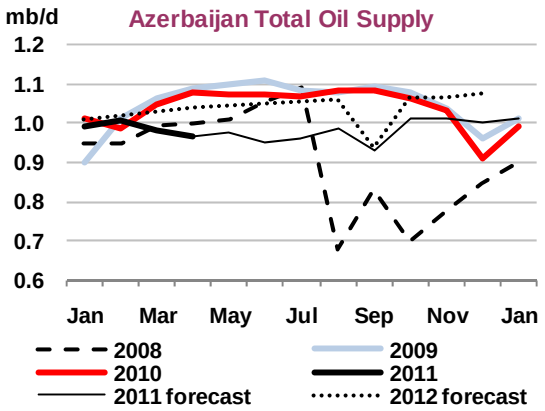
Uncertainty and Age Hold Russian Oil Production Outlook Flat (continued)

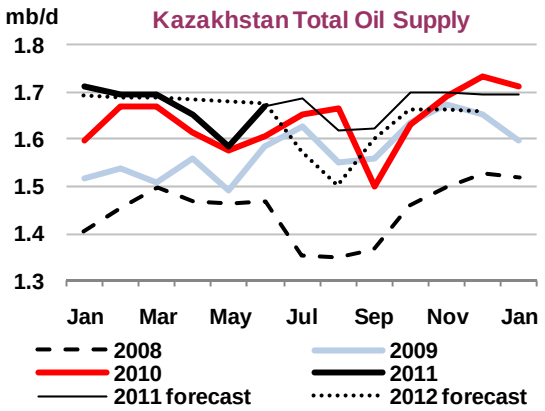
A pattern seems to be emerging, whereby new proposals for changes to the fiscal environment are frequent, while timing and details of implementation often remain uncertain. In past years, there have been numerous proposals for changes to upstream conditions, often seemingly conflicting, stemming from different parts of the administration with different objectives. More generally, Russian oil and gas producers have long called for taxes based on profit, which is the case in many other countries, rather than on the current revenue-based system.

Aside from fiscal uncertainties, the prospects for renewed IOC joint venture involvement in Russian upstream oil ventures suffered a knock with the recent failure of the proposed BP-Rosneft Arctic alliance and Chevron's decision to pull out of a Black Sea exploration venture, also with Rosneft. Neither setback was due to any government-created impediment. That said, the government's recent statement that it may sell all or part of its majority stake in Rosneft could conceivably make it more difficult for future joint ventures with Rosneft to gain access to major, strategic reserves (which require state involvement). All told, the failure of these two joint ventures, allied to BP's ongoing travails with its existing partners in TNK-BP, reinforce an impression that doing business upstream in Russia remains difficult. Foreign companies seeing these recent developments, and mindful of some of the problems incurred by Sakhalin joint venture partners in Russia's Far East, may conclude that undertaking new developments in Russia requires greater certainty on taxes and contract terms before proceeding.

Many proposed or actual changes to the regulatory and fiscal regime for Russia's oil sector have legitimate and reasonable goals, but to succeed they will have to balance Russia's own needs for fiscal revenue with the imperative to sustain investment by local and foreign companies alike. Opacity over details, timing and implementation create huge uncertainty when it comes to considering investment in Russia's upstream and downstream sectors. The government recognises that its desire to maintain oil production at over 10 mb/d requires significant investment in the upstream. More specifically, the development of technically challenging, remote and offshore resources, as well as maximising recovery from mature assets, will likely require significant foreign technological input. Changes across the breadth of the investment framework may be the only certainty we can expect for now.

Azerbaijan – April actual: Azerbaijan's crude and condensate production volumes remain somewhat curtailed, at around 0.98 mb/d in May. At the Chirag part of the Azeri-Chirag-Guneshli (ACG) complex, planned maintenance has cut production for June and July and output is only expected to return to full capacity by early 2012. On the basis of detailed 1Q11 data and with ACG production continuing to underperform since a major gas leak in 3Q08, we assume that further anticipated ramp-up at the complex is postponed yet again. As a result, total Azerbaijani production for 2011 is revised downwards by 40 kb/d to 0.98 mb/d. For 2012, projected output is revised down minimally, to 1.0 mb/d.





Kazakhstan – June actual/preliminary: In June, Kazakhstan's oil production recovered to 1.67 mb/d, following an earlier-than-expected end of maintenance at the large Tengiz field. This came despite an oil workers' strike, which in the end may have only shut-in around 20 kb/d. The strike continued to affect similar levels of output in July and into August. Kazakhstan's total oil production is expected to average 1.67 mb/d in 2011 and to decline marginally to 1.65 mb/d in 2012 in the absence of any new incremental capacity at major fields.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	3Q2010	4Q2010	1Q2011	2Q2011	Apr 11	May 11	Jun 11	Latest month vs. May 11	Latest month vs. Jun 10
Crude											
Black Sea	2.00	1.86	1.92	1.82	1.89	1.69	1.77	1.67	1.63	-0.04	0.09
Baltic	1.60	1.60	1.56	1.60	1.48	1.57	1.73	1.54	1.43	-0.10	-0.24
Arctic/FarEast	0.74	0.98	0.87	0.97	0.87	0.84	0.92	0.83	0.77	-0.06	-0.39
BTC	0.80	0.77	0.81	0.80	0.72	0.77	0.79	0.70	0.81	0.11	-0.01
Crude Seaborne	**5.15**	**5.22**	**5.17**	**5.19**	**4.96**	**4.87**	**5.22**	**4.74**	**4.64**	**-0.10**	**-0.55**
Druzhba Pipeline	1.11	1.13	1.16	1.14	1.14	1.12	1.14	1.11	1.10	-0.01	-0.02
Other Routes	0.40	0.42	0.40	0.43	0.53	0.54	0.55	0.53	0.55	0.02	0.13
Total Crude Exports	**6.66**	**6.76**	**6.73**	**6.76**	**6.63**	**6.53**	**6.91**	**6.38**	**6.29**	**-0.08**	**-0.44**
Of Which: Transneft[1]	3.93	4.00	4.04	4.02	4.15	4.16	4.36	4.17	3.94	-0.23	0.01
Products											
Fuel oil[2]	1.41	1.54	1.63	1.51	1.43	1.82	1.78	1.79	1.88	0.10	0.28
Gasoil	0.95	0.88	0.82	0.81	0.90	0.79	0.85	0.79	0.74	-0.05	-0.11
Other Products	0.53	0.43	0.43	0.37	0.48	0.53	0.56	0.58	0.45	-0.13	0.04
Total Product	**2.89**	**2.85**	**2.88**	**2.69**	**2.81**	**3.14**	**3.19**	**3.15**	**3.07**	**-0.08**	**0.21**
Total Exports	**9.54**	**9.61**	**9.61**	**9.45**	**9.44**	**9.66**	**10.09**	**9.53**	**9.37**	**-0.16**	**-0.23**
Imports	0.06	0.06	0.08	0.08	0.06	0.06	0.05	0.06	0.05	-0.01	0.00
Net Exports	**9.49**	**9.55**	**9.53**	**9.37**	**9.39**	**9.61**	**10.04**	**9.46**	**9.32**	**-0.15**	**-0.23**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

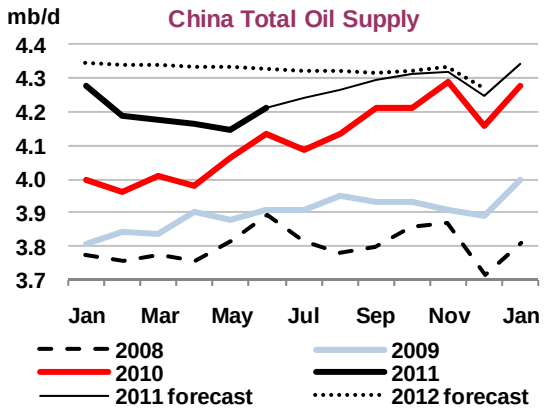
[2]Includes Vacuum Gas Oil

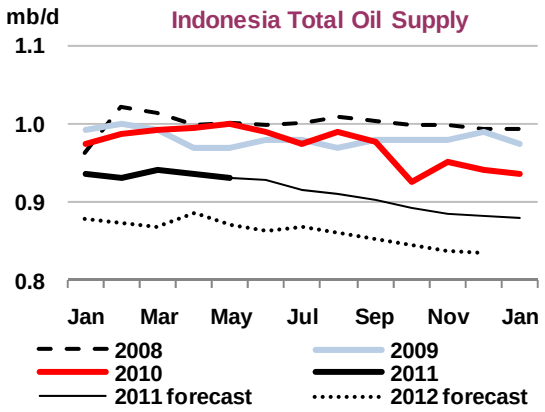
FSU net oil exports fell by 150 kb/d to 9.3 mb/d in June, with crude and products declining by 80 kb/d each. Total crude exports fell to 6.29 mb/d, largely due to a sharp seasonal increase in Russian refinery runs to record levels. Consequently, Transneft shipments fell to 3.94 mb/d (-230 kb/d m-o-m), their lowest since November 2010, with Baltic and Black Sea ports bearing the brunt of the cuts. Indeed, Primorsk exports fell by 80 kb/d, while Transneft shipments through Novorossiysk fell by a steep 140 kb/d. In contrast, flows through the Eastern Siberia-Pacific Ocean (ESPO) pipeline remained at capacity, with just over 300 kb/d each shipped to Kozmino and Daqing. In the six months since ESPO flows to China started, it is apparent that Russia has made a considerable effort to guarantee volume and quality on each leg, albeit at the expense of other outlets. Notably, the quality of Urals oil shipped from Novorossiysk has periodically deteriorated as some light, Western Siberian oil is sent east to supply the ESPO, and with exporters having to pay penalty fees associated with a drop in quality below agreed limits. It is expected that this issue will continue for the foreseeable future until more East Siberian fields are connected to the ESPO network.

Outside of Russia, flows along the BTC and CPC pipelines increased by 110 kb/d and 50 kb/d, respectively. Product exports fell by 80 kb/d on the month as falls in the 'other products' category (-130 kb/d) and gasoil (-50 kb/d) offset a 100 kb/d increase in fuel oil shipments. Gasoline exports, included here under 'other products' contracted by 85 kb/d, their largest fall in over two years. This was attributed to the effect of Russia's gasoline-specific export tax designed to alleviate domestic shortages and introduced a month earlier.

Other Non-OPEC

China – June actual: China's oil production returned to 4.2 mb/d in June, despite ongoing problems at the offshore Bozhong complex since an FPSO problem in April, curbing an estimated 40 kb/d. In mid-July, leaks at the Penglai complex, also in the Bohai Bay area, forced the shut-in of at least 45 kb/d, following the intervention of the authorities (the leak had reportedly first been noticed around one month earlier). We assume the shut-ins to last into September, though this is offset by sustained output growth elsewhere. Production for 2011 is estimated to average 4.2 mb/d, which would represent annual growth of 135 kb/d, or +3.3%. This compares with a recent estimate by China's Ministry of Industry and Information Technology of +3.4%. Our 2012 projection is nudged up by 20 kb/d to 4.3 mb/d, on reports that China is increasingly successful at stemming decline at some of its largest and mature fields, while especially offshore production continues to grow.





Indonesia – May actual: JODI data for Indonesian oil production in May suggest a sharp uptick to 975 kb/d, which is however not matched by Oil Ministry data nor justified by any new field start-ups. This report therefore estimates production averaged 930 kb/d in May, closer to Oil Ministry estimates. Delays with boosting output at the Banyu Urip field, as well as a lack of other new projects, as baseload production declines, is keeping Indonesia's production on a downward trend. In recognition of this, the government recently trimmed its official annual production target for 2011 yet again, to 945 kb/d from an earlier 970 kb/d. Our estimate for the year is a more conservative 915 kb/d, falling further to 860 kb/d in 2012.

In **Yemen**, around 110 kb/d of shut-in crude oil production started to resume from mid-July, after a key pipeline to the coast was repaired. Output had been shut-in since April. The political situation remains volatile and violent, but for the moment, we are assuming production will be fully back to normal by 4Q11, averaging 255 kb/d. In **Syria**, there were reports in early July that a crude oil pipeline had been bombed, amid a deteriorating political situation. But as yet there are no reports of oil production, which averaged an estimated 385 kb/d in 2010, being affected. Fighting appears to have receded in disputed oil-producing regions that straddle the border between **Sudan** and newly-independent **southern Sudan**, and oil production is assumed to be back to normal, around 450 kb/d. But negotiations over transit fees between the north, which controls export infrastructure, and the south where production is centred, continue. The sum of production in these three countries in 2010, which remains at potential risk, is 1.1 mb/d.

OECD STOCKS

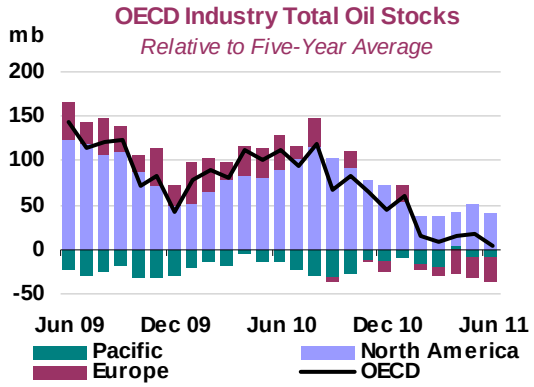
Summary

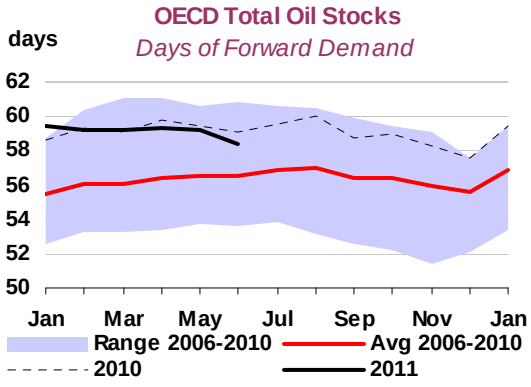
- **OECD industry stocks fell by 11.8 mb to 2 678 mb in June**, contrasting with a 1.8 mb five-year average build. Stronger declines in crude and main product categories led this monthly draw, but a gain in 'other products' provided partial offset. The surplus to the five-year average narrowed significantly, from 18.2 mb in May to 4.7 mb in June.

- **OECD forward demand cover remained below year-ago levels for the third consecutive month at 58.4 days in June.** Stronger forecast demand for distillates over the next three months drove stock cover lower from 59.2 days in May, although June remained 1.8 days above the five-year average.

- **July preliminary data show an 18.5 mb gain in OECD commercial inventories.** Seasonal builds in middle distillates and 'other products' drove the increase, while crude oil holdings fell sharper than average. By comparison, over the past five years July stocks rose by 27.2 mb on average.

- **Short-term oil floating storage fell to 50.5 mb in July,** from 54.4 mb in June. Crude floating storage declined by 1.8 mb to 38.8 mb on offloading in the Middle East Gulf, while products dropped by 2.1 mb to 11.7 mb, as products held off West Africa were transferred ashore.





OECD Inventory Position at End-June and Revisions to Preliminary Data

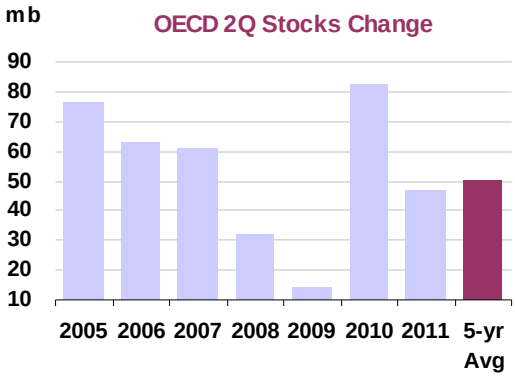
OECD industry oil inventories fell counter-seasonally by 11.8 mb in June, to 2 678 mb, or 58.4 days of forward demand. The monthly decline contrasted with a 1.8 mb average build for June observed over the past five years. Crude oil stocks plummeted by 15.6 mb, with the majority of the decline in North America, where a rebound in refinery throughputs reduced holdings. Product inventories gained 5.7 mb, as rising 'other products' outweighed falling gasoline, middle distillate and fuel oil stocks.

Preliminary Industry Stock Change in June 2011 and Second Quarter 2011

	June (preliminary) (million barrels)				June (preliminary) (million barrels per day)				Second Quarter 2011 (million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-14.5**	**-0.8**	**-0.3**	**-15.6**	**-0.48**	**-0.03**	**-0.01**	**-0.52**	**0.01**	**-0.03**	**0.03**	**0.01**
Gasoline	-1.3	-2.7	-0.3	-4.3	-0.04	-0.09	-0.01	-0.14	-0.04	-0.12	0.01	-0.15
Middle Distillates	4.6	-7.4	2.3	-0.4	0.15	-0.25	0.08	-0.01	0.02	-0.11	0.13	0.04
Residual Fuel Oil	-0.3	-2.1	0.0	-2.4	-0.01	-0.07	0.00	-0.08	-0.01	-0.01	0.01	-0.01
Other Products	13.6	-0.6	-0.2	12.9	0.45	-0.02	-0.01	0.43	0.40	0.00	0.04	0.43
Total Products	**16.6**	**-12.7**	**1.8**	**5.7**	**0.55**	**-0.42**	**0.06**	**0.19**	**0.37**	**-0.24**	**0.18**	**0.31**
Other Oils[1]	-1.4	0.2	-0.7	-1.9	-0.05	0.01	-0.02	-0.06	0.12	0.02	0.06	0.20
Total Oil	**0.8**	**-13.3**	**0.7**	**-11.8**	**0.03**	**-0.44**	**0.02**	**-0.39**	**0.49**	**-0.25**	**0.27**	**0.51**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Despite a counter-seasonal June stockdraw, OECD inventories grew by 47 mb in 2Q11, in line with a 50 mb five-year average build. The stocks rose more strongly than normal in April and May and were further increased by upward revisions to OECD inventories upon receipt of more complete monthly data. May OECD industry holdings were revised 9.3 mb higher, implying a stronger 31.9 mb stockbuild than the previously reported 23.9 mb increase. Upward adjustments centred on crude, 'other products' and 'other oils'.



We have also made several baseline adjustments this month. US final monthly data for 2010 have been incorporated. The more complete figures raise the 2010 baseline by 4.1 mb on average and almost 70% of the adjustments occurred in crude oil stocks. Meanwhile, Japan reclassified a portion of crude oil inventories in response to a December 2010 lease agreement between the Japanese government and Saudi Arabia, which allows the Kingdom to hold up to 3.8 mb of crude oil stocks in storage in Okinawa. This modification 'removed' 1.5 mb of crude oil holdings from Japanese industry oil stocks from January 2011 onwards. However, the data do not account for February and April vessel arrivals and thus will likely be subject to further revisions in coming months.

Revisions versus 13 July 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Apr 11	May 11	Apr 11	May 11	Apr 11	May 11	Apr 11	May 11
Crude Oil	**5.3**	**3.2**	**1.0**	**7.5**	**-1.5**	**-2.7**	**4.8**	**8.1**
Gasoline	-0.3	-0.6	-0.1	-3.7	0.0	-0.3	-0.4	-4.6
Middle Distillates	0.1	6.4	-0.8	-6.4	0.0	0.3	-0.7	0.4
Residual Fuel Oil	-0.1	-2.4	0.3	0.9	0.0	-0.3	0.2	-1.8
Other Products	0.1	1.6	-0.1	0.8	0.0	1.1	0.0	3.5
Total Products	**-0.2**	**5.1**	**-0.6**	**-8.3**	**0.0**	**0.7**	**-0.8**	**-2.5**
Other Oils[1]	-2.7	3.2	0.0	0.8	0.0	-0.2	-2.7	3.7
Total Oil	**2.4**	**11.5**	**0.5**	**0.0**	**-1.5**	**-2.2**	**1.3**	**9.3**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary July data signal an 18.5 mb increase in OECD oil industry inventories. A further increase in refinery runs led to strong product builds, which outweighed crude stock draws. Short-term oil floating storage fell by 3.9 mb in July, to 50.5 mb. Further offloading of Iranian crude oil in the Middle East Gulf drove crude floating storage lower to 38.8 mb, yet new vessels in the US Gulf provided a partial offset. Products held in floating storage declined to 11.7 mb as some products held off West Africa were transferred ashore.

Update on the IEA's Libya Collective Action

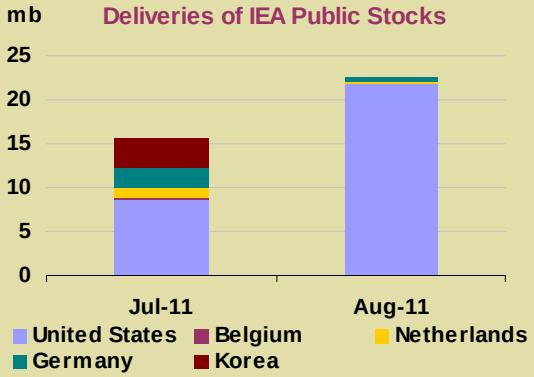
On 23 June, the IEA initiated its Libya Collective Action, designed to add liquidity to the market in light of the ongoing disruption to Libyan crude supplies, the impending seasonal rise in 3Q11 oil demand and to act as a bridge to an expected rise in supplies from other OPEC producers. A total of 59.8 mb of oil has been brought to the market from the Collective Action. This includes the volumes of public stocks taken up through tender, loan or direct sale, with the remainder of the volume being supplied by lowering the stockholding obligations on industry in several IEA Member countries. For background and details on the various ways in which emergency stocks are released, see *The IEA's Libya Collective Action Explained* in the Oil Market Report dated 13 July 2011.

More than 97% of 39.2 mb of public stocks offered to the market in the form of tenders and loans was taken up. This is higher than the 73% uptake of public stocks in the 2005 Collective Action, when a total of 28.8 mb were drawn from public stocks compared to the 39.5 mb offered in loans and tenders. Approximately 40% of the public oil stocks were delivered in the month of July, while delivery of the remaining 60% will be completed in August.

Update on the IEA's Libya Collective Action (continued)

In a 30-day review of the action, announced publicly on 21 July, the IEA and its Member countries agreed that, having bridged the gap to higher OPEC supplies and with oil from the initial release still entering the market, the IEA would continue to closely monitor market conditions and stands ready to augment the action if conditions again warrant. The IEA has encouraged countries to be flexible when considering emergency stock replenishment in order to avoid prompting any additional market tightening in 2H11.

A portion of public stocks reached oil markets in July. The US sold via auction 30.64 mb of crude oil from its SPR. First shipments began in the week of 18 July and 8.7 mb were scheduled to be delivered in July, while the remainder will be delivered by end-August. US weekly data show 6.8 mb of the scheduled volume were delivered by 29 July. Korea released 3.5 mb from public stocks in the form of loans, with all deliveries completed by end-July. German market participants bought 66% (2.8 mb) of public oil stocks offered via a tender. The refined products were taken up immediately in July, as was more than half of the crude volumes. The remainder of the crude is expected to be lifted by the end of August. The Netherlands released a total of 1.2 mb from public stocks via tender and direct selling contracts, and all amounts were delivered in July. Belgium contributed 0.8 mb from both public and industry stocks. Regarding public stocks, 95 kb of jet/kerosene were delivered to the market during the month of July 2011.

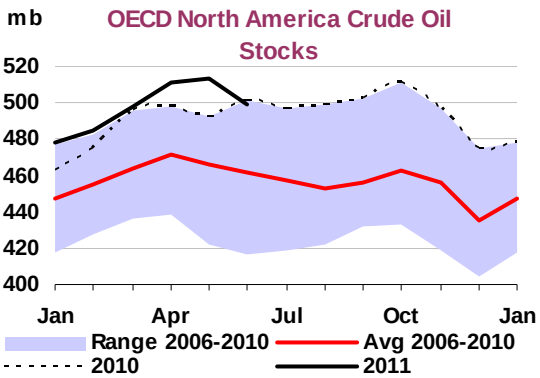


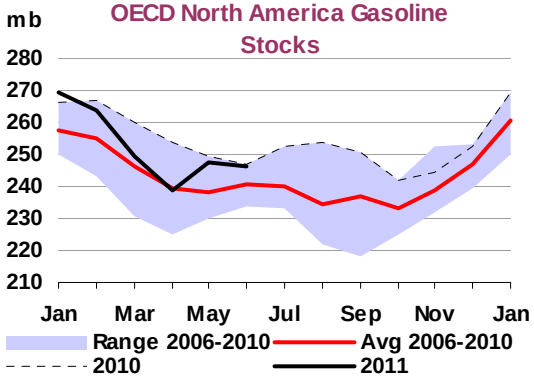
The use of obligatory industry stocks accounts for 21.7 mb of the total action. Of the eight countries contributing with obligatory industry stocks, seven countries lowered the obligation proportionately across all industry (e.g. importers, refiners, product suppliers or wholesalers); in the case of Turkey, the obligation was lowered on refineries only. Japan and France will likely maintain their relaxed obligations on industry until end-2011, while Spain and the UK will likely also not request their replenishments earlier. Poland and Turkey will re-establish the obligation by end-March 2012. Belgium and Italy will provide companies with a derogation of the stockholding obligation for at least 3 months.

Analysis of Recent OECD Industry Stock Changes

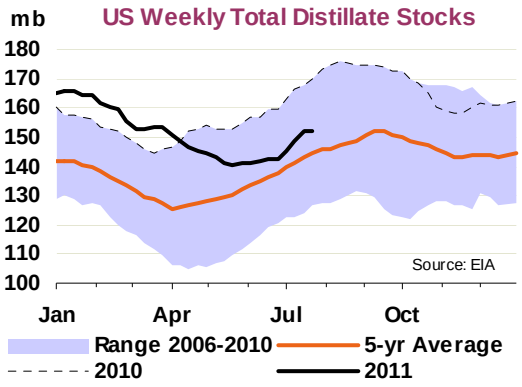
OECD North America

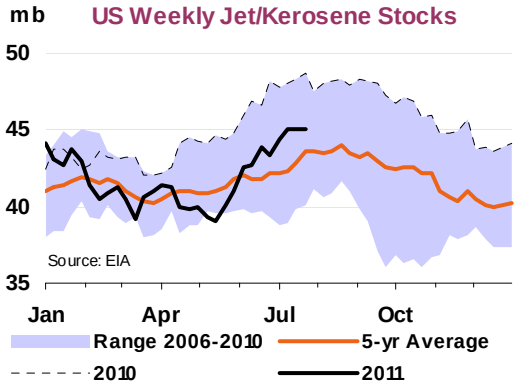
Industry oil inventories in OECD North America rose by 0.8 mb to 1 340 mb in June. The modest monthly gain contrasted with a 10.8 mb five-year average build. A seasonal increase in US refinery throughputs reduced crude oil stocks by 14.5 mb. Meanwhile, gains in middle distillates and 'other products' lifted North American product inventories by 16.6 mb in June. Distillate stocks rose in line with the five-year average by 4.6 mb, while 'other products' grew by a stronger 13.6 mb. Gasoline stocks dipped by 1.3 mb after a counter-seasonal increase in May.



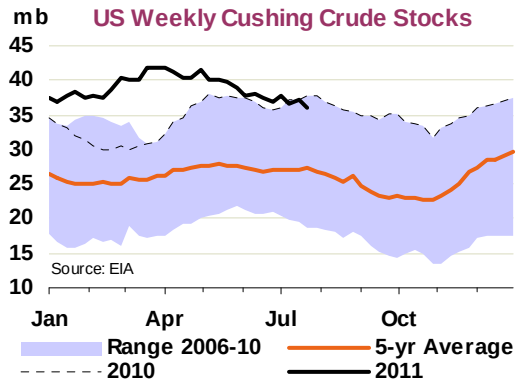


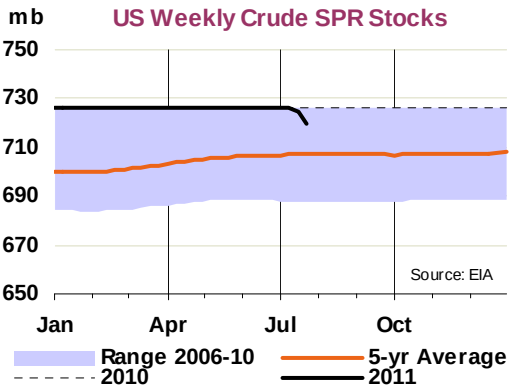
Weekly data from the US Energy Information Administration point to a strong 22.1 mb increase in July industry stocks. The build was entirely driven by products, as middle distillates, 'other products' and gasoline rose by 11.9 mb, 14.4 mb and 2.6 mb, respectively. As such, a 27.3 mb increase in products outweighed a 5.2 mb draw in crude and other feedstocks.





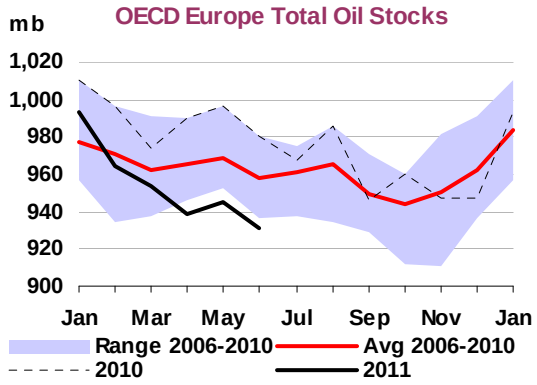
US crude stocks fell by 3.6 mb in July. However, the draw was partially mitigated by a delivery of 6.8 mb of SPR oil sold last month as part of the wider IEA Libya Collective Action (see *Update on the IEA's Libya Collective Action*). According to the weekly data, the overhang in the US Midcontinent and around Cushing, Oklahoma eased after a series of pipeline problems and production outages. Cushing stocks declined by 1.1 mb in July, and stood almost 6 mb below their peak recorded in the first week of April. The overhang developed after the start-up of new pipelines transporting crude from Canada and the Bakken area in April 2010 and February 2011 and will likely persist until new pipelines are completed in 2013 and beyond, which allow crude to be evacuated to the US Gulf Coast refining region.

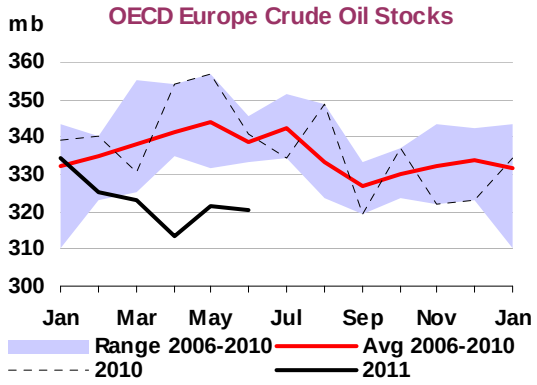




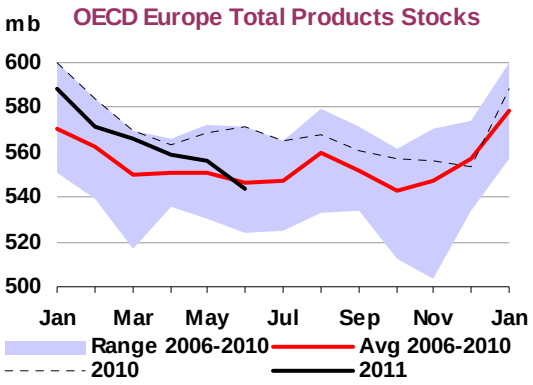
OECD Europe

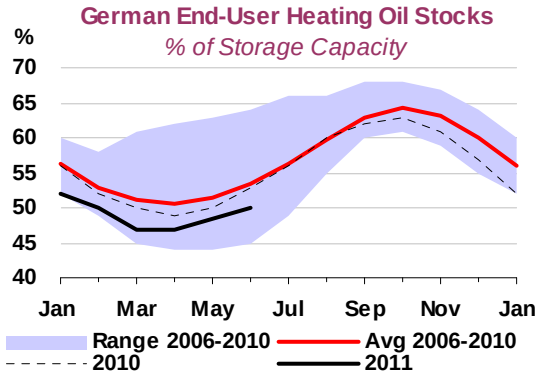
Industry oil inventories in OECD Europe fell by 13.3 mb to 931.5 mb in June, the lowest level since November 2007. The deficit to the five-year average widened from 23.4 mb in May to 26 mb in June. By comparison, European stocks drew on average by 10.6 mb over the past five years in June.





Crude oil stocks declined marginally on the back of rising refinery throughputs, as companies secured alternative supplies to replace the lost Libyan volumes. However, crude inventories remained 18.3 mb below the five-year average. Product holdings fell by a sharp 12.7 mb, to below the five-year-average. Middle distillates drove the decline as they dropped by 7.4 mb, while draws in gasoline and fuel oil inventories also contributed. German consumer heating oil stocks stood at 50% of capacity at end-June, up from previously-reported levels at 47% of capacity at end-April.

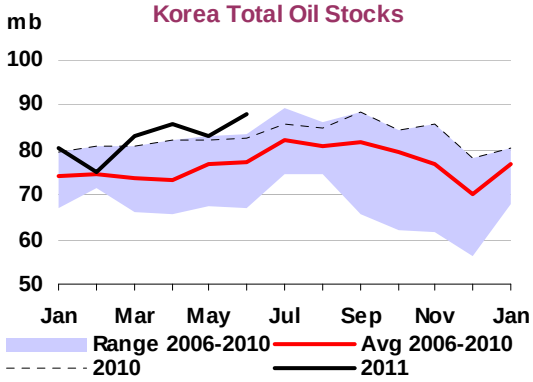


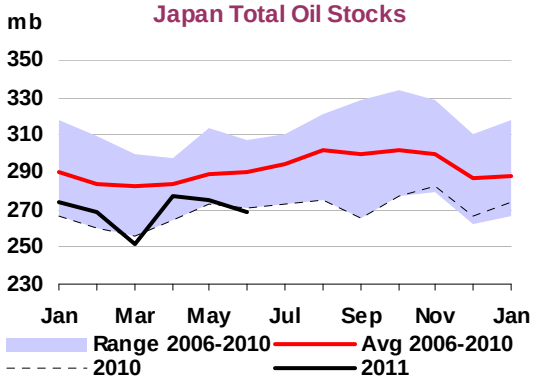


Preliminary July data from Euroilstock signal a 1.4 mb stockbuild in the EU-15 and Norway. Crude oil holdings declined by 2.9 mb, as refiners increased crude runs on the back of seasonally higher demand, improved margins and increased supply of crude in the Atlantic Basin. Reportedly, some crude cargoes were redirected from the US to Europe following the release of light, sweet crude from the US SPR. A sharp gain in distillates drove product inventories higher by 4.3 mb. Middle distillates rose by 4.1 mb and gasoline built by a further 1.1 mb. Meanwhile, refined oil product inventories held in independent storage in Northwest Europe fell, led by gasoil draws.

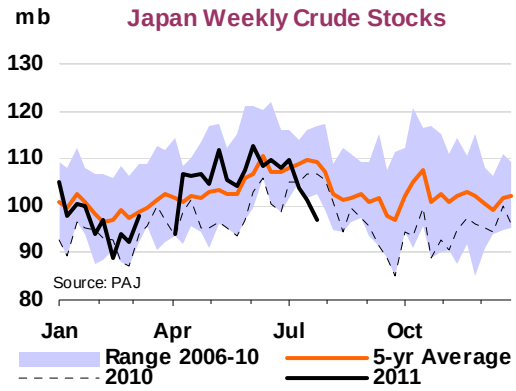
OECD Pacific

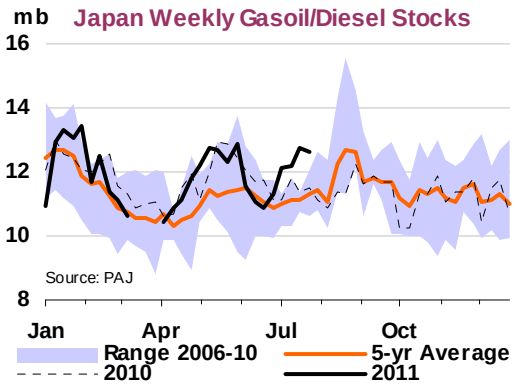
Industry oil inventories in the OECD Pacific rose by 0.7 mb to 406 mb in June. Strong distillate gains in Korea drove the overall monthly increase, which was directionally in line with a 1.6 mb five-year average build. Korean inventories rose by 4.7 mb, with distillates adding 2.6 mb as product exports dropped. Higher crude imports drove crude oil stocks higher by 1.2 mb. As such, rising stocks in Korea, Australia and New Zealand offset sharp draws in Japan. Japanese industry inventories fell by 6.3 mb in June. A rebound in refinery runs cut 3.4 mb of crude oil holdings and products edged 1.7 mb lower as regional product exports resumed.





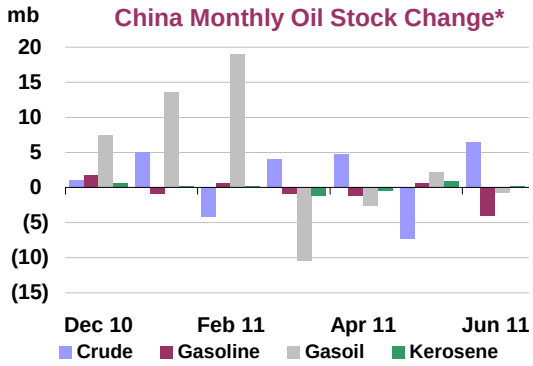
Weekly data from the Petroleum Association of Japan (PAJ) point to a 5.0 mb draw in Japanese commercial oil inventories in July. Crude oil stocks fell by 4.8 mb driven by a further increase in refinery throughputs. Meanwhile, product stocks fell by 2.0 mb and resumed regional exports likely contributed, as confirmed by recent data from Singapore. Yet, a 1.7 mb gain in 'other oils' mitigated the overall draw.



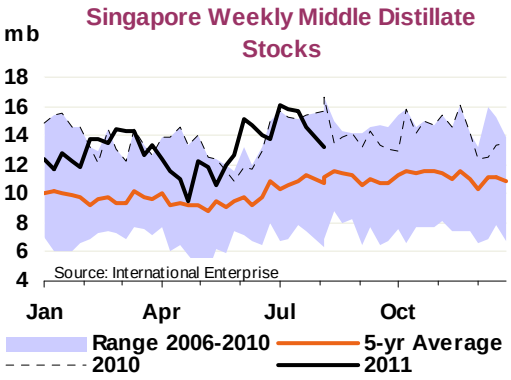


Recent Developments in Singapore and China Stocks

According to *China Oil, Gas and Petrochemicals* (*China OGP*), Chinese commercial oil inventories rose by an equivalent of 1.8 mb (data are reported in terms of percentage stock change), to almost 352 mb in June. Crude oil stocks gained 3.2% (6.5 mb) as several refiners reduced runs due to maintenance. Product stocks declined, led by a 7% (4.1 mb) draw in gasoline. Gasoil dropped by 1% (0.8 mb) outweighed by an 1.3% (0.2 mb) build in kerosene.



*Since August 2010, COGP only reports percentage stock change

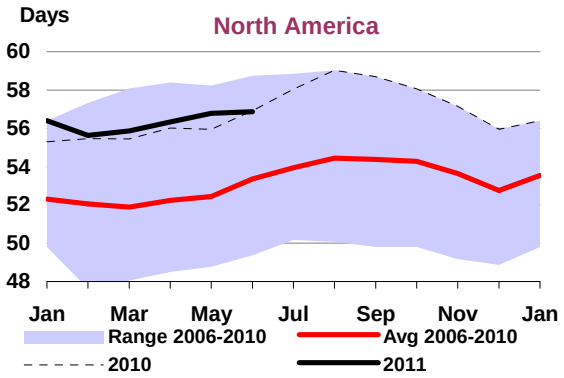


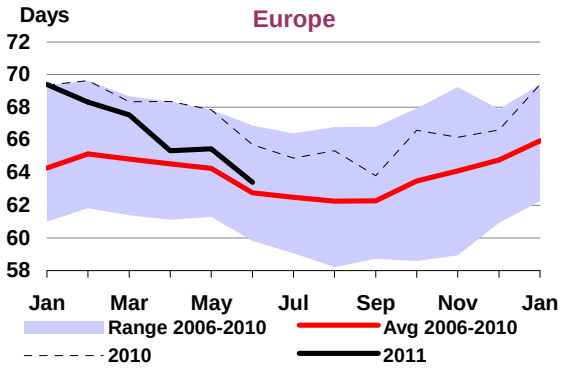
Refined product oil stocks in Singapore declined by 1.3 mb in July, led by draws in middle distillates and fuel oil. Middle distillates fell by 0.9 mb on higher regional demand and arbitrage exports. A partial offset came from renewed imports of diesel from Japan after earlier refinery outages there. Fuel oil holdings declined by 0.5 mb, while light distillates increased by 0.1 mb.

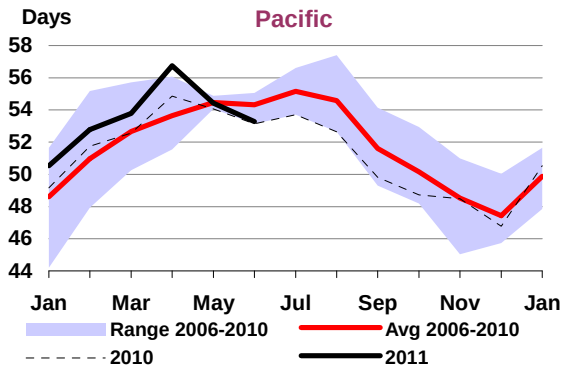
Regional OECD End-of-Month Industry Stocks

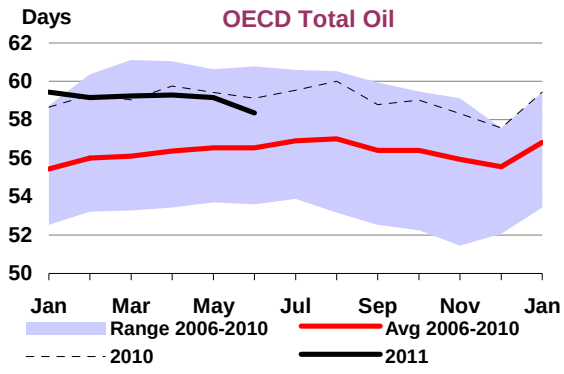
(in days of forward demand and millions barrels of total oil)

Days[1]

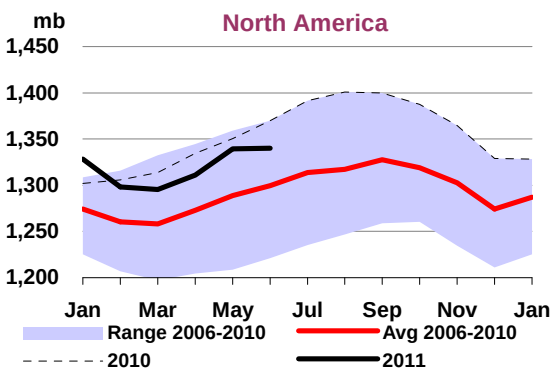


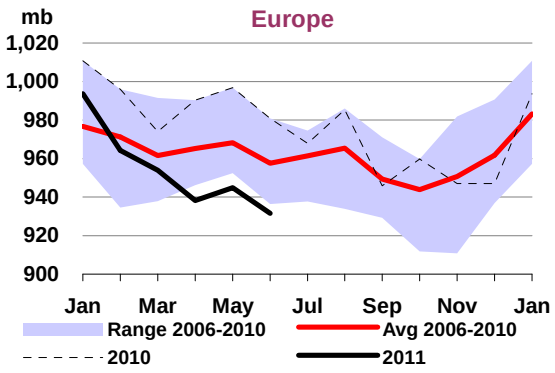


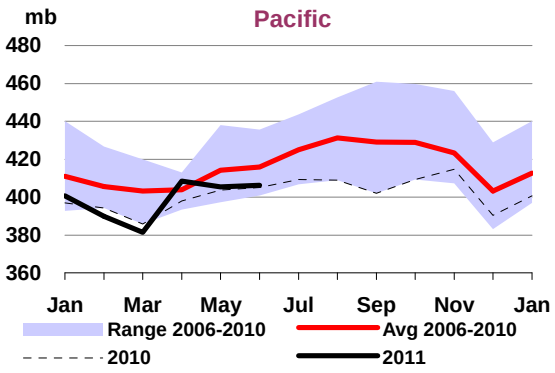


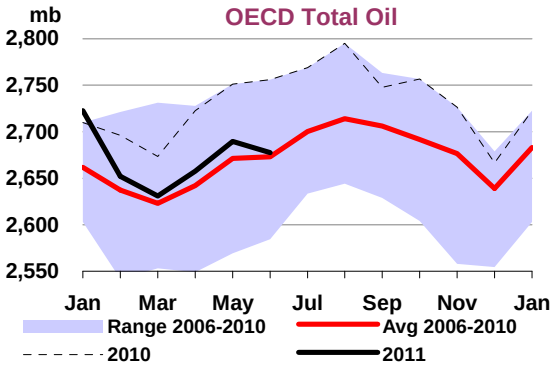


Million Barrels









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

PRICES

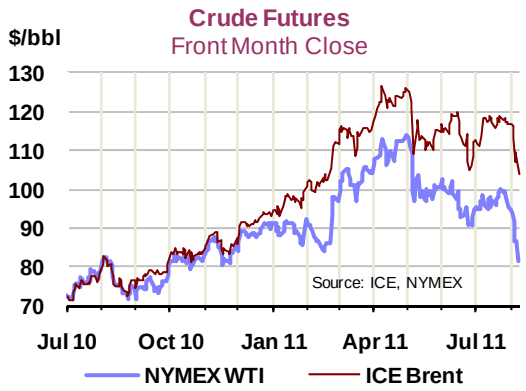
Summary

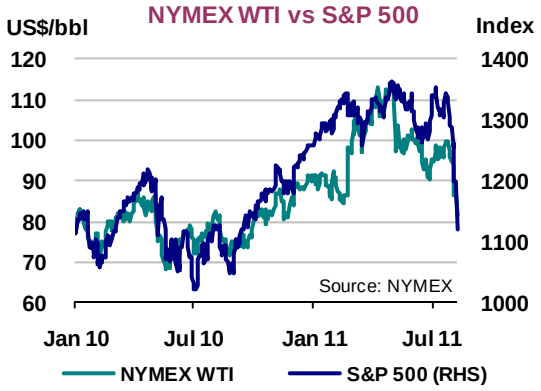
- **The relative calm of oil markets in July was shattered by the collapse in global financial and commodity markets in early August.** Political wrangling in Washington over the US debt ceiling, escalating sovereign debt issues in the euro zone and the downgrade of America's triple-A credit rating triggered a broad market sell-off, which in turn has shaved around $15-20/bbl off prices over the past ten days at writing. Brent and WTI futures were last trading around $103/bbl and $80/bbl.

- **Spot prices for benchmark grades were up by around $1-3/bbl on average in July before shedding more than $14-20/bbl in the ten days to 9 August**. Increased supplies of relatively cheaper Middle East crudes are also exerting downward prices on prices in August. Saudi Arabia took the market by surprise in early August when it announced sharper-than-expected cuts to price formulae for Asia and the US for September liftings, with other Middle East producers expected to follow suit.

- **Refining margins largely improved in the major centres in July, with stronger gasoline cracks the main driver behind the increase,** especially lifting margins at complex refineries. Nonetheless, European refining margins remain weak, with Brent cracking margins in Northwest Europe showing a calculated average profit of only $0.80/bbl in July.

- **Crude tanker rates continued at depressed levels throughout July as vessel oversupply vastly outweighed brisk chartering activity.** The Suezmax West Africa – US Atlantic Coast trade was the only benchmark route to experience an uptick in rates during the month. Shipbrokers attributed this to a knock-on effect of the IEA stock release. As many US East Coast refiners preferentially booked light, sweet oil released from the US SPR, European refiners chartered Suezmaxes to move newly available West African cargoes northwards, resulting in a slight firming mid-month.

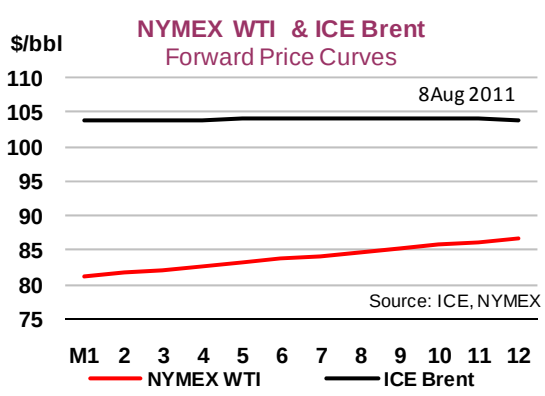


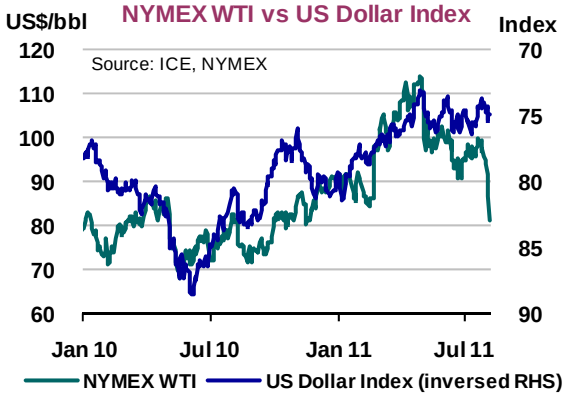


Market Overview

The meltdown in global financial and commodity markets in early August is reminiscent of what was seen in early-May, and signals a rather more circumspect view now on market prospects looking ahead. The relative calm in markets in July following the IEA stock release has been replaced by a much darker outlook for the remainder of 2011 on escalating fears of a double dip-recession and sharply lower oil demand growth. Protracted political wrangling in Washington over the US debt ceiling ignited increased volatility, while escalating sovereign debt issues in the euro zone fanned the flames further, triggering a broad market sell-off in early August. After the extreme volatility seen by the week ended 5 August, oil prices were shaved by a further $6-7/bbl after rating agency Standard & Poor's removed the US's top-tier credit rating. Oil futures prices have plummeted $15-20/bbl from late-July highs by writing on 9 August.

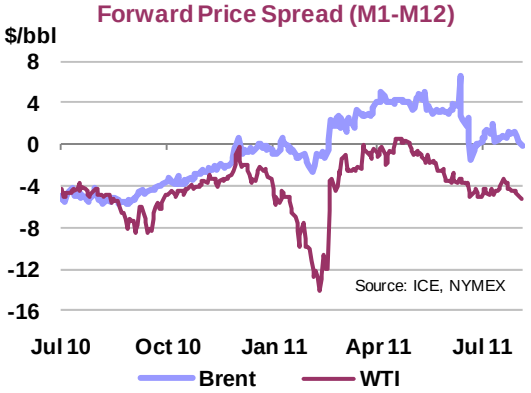
That compares with futures prices posting modest month-on-month increases, with WTI up $1.05/bbl and Brent up $2.85/bbl on average in July. Prices for Brent and WTI futures were last trading around $103/bbl and $80/bbl, respectively.

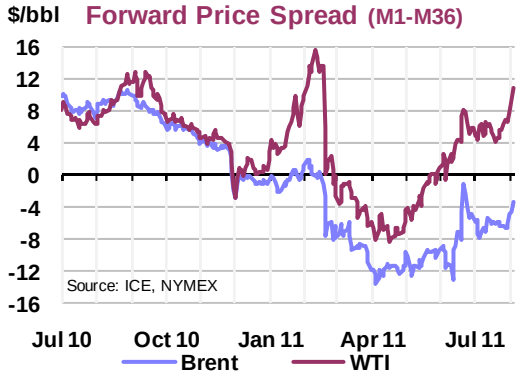




Efforts are underway by the Group of Seven major industrialised nations to stem financial market contagion, but repercussions from a renewed financial crisis are expected to be far-reaching, with the outlook for oil demand growth prospects fragile for both OECD and non-OECD countries. Even before the latest meltdown, exceptionally bearish economic and demand data for both the US and China weighed on oil markets.

The spectre of a sharp slowdown in economic growth near-term, particularly in the US, is prompting some industry forecasters to cut global oil demand estimates for this year and 2012. This month's *OMR* sees global demand for 2011 revised down by 60 kb/d, with growth now expected at 1.2 mb/d, although our base case retains near 4.5% global GDP growth in 2012 and demand growth near 1.6 mb/d as a result. In the wake of recent market and economic turmoil, a lower demand sensitivity of 3% GDP growth next year generates only a 0.6 mb/d demand increment for 2012 (See Demand, *'Growing Economic Downside Risks to Prompt Lower Oil Demand?'*). For refiners and traders, however, signs of more ample supply were already emerging in the market before the latest crisis, in part after the IEA Libya Collective Action and also due to planned refinery turnarounds in China and an unplanned outage of the 540 kb/d Taiwanese Formosa plant. However, increased crude demand for oil-fired power generation in Japan is expected to partially offset refinery outages elsewhere in Asia (see Demand, '*Nuclear Outages See Japan's Power Sector Turn to Thermal*').





Moreover, OPEC has also cranked up production over the past two months by 1.0 mb/d, to 30.05 mb/d in July. In response, discounts for Middle East crudes were emerging. Saudi Aramco unexpectedly reduced Asian September's official selling prices for Arab Light by $0.60/bbl while cutting even more

sharply Arab Medium and Heavy prices by $1-$1.40/bbl, which increased the price spread between the light and heavy grades to just over $4/bbl. As a result, traders had already factored in a weaker outlook for heavier, sour crudes in September and October.

Additional supplies to the market are also adding downward pressure on front-month contracts. The Brent M1-M12 contract flipped from backwardation into contango on 8 August, to -$0.20/bbl compared with $0.80/bbl in July and an average $2.26/bbl in June. The WTI M1-M12 contract also saw its contango structure widen, to around -$4.80/bbl from 1-8 August compared with -$4.35/bbl in July and -$3.80/bbl in June.

The longer-dated M1-M36 for Brent flattened amid the changing price structure. The Brent M1-M36 contract narrowed to $3.25/bbl by 8 August compared with an average $6.20/bbl in July and $8.05/bbl in June. WTI posted the reverse trend, with the M1-M36 contracts widening to almost $11/bbl by 8 August compared with an average $5.50/bbl in July and $3.35/bbl in June.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	May	Jun	Jul	Jul-Jun Avg Chg	% Chg	Week Commencing: 11 Jul	18 Jul	25 Jul	01 Aug	08 Aug *
NYMEX										
Light Sweet Crude Oil	101.36	96.29	97.34	1.05	1.1	96.71	98.11	97.87	90.82	81.31
RBOB	130.02	123.93	130.16	6.23	4.8	130.82	130.95	131.48	122.35	113.05
No.2 Heating Oil	124.48	125.04	129.25	4.21	3.3	130.01	130.38	130.24	126.37	117.67
No.2 Heating Oil ($/mmbtu)	21.37	21.47	22.19	0.72	3.3	22.32	22.38	22.36	21.69	20.20
Henry Hub Natural Gas ($/mmbtu)	4.34	4.52	4.35	-0.16	-3.7	4.39	4.47	4.30	4.06	3.94
ICE										
Brent	114.52	113.90	116.75	2.85	2.4	117.87	117.49	117.55	112.62	103.74
Gasoil	126.91	127.24	130.22	2.98	2.3	131.19	132.12	131.91	127.84	121.26
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-13.17	-17.61	-19.41	-1.80		-21.16	-19.37	-19.68	-21.80	-22.43
NYMEX No.2 Heating Oil - WTI	23.13	28.75	31.91	3.16		33.30	32.26	32.38	35.54	36.36
NYMEX RBOB - WTI	28.66	27.64	32.82	5.18		34.11	32.83	33.62	31.52	31.74
NYMEX 3-2-1 Crack (RBOB)	26.82	28.01	32.52	4.51		33.84	32.64	33.20	32.86	33.28
NYMEX No.2 - Natural Gas ($/mmbtu)	17.03	16.95	17.84	0.89		17.93	17.91	18.06	17.63	16.27
ICE Gasoil - ICE Brent	12.39	13.33	13.47	0.13		13.32	14.63	14.36	15.21	17.52

Source: ICE, NYMEX. *8 August only.

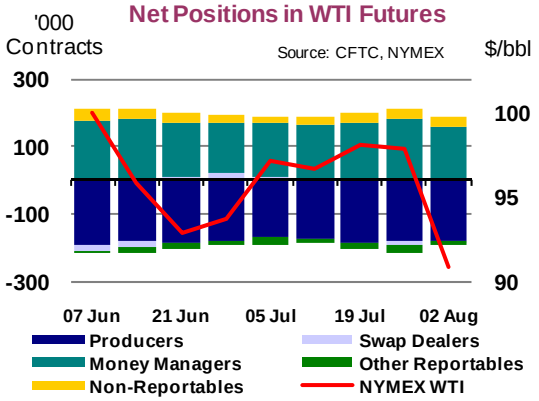
Futures Markets

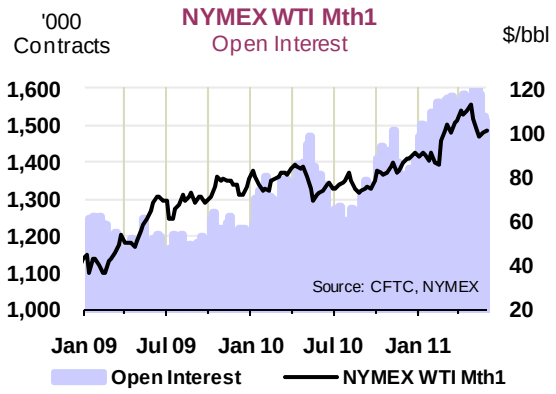
Open interest in WTI contracts in New York in the CME and London ICE Exchanges were little changed in July but still hovered near May's record levels. Open interest in New York increased in July in both futures-only and combined futures and futures-equivalent options contracts from 1.52 million and 2.7 million contracts to 1.53 million and 2.703 million contracts, respectively. At the same time, open interest in the London ICE WTI contract declined in futures-only contracts, to 0.46 million and increased in combined contracts to 0.51 million.

Managed money traders increased their bets on rising crude oil prices to a six-week high on 26 July after gradually cutting their net long exposures in the light, sweet crude oil contracts since mid-April, at both CME and ICE London exchanges. However, they decreased their net-long positions from 180 013 to 157 139 and from 25 315 to 22 839 in the last week of July, in New York and in London, respectively, in response to the fall in WTI prices from $99.59/bbl to $93.79/bbl. Meanwhile, money managers increased their net-long positions in the London ICE Brent contract by 47%, from 62 694 to 91 994 in July.

Producers increased their net-short positions during the month of July; they held 25.49% of the short and 13.69% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 32.73% and 32.79% of the open interest on the long side and short side, respectively, reversed their

recent trend of declining net shorts by reducing 9 772 gross long contracts. Both producers and swap dealers increased their net-short positions in the London ICE WTI contract.





NYMEX RBOB futures and combined open interest increased by more than 6% in July. Open interest in NYMEX heating oil increased by 2.0% to 302 304 contracts while open interest in natural gas markets decreased by 0.7% to 968 004 contracts.

Index investors reduced their long exposure in commodities in June 2011. They withdrew $2.5 billion from the WTI Light Sweet Crude Oil contracts in June 2011, which fell from an all-time high of 694 000 futures equivalent contracts in March to 689 000 contracts, equivalent to $66.40 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

02 August 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	209.3	389.7	-180.4	*Short*	1.6	-11.7
Swap Dealers' Positions	246.0	246.8	-0.8	*Short*	8.7	-12.7
Money Managers' Positions	234.7	77.5	157.1	*Long*	-22.9	-2.5
Others' Positions	95.2	104.9	-9.8	*Short*	11.5	11.5
Non-Reportable Positions	90.5	56.6	33.9	*Long*	1.1	15.4
Open Interest			**1529.0**		22.3	6.6

Source: CFTC

OTC Market Regulations: Where Do We Stand?

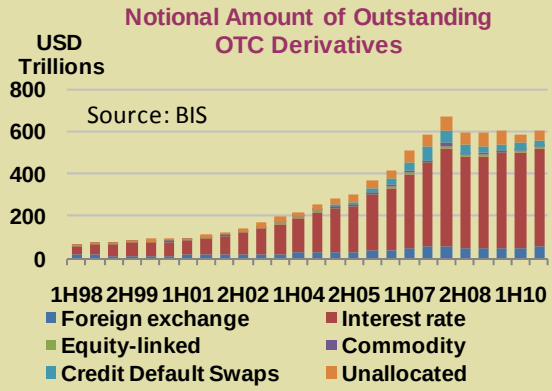
Market participants still await final rules which will govern global OTC derivatives markets. Meanwhile, according to the latest Bank of International Settlements (BIS) survey, total notional value of all OTC derivatives reached $601 trillion at the end of December 2010, of which $2.92 trillion (0.5%) was commodity –related derivatives. However, at their peak at end-June 2008, the total notional value of commodity derivatives had reached a far higher $13 trillion, or 2.5% of the total market. Although the size of commodity-related over the counter derivatives contracts is relatively small compared to the overall OTC derivatives market, new regulations will have important implications for commodity markets in general, and energy markets in particular.

When G20 leaders set the broad reform agenda to be implemented by the end of 2012 to reduce systemic risk and increase transparency in the OTC derivatives markets, they might not have anticipated the complex nature of the instruments they are dealing with. Although these regulatory efforts have intensified in the last year, as pointed out by the Financial Stability Board (FSB), clear signs have emerged that substantial differences exist across multiple countries in the pace of implementation as well as in some rule-making areas that could lead to regulatory arbitrage. In this case, market participants will seek out jurisdictions with less strict regulations, thereby shifting the risk rather than mitigating it. Greater international coordination is needed to ensure more consistent and effective oversight in OTC markets.

Previous issues of the *Oil Market Report (OMR)* and the *Medium-Term Oil & Gas Markets (MTOGM)* reports extensively analysed US and EU proposed regulations on over-the-counter derivatives markets. Although there are differences between these two regulatory frameworks in clearing, membership of central clearing

OTC Market Regulations: Where Do We Stand? (continued)

houses, margin requirements, swap execution facilities and position limits, a working group has already been set up to harmonise these regulations. Without consensus, some policy makers in the US already raised the probability of revisiting proposed rules and how to meet Dodd-Frank Act requirements for improved prudential safety. Apart from different proposed rules, a recent ruling by the federal appeals court against the so-called *proxy access process* on the basis of flawed economic analysis will potentially force regulators to revisit some of their proposed rules. For example, as the February *OMR* suggested, the CFTC did not provide a cost-benefit analysis for its proposed speculative position limit rule, which the Commission is planning to take up in September. We anticipate that some of the rules may be challenged on the basis of a lack of cost-benefit analysis, as well as inadequate consideration of public comments, which could lead to further delays in the implementation of the rules.



Of course, any legal challenges risk further difficulties and delays in reaching international consensus among regions, especially in Latin America and Asia. Traditionally, both regions had much smaller derivatives markets than those in the US and Europe. However, given the nature of global OTC markets, they have already either started implementing their own financial regulatory reforms or have been waiting to see the changes in the US and Europe before finalising their own rules. Given the slow progress in the US and Europe, it might be very challenging for some of these countries to meet the deadline of end 2012.

In Latin America, both in Brazil and Argentina, most derivatives are traded on exchanges (estimated at 90% and 70%, respectively). Brazil has only one central clearing house where all futures are traded and some OTC derivatives are cleared. Furthermore, derivatives that have not been cleared must be reported to a local trade depository. Likewise, exchange traded derivatives in Argentina are all centrally cleared and the Central Bank requires all financial institutions to provide quarterly statements about their derivatives activity. Neither country is planning to introduce mandatory clearing, a key measure in both US and Europe regulation for financial entities according to the Financial Stability Board's OTC Derivatives Market Reforms Report on Implementation, dated April 2011. This might raise the question whether financial market participants in the US and Europe are likely to migrate their OTC transactions to these countries.

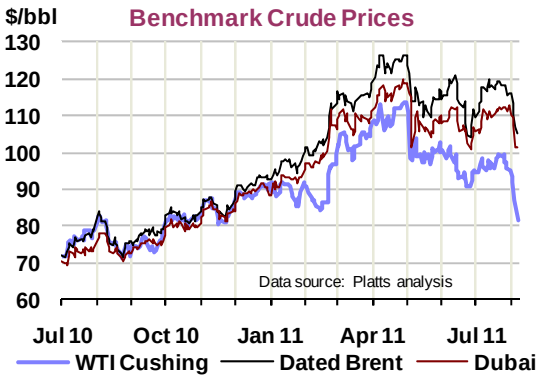
Although most Asian countries support the G20 commitments on OTC markets regulations, legislators have taken a wait-and-see approach as rules are being finalised in the US and Europe. According to the International Swaps and Derivatives Association (ISDA), Asian countries might not be able to meet the G20 deadline of end-2012 to implement OTC market regulations. However, there is substantial variation in the speed of implementation across countries. Japan already enacted legislation requiring mandatory clearing and is working on its regulatory implementation and reporting rules to trade repositories. In Korea, the government finalised its plan for mandatory clearing but is waiting to see final rules in the US and Europe before proposing legislation for approval. A central clearing house will be established in mid-2012. Clearing OTC derivatives through a Central Counterparty Clearing House (CCP) as well as reporting of OTC transactions to trade repositories is expected to start next year in Hong Kong. The Singapore exchange meanwhile already launched a clearing of interest rate swaps last year. India has already established the Clearing Corporation of India to act as a CCP as well as trade repository. Although there is no firm timetable for implementation, consideration of OTC derivatives regulations in China, Australia and Indonesia is already underway.

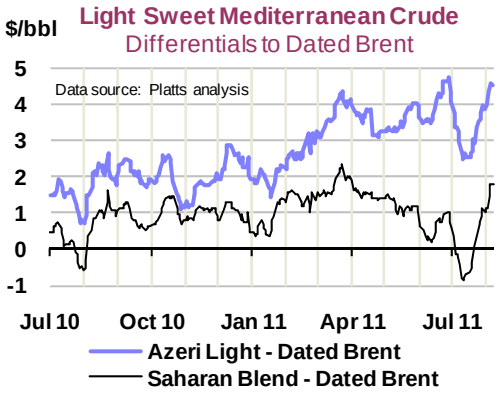
Slow progress on agreed reforms to meet the end of 2012 deadline, as well as the apparent lack of international consensus between regulators on how to achieve the key elements of the reform agenda, could undermine the impact of new regulations even in countries where more stringent rules are to be implemented due to regulatory arbitrage opportunities. It is even suggested that different regulatory regimes will lead to fragmented markets, which will eventually lead to weaker institutions and greater risk to the global economy. On the other hand, some market participants dismiss the idea of regulatory arbitrage based on observed close cooperation among regulators for more harmonisation in the last three years.

Spot Crude Oil Prices

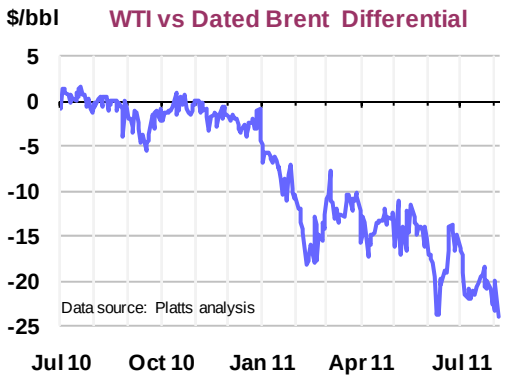
Spot crude oil markets traded in a fairly stable range in July before collapsing along with the broader commodity and financial markets in early August. Spot prices for benchmark grades were up by around $1-3/bbl on average in July before shedding more than $15-20/bbl in early August. Increased supplies of relatively cheaper Middle East crudes are also exerting downward pressure on prices in August. As noted earlier, Saudi Arabia announced sharper-than-expected cuts to price formulae for Asia and the US for September liftings, with other Middle East producers are expected to follow suit. In Asia, which accounts for roughly 60% of Saudi sales, the price cuts are partly due to refinery outages in China and Taiwan, which is expected to constrain demand for crude.

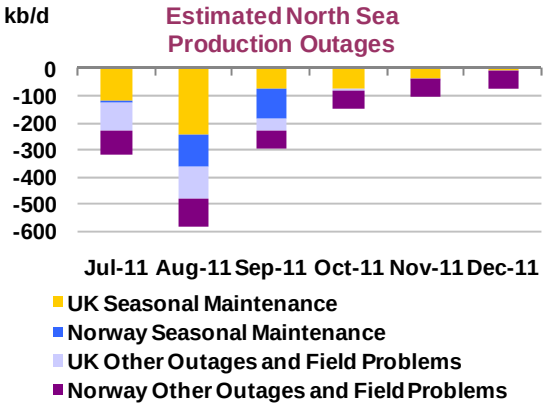
In July, US land-locked WTI posted the smallest monthly increase, up by $1.05/bbl to $97.26/bbl. By contrast, continued prompt demand for light sweet crudes saw a sharper increase of $2.69/bbl, to $115.86/bbl, for LLS on the Gulf Coast. In August, prices for LLS may be capped by the arrival of two-thirds of the released SPR crude oil barrels into the key US Gulf Coast refining centre. Just under 10 mb out of a total 30.64 mb of light, sweet crude had already reached markets by 3 August.





Brent crude posted the largest monthly increase in July at $2.85/bbl, to $116.88/bbl, reflecting ongoing scheduled and unplanned shut-ins of North Sea supplies. Outages in the UK and Norwegian sector of the North Sea in August are forecast to nearly double July levels of around 300 kb/d. In July, unplanned outages accounted for almost two-thirds of the decline while a heavier maintenance schedule in August is behind almost two-thirds of the 600 kb/d shut-in supplies. Relatively stronger prices for Brent led to a further widening of the WTI discount to the North Sea crude, to averaging just over $22/bbl in early August compared with an average $19.62/bbl in July and $17.82/bbl in June.

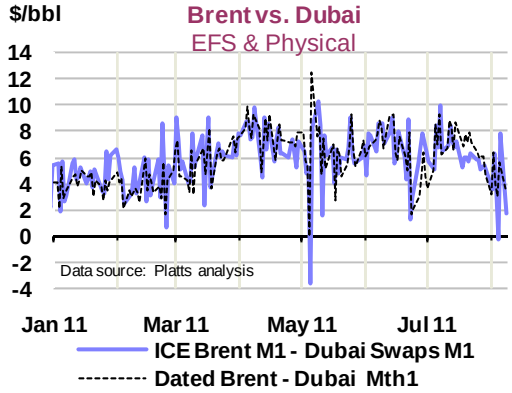


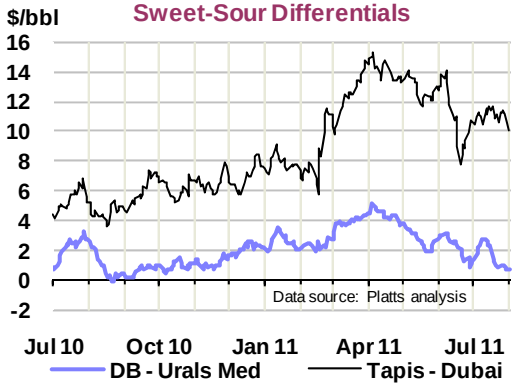


The Brent/Dubai price spread, an indicator of the premium for light sweet grades over heavy sour supplies, deepened on average in July, to $6.89/bbl compared with $6.27/bbl in June, in part due to

higher supplies of Middle East crudes. By early August, however, the premium had narrowed again to around $4.50/bbl, in part reflecting reduced exports of Middle East crudes in August due to increased domestic demand during the peak summer cooling month.

In Asia, spot prices for usually sought-after Malaysian Tapis rose by only around $1.50/bbl to $120.87/bbl on average in July, in part due to increased competition from similar African grades. The Tapis/Dubai premium eroded as well, to $10.88/bbl in July compared with around $11.50/bbl in June and $13.10/bbl in May. However, by early August the price spread widened again to just below $11.00/bbl.





Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	May	Jun	Jul	Jul-Jun Avg Chg	%	Week Commencing: 11 Jul	18 Jul	25 Jul	01 Aug	08 Aug *
Crudes										
Dated Brent	114.55	114.04	116.88	2.85	2.5	118.05	118.62	117.59	112.58	105.36
Brent (Asia) Mth1 adjusted	114.52	113.92	116.74	2.83	2.5	117.00	118.62	118.81	114.18	106.95
WTI (Cushing) Mth1 adjusted	101.22	96.21	97.26	1.05	1.1	96.57	98.12	97.79	90.86	81.48
Urals (Mediterranean)	110.96	111.67	114.90	3.23	2.9	115.89	116.39	115.71	111.28	104.53
Dubai Mth1 adjusted	108.38	107.77	109.99	2.22	2.1	110.21	111.27	111.79	108.12	101.65
Tapis (Dated)	121.44	119.32	120.87	1.55	1.3	121.17	122.57	122.83	119.23	111.67
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-13.34	-17.82	-19.62	-1.80		-21.49	-20.50	-19.80	-21.72	-23.88
Urals (Mediterranean)	-3.59	-2.36	-1.98	0.38		-2.16	-2.23	-1.88	-1.30	-0.83
Dubai Mth1 adjusted - Dated Brent	-6.18	-6.27	-6.89	-0.62		-7.84	-7.35	-5.80	-4.46	-3.71
Tapis (Dated)	6.88	5.28	3.99	-1.29		3.12	3.95	5.24	6.66	6.31
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.30	0.38	0.85	0.47		0.98	1.11	0.86	0.22	-0.05
Forward WTI Cushing Mth1-Mth2 adj	-0.52	-0.50	-0.39	0.10		-0.42	-0.27	-0.39	-0.41	-0.39

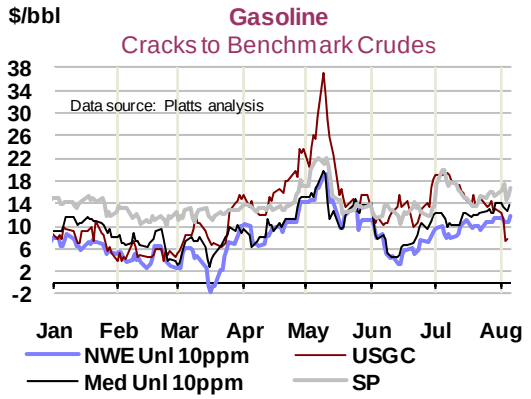
Data source: Platts analysis. *8 August only.

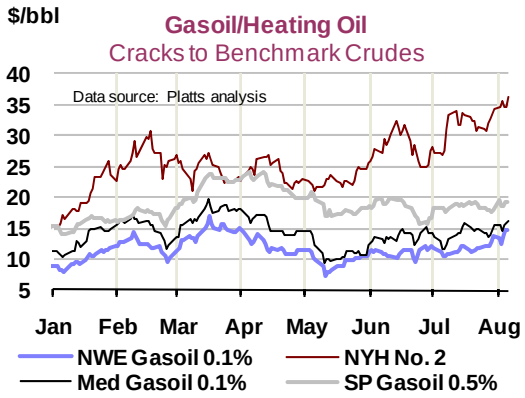
Spot Product Prices

Product crack spreads improved for gasoline and naphtha in all regions in July, and the LSWR crack spreads in Asia showed unusual strength on additional Japanese power needs. Middle distillate crack spreads continued to be fairly robust, and strengthened moderately in July. Moving into August, both crude and product prices plummeted in absolute terms, but product crack spreads were more or less unchanged. The only exception was US gasoline crack spreads, which dropped as inventories increased more than expected, and with low US demand readings and a worsening European debt crisis adding to the bearish sentiment.

Gasoline crack spreads improved month-on month in all regions in July. On the US Gulf Coast, crack spreads for Mars increased from $12.64/bbl in June to an average $15.80/bbl in July. Crack spreads

moved within a relatively large range from $12.80/bbl to $19.48/bbl, with the highest readings in the beginning of the month, and narrowing throughout July. At the Atlantic coast, crack spreads for WTI moved within a higher, very robust $30.73-39.29/bbl range. The cracks were supported by tight supply and lower US gasoline stocks at the beginning of the month, partly due to strong export demand to Latin America, but were pressured lower again with increasing gasoline production as well as lower US gasoline demand readings in July.

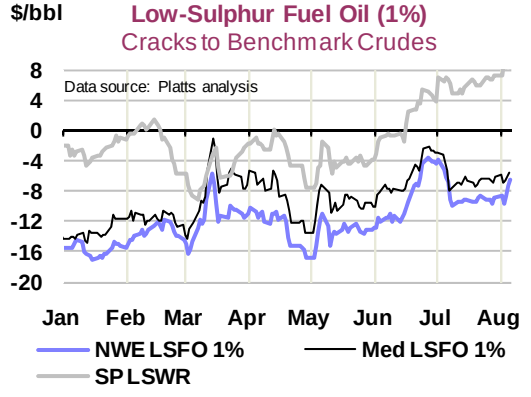


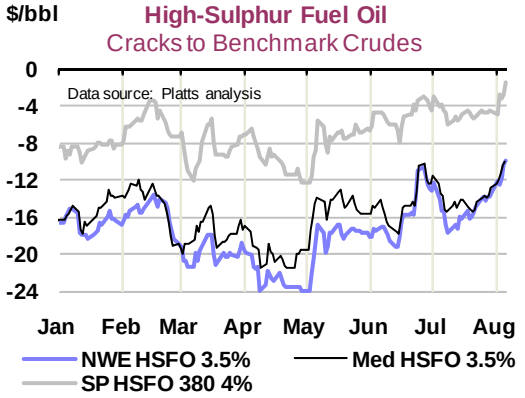


European gasoline crack spreads improved by a smaller $2.50/bbl on average in Northwest Europe and a higher $3.88/bbl in the Mediterranean. In addition to increased arbitrage due to the tightness in both the US and Latin American markets, European cracks were supported by strong gasoline demand from the Middle East, as the PetroRabigh refinery in Saudi Arabia had problems restarting its FCC unit after maintenance, and also amid increased West African demand. Asian gasoline cracks also improved, supported by strong seasonal demand both due to the Ramadan holiday and regional refinery maintenance.

Naphtha crack spreads also posted strong gains in July as demand for gasoline blending increased in line with assumed higher gasoline production in both the US and Europe, and higher petrochemical demand from South Korea.

Middle distillates markets were quiet in July, but crack spreads were fairly strong and moved within narrow ranges in Europe and Asia. In contrast, crack spreads in the US were somewhat more volatile, increasing at the beginning of the month before weakening again. The European market looked tighter, as exports from Russia were reduced and the arbitrage from the US was closed in addition to high local demand before the August holiday period. In Asia, refinery maintenance supported crack spreads on prospects of tighter markets ahead, even though the outlook for Chinese diesel demand seems to have softened. In the US on the other hand, high demand from Latin America gave support to cracks but increased refinery runs and inventory building throughout July pressured middle distillate crack spreads lower.





LSFO discounts remained narrow in July, and the Asian LSWR to Dubai differential continued to be in positive territory and increased by an impressive $4.98/bbl, to an average $6.19/bbl. It increased further in the beginning of August as product prices lagged behind the large drop in crude prices.

The main driver behind the surge is increased Japanese demand for LSWR for power generation. Usually demand peaks in July/August but this year demand is boosted by the nuclear outages, which generate additional fuel oil power generation needs. Also, HSFO markets continued to show strength in July, especially in Asia on the back of high power generation demand from the Middle East and high bunker fuel demand in Singapore.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	May	Jun	Jul	Jul-Jun Chg	Jul-Jun %	Week Commencing: 04 Jul	11 Jul	18 Jul	25 Jul	01 Aug	May	Jun	Jul
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppn	128.39	121.77	127.11	5.34	4.4	124.16	128.34	128.89	128.57	124.81	13.83	7.73	10.23
Naphtha	109.08	103.19	108.35	5.16	5.0	105.77	108.38	110.36	110.39	105.90	-5.47	-10.85	-8.53
Jet/Kerosene	129.52	129.85	132.94	3.08	2.4	130.73	134.04	133.96	134.15	130.11	14.97	15.81	16.05
ULSD 10ppm	126.78	128.52	131.83	3.31	2.6	128.98	132.87	133.74	133.13	129.35	12.22	14.48	14.95
Gasoil 0.1%	124.04	125.11	128.50	3.39	2.7	125.51	129.61	130.15	130.17	126.36	9.49	11.07	11.61
LSFO 1%	101.40	105.10	108.35	3.25	3.1	107.30	108.74	109.49	108.38	104.37	-13.15	-8.94	-8.54
HSFO 3.5%	96.36	98.09	101.49	3.40	3.5	98.88	101.36	102.98	103.59	101.23	-18.20	-15.95	-15.39
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppn	124.83	119.57	126.68	7.11	5.9	123.94	127.17	128.35	128.53	124.69	13.87	7.90	11.78
Naphtha	108.47	103.48	108.87	5.39	5.2	106.22	108.90	110.93	110.97	106.39	-2.49	-8.19	-6.03
Jet Aviation fuel	127.61	128.50	131.21	2.71	2.1	128.53	132.27	132.73	132.60	128.50	16.65	16.83	16.31
ULSD 10ppm	128.25	129.91	133.48	3.56	2.7	130.32	134.43	135.38	135.29	131.44	17.28	18.24	18.57
Gasoil 0.1%	122.54	125.26	129.19	3.94	3.1	125.91	130.46	131.01	130.88	127.19	11.58	13.58	14.29
LSFO 1%	101.43	105.58	108.60	3.02	2.9	107.33	109.10	109.43	109.28	105.08	-9.53	-6.09	-6.30
HSFO 3.5%	96.10	97.10	100.69	3.60	3.7	98.94	101.39	101.29	102.02	100.02	-14.86	-14.58	-14.21
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	133.19	123.65	133.08	9.43	7.6	130.12	133.68	134.32	135.03	127.96	31.97	27.44	35.82
Unleaded	126.78	118.83	126.96	8.13	6.8	124.53	128.04	127.87	128.14	121.24	25.57	22.61	29.70
Jet/Kerosene	132.34	129.09	132.76	3.67	2.8	130.21	133.48	134.21	133.99	129.42	31.12	32.88	35.50
No. 2 (Heating Oil)	124.00	124.51	128.83	4.31	3.5	126.73	129.46	130.12	129.96	126.09	22.78	28.30	31.56
LSFO 1%†	100.17	105.18	106.65	1.47	1.4	106.33	107.52	107.13	105.98	101.09	-1.04	8.97	9.39
No. 6 3%†	97.28	101.13	102.08	0.95	0.9	101.05	101.44	102.86	103.42	99.92	-3.94	4.92	4.82
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	124.82	120.33	126.15	5.82	4.8	126.11	126.21	125.36	127.47	124.26	16.44	12.56	16.16
Naphtha	108.34	101.90	105.92	4.02	3.9	102.97	104.88	108.07	109.14	105.63	-0.04	-5.87	-4.07
Jet/Kerosene	127.76	126.89	129.23	2.34	1.8	126.16	129.45	130.95	131.31	128.64	19.38	19.12	19.24
Gasoil 0.5%	126.61	125.95	128.46	2.51	2.0	125.62	129.11	130.23	129.75	127.23	18.24	18.18	18.46
LSWR Cracked	104.16	108.98	116.18	7.20	6.6	113.67	115.59	117.43	118.70	116.41	-4.22	1.21	6.19
HSFO 180 CST	99.83	101.32	103.15	1.83	1.8	100.98	102.53	104.22	105.31	103.30	-8.54	-6.45	-6.84
HSFO 380 CST 4%	100.87	102.66	105.16	2.51	2.4	102.88	104.82	106.27	107.15	105.06	-7.50	-5.11	-4.83

Data source: Platts analysis * CIF † Cargoes

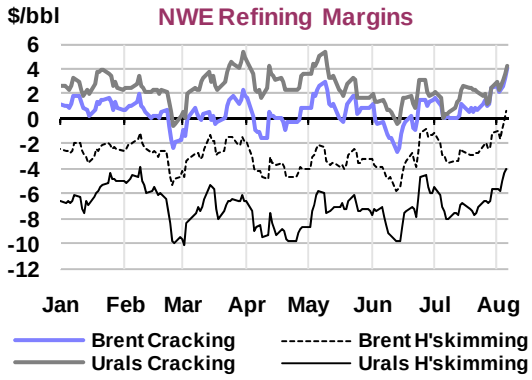
Refining Margins

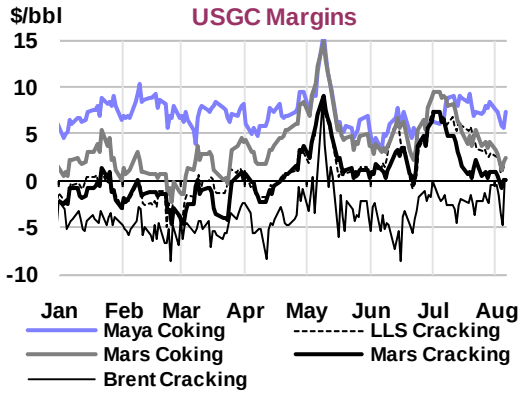
Refining margins strengthened in all regions in July, except for Urals hydroskimming margins in Northwest Europe and Chinese Daqing hydrocracking margins, which posted small decreases. Stronger gasoline cracks were the main driver behind the increase, especially at complex refineries. However, US refining margins fell early August as an increase in US gasoline stocks made gasoline prices drop.

Although improving in July on the back of stronger gasoline crack spreads, European refining margins are weak, with Brent cracking margins in Northwest Europe showing a calculated average profit of only $0.80/bbl. The differential between Urals and Brent narrowed in July, explaining the more modest increases for Urals margins.

At the US Gulf Coast, refining margins improved from June, although the improvement was mostly due to both strong gasoline and middle distillate cracks at the beginning of the month. Throughout the

month, margins weakened in line with narrowing product cracks, and early August Mars cracking margins were close to break-even.





Tapis margins saw the largest improvements in Singapore. These margins have been showing large calculated losses since early this year, when the sweet-sour crude spread started to widen. However, the spread narrowed in early July, giving support to Tapis-based margins. Additional support came from the narrowing LSWR discount. Also Chinese refining margins were pushed higher in July, mainly from a strong fuel oil market.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		May 11	Jun 11	Jul 11		Jul 11-Jun 11	08 Jul	15 Jul	22 Jul	29 Jul	05 Aug
NW Europe	Brent (Cracking)	1.23	-0.28	0.80	↑	1.08	0.31	0.51	0.71	1.51	2.98
	Urals (Cracking)	3.06	1.40	1.67	↑	0.27	0.66	1.77	2.36	1.78	3.22
	Brent (Hydroskimming)	-3.21	-3.39	-2.61	↑	0.78	-2.89	-3.05	-2.81	-1.98	-0.60
	Urals (Hydroskimming)	-5.21	-5.21	-5.34	↓	-0.14	-6.23	-5.53	-4.73	-5.17	-3.55
Mediterranean	Es Sider (Cracking)	2.25	0.75	1.98	↑	1.23	1.38	1.65	2.01	2.71	3.33
	Urals (Cracking)	1.55	-0.32	0.85	↑	1.18	0.24	0.59	0.77	1.65	2.74
	Es Sider (Hydroskimming)	-4.32	-3.67	-3.32	↑	0.35	-3.53	-3.71	-3.47	-2.89	-2.39
	Urals (Hydroskimming)	-7.01	-7.37	-7.02	↑	0.35	-7.30	-7.29	-7.37	-6.43	-4.96
US Gulf Coast	Bonny (Cracking)	0.03	-1.91	0.98	↑	2.89	0.93	1.00	1.16	0.67	-0.82
	Brent (Cracking)	-1.69	-4.05	-2.18	↑	1.87	-2.01	-2.99	-2.44	-1.70	-2.09
	LLS (Cracking)	2.76	2.66	5.19	↑	2.53	6.70	5.99	4.66	2.96	1.66
	Mars (Cracking)	3.26	2.25	2.94	↑	0.70	6.05	3.15	1.10	0.62	0.15
	Mars (Coking)	7.31	4.66	6.09	↑	1.43	8.80	6.60	4.45	3.86	2.26
	Maya (Coking)	7.88	5.31	7.77	↑	2.46	7.16	8.58	7.95	7.69	6.64
US West Coast	ANS (Cracking)	-1.64	-3.08	-2.59	↑	0.49	-1.71	-0.99	-3.49	-4.14	-3.15
	Kern (Cracking)	1.18	3.99	6.78	↑	2.80	6.91	8.72	6.91	4.79	8.18
	Oman (Cracking)	1.67	-0.81	0.20	↑	1.01	2.22	0.84	-0.63	-1.84	-1.93
	Kern (Coking)	11.58	11.00	11.99	↑	0.99	12.75	14.18	11.61	9.50	10.07
Singapore	Dubai (Hydroskimming)	-1.96	-1.82	-1.14	↑	0.68	-0.95	-1.39	-1.23	-1.14	0.27
	Tapis (Hydroskimming)	-10.21	-9.24	-6.90	↑	2.34	-6.12	-7.25	-7.50	-7.04	-6.01
	Dubai (Hydrocracking)	2.03	0.96	1.72	↑	0.76	2.19	1.59	1.44	1.56	2.83
	Tapis (Hydrocracking)	-7.81	-8.24	-6.66	↑	1.58	-5.67	-6.89	-7.41	-6.99	-5.99
China	Cabinda (Hydroskimming)	-6.98	-5.38	-2.73	↑	2.65	-2.98	-3.50	-3.01	-1.99	0.42
	Daqing (Hydroskimming)	-7.43	-2.34	-1.97	↑	0.37	-1.39	-1.74	-2.39	-2.52	-1.64
	Dubai (Hydroskimming)	-2.24	-2.08	-1.27	↑	0.82	-1.09	-1.51	-1.35	-1.24	0.20
	Daqing (Hydrocracking)	-2.57	0.09	-0.24	↓	-0.33	0.84	0.08	-1.09	-0.99	-0.18
	Dubai (Hydrocracking)	1.82	0.78	1.79	↑	1.01	2.20	1.66	1.53	1.68	3.01

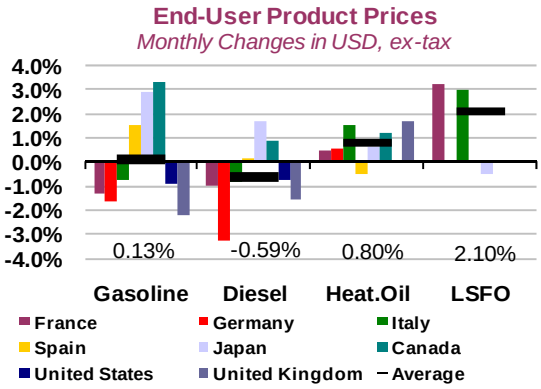
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability 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.

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in July

During July, average end-user prices for selected IEA countries, in US dollars ex-tax, saw a marginal change for transport fuels and a small increment for heating fuels. The current month corresponds to the high season for driving and the low season for heating demand in the Northern hemisphere. Despite this, the heating oil and low-sulphur fuel oil (LSFO) price changes actually exceeded those for gasoline and diesel. Transport fuel prices showed meagre movements of 0.13% and -0.6% for gasoline and diesel, respectively while heating oil and LSFO strengthened by 0.8% and 2.1%.

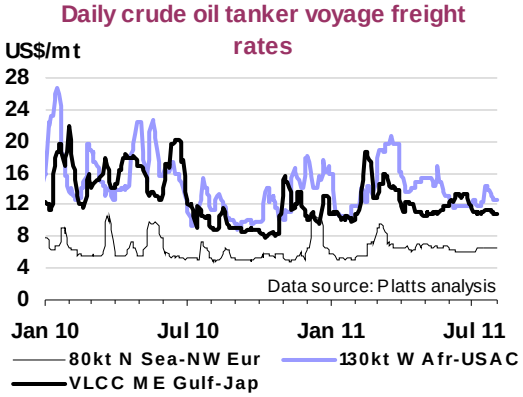


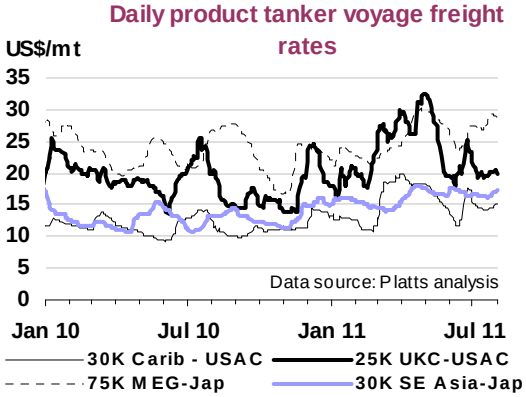
Regarding individual countries, on a month-on-month basis, Canada registered the highest price movement of gasoline (3.4%) followed by Japan (2.9%), but this rise, when measured in domestic currency, corresponds to smaller increases of 1.1% and 1.6%, respectively. On the other hand, the slightly weaker position of the Euro in the same period produced the opposite effect in countries where this currency is used.

Freight

Crude tanker rates remained at depressed levels throughout July as vessel oversupply continued to vastly outweigh brisk chartering activity. The Suezmax West Africa – US Atlantic Coast trade was the only benchmark route to experience an uptick in rates during the month. Shipbrokers attributed this to a knock-on effect of the IEA stock release. As many US East Coast refiners preferentially booked light, sweet oil released from the US SPR, European refiners chartered Suezmaxes to move newly available West African cargoes northwards, resulting in a slight firming mid-month.

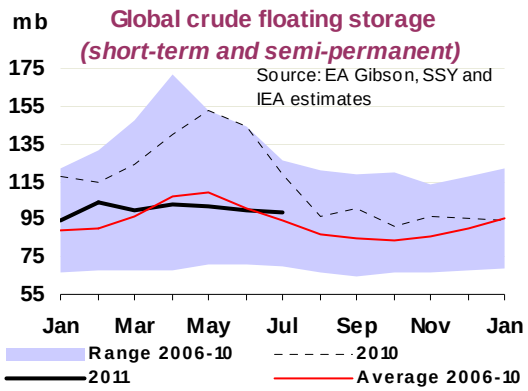
Despite reports of a high number of fixings out of the Middle East Gulf, rates on the benchmark VLCC Middle East Gulf – Japan trade remained lethargic, with earnings now reportedly below break-even levels. With low rates combining with extremely high bunker fuel costs, anecdotal reports suggest that most owners are now routinely slow-steaming their ships to cut fuel consumption in an effort to maintain their earnings in positive territory. This trend is likely to continue amid an austere short-term outlook of new builds continually entering the market, unless an uptick in floating storage helps absorb the over-supply.





The product tanker market in July was slightly less bleak, with many routes exhibiting modest rises. Following higher demand, the Middle East Gulf – Japan route increased by $2/mt over the month. In contrast, the benchmark transatlantic UK – US Atlantic Coast trade continued its sharp fall during early-month, bottoming out at close to $19/mt by mid-month and holding this level for the remainder of July.

Short-term floating storage of crude and products fell by a combined 3.9 mb to stand at 50.5 mb at end-July, its lowest level since December 2008. Crude fell by a net 1.8 mb as Iranian storage fell by a further 4.1 mb to 21.5 mb, as two VLCCs discharged their cargoes while storage in the US Gulf built by 2.3 mb to 9.9 mb. Iranian floating storage volumes are assumed to result from structural rather than speculative drivers. Although it has fallen from the May 2010 peak of 51 mb, Iranian crude still accounts for 55% of total crude floating storage, emphasising the minimal interest in speculative storage despite current low vessel chartering costs. Products drew by 2.1 mb following a significant 4.7 mb fall in products held off West Africa and a smaller 0.8 mb decline in the Mediterranean, which offset builds in Asia Pacific (1.5 mb), the Middle East Gulf (1.1 mb) and Northwest Europe (0.8 mb). The storage fleet now numbers 32 vessels, largely VLCCs, and remains at its lowest level since 2008.



REFINING

Summary

- **Global refinery crude runs for 2Q2011 have been revised higher by 0.1 mb/d** since last month's report, primarily on surging Russian throughputs in June. Weaker-than-expected Chinese throughputs provided some offset. 2Q11 global runs are now assessed at 73.7 mb/d, only 60 kb/d above a year earlier, compared to average annual growth of more than 2.0 mb/d in the previous four quarters.

- **3Q11 global refinery runs are largely unchanged from last month's report, at 75.9 mb/d**. Slightly improved prospects for the OECD are offset by the closure of Taiwan's 540 kb/d Mailiao refinery following a fire in late July and expected lower Chinese runs. Improved refinery margins in July, and stronger weekly Japanese data, underpin the higher OECD estimates.

- **OECD crude runs rose by close to 0.9 mb/d in June**, with increases recorded for all regions. While the OECD total of 36.3 mb/d was in line with our previous estimates, runs were nevertheless more than 1.0 mb/d lower than a year earlier, resulting in sharp draws in product inventories. Weaker year-on-year runs in both Europe and North America were partly offset by year-on-year growth in the Pacific, despite continued refinery closures in Japan resulting from the March earthquake.

- **OECD refinery yields increased seasonally for gasoline and 'other products',** and fell for all other products in May. OECD gasoil/diesel yields continued to fall, reversing the trend from 2010, where they increased from 29.4% to 31.5% by year-end. OECD gross output rose by 245 kb/d in the month, but was 1.9 mb/d below the five-year average, on low refinery runs in Europe and North America.

Global Refinery Throughput

Global crude runs have been revised up by 110 kb/d for 2Q2011, mostly on record-high Russian throughputs in June. Smaller upward revisions for May, to North America and to some non-OECD countries also contributed, while weaker than expected runs in China in June provided some offset. Runs for 2Q11 are now pegged at 73.7 mb/d, about in line with the same quarter last year, compared to average annual growth of more than 2.0 mb/d in the previous four quarters.

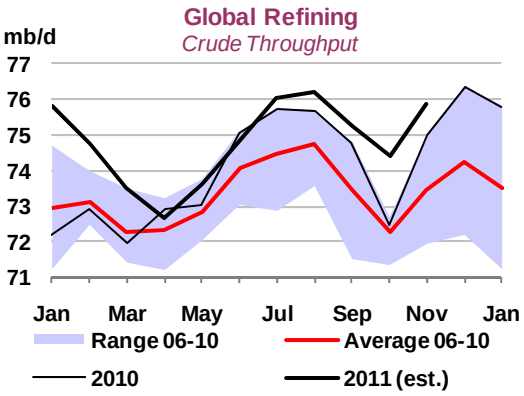
Global Refinery Crude Throughput[1]

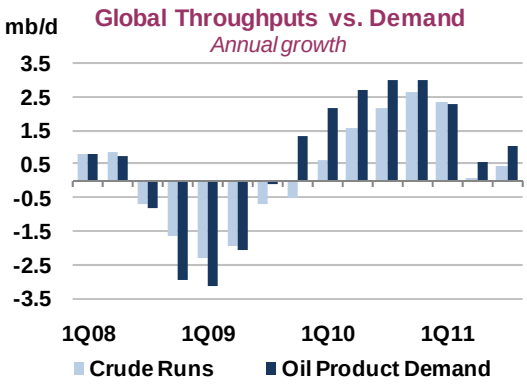
(million barrels per day)

	1Q2011	Apr 11	May 11	Jun 11	**2Q2011**	Jul 11	Aug 11	Sep 11	**3Q2011**	Oct 11	Nov 11
North America	**17.2**	17.1	17.4	17.9	**17.5**	18.2	18.2	17.6	**18.0**	16.8	17.2
Europe	**12.2**	11.6	11.9	12.2	**11.9**	12.6	12.7	12.4	**12.6**	12.2	12.6
Pacific	**6.8**	6.5	6.0	6.2	**6.2**	6.5	6.8	6.5	**6.6**	6.4	6.7
Total OECD	**36.2**	**35.2**	**35.4**	**36.3**	**35.6**	**37.4**	**37.7**	**36.5**	**37.2**	**35.4**	**36.5**
FSU	**6.4**	6.1	6.4	6.8	**6.4**	6.6	6.6	6.6	**6.6**	6.5	6.6
Non-OECD Europe	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.4	**0.5**	0.5	0.5
China	**8.9**	9.1	9.1	8.7	**8.9**	8.7	8.9	9.1	**8.9**	9.2	9.4
Other Asia	**9.2**	8.5	9.0	9.1	**8.9**	9.2	8.8	8.9	**9.0**	9.2	9.3
Latin America	**5.3**	5.4	5.4	5.4	**5.4**	5.4	5.4	5.4	**5.4**	5.4	5.4
Middle East	**5.9**	5.8	5.6	5.9	**5.8**	6.1	6.2	6.2	**6.2**	6.2	6.0
Africa	**2.3**	2.1	2.2	2.2	**2.1**	2.2	2.2	2.2	**2.2**	2.1	2.2
Total Non-OECD	**38.5**	**37.4**	**38.2**	**38.6**	**38.1**	**38.7**	**38.6**	**38.8**	**38.7**	**39.0**	**39.4**
Total	**74.7**	**72.6**	**73.6**	**74.9**	**73.7**	**76.1**	**76.2**	**75.3**	**75.9**	**74.4**	**75.9**

1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

Annual growth in global throughputs is expected to resume in 3Q11, averaging 0.5 mb/d, and potentially taking runs to 75.9 mb/d. Downward revisions to Chinese and 'Other Asian' crude runs offset a stronger-than-expected rebound in Japanese crude runs in July, and a slightly more optimistic view of European and FSU throughputs. Recently weak Chinese figures, in part due to poor margins, and an expected slowdown in annual demand growth (from a high base in the latter part of 2010), have prompted a 125 kb/d downward adjustment to 3Q11 Chinese runs since last month's report, though annual growth remain at 520 kb/d for the quarter. A fire and subsequent closure of Taiwan's 540 kb/d Mailiao refinery could tighten regional product markets in the short term. While it is not yet certain how long the plant will remain shut, as the fire is the seventh in 12 months, safety inspections and restart permits could take some time.

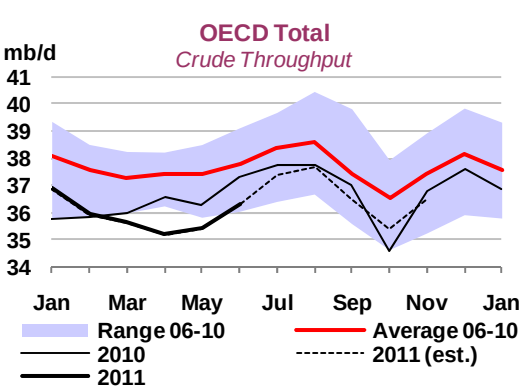


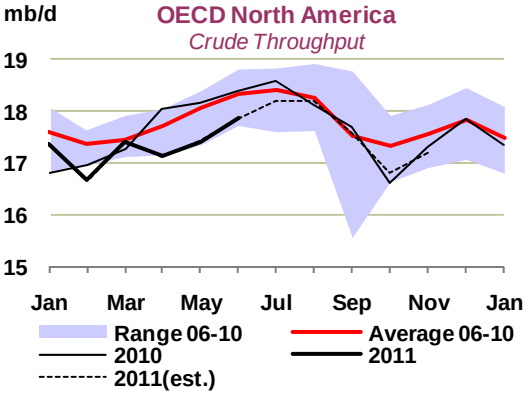


In the OECD, recent runs have been mostly in line with seasonal trends and our forecast. An improvement in margins in July, in part due to the release of light sweet crude in the Atlantic Basin through the IEA coordinated stock release, but also due to higher seasonal demand and rapidly depleting product stocks, is expected to support runs through summer. Downside risks from any further slowdown of the global economy and oil demand growth, however, could materialise in coming months.

OECD Refinery Throughput

Submitted June data show total OECD refinery throughputs rising 880 kb/d from May, to 36.3 mb/d, with gains in all regions. Runs were in line with our previous forecast overall, though masking smaller regional offsets. North American crude runs rose 450 kb/d m-o-m as US refiners ramped up rates after maintenance and to meet peak summer demand. European throughputs rose 275 kb/d, to 12.2 mb/d, while Pacific runs gained 150 kb/d m-o-m, due to recovering Japanese runs. Total OECD crude runs were nevertheless more than 1 mb/d below a year earlier. North American and European throughputs were 0.5 mb/d and 0.8 mb/d below June 2010 respectively, partially offset by higher Pacific runs.





Preliminary July estimates have been revised up by 280 kb/d since last month's report, in large part due to higher-than-expected Japanese crude runs. According to the Petroleum Association of Japan (PAJ), Japanese refiners processed nearly 3.3 mb/d in July, up from 2.9 mb/d in June. Both June and July

throughputs were slightly stronger than a year earlier, despite two refineries still shut since the earthquake in March. Prevailing surplus refining capacity in the Japanese market means that other plants have been able to raise runs and more than offset the damaged plants' capacities.

Refinery Crude Throughput and Utilisation in OECD Countries

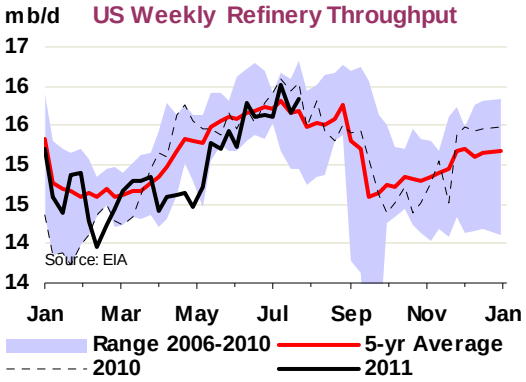
(million barrels per day)

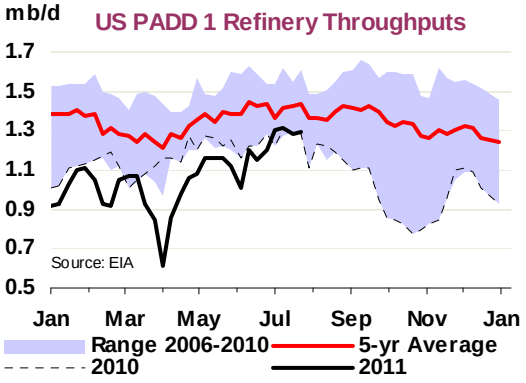
	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Change from May 11	Change from Jun 10	Utilisation rate[1] Jun 11	Utilisation rate[1] Jun 10
US[2]	14.45	13.75	14.45	14.30	14.78	15.17	0.40	-0.22	86.6%	87.7%
Canada	1.79	1.77	1.78	1.57	1.49	1.55	0.06	-0.26	84.6%	92.3%
Mexico	1.12	1.16	1.20	1.26	1.15	1.14	0.00	-0.05	74.3%	77.7%
OECD North America	**17.36**	**16.68**	**17.43**	**17.14**	**17.42**	**17.87**	**0.45**	**-0.53**	**85.5%**	**87.4%**
France	1.42	1.35	1.26	1.18	1.33	1.35	0.02	0.01	81.8%	73.5%
Germany	1.98	1.93	1.73	1.84	1.84	1.80	-0.04	-0.22	75.2%	84.5%
Italy	1.77	1.55	1.54	1.52	1.56	1.62	0.07	-0.19	74.4%	79.7%
Netherlands	1.02	1.12	1.08	0.80	1.00	1.04	0.04	-0.07	80.9%	86.1%
Spain	1.07	0.97	0.96	1.09	1.01	1.06	0.05	-0.14	75.7%	92.6%
United Kingdom	1.48	1.42	1.39	1.51	1.50	1.45	-0.04	-0.04	80.4%	82.4%
Other OECD Europe	3.81	3.83	3.79	3.65	3.72	3.89	0.18	-0.13	78.9%	82.1%
OECD Europe	**12.56**	**12.16**	**11.74**	**11.60**	**11.95**	**12.22**	**0.27**	**-0.78**	**78.1%**	**82.3%**
Japan	3.73	3.80	3.15	3.10	2.78	2.90	0.12	0.08	61.6%	59.6%
South Korea	2.54	2.53	2.52	2.58	2.51	2.52	0.01	0.11	92.1%	88.0%
Other OECD Pacific	0.71	0.77	0.78	0.78	0.75	0.77	0.02	0.08	83.5%	74.5%
OECD Pacific	**6.98**	**7.09**	**6.45**	**6.46**	**6.04**	**6.19**	**0.15**	**0.27**	**74.0%**	**70.5%**
OECD Total	**36.90**	**35.94**	**35.62**	**35.20**	**35.41**	**36.28**	**0.88**	**-1.03**	**80.8%**	**82.5%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

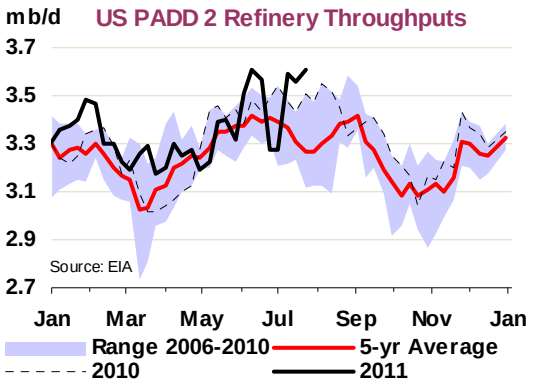
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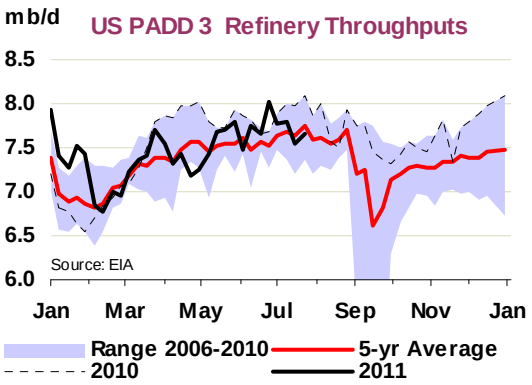
North American crude runs are unchanged for 2Q11 and assessed only slightly higher for 3Q11, at 17.5 mb/d and 18.0 mb/d respectively. While final May data were some 100 kb/d higher than preliminary weekly data had suggested, June and July weeklies were in line with previous estimates. EIA data show total US refinery crude runs inching up another 250 kb/d in July, to average 15.4 mb/d. The gains came primarily from the East Coast, which saw runs recover to the highest level since October 2009, above 1.3 mb/d. The restart of PBF's Delaware City Refinery in the second quarter contributed to the gains. The plant, which was sold to PBF in 2010 after Valero shut it due to poor economics in November 2009, has just completed a major overhaul. PBF has stated that a full restart of the plant will stretch into 3Q11, however, as some upgrading units still have to come online. Runs on the West Coast also rebounded m-o-m, while the remaining districts were mostly unchanged from June's levels.





Refinery runs in the US Midwest remain at elevated levels, supported by discounted WTI crude and subsequent healthy profits. The WTI-Brent front month spread reached a new record high of $23.88/bbl in early August, while WTI-LLS traded at a $24/bbl differential. As a result, Midwest refiners processed a record high 3.5 mb/d in July, albeit average 2Q11 runs stood only 40 kb/d higher than 2Q10. That said, 2Q11 saw independent refiners enjoy stronger operating earnings for the quarter in the Midwest, as Mid-Continent margins rose by about 80% from a year earlier.





ConocoPhillips Spins off Downstream to Become Largest Independent Refiner in US

ConocoPhillips announced on 14 July that it will split into two companies by spinning off its refining business, in the process surpassing Valero as the US's largest independent refiner. The company will become two separate, publicly traded entities by the end of next June, at which time Chief Executive Officer Jim Mulva, who engineered the creation of ConocoPhillips through a $25 billion merger in 2002, will retire. Conoco's announcement came only two weeks after Marathon completed its own downstream spinoff, creating the new Marathon Petroleum Co, and has raised questions as to whether a new industry trend towards 'de-integration' is emerging.

The news from ConocoPhillips does not come as a surprise. The decision to split the company in two is the culmination of a restructuring programme started in 2009 and accelerated earlier this year. The company also has backed out of planned refinery projects and sold its 20% stake in Russia's OAO Lukoil. Even before the announcement, ConocoPhillips had committed to shedding underperforming assets. According to the company, it expects to dispose of $10 billion to $12 billion company-wide.

Following the split, ConocoPhillips's fuel business become the largest US independent refiner, with more than 1.8 mb/d of processing capacity (2.0 mb/d including two plants held jointly with Canadian oil-sands producer Cenovus Energy Inc., though no decision has been made yet on where to put that venture). Valero Energy Corp. will then be the US's second independent refiner, with total capacity of 1.7 mb/d.

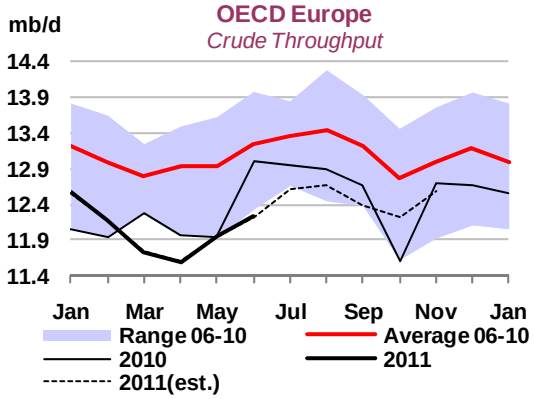
Marathon completed the spinoff of its large oil refining business as a separate entity at the end of June and has relaunched as a much smaller oil and gas exploration and production company. Marathon had announced already in 2008 that it was looking to spin off its downstream division, which includes six oil refineries, to unlock more value from its largely overshadowed upstream oil and gas business. The plans were postponed in early 2009, however, amid the global financial collapse, and only revived in January of this year.

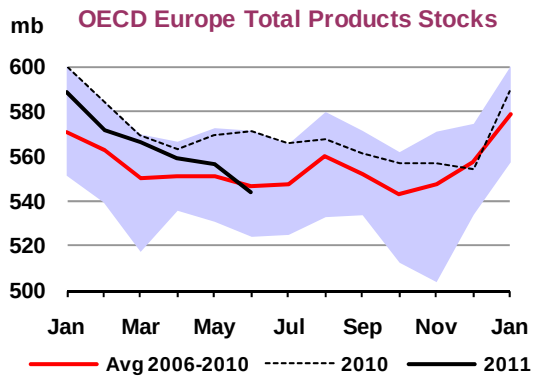
While BP announced plans in February to halve its US refining capacity by selling its Texas City, Texas and Carson, California refineries within two years, and Shell and others have sold off European refineries, there is no sign that other major integrated companies will divest their downstream divisions altogether. Less profitable assets will nevertheless likely be disposed of to free up capital for more lucrative ventures.

OECD European crude runs rose seasonally in June, to 12.2 mb/d, up by 270 kb/d from May, but 60 kb/d less than our previous forecast. In part due to an exceptionally sharp rise in regional throughputs in June of last year, the most recent data show the year-on-year deficit increasing to 780 kb/d. European refiners

are, however, raising runs seasonally and as the IEA strategic stock release increased supply of light sweet crude in the Atlantic Basin. European refiners were the most affected by the loss of Libyan crude supplies since March and a year-on-year deficit in 2Q10 runs of 375 kb/d, due to the loss of Libyan supplies and poor margins, has left regional product stocks falling to below the five-year average. Total European industry oil product stocks by end-June were almost 45 mb lower than at the end of January.

The IEA expects runs to rise further in July and August, boosted by seasonally higher demand and improved margins. Brent cracking margins rose by $1.08/bbl in Northwest Europe in July, from a negative -$0.28/bbl in June. Urals cracking margins in the Mediterranean also bounced back into positive territory in July, recouping $1.18/bbl on average, to $0.85/bbl.

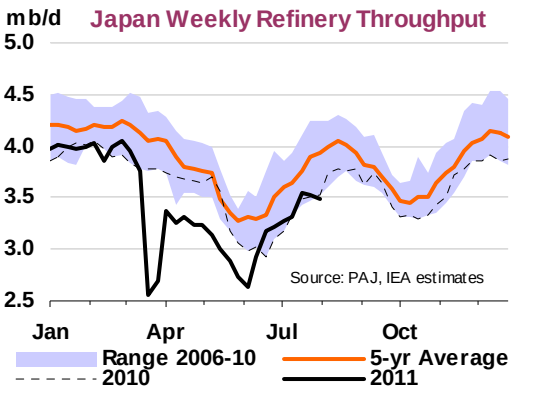


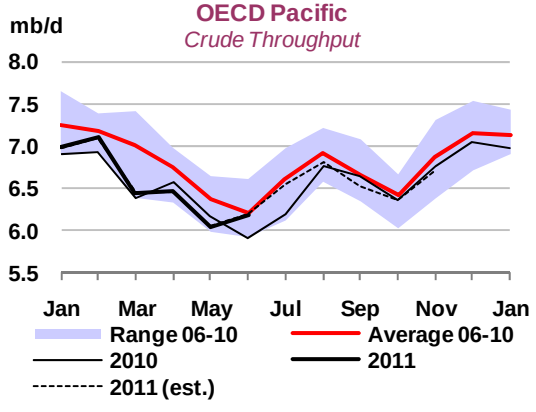


OECD Pacific refinery throughput estimates have been revised higher for June and July by 120 kb/d and 220 kb/d, respectively. The higher June number follows stronger than expected South Korean throughputs for that month, at 2.5 mb/d. South Korean runs and product exports have been driven by a tighter regional product market due to lower operating rates in Japan and, although product exports came down from April and May's highs in June, they were almost 100 kb/d higher than in June 2010.

The revision to July estimates was entirely accounted for by higher-than-expected Japanese crude runs. According to weekly data from the PAJ, Japanese runs rebounded sharply in July, to 3.3 mb/d, or 375 kb/d above June. Both June and July throughputs were slightly higher than a year earlier, despite two refineries still shut since the earthquake in March. A prevailing surplus of refining capacity in the Japanese market means that other plants have been able to raise runs and more than offset the damaged plants' capacities. JX Nippon announced in early August that it plans to restart the 145 kb/d Sendai plant by the end of 1Q2012, as opposed to a previous target of summer 2012.

Elsewhere in the region, Shell **Australia** confirmed that it will convert the 80 kb/d Clyde refinery outside Sidney to a storage terminal by mid-2013, due to "increased competition from mega-refineries in Asia, supply and demand in the region and Clyde's small size".

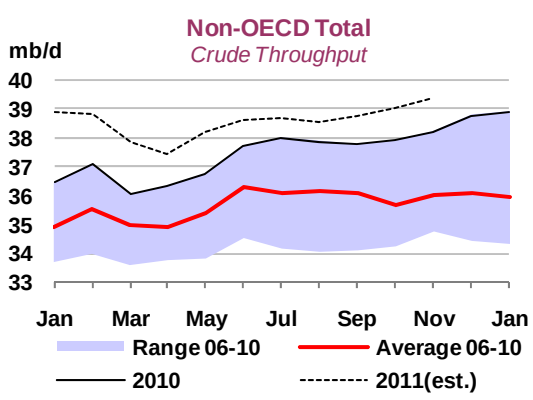


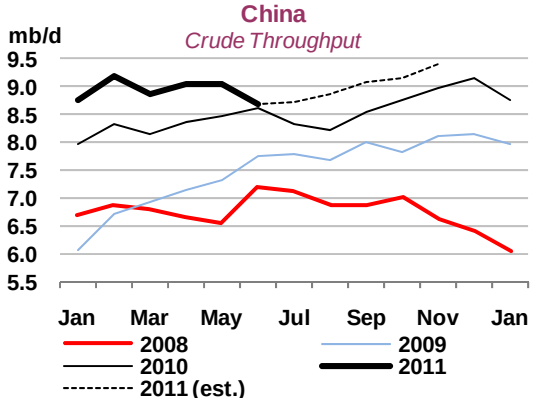


Non-OECD Refinery Throughput

Non-OECD refinery crude runs have been revised down by 220 kb/d for 3Q11, on lower expected Chinese throughputs and following the shutdown of Taiwan's 540 kb/d Mailiao refinery in early August. Weaker than expected crude runs in China in June have partly been carried forward to 3Q11 based on stated company operating plans and known maintenance schedules. The complete halt to operations at Mailiao, one of the world's largest refineries, due to yet another fire could tighten Asian product markets, depending on how long it takes to repair and restart the facilities. In all, non-OECD runs for 3Q11 are assessed at 38.7 mb/d, up 585 kb/d from 2Q11.

2Q11 estimates on the other hand have been lifted by 75 kb/d since last month's report, to 38.1 mb/d, as record high Russian crude runs more than offset weaker than expected Chinese runs. Russian throughputs hit a post-Soviet high in June of 5.4 mb/d, up 300 kb/d versus month-earlier and 470 kb/d above June 2010. As the spike in runs is likely related to recent product shortages and expectations of changing export duty on oil products, we have not materially altered the outlook for Russian refinery operations for the remainder of the year. The latest data clearly show upside potential to FSU throughputs in coming months, however. Smaller revisions have also been made to Middle Eastern and 'Other Asian' estimates, though these largely offset each other.



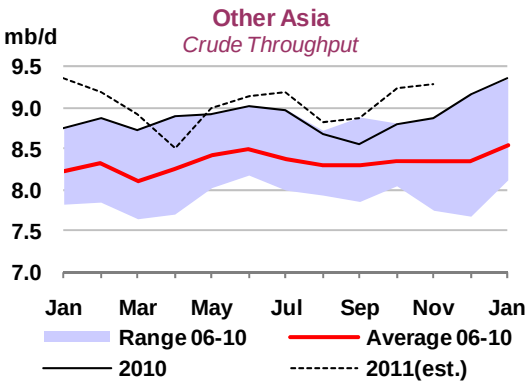


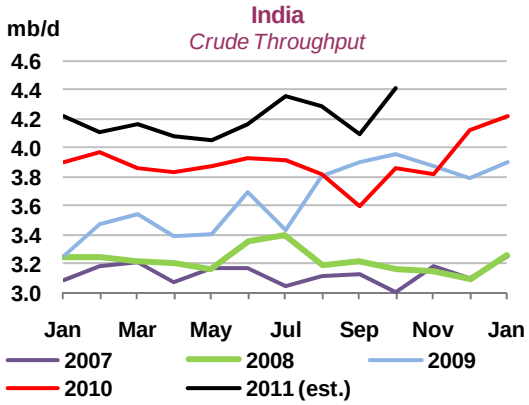
According to the most recent data released by the National Bureau of Statistics, **Chinese** crude runs hit a nine-month low of 8.7 mb/d in June, some 210 kb/d less than expected. Company operating plans and known maintenance schedules point to lower runs still in July. While we still show an increase from the very weak June numbers, our 3Q11 estimates have been adjusted down by 125 kb/d since last month's report. Runs are expected to continue to recover further in August, once maintenance is completed, yet annual growth in throughputs could slow in line with sharply lower demand growth at the end of this year (from a high 2010 base). Furthermore, after two years of extensive capacity growth, very little new crude distillation capacity is expected to be commissioned this year. Annual Chinese throughput growth is currently 6.3% in 2011, compared to 8.5% forecast by the Ministry of Industry and Information Technology in August.

Financial Losses Cutting into Chinese Refinery Runs

Poor refinery economics could have exacerbated Chinese throughput declines due to maintenance. While China has raised retail prices for refined oil products twice this year, increases have not kept pace with rapidly rising crude oil prices. According to the Ministry of Industry and Information Technology, ex-refinery oil product prices rose 12.21% y-o-y for gasoline and 14.25% y-o-y for gasoil compared to a 31.44% annual increase in crude oil feedstock prices in the first five months of this year. The Ministry released a report in early August, stating China's refining industry recorded a net loss of Yuan 3.09 billion ($480 million) in May, the "first loss" by the industry since 2009. According to a separate report published by China's National Development and Reform Commission in July, China's refining industry incurred losses of $2.6 billion (Yuan 17 billion) in the first five months of this year, almost 10 times higher than losses recorded in the same period last year.

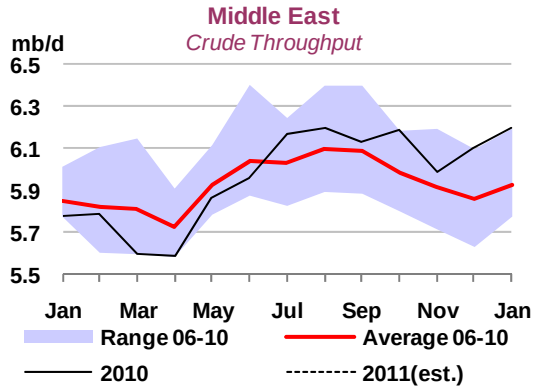
In **Other Asia**, the latest government data from **India** and our estimates show that domestic crude runs averaged 4.2 mb/d in June, 100 kb/d above May, and in line with our forecast. The monthly figure is 4.7% higher than a year earlier, and includes assumed runs of 670 kb/d at Reliance's Jamnagar export plant (calculated from the quarterly earnings report), which are excluded from official statistics. Official data also exclude crude processed at the 120 kb/d Bina refinery, which was commissioned at end-May, thus we have also adjusted June to account for this (50 kb/d). The 180 kb/d Bathinda refinery is now expected to start up in August, with secondary units progressively commissioned by November. Essar's latest announcements indicate that its expanded Vadinar refinery will start operating in 1Q12.

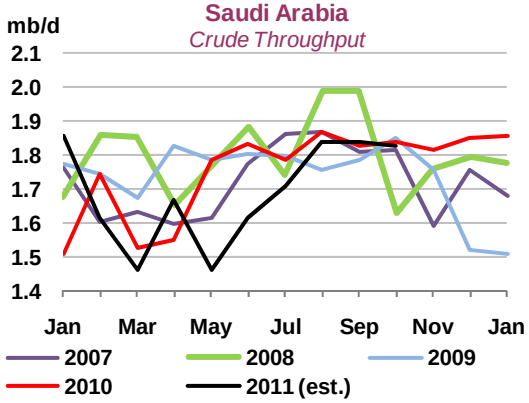




Taiwan's Formosa Petrochemical Corp. had to shut its 540 kb/d Mailiao refinery after a fire on 30 July. While the damage caused by the fire is thought to be minimal and only to secondary units, the government forced the company to immediately halt operations at the facilities for safety checks. The recent fire is the seventh in the last 12 months, and led to two senior executives, including the company chairman, resigning. Formosa has declared *force majeure* on its product exports for August and is reportedly trying to resell some crude cargoes though with difficulty (or at steep losses) as crude prices have come down sharply since the refinery made its purchases. It will likely take two weeks to repair the affected unit, after which more time will be needed for the government to inspect the facility and issue a restart permit. Our working assumption is that the plant will be off for about a month before a gradual restart of its three CDUs. Even after a restart, utilisation rates will likely be lower as the government also ordered the company to conduct a "rotational closure" of the whole complex over the next 12 months to thoroughly assess its safety standards, and upgrade equipment if needed.

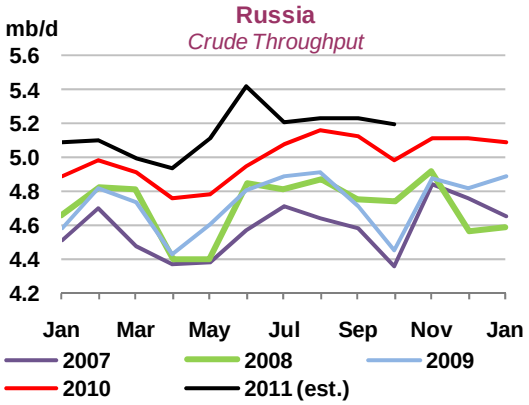
Middle Eastern crude run estimates have been lowered slightly since last month's report for both June and July (100 kb/d), mainly due to lower assessed Saudi Arabian runs. Delays and problems restarting a 90 kb/d FCC unit at the Petro Rabigh refinery, which was completely shut from end-April to early June, likely also reduced crude throughputs slightly. The latest reports are that the unit restarted on 1 August and that the refinery will reach full capacity by 15 August. The recent problems have forced Saudi Arabia to import increasing volumes of gasoline through August.

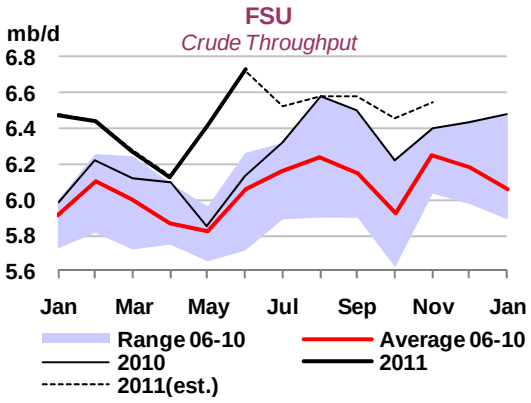




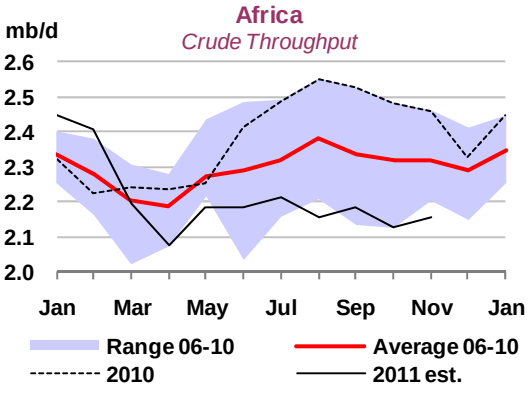
Refinery runs at **Yemen's** Aden refinery are expected to return to normal as domestic crude production resumed in July, after repairs to a key pipeline were completed. The refinery restarted on 20 June after receiving the first tranche of a 3 mb donation of Arab Light from Saudi Arabia.

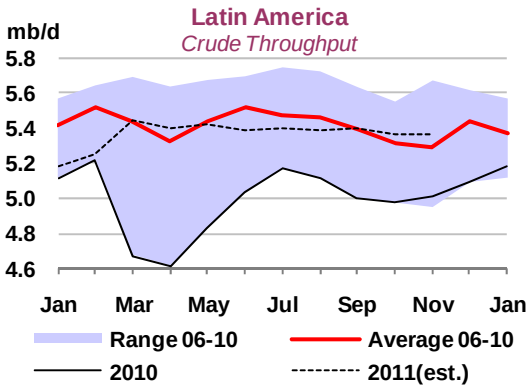
Russian refining runs surged to a new post-Soviet high of 5.41 mb/d in June, up 300 kb/d from May and 270 kb/d higher than our previous forecast. June's refining volumes surpassed the previous high reached in August 2010 by nearly 300 kb/d, a rise driven by the end of spring maintenance and efforts to respond to the government's call for increased fuel supply following the earlier gasoline shortages. Runs could also have been supported by expected changes to export duties, currently favoring products over crude. While still difficult to assess, we believe crude runs fell back in July to around 5.2 mb/d.





Prime Minister Vladimir Putin's speech to the oil industry in Kirishi earlier in July laid blame for fuel shortages and rising prices on Russia's oil companies. At the meeting Putin accused Russia's refiners of failing to do their job properly and warned of potential sanctions. The prime minister said the companies had ignored state requirements to maximise capacity and boost light product yields, despite promising to do so in return for lower downstream taxes. To prevent future fuel shortages, Russia plans to create a stock of up to 2 million mt of oil products by November, held by oil companies, Energy Minister Shmatko announced in July.

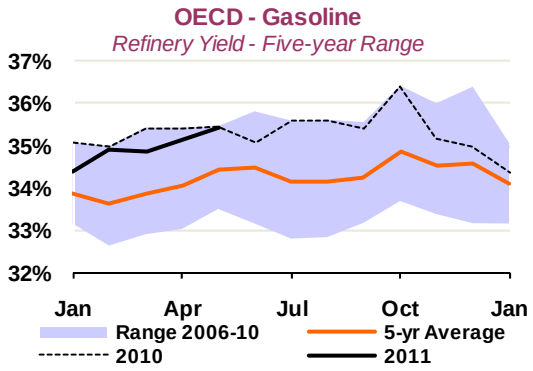


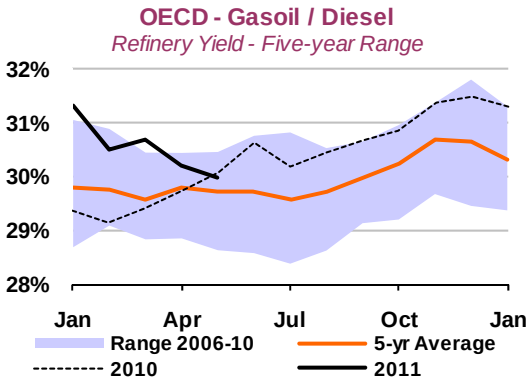


In **Africa,** an Algerian Energy official denied reports that the country's largest refinery, Skikda, had been shut for maintenance in July and August, saying the plant was operating at 100% in early July. Tenders by Sonatrach for six gasoil cargoes (180 kt) for delivery in August had fuelled rumours that the plant was struggling with output. The company had reportedly purchased four gasoline cargoes from the Mediterranean market in July, pushing up gasoline prices in the region. An alternative explanation for the increased imports has been that fuel is being smuggled into Libya. For now, we assume the refinery continues to operate at full rates as the reports remain unconfirmed. **Libyan** runs are assumed to remain at the current levels estimated around 80 kb/d, despite some reports that the Tobruk and Zawiya refineries had problems to operate given crude oil supply shortages.

OECD Refinery Yields

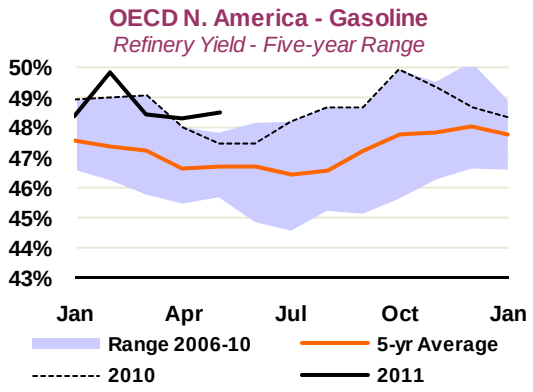
OECD refinery yields increased seasonally for gasoline and other products, and fell for all other product categories in May. The increase in gasoline yields was mostly driven by an increase in OECD Pacific yields, as OECD North American and OECD European yields were practically unchanged from April. OECD gasoil/diesel yields continued to fall, reversing the trend from 2010, when gasoil/diesel yields increased from 29.4 % to 31.5 % over the course of the year. OECD gasoil/diesel yields were 30% in May vs. a five-year average of 29.7 %. OECD gross output in May increased by some 245 kb/d compared with April, and was still 1.9 mb/d below the five-year average, mainly on low refinery runs in both Europe and North-America.

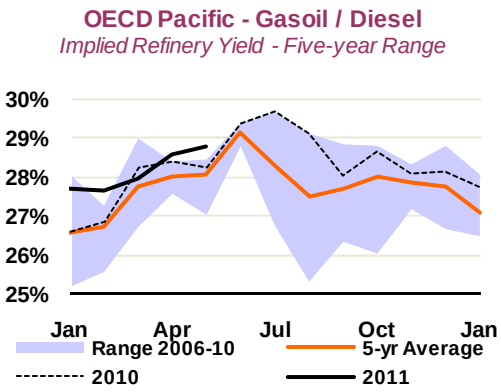




In OECD North America, gasoline yields increased marginally in May, and were still around one percentage point (pp) above last year's level. Higher demand before the summer driving season and strong gasoline cracks at the beginning of the month were factors supporting marginally higher gasoline yields. OECD North American gasoil/diesel yields continued to decrease, reflecting weaker middle distillates markets, and stood at 24.6 % in May, just below the five-year average.

European gasoline yields in May were almost unchanged from April as well, and were 1.2 pp below the five -year average. Refineries were struggling with low European demand, but this was to some extent offset by stronger demand from the Middle East providing an outlet for surplus production. Gasoil/diesel yields on the other hand were 1.16 pp above the five-year average, although falling from April to May, as middle distillates cracks weakened.





In OECD Pacific, refinery yields increased for gasoline, gasoil/diesel and other products. This was in line with seasonal trends. As opposed to the Atlantic basin, middle distillates demand in Asia was strong in May, partly due to preparation for the refinery maintenance season, and Asian gasoline yields were also supported by strong Middle East demand.

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

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.4	23.7	24.1	23.9	23.8	23.8	23.2	23.6	23.6	23.5	23.7	23.2	23.6	23.6	23.5
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.7	14.7	14.4	14.2	14.0	14.6	14.6	14.3
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.6	8.3	7.9	8.6	7.4	7.5	8.1	7.9
Total OECD	47.6	45.6	45.9	45.3	46.6	46.7	46.2	46.3	44.4	45.9	46.6	45.8	46.4	44.6	45.7	46.3	45.8
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.7	4.8	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.5	9.6	9.9	9.6	10.0	10.1	10.1	10.3	10.1
Other Asia	9.7	10.1	10.4	10.6	10.2	10.6	10.4	10.7	10.9	10.5	11.0	10.8	11.1	11.3	10.9	11.3	11.2
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.7	6.6	6.5	6.5	6.7	6.9	6.8	6.7
Middle East	7.2	7.5	7.4	7.8	8.2	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Total Non-OECD	38.9	39.9	40.8	42.2	42.5	43.1	42.1	42.7	43.6	44.2	44.1	43.7	44.3	45.3	45.9	45.8	45.3
Total Demand[1]	86.5	85.5	86.8	87.4	89.1	89.8	88.3	89.1	88.0	90.1	90.7	89.5	90.8	89.9	91.6	92.0	91.1
OECD SUPPLY																	
North America[4]	13.3	13.6	14.0	14.0	14.1	14.4	14.1	14.4	14.2	14.0	14.3	14.2	14.5	14.3	14.2	14.5	14.4
Europe	4.8	4.6	4.5	4.2	3.8	4.2	4.2	4.1	3.9	3.9	4.3	4.0	4.2	3.9	3.9	4.1	4.0
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	18.7	18.8	19.1	18.8	18.5	19.2	18.9	19.0	18.6	18.5	19.3	18.8	19.4	18.9	18.8	19.3	19.1
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.7	13.8	13.6	13.8	13.7
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.1	4.4	4.5	4.3	4.6	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.0	29.8	30.1	29.7	30.2	30.5	30.1	30.6	30.6	30.5	30.6	30.6
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.2	2.0	1.9	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.6	51.6	52.2	52.5	52.6	53.1	52.6	52.7	52.3	53.0	54.0	53.0	53.9	53.8	53.9	54.3	54.0
Non-OPEC: Historical Composition[2]	49.6	51.6	52.2	52.5	52.6	53.1	52.6	52.7	52.3	53.0	54.0	53.0	53.9	53.8	53.9	54.3	54.0
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.3								
NGLs	4.5	4.9	5.2	5.2	5.5	5.6	5.3	5.8	5.8	5.9	6.0	5.9	6.2	6.2	6.4	6.4	6.3
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7	35.1								
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.7	35.1								
Total Supply[6]	86.8	85.6	86.6	87.0	87.7	88.3	87.4	88.5	87.4								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.4	0.9	-0.1	-0.9	0.1	-0.4	0.5								
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0								
Total	0.3	0.0	0.4	0.9	-0.2	-0.8	0.1	-0.4	0.5								
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.1	-0.2	-0.3	-0.2	0.2	-0.2								
Miscellaneous to balance[7]	-0.1	-0.2	-0.3	-1.3	-0.9	-0.4	-0.7	-0.4	-0.9								
Total Stock Ch. & Misc	0.2	0.1	-0.1	-0.4	-1.4	-1.5	-0.9	-0.6	-0.6								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.4	29.7	31.0	31.1	30.3	30.5	29.9	31.2	30.7	30.6	30.7	29.9	31.3	31.3	30.8
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.1	28.4	30.1	30.7	29.6	30.2	29.0	30.7	30.2	30.0	30.2	29.4	30.7	30.8	30.3

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs (plus ethane), oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-0.1	-	-0.1	-0.1	-0.1	-	-	-0.2	-0.1	-0.1	-	-	-0.2	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.3	0.2	-	-	0.1
Total OECD	-	-	-0.1	-	-0.1	-0.1	-0.1	-	0.1	-0.2	0.1	-	0.3	0.1	-0.2	-	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1	-	0.1	0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-0.3	-0.1	-	-0.1	-	-0.1	-0.1	-	-0.1
Other Asia	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-0.2	-	-	-0.1	-	-0.1	-	-	-
Total Demand	-	-	-0.1	-	-0.1	-0.1	-0.1	-	-0.2	-0.2	0.2	-0.1	0.3	0.1	-0.2	0.1	0.1
OECD SUPPLY																	
North America	-	-	-	-0.1	-	-0.1	-	-0.1	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-0.1	-	-0.1	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-	-	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-0.1	-	-0.1	-	-0.1	-0.1	-0.2	-	-0.1	-0.1	-0.1	-	-	-0.1
Non-OPEC: historical composition	-	-	-	-0.1	-	-0.1	-	-0.1	-0.1	-0.2	-	-0.1	-0.1	-0.1	-	-	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-0.1								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-0.1								
OPEC: historical composition	-	-	-	-	-	-	-	-	-0.1								
Total Supply	-	-	0.1	-0.1	-	-	-	-0.1	-0.2								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	0.2	-0.1	-	0.1	-	-0.1									
Government	-	-	-	-	-	-	-	-									
Total	-	-	0.2	-0.1	-	0.1	-	-0.1									
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-									
Miscellaneous to balance	-	-	-	-	0.1	-0.1	-	0.1									
Total Stock Ch. & Misc	-	-	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	0.2	-	0.5	0.2	-0.1	0.1	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-0.2	0.1	0.1	-0.1	-	0.1	-0.6	-0.2	0.1	-0.1	0.4	-	-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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.41	23.70	24.07	23.85	23.76	23.76	23.19	23.57	23.62	23.53	23.69	23.21	23.63	23.64	23.55
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.21	14.13	14.69	14.66	14.43	14.16	14.03	14.62	14.58	14.35
Pacific	7.68	8.23	7.34	7.62	8.07	7.81	8.35	7.09	7.63	8.35	7.85	8.59	7.38	7.48	8.07	7.88
Total OECD	45.64	45.95	45.29	46.62	46.74	46.15	46.32	44.41	45.88	46.63	45.81	46.44	44.62	45.74	46.29	45.77
Asia	18.19	19.00	19.63	19.11	20.27	19.51	20.27	20.35	20.12	20.83	20.39	21.13	21.39	20.98	21.66	21.29
Middle East	7.49	7.38	7.79	8.25	7.68	7.78	7.62	8.03	8.54	7.84	8.01	7.85	8.30	8.84	8.13	8.28
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.26	6.47	6.66	6.58	6.49	6.50	6.71	6.90	6.83	6.74
FSU	4.18	4.40	4.35	4.58	4.59	4.48	4.49	4.65	4.79	4.70	4.66	4.62	4.63	4.89	4.81	4.74
Africa	3.33	3.32	3.42	3.37	3.42	3.38	3.42	3.41	3.39	3.44	3.42	3.51	3.55	3.53	3.58	3.54
Europe	0.71	0.68	0.68	0.69	0.71	0.69	0.68	0.70	0.70	0.72	0.70	0.71	0.73	0.73	0.74	0.73
Total Non-OECD	39.90	40.83	42.16	42.45	43.05	42.13	42.74	43.62	44.21	44.10	43.67	44.33	45.31	45.87	45.75	45.32
World	85.54	86.77	87.45	89.07	89.80	88.28	89.06	88.02	90.09	90.73	89.48	90.77	89.92	91.61	92.04	91.09
of which: US50	18.77	18.87	19.15	19.47	19.23	19.18	19.17	18.70	19.03	19.02	18.98	19.11	18.72	19.10	19.05	19.00
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.72	8.61	8.93	8.88	8.79	8.66	8.48	8.84	8.79	8.69
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.47	9.59	9.87	9.62	10.00	10.11	10.08	10.33	10.13
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.90	4.37	4.86	4.50	5.11	4.14	4.23	4.59	4.52
India	3.26	3.38	3.46	3.13	3.38	3.34	3.50	3.58	3.24	3.50	3.46	3.65	3.72	3.37	3.63	3.59
Russia	3.03	3.17	3.17	3.42	3.36	3.28	3.21	3.44	3.58	3.44	3.42	3.31	3.38	3.64	3.51	3.46
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.68	2.77	2.88	2.88	2.80	2.76	2.84	2.96	2.97	2.88
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.89	3.23	2.67	2.81	2.59	2.99	3.36	2.80	2.93
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.25	2.16	2.23	2.23	2.22	2.23	2.16	2.22	2.22	2.21
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.04	2.12	2.31	2.21	2.33	2.09	2.10	2.29	2.20
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.05	2.02	2.06	2.04	2.04	2.05	2.02	2.06	2.04
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.04	2.04	2.02	2.05	2.10	2.07	2.07	2.04	2.07
Total	60.03	61.31	61.63	62.84	63.31	62.28	62.86	61.64	63.27	63.76	62.89	63.87	62.75	63.99	64.28	63.73
% of World	70.2%	70.7%	70.5%	70.6%	70.5%	70.5%	70.6%	70.0%	70.2%	70.3%	70.3%	70.4%	69.8%	69.9%	69.8%	70.0%
Annual Change (% per annum)																
North America	-3.7	-0.1	3.3	3.4	1.3	2.0	1.5	-2.1	-2.1	-1.0	-0.9	-0.3	0.1	0.3	0.1	0.1
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.7	-0.9	-1.6	-1.1	-1.1	-0.4	-0.7	-0.5	-0.6	-0.5
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.4	0.0	3.4	0.5	2.9	4.0	-1.9	-3.4	0.3
Total OECD	-4.2	-1.5	1.3	3.3	1.4	1.1	0.8	-2.0	-1.6	-0.2	-0.7	0.3	0.5	-0.3	-0.7	-0.1
Asia	4.3	12.1	7.0	3.5	6.9	7.2	6.7	3.7	5.3	2.7	4.6	4.3	5.1	4.3	4.0	4.4
Middle East	3.9	4.9	3.3	3.3	4.2	3.9	3.2	3.1	3.6	2.1	3.0	3.1	3.4	3.5	3.7	3.4
Latin America	0.0	4.6	5.1	6.0	4.4	5.0	3.6	2.9	3.0	3.0	3.1	3.9	3.7	3.7	3.8	3.7
FSU	-1.0	8.4	6.8	5.5	7.6	7.0	2.0	7.0	4.7	2.4	4.0	3.0	-0.4	2.1	2.2	1.7
Africa	1.6	-2.0	1.7	1.9	5.1	1.7	3.1	-0.4	0.7	0.6	1.0	2.4	4.1	4.1	4.1	3.7
Europe	-6.1	-6.9	-6.4	-3.2	1.8	-3.7	0.7	2.7	2.3	1.2	1.7	4.1	3.9	3.7	3.5	3.8
Total Non-OECD	2.5	7.6	5.3	3.8	5.9	5.6	4.7	3.5	4.1	2.4	3.7	3.7	3.9	3.8	3.7	3.8
World	-1.2	2.6	3.2	3.5	3.5	3.2	2.6	0.7	1.1	1.0	1.4	1.9	2.2	1.7	1.4	1.8
Annual Change (mb/d)																
North America	-0.89	-0.01	0.76	0.80	0.31	0.47	0.35	-0.51	-0.50	-0.23	-0.23	-0.06	0.02	0.07	0.02	0.01
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.10	-0.13	-0.23	-0.16	-0.16	-0.05	-0.10	-0.07	-0.08	-0.08
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.25	0.00	0.28	0.04	0.24	0.28	-0.15	-0.28	0.02
Total OECD	-1.98	-0.70	0.60	1.47	0.65	0.51	0.37	-0.88	-0.74	-0.11	-0.34	0.12	0.21	-0.15	-0.34	-0.04
Asia	0.74	2.05	1.28	0.64	1.31	1.32	1.27	0.73	1.01	0.56	0.89	0.86	1.03	0.86	0.84	0.90
Middle East	0.28	0.34	0.25	0.26	0.31	0.29	0.23	0.24	0.29	0.16	0.23	0.24	0.28	0.30	0.29	0.27
Latin America	0.00	0.26	0.31	0.37	0.27	0.30	0.22	0.18	0.20	0.19	0.20	0.24	0.24	0.24	0.25	0.24
FSU	-0.04	0.34	0.28	0.24	0.32	0.29	0.09	0.31	0.21	0.11	0.18	0.14	-0.02	0.10	0.10	0.08
Africa	0.05	-0.07	0.06	0.06	0.16	0.06	0.10	-0.02	0.02	0.02	0.03	0.08	0.14	0.14	0.14	0.13
Europe	-0.05	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.02	0.02	0.01	0.01	0.03	0.03	0.03	0.03	0.03
Total Non-OECD	0.99	2.88	2.12	1.55	2.39	2.23	1.91	1.46	1.76	1.05	1.54	1.59	1.69	1.66	1.65	1.65
World	-1.00	2.19	2.73	3.02	3.03	2.74	2.28	0.57	1.02	0.93	1.20	1.71	1.90	1.51	1.31	1.61
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	-0.06	0.04	-0.10	-0.08	-0.05	-0.01	0.03	-0.24	-0.06	-0.07	-0.01	-0.03	-0.16	-0.02	-0.05
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.04	-0.04	0.00	0.01	0.03	0.00	-0.04	0.00	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.19	0.06	0.30	0.17	0.03	0.04	0.14
Total OECD	0.00	-0.06	0.04	-0.10	-0.08	-0.05	0.02	0.07	-0.25	0.13	-0.01	0.32	0.14	-0.17	0.02	0.08
Asia	0.00	-0.03	-0.03	0.01	0.01	-0.01	-0.02	-0.32	-0.07	0.02	-0.10	0.03	-0.13	-0.06	0.02	-0.04
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.02	0.01	0.00	0.04	0.02	0.02	0.02
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.02	-0.02	-0.02	-0.02	-0.01	-0.05	-0.02	-0.01	-0.02
FSU	0.00	0.01	0.00	0.01	0.01	0.01	0.00	0.12	0.09	0.02	0.06	0.00	0.08	0.07	0.02	0.04
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.03	-0.01	0.00	-0.01	0.00	-0.02	-0.01	0.00	-0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Total Non-OECD	0.00	-0.03	-0.03	0.01	0.02	-0.01	-0.04	-0.23	0.00	0.04	-0.06	0.01	-0.07	0.00	0.05	0.00
World	0.00	-0.09	0.01	-0.08	-0.07	-0.06	-0.02	-0.16	-0.24	0.17	-0.06	0.33	0.07	-0.16	0.07	0.07
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.01	-0.08	0.01	-0.07	-0.09	-0.06	0.07	-0.17	-0.16	0.24	0.00	0.34	0.22	0.08	-0.10	0.14

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	2Q10	3Q10	4Q10	1Q11	Mar 11	Apr 11	May 11 [2]	Latest month vs. Apr 11	Latest month vs. May 10
North America											
LPG&Ethane	2.83	2.95	2.65	2.76	3.12	3.31	3.16	2.73	2.76	0.03	0.13
Naphtha	0.31	0.37	0.39	0.39	0.33	0.36	0.41	0.34	0.33	-0.01	-0.03
Motor Gasoline	10.56	10.57	10.78	10.83	10.51	10.13	10.32	10.35	10.35	0.01	-0.39
Jet/Kerosene	1.61	1.65	1.68	1.70	1.63	1.60	1.64	1.65	1.63	-0.03	-0.03
Gasoil/Diesel Oil	4.61	4.82	4.69	4.76	5.01	5.04	5.08	4.66	4.69	0.03	0.06
Residual Fuel Oil	0.92	0.93	0.95	0.91	0.89	0.97	0.95	0.93	0.83	-0.10	-0.13
Other Products	2.45	2.46	2.56	2.71	2.36	2.34	2.47	2.43	2.31	-0.11	-0.14
Total	23.29	23.76	23.70	24.07	23.85	23.76	24.02	23.08	22.90	-0.18	-0.54
Europe											
LPG&Ethane	0.96	0.96	0.98	0.89	0.96	1.04	1.05	1.00	0.94	-0.07	-0.02
Naphtha	1.18	1.26	1.20	1.26	1.27	1.31	1.26	1.30	1.17	-0.13	-0.03
Motor Gasoline	2.31	2.21	2.28	2.35	2.14	2.02	2.09	2.19	2.16	-0.03	-0.07
Jet/Kerosene	1.25	1.27	1.24	1.37	1.26	1.20	1.21	1.21	1.26	0.05	-0.02
Gasoil/Diesel Oil	6.04	6.13	5.85	6.14	6.43	6.05	6.09	5.64	5.70	0.06	0.03
Residual Fuel Oil	1.44	1.27	1.20	1.28	1.30	1.28	1.26	1.21	1.21	0.00	0.08
Other Products	1.50	1.47	1.50	1.64	1.46	1.32	1.35	1.42	1.60	0.18	0.19
Total	14.66	14.58	14.25	14.92	14.82	14.21	14.33	13.97	14.04	0.07	0.15
Pacific											
LPG&Ethane	0.86	0.84	0.84	0.80	0.83	0.88	0.81	0.89	0.78	-0.11	-0.07
Naphtha	1.62	1.68	1.58	1.63	1.75	1.78	1.67	1.46	1.59	0.14	0.05
Motor Gasoline	1.55	1.57	1.52	1.65	1.59	1.51	1.53	1.43	1.48	0.06	-0.01
Jet/Kerosene	0.85	0.87	0.71	0.65	0.98	1.18	1.04	0.77	0.56	-0.22	-0.07
Gasoil/Diesel Oil	1.61	1.62	1.56	1.57	1.70	1.67	1.67	1.54	1.49	-0.05	0.02
Residual Fuel Oil	0.76	0.74	0.68	0.75	0.73	0.80	0.73	0.64	0.60	-0.04	-0.07
Other Products	0.44	0.49	0.44	0.58	0.48	0.54	0.59	0.42	0.47	0.05	0.04
Total	7.68	7.81	7.34	7.62	8.07	8.35	8.04	7.14	6.98	-0.17	-0.11
OECD											
LPG&Ethane	4.65	4.76	4.47	4.45	4.91	5.23	5.02	4.62	4.48	-0.14	0.04
Naphtha	3.11	3.31	3.18	3.28	3.36	3.45	3.34	3.10	3.10	0.00	-0.01
Motor Gasoline	14.41	14.35	14.58	14.83	14.24	13.67	13.93	13.96	14.00	0.03	-0.47
Jet/Kerosene	3.70	3.80	3.63	3.73	3.88	3.98	3.89	3.64	3.44	-0.20	-0.12
Gasoil/Diesel Oil	12.25	12.57	12.11	12.47	13.14	12.76	12.84	11.83	11.88	0.05	0.11
Residual Fuel Oil	3.13	2.94	2.84	2.94	2.92	3.05	2.94	2.78	2.64	-0.14	-0.13
Other Products	4.39	4.42	4.50	4.92	4.30	4.19	4.41	4.27	4.38	0.12	0.09
Total	45.64	46.15	45.29	46.62	46.74	46.32	46.38	44.20	43.92	-0.28	-0.49

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2009	2010	2Q10	3Q10	4Q10	1Q11	Mar 11	Apr 11	May 11 [2]	Apr 11	May 10
United States[3]											
LPG	2.05	2.17	1.89	2.03	2.32	2.47	2.30	1.92	2.00	0.08	0.12
Naphtha	0.25	0.26	0.27	0.27	0.22	0.27	0.31	0.25	0.25	0.00	0.00
Motor Gasoline	9.00	8.99	9.19	9.22	8.92	8.61	8.76	8.78	8.78	0.00	-0.38
Jet/Kerosene	1.41	1.45	1.48	1.49	1.44	1.40	1.42	1.47	1.44	-0.03	-0.02
Gasoil	3.63	3.80	3.71	3.75	3.94	3.95	3.99	3.70	3.66	-0.04	0.02
Residual Fuel Oil	0.51	0.54	0.54	0.53	0.52	0.61	0.55	0.60	0.47	-0.13	-0.05
Other Products	1.92	1.97	2.07	2.18	1.87	1.86	1.98	1.98	1.83	-0.14	-0.13
Total	18.77	19.18	19.15	19.47	19.23	19.17	19.31	18.69	18.43	-0.26	-0.44
Japan											
LPG	0.50	0.48	0.48	0.44	0.47	0.54	0.47	0.58	0.49	-0.09	0.00
Naphtha	0.72	0.77	0.70	0.73	0.81	0.79	0.70	0.63	0.67	0.03	-0.03
Motor Gasoline	0.99	1.00	0.97	1.08	1.00	0.95	0.96	0.88	0.93	0.05	-0.02
Jet/Kerosene	0.55	0.55	0.43	0.36	0.62	0.80	0.69	0.46	0.30	-0.16	-0.05
Diesel	0.43	0.41	0.39	0.42	0.43	0.41	0.40	0.39	0.35	-0.04	0.00
Other Gasoil	0.42	0.43	0.39	0.38	0.44	0.48	0.45	0.40	0.33	-0.07	-0.01
Residual Fuel Oil	0.41	0.40	0.37	0.43	0.39	0.42	0.38	0.34	0.36	0.01	-0.02
Other Products	0.39	0.41	0.35	0.51	0.40	0.47	0.52	0.32	0.38	0.05	0.05
Total	4.39	4.45	4.07	4.36	4.57	4.86	4.58	4.01	3.80	-0.21	-0.06
Germany											
LPG	0.10	0.10	0.11	0.11	0.09	0.10	0.09	0.11	0.09	-0.02	-0.01
Naphtha	0.36	0.41	0.38	0.41	0.41	0.48	0.48	0.46	0.44	-0.02	0.07
Motor Gasoline	0.47	0.46	0.48	0.48	0.45	0.43	0.45	0.46	0.49	0.03	0.01
Jet/Kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.17	0.19	0.19	0.01	-0.01
Diesel	0.64	0.67	0.68	0.71	0.69	0.63	0.69	0.67	0.71	0.04	0.06
Other Gasoil	0.42	0.43	0.33	0.45	0.47	0.37	0.34	0.18	0.27	0.08	-0.09
Residual Fuel Oil	0.16	0.15	0.14	0.16	0.16	0.16	0.16	0.15	0.14	-0.01	0.01
Other Products	0.11	0.09	0.10	0.12	0.09	0.05	0.07	0.10	0.13	0.03	0.05
Total	2.45	2.49	2.40	2.65	2.53	2.38	2.45	2.33	2.47	0.15	0.09
Italy											
LPG	0.10	0.11	0.09	0.09	0.11	0.12	0.12	0.09	0.08	-0.01	-0.01
Naphtha	0.10	0.12	0.12	0.12	0.11	0.11	0.12	0.12	0.09	-0.03	-0.03
Motor Gasoline	0.25	0.24	0.25	0.26	0.24	0.22	0.23	0.24	0.23	-0.01	-0.01
Jet/Kerosene	0.09	0.10	0.10	0.11	0.09	0.09	0.10	0.09	0.09	0.00	-0.01
Diesel	0.49	0.49	0.50	0.50	0.50	0.47	0.49	0.50	0.50	0.00	0.02
Other Gasoil	0.13	0.12	0.10	0.11	0.14	0.11	0.10	0.08	0.09	0.00	0.00
Residual Fuel Oil	0.18	0.13	0.12	0.13	0.12	0.10	0.10	0.10	0.10	0.00	-0.01
Other Products	0.20	0.23	0.22	0.26	0.25	0.21	0.19	0.23	0.25	0.02	0.05
Total	1.54	1.53	1.50	1.58	1.56	1.43	1.45	1.46	1.43	-0.04	-0.01
France											
LPG	0.12	0.15	0.13	0.13	0.17	0.17	0.15	0.13	0.12	-0.01	0.00
Naphtha	0.13	0.13	0.14	0.12	0.10	0.13	0.12	0.14	0.15	0.02	0.01
Motor Gasoline	0.20	0.19	0.20	0.20	0.18	0.17	0.17	0.20	0.19	0.00	0.01
Jet/Kerosene	0.15	0.15	0.15	0.16	0.14	0.14	0.14	0.15	0.15	0.00	-0.01
Diesel	0.67	0.69	0.70	0.71	0.69	0.69	0.71	0.71	0.70	-0.01	0.05
Other Gasoil	0.32	0.30	0.23	0.27	0.34	0.35	0.29	0.20	0.18	-0.02	-0.02
Residual Fuel Oil	0.10	0.09	0.09	0.08	0.09	0.08	0.08	0.09	0.08	-0.01	0.00
Other Products	0.18	0.17	0.19	0.19	0.15	0.13	0.15	0.17	0.19	0.02	0.01
Total	1.87	1.86	1.82	1.87	1.86	1.86	1.82	1.78	1.77	-0.01	0.04
United Kingdom											
LPG	0.15	0.14	0.16	0.12	0.13	0.14	0.13	0.17	0.13	-0.03	-0.03
Naphtha	0.02	0.03	0.03	0.03	0.02	0.03	0.03	0.03	0.02	-0.01	-0.01
Motor Gasoline	0.37	0.35	0.36	0.36	0.34	0.34	0.35	0.35	0.34	-0.01	-0.02
Jet/Kerosene	0.33	0.33	0.30	0.33	0.34	0.34	0.34	0.31	0.30	-0.01	-0.01
Diesel	0.43	0.45	0.44	0.45	0.44	0.45	0.46	0.43	0.45	0.02	0.01
Other Gasoil	0.12	0.12	0.11	0.14	0.12	0.11	0.13	0.11	0.10	-0.01	0.00
Residual Fuel Oil	0.08	0.06	0.06	0.06	0.07	0.07	0.05	0.07	0.06	-0.01	0.01
Other Products	0.14	0.14	0.15	0.15	0.15	0.15	0.14	0.16	0.15	-0.01	0.00
Total	1.65	1.62	1.61	1.63	1.60	1.62	1.63	1.61	1.55	-0.07	-0.06
Canada											
LPG	0.35	0.35	0.35	0.33	0.36	0.39	0.42	0.40	0.36	-0.04	0.01
Naphtha	0.05	0.08	0.08	0.09	0.08	0.09	0.10	0.09	0.08	-0.01	0.00
Motor Gasoline	0.73	0.73	0.74	0.77	0.73	0.69	0.68	0.73	0.73	0.00	0.00
Jet/Kerosene	0.11	0.11	0.11	0.12	0.11	0.11	0.11	0.10	0.10	-0.01	-0.02
Diesel	0.23	0.22	0.22	0.22	0.23	0.22	0.21	0.19	0.23	0.03	0.00
Other Gasoil	0.28	0.31	0.27	0.31	0.34	0.36	0.33	0.28	0.29	0.01	0.01
Residual Fuel Oil	0.10	0.10	0.11	0.09	0.11	0.11	0.09	0.08	0.08	-0.01	-0.02
Other Products	0.31	0.30	0.29	0.34	0.30	0.28	0.29	0.26	0.29	0.03	0.01
Total	2.16	2.21	2.17	2.26	2.25	2.25	2.24	2.13	2.15	0.02	-0.01

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	1Q11	2Q11	3Q11	4Q11	1Q12	May 11	Jun 11	Jul 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.55	8.87				8.71	9.40	9.50
Iran	3.70			3.63	3.65				3.70	3.65	3.53
Iraq	2.36			2.66	2.67				2.68	2.72	2.68
UAE	2.31			2.48	2.48				2.42	2.50	2.50
Kuwait	2.03			2.08	2.15				2.15	2.19	2.21
Neutral Zone	0.53			0.56	0.59				0.58	0.60	0.60
Qatar	0.80			0.82	0.82				0.82	0.82	0.82
Angola	1.73			1.61	1.55				1.57	1.49	1.66
Nigeria	2.08			2.14	2.25				2.25	2.28	2.26
Libya	1.55			1.13	0.12				0.08	0.08	0.06
Algeria	1.25			1.27	1.26				1.24	1.26	1.26
Ecuador	0.47			0.50	0.50				0.50	0.50	0.49
Venezuela	2.53			2.52	2.43				2.33	2.45	2.48
Total Crude Oil[6]	29.48			29.95	29.32				29.03	29.94	30.05
Total NGLs[1,6]	5.35	5.88	6.30	5.79	5.80	5.93	6.00	6.15	5.80	5.80	5.93
Total OPEC[6]	34.83			35.74	35.12				34.83	35.73	35.98
OPEC: Historical Composition[6]	34.83			35.74	35.12				34.83	35.73	35.98
NON-OPEC[2]											
OECD											
North America	14.10	14.21	14.36	14.36	14.19	13.96	14.34	14.53	14.19	13.89	13.91
United States[5]	7.77	7.86	7.91	7.85	8.00	7.68	7.90	7.92	8.07	7.91	7.61
Mexico	2.96	2.92	2.86	2.97	2.96	2.89	2.87	2.90	2.96	2.95	2.92
Canada	3.37	3.43	3.59	3.54	3.23	3.39	3.57	3.70	3.15	3.04	3.38
Europe	4.18	4.04	4.04	4.12	3.87	3.88	4.30	4.22	3.70	3.81	3.88
UK	1.37	1.24	1.27	1.26	1.19	1.13	1.38	1.35	1.13	1.16	1.08
Norway	2.17	2.13	2.14	2.17	2.00	2.08	2.26	2.22	1.89	1.98	2.13
Others	0.64	0.67	0.63	0.69	0.69	0.67	0.66	0.65	0.68	0.68	0.67
Pacific	0.61	0.58	0.70	0.52	0.51	0.62	0.64	0.67	0.50	0.54	0.57
Australia	0.51	0.49	0.62	0.42	0.43	0.54	0.56	0.59	0.42	0.46	0.49
Others	0.10	0.09	0.08	0.09	0.08	0.08	0.08	0.09	0.08	0.08	0.08
Total OECD	18.89	18.83	19.10	19.00	18.58	18.46	19.29	19.42	18.39	18.25	18.37
NON-OECD											
Former USSR	13.55	13.64	13.74	13.64	13.57	13.61	13.74	13.73	13.57	13.57	13.66
Russia	10.45	10.56	10.60	10.52	10.55	10.57	10.59	10.57	10.58	10.51	10.57
Others	3.10	3.08	3.13	3.12	3.03	3.04	3.14	3.16	2.99	3.07	3.09
Asia	7.79	7.79	7.82	7.86	7.70	7.77	7.82	7.82	7.58	7.76	7.75
China	4.10	4.24	4.33	4.21	4.17	4.27	4.29	4.34	4.14	4.21	4.24
Malaysia	0.72	0.62	0.59	0.70	0.61	0.58	0.60	0.60	0.56	0.62	0.57
India	0.86	0.91	0.93	0.91	0.90	0.90	0.92	0.92	0.88	0.91	0.91
Indonesia	0.97	0.92	0.86	0.94	0.93	0.91	0.89	0.87	0.93	0.93	0.92
Others	1.13	1.10	1.11	1.10	1.08	1.12	1.12	1.10	1.06	1.09	1.11
Europe	0.14	0.14	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.07	4.29	4.57	4.18	4.15	4.36	4.48	4.55	4.15	4.22	4.27
Brazil[5]	2.14	2.25	2.43	2.18	2.18	2.28	2.37	2.42	2.16	2.22	2.23
Argentina	0.69	0.67	0.68	0.69	0.61	0.68	0.68	0.68	0.62	0.63	0.66
Colombia	0.79	0.93	1.02	0.87	0.92	0.96	0.98	1.00	0.93	0.93	0.95
Others	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Middle East[3]	1.72	1.70	1.75	1.72	1.60	1.73	1.76	1.77	1.56	1.64	1.68
Oman	0.86	0.91	0.96	0.89	0.88	0.93	0.95	0.96	0.87	0.91	0.93
Syria	0.39	0.37	0.34	0.38	0.37	0.37	0.36	0.35	0.37	0.37	0.37
Yemen	0.28	0.22	0.25	0.26	0.14	0.23	0.25	0.26	0.13	0.15	0.18
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.54	2.57	2.55	2.51	2.55	2.56	2.56	2.52	2.54	2.54
Egypt	0.70	0.69	0.68	0.70	0.69	0.69	0.68	0.68	0.69	0.69	0.69
Gabon	0.25	0.24	0.25	0.25	0.23	0.24	0.25	0.24	0.25	0.25	0.24
Others	1.58	1.61	1.64	1.60	1.59	1.62	1.63	1.63	1.58	1.60	1.61
Total Non-OECD	29.79	30.10	30.58	30.09	29.67	30.15	30.48	30.57	29.52	29.87	30.04
Processing Gains[4]	2.10	2.17	2.26	2.16	2.14	2.14	2.23	2.28	2.14	2.14	2.14
Global Biofuels[5]	1.82	1.90	2.04	1.48	1.89	2.23	1.99	1.62	1.98	2.07	2.16
TOTAL NON-OPEC[6]	52.60	53.00	53.98	52.73	52.28	52.98	53.99	53.88	52.03	52.33	52.71
Non-OPEC: Historical Composition[6]	52.60	53.00	53.98	52.73	52.28	52.98	53.99	53.88	52.03	52.33	52.71
TOTAL SUPPLY	87.43			88.47	87.39				86.86	88.07	88.69

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Feb2011	Mar2011	Apr2011	May2011	Jun2011*	Jun2008	Jun2009	Jun2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	484.9	497.9	511.0	513.1	498.7	416.9	474.6	500.9	0.02	-0.30	0.27	0.01
Motor Gasoline	263.6	249.5	238.9	247.5	246.2	238.2	243.6	247.1	0.04	0.02	-0.03	-0.04
Middle Distillate	222.7	217.4	212.5	214.3	218.9	191.5	237.4	231.9	0.14	-0.07	-0.24	0.02
Residual Fuel Oil	42.5	44.9	47.7	44.3	44.0	48.8	44.6	51.1	-0.02	0.01	-0.05	-0.01
Total Products[3]	670.5	653.1	649.4	669.8	686.5	653.5	730.0	713.4	0.23	-0.32	-0.58	0.37
Total[4]	1298.1	1295.4	1311.0	1339.2	1340.0	1221.2	1367.3	1369.9	0.33	-0.77	-0.37	0.49
Europe												
Crude	325.3	322.9	313.2	321.3	320.5	335.3	345.3	340.5	-0.23	0.04	0.00	-0.03
Motor Gasoline	104.6	100.5	95.4	92.2	89.5	102.5	93.5	96.7	-0.02	0.02	0.04	-0.12
Middle Distillate	286.1	284.9	282.7	282.1	274.8	248.5	286.8	287.0	-0.09	-0.03	0.10	-0.11
Residual Fuel Oil	66.2	67.5	68.7	68.6	66.5	81.0	74.3	77.5	-0.01	-0.09	0.00	-0.01
Total Products[3]	571.8	565.7	559.1	556.7	544.0	543.6	561.9	571.1	-0.11	-0.08	0.13	-0.24
Total[4]	964.2	953.9	938.2	944.8	931.5	954.1	976.4	980.8	-0.38	0.01	0.08	-0.25
Pacific												
Crude	155.3	158.4	166.7	161.2	160.8	168.6	170.2	166.3	-0.12	0.03	0.00	0.03
Motor Gasoline	25.7	23.7	26.8	24.8	24.4	24.3	26.0	26.2	-0.03	-0.01	0.01	0.01
Middle Distillate	58.0	54.2	60.3	63.8	66.2	59.8	62.3	57.7	0.09	-0.07	-0.06	0.13
Residual Fuel Oil	18.4	20.7	22.0	21.3	21.3	22.4	18.9	20.9	0.01	-0.03	0.02	0.01
Total Products[3]	162.2	154.9	167.5	169.6	171.4	166.8	164.7	168.0	0.11	-0.16	-0.09	0.18
Total[4]	389.9	381.5	408.4	405.5	406.2	409.1	400.9	405.1	-0.03	-0.13	-0.10	0.27
Total OECD												
Crude	965.5	979.2	990.9	995.6	980.0	920.7	990.1	1007.7	-0.34	-0.23	0.28	0.01
Motor Gasoline	393.9	373.7	361.1	364.4	360.2	365.0	363.1	370.0	0.00	0.03	0.02	-0.15
Middle Distillate	566.8	556.5	555.4	560.3	559.9	499.8	586.4	576.7	0.15	-0.17	-0.20	0.04
Residual Fuel Oil	127.1	133.1	138.4	134.2	131.8	152.2	137.8	149.5	-0.02	-0.12	-0.03	-0.01
Total Products[3]	1404.5	1373.8	1376.0	1396.1	1401.8	1363.8	1456.7	1452.5	0.22	-0.56	-0.54	0.31
Total[4]	2652.1	2630.8	2657.6	2689.5	2677.7	2584.4	2744.6	2755.8	-0.09	-0.88	-0.39	0.51

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Feb2011	Mar2011	Apr2011	May2011	Jun2011*	Jun2008	Jun2009	Jun2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	726.5	726.5	726.5	726.5	726.5	706.0	724.1	726.6	0.00	0.00	0.00	0.00
Products	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	-0.02	0.00
Europe												
Crude	185.9	185.9	185.6	185.6	184.8	181.8	186.7	185.4	-0.04	0.05	-0.01	-0.01
Products	233.4	232.6	234.5	234.7	236.5	231.7	238.3	235.6	0.00	-0.01	-0.03	0.04
Pacific												
Crude	390.3	391.2	391.1	391.1	391.1	384.7	389.1	390.9	-0.10	0.08	0.02	0.00
Products	20.0	20.0	20.0	20.0	20.0	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1302.7	1303.6	1303.3	1303.3	1302.4	1272.5	1299.9	1302.9	-0.13	0.13	0.01	-0.01
Products	253.4	252.6	254.5	254.7	256.5	252.5	259.5	257.6	0.00	-0.01	-0.05	0.04
Total[4]	1557.6	1557.7	1559.2	1559.4	1560.3	1526.0	1561.0	1561.9	-0.14	0.12	-0.03	0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2010		End September 2010		End December 2010		End March 2011		End June 2011 [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	178.4	79	194.1	85	194.9	86	185.4	-	-	-
Mexico	54.4	27	49.0	24	44.5	22	45.0	-	-	-
United States[4]	1843.6	95	1863.2	97	1796.1	94	1769.5	-	-	-
Total[4]	2098.5	87	2128.4	89	2057.6	87	2022.0	87	2066.5	88
Pacific										
Australia	42.7	45	40.5	41	38.1	39	39.1	-	-	-
Japan	597.1	137	581.8	127	588.3	121	575.4	-	-	-
Korea	167.3	78	173.5	74	165.4	70	170.2	-	-	-
New Zealand	8.9	59	8.2	53	8.2	51	8.0	-	-	-
Total	816.0	107	804.0	100	800.0	96	792.7	112	817.3	107
Europe[5]										
Austria	20.1	69	18.9	65	19.7	77	19.3	-	-	-
Belgium	37.8	62	34.3	51	33.6	50	37.0	-	-	-
Czech Republic	20.4	99	21.1	105	21.2	117	21.5	-	-	-
Denmark	28.2	160	26.5	157	25.3	162	20.8	-	-	-
Finland	28.5	134	28.5	121	27.8	127	26.9	-	-	-
France	170.1	91	163.4	88	168.2	91	167.4	-	-	-
Germany	280.4	106	285.6	113	286.8	121	289.4	-	-	-
Greece	33.9	98	36.3	95	34.3	92	33.9	-	-	-
Hungary	17.0	107	15.9	103	15.9	119	17.4	-	-	-
Ireland	12.8	87	11.4	68	9.8	63	10.8	-	-	-
Italy	132.5	84	126.6	81	133.3	93	132.2	-	-	-
Luxembourg	0.7	11	0.7	12	0.6	10	0.5	-	-	-
Netherlands	138.8	137	120.9	122	125.9	129	125.9	-	-	-
Norway	22.1	107	20.8	77	20.8	81	21.1	-	-	-
Poland	63.8	106	64.2	108	65.5	123	62.8	-	-	-
Portugal	24.9	87	22.8	84	22.9	89	23.5	-	-	-
Slovak Republic	9.3	99	8.6	101	8.3	109	9.0	-	-	-
Spain	134.1	94	133.0	92	133.2	93	132.9	-	-	-
Sweden	35.4	103	34.4	94	32.3	94	33.7	-	-	-
Switzerland	38.1	148	37.7	146	36.8	156	36.6	-	-	-
Turkey	58.4	80	58.5	90	58.5	100	58.3	-	-	-
United Kingdom	96.1	59	94.5	59	88.8	55	92.8	-	-	-
Total	1403.2	94	1364.7	92	1369.6	96	1373.9	97	1354.1	92
Total OECD	4317.7	93	4297.1	92	4227.2	91	4188.5	94	4238.0	92
DAYS OF IEA Net Imports[6]	-	146	-	145	-	146	-	146	-	-

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]		
2Q2008	4110	1526	2584	88	33	55
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	57
1Q2010	4240	1567	2673	93	35	59
2Q2010	4318	1562	2756	93	34	59
3Q2010	4297	1549	2748	92	33	59
4Q2010	4227	1561	2666	91	34	58
1Q2011	4189	1558	2631	94	35	59
2Q2011	4238	1560	2678	92	34	58

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 2Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Mar 11	Apr 11	May 11	Year Earlier May 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.69	0.73	0.75	0.71	0.70	0.63	0.81	0.59	0.22
Europe	0.70	0.59	0.66	0.64	0.74	0.69	0.70	0.68	0.79	0.79	0.58	0.21
Pacific	1.22	1.28	1.21	1.17	1.15	1.26	1.33	1.39	1.25	1.10	1.12	-0.02
Saudi Medium												
North America	0.64	0.40	0.36	0.36	0.33	0.36	0.33	0.34	0.32	0.36	0.35	0.01
Europe	0.05	0.02	0.00	0.00	-	-	-	-	-	0.02	-	-
Pacific	0.39	0.34	0.34	0.37	0.30	0.37	0.39	0.42	0.33	0.40	0.34	0.06
Saudi Heavy												
North America	0.07	0.03	0.02	0.02	0.03	0.01	0.02	0.02	0.02	0.04	0.02	0.02
Europe	0.09	0.02	0.00	0.00	0.00	-	0.00	-	-	0.00	-	-
Pacific	0.24	0.15	0.22	0.19	0.23	0.21	0.20	0.18	0.22	0.18	0.16	0.02
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.43	0.29	0.29	0.21	0.24	0.46	0.38	0.40	-0.02
Europe	0.21	0.12	0.09	0.09	0.13	0.08	0.03	0.03	0.01	0.14	0.07	0.07
Pacific	0.15	0.24	0.29	0.19	0.26	0.38	0.40	0.35	0.42	0.22	0.19	0.03
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.03	0.05	0.04	0.11	0.12	0.05	0.03	0.07	-0.04
Europe	0.23	0.31	0.27	0.27	0.25	0.23	0.21	0.23	0.29	0.20	0.24	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.24	0.33	0.18	0.24	0.26	0.36	0.19	0.18	0.01
Pacific	0.08	0.07	0.04	0.07	0.04	0.01	0.06	0.07	0.02	0.04	0.07	-0.02
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.47	0.70	0.43	0.34	0.45	0.36	0.59	0.41	0.18
Pacific	0.61	0.57	0.52	0.44	0.53	0.52	0.63	0.69	0.42	0.37	0.44	-0.07
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.21	0.08	0.16	0.06	-	0.12	0.37	0.35	0.02
Europe	0.06	0.07	0.02	0.02	0.05	0.01	0.03	0.04	0.02	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.83	0.96	0.75	0.89	0.85	0.83	0.71	0.89	-0.18
Europe	0.07	0.07	0.06	0.06	0.06	0.05	0.04	0.04	0.04	0.04	0.08	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.96	0.94	0.92	0.82	0.77	0.71	0.89	1.03	-0.13
Europe	0.14	0.10	0.11	0.11	0.11	0.09	0.14	0.14	0.14	0.13	0.12	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.02	0.09	0.05	0.10	0.09	0.01	0.05	-0.04
Europe	0.01	0.01	0.02	0.02	-	0.05	0.01	-	-	0.05	0.02	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.13	0.08	0.03	0.01	0.02	-	-	0.11	-
Europe	1.81	1.72	1.80	1.86	1.88	1.71	1.76	1.85	2.05	1.96	1.77	0.19
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.64	0.58	0.62	0.44	0.57	0.63	0.60	0.04
Europe	0.29	0.32	0.34	0.29	0.31	0.49	0.40	0.34	0.27	0.54	0.28	0.26
Pacific	-	0.00	-	-	-	-	0.05	0.06	0.03	0.06	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.29	0.25	0.22	0.20	0.13	0.24	0.08	0.26	-0.18
Europe	0.14	0.13	0.09	0.09	0.09	0.11	0.14	0.19	0.14	0.12	0.10	0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	2Q10	3Q10	4Q10	1Q11	Mar-11	Apr-11	May-11	Year Earlier May-10	Year Earlier % change
Crude Oil												
North America	8076	7353	7346	7932	7745	6625	6571	6915	6722	7042	7284	-3%
Europe	9776	8893	9076	9160	9463	9110	8901	8712	8426	9008	8493	6%
Pacific	6605	6082	6244	5899	6159	6472	6647	6439	6491	5606	5681	-1%
Total OECD	24457	22329	22665	22991	23367	22207	22119	22066	21638	21656	21779	-1%
LPG												
North America	31	13	8	7	7	6	21	16	6	6	3	89%
Europe	268	260	270	269	226	299	313	303	298	250	264	-6%
Pacific	589	529	558	600	533	567	569	532	651	543	587	-8%
Total OECD	887	802	836	876	766	872	904	851	955	799	855	-7%
Naphtha												
North America	56	22	36	28	59	35	34	57	22	62	19	226%
Europe	298	352	390	391	345	382	292	263	346	294	317	-7%
Pacific	776	841	900	899	855	893	917	776	757	875	940	-7%
Total OECD	1130	1215	1326	1317	1260	1309	1243	1097	1124	1231	1277	-4%
Gasoline[3]												
North America	1077	878	790	836	926	712	668	697	883	1116	858	30%
Europe	215	193	174	196	207	127	223	170	161	168	217	-23%
Pacific	90	96	64	73	44	67	71	49	76	56	80	-31%
Total OECD	1383	1167	1027	1105	1177	907	961	916	1121	1339	1156	16%
Jet & Kerosene												
North America	64	62	76	59	86	89	62	58	95	79	59	34%
Europe	401	452	417	358	475	396	320	254	412	324	360	-10%
Pacific	34	53	40	37	29	46	58	49	48	32	35	-7%
Total OECD	500	567	532	454	590	531	440	360	554	436	454	-4%
Gasoil/Diesel												
North America	74	55	49	42	27	14	46	33	40	35	30	14%
Europe	871	1035	1045	885	934	1235	1086	1016	1070	896	912	-2%
Pacific	119	87	97	121	88	92	99	121	201	134	125	7%
Total OECD	1064	1177	1191	1048	1049	1340	1232	1170	1311	1064	1068	0%
Heavy Fuel Oil												
North America	288	270	277	293	285	254	345	380	430	179	312	-43%
Europe	458	534	529	545	504	504	505	526	537	627	512	22%
Pacific	125	113	117	104	127	101	147	133	130	97	149	-35%
Total OECD	871	917	923	941	915	859	997	1040	1097	903	973	-7%
Other Products												
North America	1078	870	805	782	852	906	855	852	957	863	811	6%
Europe	734	770	666	606	699	737	683	663	809	777	647	20%
Pacific	298	325	335	276	382	352	383	401	300	232	223	4%
Total OECD	2110	1964	1806	1664	1932	1996	1921	1916	2066	1872	1681	11%
Total Products												
North America	2667	2171	2041	2046	2241	2017	2032	2093	2432	2340	2093	12%
Europe	3245	3595	3491	3249	3390	3680	3423	3196	3633	3335	3229	3%
Pacific	2032	2045	2111	2110	2059	2118	2244	2061	2163	1969	2140	-8%
Total OECD	7944	7810	7642	7405	7689	7814	7698	7349	8228	7644	7463	2%
Total Oil												
North America	10743	9524	9386	9977	9985	8641	8603	9008	9154	9382	9698	-3%
Europe	13022	12488	12567	12410	12853	12790	12324	11907	12059	12343	11722	5%
Pacific	8637	8127	8354	8008	8218	8590	8890	8500	8653	7575	7821	-3%
Total OECD	32401	30139	30307	30395	31056	30021	29817	29415	29866	29300	29241	0%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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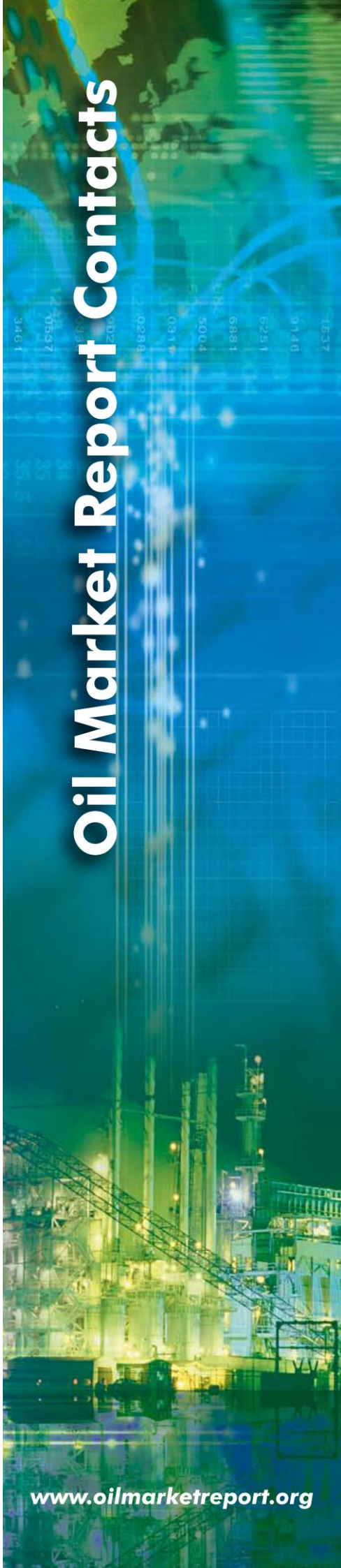
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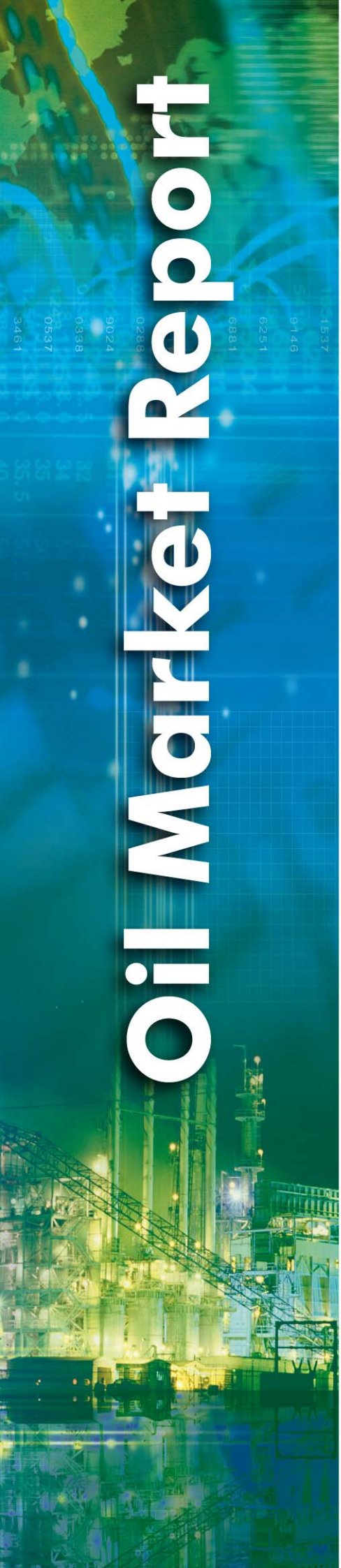
User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 10 August 2011), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of The McGraw-Hill Companies, Inc.).

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Next Issue: 13 September 2011





International Energy Agency

13 September 2011

HIGHLIGHTS

- **Uncertain global economic and financial prospects underpinned volatile oil futures prices in August and early September.** WTI and Brent followed divergent paths last month, with the price spread hitting record levels of over $27/bbl in early September. Prices at writing were $111/bbl for Brent and $86/bbl for WTI.

- **Global oil demand is revised down by 0.2 mb/d for 2011 and by 0.4 mb/d for 2012** on lower non-OECD readings and reduced economic growth expectations. Global GDP growth is now seen at 3.9% in 2011 and at 4.2% in 2012 with significant downside risks. Demand estimates now stand at 89.3 mb/d in 2011 (+1.0 mb/d y-o-y) and 90.7 mb/d in 2012 (+1.4 mb/d y-o-y).

- **World oil supply rose by 1.0 mb/d in August, to 89.1 mb/d,** with non-OPEC production up by 0.8 mb/d. Rising US and Latin American production offset heavy maintenance and field outages in the North Sea. Non-OPEC supply has been revised lower to 52.8 mb/d in 2011 on outages in the Middle East and China, rising to 53.8 mb/d in 2012.

- **August OPEC crude oil output was up by 165 kb/d, to 30.26 mb/d** with production still 1.04 mb/d below the 31.3 mb/d 3Q11 'call on OPEC crude and stock change'. However, the 'call' for 4Q11 has been lowered by 0.2 mb/d to 30.5 mb/d, due to weaker demand. With the end of Libya's civil conflict on the horizon, we have revised up our Libyan capacity outlook for 4Q11 by 0.1 mb/d, to 0.3 mb/d.

- **Global refinery crude runs have been revised down by close to 0.3 mb/d for both 3Q11 and 4Q11** in light of the weaker demand outlook and higher outages scheduled for a number of countries. Global throughputs are now seen rising 1.7 mb/d in 3Q11 versus 2Q11, to 75.6 mb/d and averaging 75.4 mb/d in 4Q11.

- **OECD industry oil inventories rose by 10.8 mb to 2 687 mb, or to 58.4 days of forward demand, in July**. Stocks fell below the five-year average for the first time since the economic recession of 2008. Preliminary data indicate OECD stocks remained tight in August, rising by a modest 0.6 mb.

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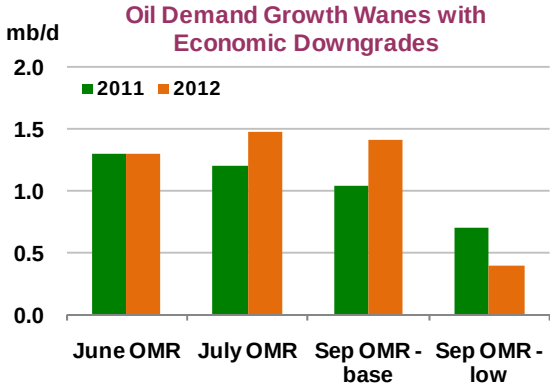
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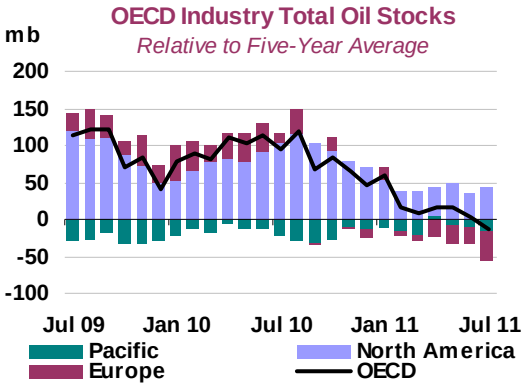
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THE DEMAND – PRICE PARADOX?

Market observers are puzzling over the 'paradox' of weakening economic growth and oil demand indicators on the one hand, and $110/bbl crude on the other. Not everyone is paying $110/bbl of course, and refiners with ready pipeline access to heavily discounted crude in the US Midwest are enjoying bumper margins, unlike their brethren in Europe and elsewhere. WTI aside however, benchmark Brent crude since early May has see-sawed in a range of between $105 and $120/bbl. True, the IEA Libya Collective Action in late-June, and the broader equity and commodity sell-off seen in early-August caused prices to plunge by around $10/bbl each time. But prices have stubbornly reclaimed lost ground again within weeks, raising anew questions about the key drivers of prices.





There are certainly growing concerns about the health of the global economy. Government debt in the OECD and the spectre of inflationary pressures and currency protectionism in emerging markets raise fears that expectations of 'business-as-usual' 4.5-5% world GDP growth are unsustainable. Our own GDP assumptions for 2011 and 2012 are this month scaled-back nearer to 4% annual growth, with the bulk of the downgrade focused on the OECD countries. Oil demand growth is trimmed as a result, now averaging 1.0 mb/d this year and 1.4 mb/d next. Repeating the still-lower GDP sensitivity of June's *MTOGM*, which cuts a further one-third off GDP growth looking forward, oil demand growth slips to a much weaker 0.7 mb/d and 0.4 mb/d in 2011 and 2012 respectively. This latter case is not our 'most likely' prognosis, but the financial and economic headwinds are nonetheless gathering momentum.

However, the *potential* for slightly easier market fundamentals in the months ahead needs to be viewed against a backdrop of an *actual* and pronounced tightening in the market evident since mid-2010. Demand strength in 2H10 saw consumption running ahead of supply to the tune of nearly 1.4 mb/d. The focus has now switched more to supply, amid slowing demand growth in 1H11, with both the Libyan disruption and temporary, but widespread, non-OPEC outages leading to a continued market tightening. We estimate that supply lagged demand by over 0.5 mb/d in 1H11, and July and August have also seen OECD industry stocks fall below the five-year average for the first time since June 2008. Add in the quality dimension, whereby supply outages have overwhelmingly been concentrated in light-sweet grades, and the flip of Brent into backwardation after many months of contango seems perfectly logical.

Our underlying 'call on OPEC crude and stock change' for 3Q11 now stands at 31.3 mb/d, and for the next three quarters looks likely to average between 30-30.5 mb/d, near recent OPEC output levels. That suggests that the recent spell of market tightening could moderate in the short term, assuming that recent supply disruptions also recede. News from Libya at the time of writing that oil production has begun once again is very welcome, although the road back to full operational recovery is likely to be a long and difficult one. Given the ever-present scope for demand and supply-side surprises, so too could be the route to a more comfortable market balance.

DEMAND

Summary

- **Forecast global oil demand is revised down by 200 kb/d for 2011 and by 400 kb/d for 2012,** with lower than expected 3Q11 readings in the non-OECD and a downward adjustment to global GDP growth assumptions. Stronger-than-expected OECD monthly submissions and preliminary data - largely in the US - provide some offsetting support, as do power generation needs in Japan, the Middle East and an anticipated recovery in Libyan consumption. Global oil demand is expected to rise to 89.3 mb/d in 2011 (+1.2% or +1.0 mb/d y-o-y) and reach 90.7 mb/d (+1.6% or +1.4 mb/d) in 2012.

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.6	3.5	3.6	3.5
Americas	29.5	30.0	30.5	30.2	30.1	30.0	29.8	30.3	30.0	30.0	30.0	29.8	30.4	30.2	30.1
Asia/Pacific	27.2	26.9	26.7	28.3	27.3	28.6	27.5	27.7	29.0	28.2	29.6	28.7	28.4	29.6	29.1
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.2	15.2	15.0	14.8	14.6	15.2	15.2	15.0
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.8	4.7	4.6	4.6	4.6	4.9	4.8	4.7
Middle East	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
World	**86.8**	**87.4**	**89.0**	**89.7**	**88.2**	**89.0**	**88.1**	**89.8**	**90.2**	**89.3**	**90.4**	**89.6**	**91.2**	**91.5**	**90.7**
Annual Chg (%)	2.6	3.2	3.4	3.4	3.2	2.5	0.7	0.9	0.6	1.2	1.6	1.8	1.6	1.4	1.6
Annual Chg (mb/d)	2.2	2.7	2.9	3.0	2.7	2.2	0.6	0.8	0.5	1.0	1.4	1.6	1.4	1.3	1.4
Changes from last OMR (mb/d)	-0.02	-0.02	-0.06	-0.06	-0.04	-0.11	0.03	-0.26	-0.49	-0.21	-0.39	-0.29	-0.37	-0.53	-0.40

- **Projected OECD demand for 2011 is now 45.8 mb/d (-0.8% or -370 kb/d) for 2011 and 45.6 mb/d (-0.5% or -240 kb/d) for 2012.** We have cut GDP growth assumptions for both 2011 and 2012, particularly in North America and Europe. In 2011, stronger-than-expected oil data for North America and the Pacific roughly balance weaker European readings and the GDP changes, resulting in a net revision of only -20 kb/d. In 2012, OECD demand is revised down by 220 kb/d. While economic slowing provides downside risks, oil-fired power generation in Japan lends upside potential.

- **Estimated non-OECD oil demand for 2011 and 2012 is revised down on average by 180 kb/d** to 43.5 mb/d (+3.3% or +1.4 mb/d) and 45.1 mb/d (+3.8% or +1.7 mb/d), respectively. We have downgraded GDP growth moderately, largely due to China. Lower than expected June/July oil readings in Asia and Latin America combined with the GDP adjustment drive the demand revisions. The Middle East and a reassessment of Libyan demand provide demand upside, however.

- **An economic sensitivity analysis, with GDP growth one-third lower than in our adjusted base case, would cut 0.3 mb/d from expected 2011 oil demand and 1.3 mb/d from the 2012 projection,** effectively curbing global annual demand growth to 0.7 mb/d and 0.4 mb/d, respectively.

Global Overview

Amid recent negative economic developments, this report has lowered global real GDP growth assumptions for 2011 and 2012 to 3.9% and 4.2%, respectively, down from 4.2% and 4.4% previously. The downgrade is larger on the OECD side, though weaker prospects in China have reduced non-OECD growth as well. These adjustments do not reflect an update to the IMF outlook; rather they represent pre-emptive and preliminary moves to better align our assumptions with consensus views. Still, the September release of updated IMF forecasts will likely prompt further adjustment in next month's issue. For now, our 2012 price assumption, based on the futures strip, remains unchanged, with nominal Brent at $108/bbl. We have revised down 2011 and 2012 oil demand by 200 kb/d and 400 kb/d, respectively, largely as a result of the GDP changes and lower than expected July preliminary demand readings. A -40 kb/d adjustment has also been made to 2010 baseline demand, stemming from JODI database revisions to Chinese Taipei and Thailand.

Overall, global oil demand continues to expand at only a tepid pace. In July, the annual increase is assessed at 1.1%, though this is higher than the 0.5% growth (revised up from zero in last month's report) in June. Our expectation is for global demand growth to average less than 1% for the remainder of the year, with 2011 as a whole increasing by 1.2%, or 1.0 mb/d. In 2012, demand is expected to rise by 1.6%, or 1.4 mb/d. Both of these rates correspond to historical oil demand-income relationships, with sustained high prices keeping growth below-trend levels.

Paradoxically, recent data have shown oil demand marginally higher than preliminary estimates, rebuffing for now some of the more extreme market prognoses that further future demand downgrades are inevitable. In the US, oil demand based on government submissions and preliminary data, albeit declining on an annual basis, has been revised up for the summer, with stronger than expected diesel performance. Japanese oil demand appears to be recovering from March's earthquake and tsunami with oil burning in power generation there lending upside risk. Widespread power outages have not emerged in China, but July oil demand growth was notably higher than anaemic June readings. With coffers flushed with oil export revenues, the energy intensive Middle East also remains a strong source of demand support. Moreover, this report now assumes a gradual recovery of Libyan oil demand, which had fallen to minimal levels, based on a recent easing of the conflict there (see *As Fighting Subsides, Libyan Oil Demand Set to Rebound*).

Real GDP Growth

OMR dated 13 September 2011

% change	2011	2012
WORLD	**3.9**	**4.2**
OECD	**1.7**	**2.1**
OECD, North America	1.9	2.2
OECD, Europe	2.0	1.7
OECD, Pacific	0.6	3.1
Non-OECD	**6.4**	**6.5**
Africa	3.9	4.8
Latin America	4.6	4.3
China (excl. Hong Kong)	9.5	9.1
Other Asia	6.3	6.6
Non-OECD Europe	1.9	3.4
FSU	4.8	4.7
Middle East	5.1	5.2

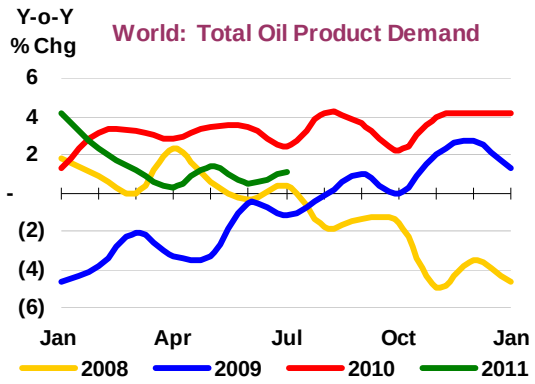
Current vs. Previous

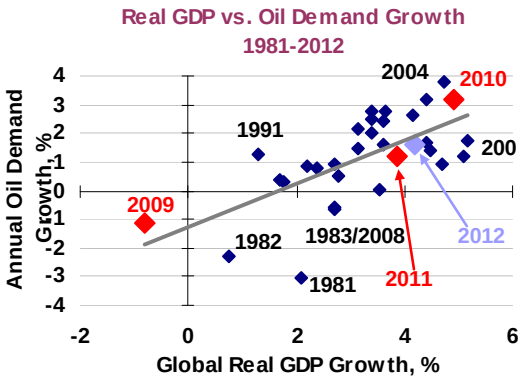
OMR dated 10 August 2011

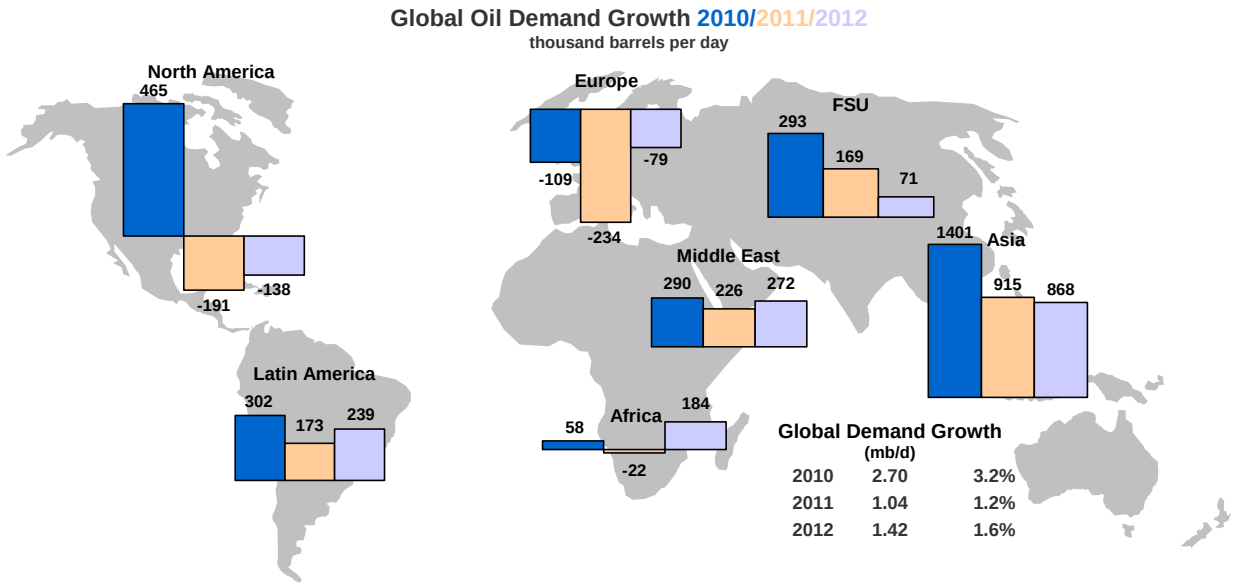
WORLD	**(0.3)**	**(0.2)**
OECD	**(0.6)**	**(0.4)**
OECD, North America	(0.8)	(0.6)
OECD, Europe	(0.4)	(0.3)
OECD, Pacific	(0.3)	(0.2)
Non-OECD	**(0.1)**	**(0.1)**
Africa	0.1	0.0
Latin America	0.1	0.2
China (excl. Hong Kong)	(0.1)	(0.4)
Other Asia	(0.2)	0.1
Non-OECD Europe	(0.4)	(0.3)
FSU	(0.2)	0.0
Middle East	0.0	0.0

Sources: Consensus Economics, Bloomberg, IMF, IEA

Nevertheless, significant economic threats remain, which skew the overall demand side risk to the downside. Consumer confidence has plummeted in OECD countries, with manufacturing indicators easing globally. High unemployment, an overhang of sovereign debt and uncertain fiscal and monetary pictures remain persistent features. As such, we continue to run a sensitivity analysis that shows an indicative view of oil demand should GDP growth come in around one-third lower than our now adjusted base case. Under such conditions, global oil demand would be reduced by 0.3 mb/d versus our base case for 2011 and by 1.3 mb/d for 2012, with annual growth at 0.7 mb/d and 0.4 mb/d, respectively.







OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 1.3% year-on-year in July, with declines in **OECD North America** and **OECD Europe** outweighing growth in the **OECD Pacific**. All principal products posted declines except for diesel, which rose by 1.4% year-on-year.

OECD Demand based on Adjusted Preliminary Submissions - July 2011
(million barrels per day)

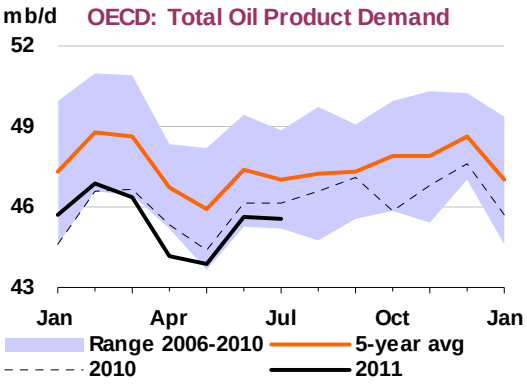
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.52**	**-3.5**	**1.76**	**1.5**	**4.01**	**6.6**	**0.67**	**-12.2**	**0.87**	**-11.2**	**5.70**	**0.06**	**23.53**	**-1.3**
US50	8.95	-3.8	1.55	2.4	3.44	6.9	0.22	-33.3	0.48	-19.8	4.36	0.0	19.00	-1.7
Canada	0.76	-0.5	0.12	-4.5	0.22	2.7	0.29	3.1	0.08	0.5	0.71	0.4	2.19	0.4
Mexico	0.75	-3.6	0.06	-7.6	0.31	6.5	0.13	6.5	0.23	3.4	0.58	0.4	2.06	0.2
OECD Europe	**2.22**	**-7.3**	**1.38**	**-0.7**	**4.42**	**-3.2**	**1.42**	**-6.3**	**1.25**	**-2.4**	**3.67**	**-3.1**	**14.34**	**-3.9**
Germany	0.45	-7.4	0.19	-6.5	0.65	-8.2	0.38	3.6	0.15	-7.1	0.60	-8.7	2.43	-6.3
United Kingdom	0.33	-5.5	0.31	-3.1	0.45	0.1	0.14	-4.1	0.07	7.4	0.27	-5.2	1.58	-2.7
France	0.20	-7.5	0.17	-0.2	0.70	-4.0	0.23	-0.6	0.07	-14.9	0.43	0.0	1.80	-3.1
Italy	0.24	-12.1	0.12	4.7	0.52	-5.7	0.09	-19.9	0.12	-14.8	0.42	-8.5	1.50	-8.6
Spain	0.13	-8.5	0.14	9.8	0.49	-3.9	0.14	-15.7	0.22	8.4	0.30	-6.0	1.43	-3.2
OECD Pacific	**1.61**	**-2.3**	**0.58**	**-6.0**	**1.10**	**3.2**	**0.50**	**1.0**	**0.72**	**-4.9**	**3.17**	**12.0**	**7.67**	**3.6**
Japan	1.03	-4.3	0.30	-11.8	0.40	-2.2	0.40	5.9	0.44	3.5	1.79	14.4	4.36	4.0
Korea	0.21	9.3	0.13	-1.5	0.30	9.2	0.10	-13.6	0.24	-18.5	1.20	11.1	2.19	4.4
Australia	0.32	-0.2	0.12	3.4	0.35	6.4	0.00	0.0	0.02	-0.1	0.16	0.9	0.98	2.8
OECD Total	**14.35**	**-4.0**	**3.71**	**-0.5**	**9.53**	**1.4**	**2.59**	**-6.6**	**2.83**	**-5.9**	**12.54**	**1.8**	**45.55**	**-1.3**

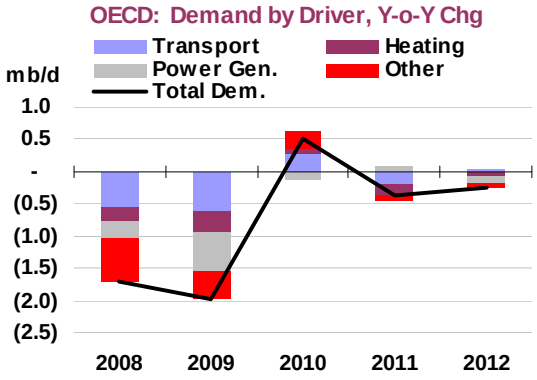
* Including US territories

Revisions to June preliminary data were significant, at +500 kb/d, with North America (+390 kb/d) and the Pacific (+70 kb/d) accounting for most of the adjustment. In both regions, positive revisions were concentrated in diesel, jet fuel/kerosene and 'other products'. In OECD Europe, revisions to German naphtha demand from January through June provided some downward offset. Overall, the revisions boosted the trend in total OECD demand from -2.2% year-on-year to -1.1%. Most product categories posted annual declines, save for diesel (+2.9%), LPG (+0.6%) and 'other products' (+0.3%).

With the incorporation of lower GDP assumptions, the prognosis for 2011 has been cut moderately, by 20 kb/d to 45.8 mb/d (-0.8% or -370 kb/d versus the previous year). This minor revision stems from stronger-than-anticipated official submissions for June and higher preliminary data for July and August, which partly offset the impact of lower GDP on demand from September to December. By contrast, the

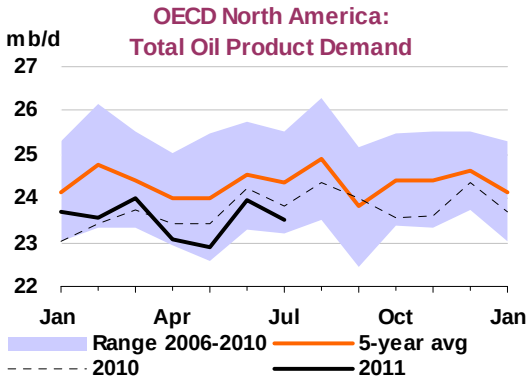
economically downgraded 2012 outlook has been lowered by 220 kb/d to 45.6 mb/d (-0.5% or -240 kb/d year-on-year).

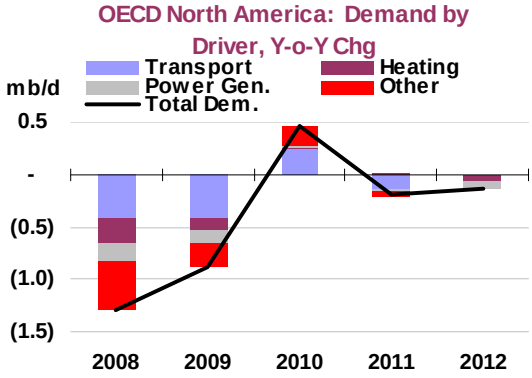




North America

Preliminary data show oil product demand in North America (including US territories) falling by -1.3% year-on-year in July, following a 1.0% decline in June. Economic prospects have turned gloomy, with GDP growth revised down by 0.8% in 2011 and by 0.6% in 2012, the largest change of any region. Paradoxically, the prognosis for 2011 demand is revised up moderately by 30 kb/d to 23.6 mb/d (-0.8% or -190 kb/d), with upward revisions from submitted and preliminary data (particularly in diesel) offsetting downward adjustments from the GDP changes. For 2012, however, demand has been revised down by 120 kb/d to 23.4 mb/d (-0.6% or -140 kb/d).

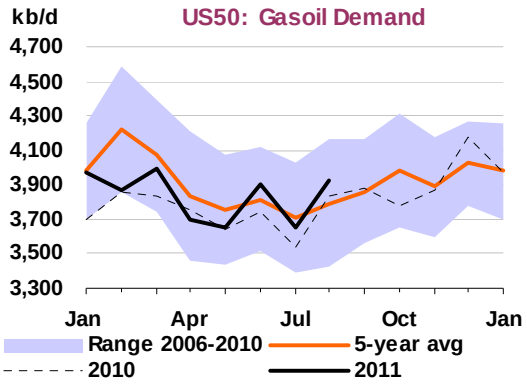


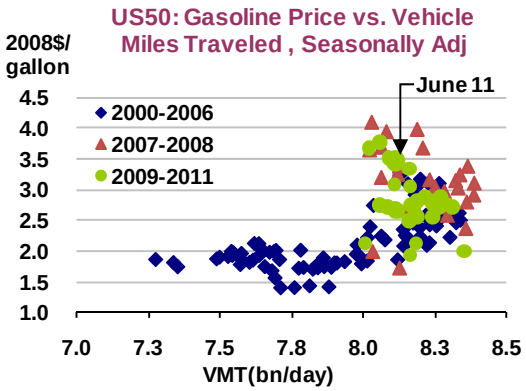


June revisions were strong (+390 kb/d) and stemmed largely from the US (+360 kb/d). Diesel (+220 kb/d) led the upgrades, followed by 'other products' (+210 kb/d) and jet fuel/kerosene (+90 kb/d). These outweighed downward adjustments to motor gasoline (-120 kb/d) and residual fuel oil (-90 kb/d). Weekly-to-monthly revisions for the US continue to be volatile. During the first half of 2011, preliminary data alternated between positive and negative revisions, with gasoil 'other products' and LPG particularly vulnerable. By contrast, gasoline revisions, which averaged -280 kb/d, were consistently negative.

Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 0.7% year-on-year in August, following a 1.7% fall in July. Gasoline demand has remained weak through the summer driving season, declining by -3.8% and -3.0% in July and August, respectively, with a less pronounced seasonal upswing compared to historical norms. Amid gasoline prices 25% higher in June versus the prior year, and a slowing economy, consumers continued to cut vehicle miles travelled that month, with readings showing a year-on-year decline of 1.4%. Diesel demand, however, continued to expand robustly, with August growth estimated

at 7.2%, even amid evidence of slowing manufacturing activity. US GDP is now assumed to grow by 1.6% in 2011 and 2.0% in 2012, versus 2.5% and 2.7% previously. Nevertheless, due to stronger than expected preliminary data, 2011 demand is revised up by 30 kb/d to 19.0 mb/d (-0.9% or -170 kb/d year-on-year). By contrast, 2012 demand is revised down by 100 kb/d to 18.9 mb/d (-0.6% or -110 kb/d).

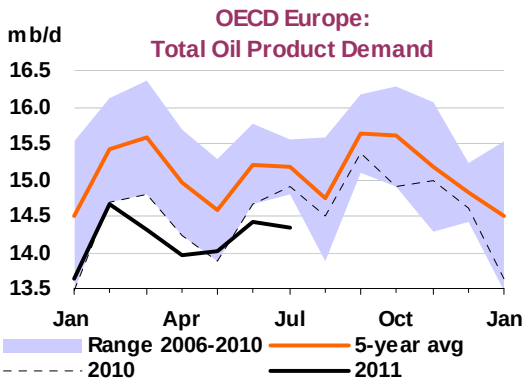


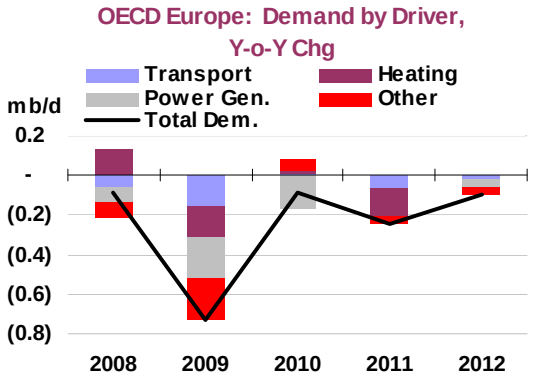


In **Mexico**, oil demand remained relatively flat in July (+0.2% year-on-year), with persistent weakness in jet/kerosene (-7.6%) and gasoline (-3.6%). Diesel demand continued to grow strongly, however, rising by 6.5% in July. Jet fuel/kerosene demand has steadily recovered since last summer's bankruptcy of Mexicana airlines. Still, consumption in July was sharply below year-ago levels, down 7.6%.

Europe

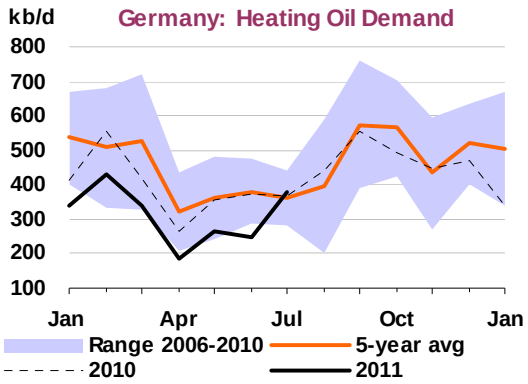
Preliminary inland data indicate that oil product demand growth in Europe declined by 3.9% year-on-year in July, with all product categories falling except for LPG (+3.7%). Declines were particularly heavy in gasoline (-7.3%) and naphtha (-10.5%) on the back of weak deliveries of heating oil and falling gasoline. Heating oil tank filling appears to have started rising seasonally, though demand still remains weak (-6.3%) compared to 2010 due to higher prices.

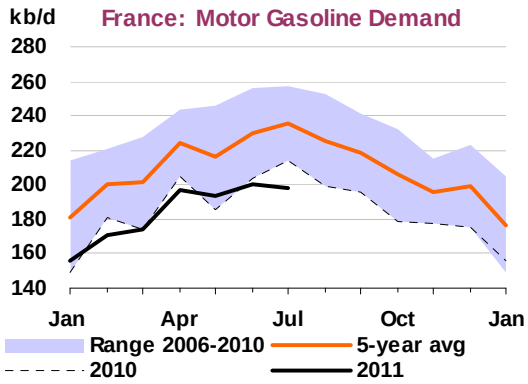




Revisions to preliminary June demand data were positive, at +40 kb/d, with higher readings for most products outweighing downward revisions to naphtha (-130 kb/d), largely in Germany, and gasoline (-30 kb/d). With lower expected GDP growth, our OECD Europe forecast is revised down by 90 kb/d in 2011 and by 110 kb/d in 2012. Demand is now expected to decline by 240 kb/d (-1.7%) to 14.3 mb/d in 2011 and by 100 kb/d (-0.7%) in 2012 to 14.2 mb/d.

In July, according to preliminary data, oil product deliveries in **Germany** posted a decline of 6.3% year-on-year. The incorporation of baseline revisions from January to June lowered naphtha demand on average by 50 kb/d during that period, with downward adjustments partially carried through to preliminary and forecasted values. All categories declined in July except heating oil (+3.6%), suggesting that consumers have begun their seasonal tank refilling.

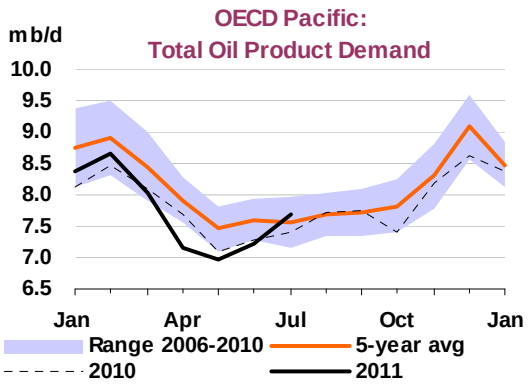


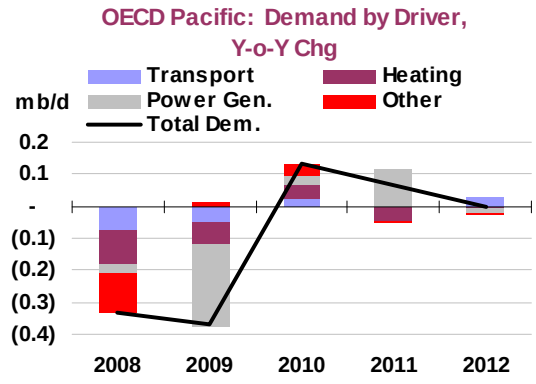


Demand fell by 3.1% in **France** in July, with declines in all products, except for naphtha and the 'other products' category. Gasoline demand (-7.5%) was weak, partially due to unfavourable holiday weather conditions. **Spain** (-3.2%) and **Italy** (-8.6%) also posted total product declines. In June, government submissions showed demand rising in both **Turkey** (+10.3%) and the **UK** (+5.7%). The former was marked by a strong monthly increase in diesel, while jet fuel/kerosene demand rose sharply in the latter.

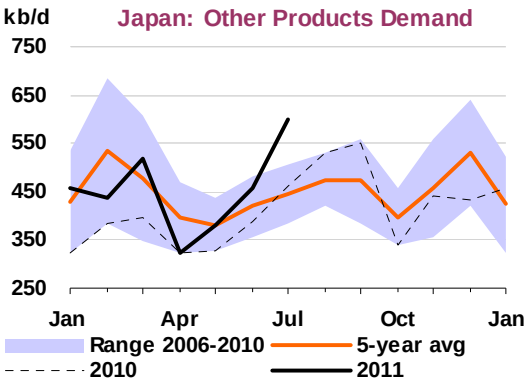
Pacific

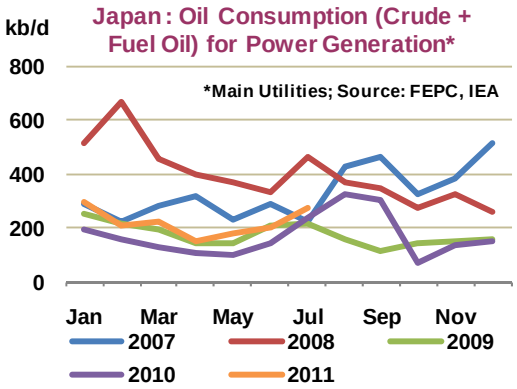
Preliminary data indicate that oil demand in the Pacific grew by 3.6% year-on-year in July with all categories rising except for gasoline, jet fuel/kerosene and residual fuel oil. The regional economic picture has been trimmed for 2011 and 2012, though oil demand appears to be recovering from Japan's devastating earthquake and tsunami in March. Revisions to June preliminary data, at +70 kb/d, were led by heating oil, diesel and jet fuel/kerosene. Despite evidence of economic weakness and high prices weighing upon regional demand, our assessment is revised up by 30 kb/d to 7.9 mb/d (+0.9% or 70 kb/d) for 2011 and is largely unchanged at 7.9 mb/d for 2012 (+0.0%).





In **Japan**, oil demand rose by 4.0% year-on-year in July. LPG (+11.3%), heating oil (+5.9%) and 'other products' (+30.2%), which include direct crude burn, posted the strongest gains. Japan's demand growth partially stems from increased oil usage in the power sector – despite cooler temperatures, main utilities reported 35 kb/d higher consumption than in July 2010 (3Q10 was marked by hot weather and strong oil usage to meet peak power demand). In addition, stronger values across other product categories suggest a speedier recovery from March's earthquake and tsunami. Nevertheless, we still assume rising oil-fired generation needs ahead with the uncertain state of Japan's nuclear power. Though the overall profile has not changed since last month's report, assumptions have been tweaked to allow for slightly more crude oil versus fuel oil growth based on recent data. Overall, Japanese total oil demand is revised up by 20 kb/d in 2011 and remains largely unchanged for 2012. Demand in 2011 is expected to grow 60 kb/d (+1.4%) to 4.5 mb/d, while 2012 demand should grow marginally (+0.1%), remaining near 4.5 mb/d.

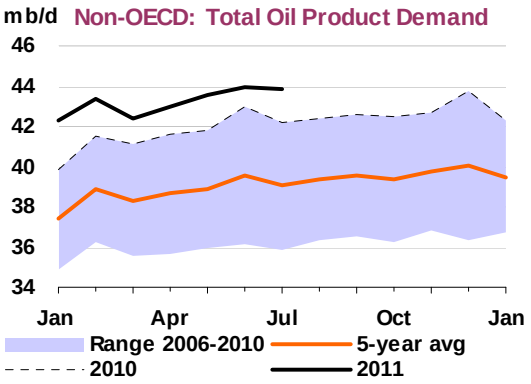


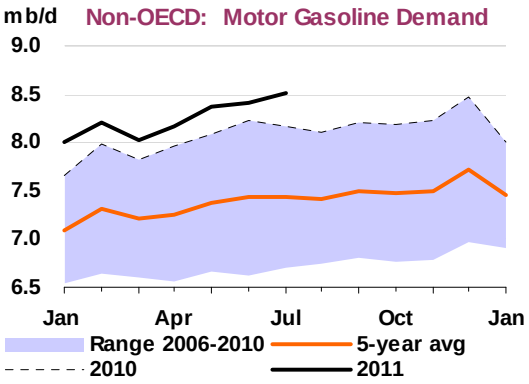


Meanwhile in **Korea**, the picture has strengthened with oil demand growing by 4.4% in July, versus an average 6.2% decline during the prior three months. Gains were strong in LPG (+16.6%), diesel (+9.2%), gasoline (+9.3%) and naphtha (+11.2%). Yet, with the economic outlook downgraded this year and given the recent volatile nature of oil demand growth, forecast adjustments remain conservative. The outlook is revised up by 10 kb/d in both 2011 and 2012. However, oil demand is still expected to decline, by 1.4% and 0.4% this year and next, respectively, to around 2.2 mb/d.

Non-OECD

Preliminary demand data indicate that non-OECD oil demand grew by 3.8% year-on-year (+1.6 mb/d) in July, up from 2.2% in June. Much of the pick-up stemmed from relatively stronger demand growth in China and India. July demand is estimated at 43.8 mb/d, while June levels have been revised down by 90 kb/d to 43.9 mb/d (+1.0 mb/d year-on-year). Growth in most product categories increased in July, particularly in gasoline (+4.3%), gasoil (+4.6%) and 'other products' (+4.9%). At the regional level, the largest change occurred in Asia, where a rebound in Chinese demand boosted July growth to 4.7%. The FSU (+7.5%) and the Middle East (+3.4%) also continued to show healthy expansions.





Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	May-11	Jun-11	Jul-11	Jun-11	Jul-11	Jun-11	Jul-11
LPG & Ethane	4,926	5,034	4,938	277	234	5.8	5.0
Naphtha	2,674	2,635	2,640	-39	-10	-1.4	-0.4
Motor Gasoline	8,378	8,419	8,520	188	350	2.3	4.3
Jet Fuel & Kerosene	2,637	2,658	2,712	40	7	1.5	0.3
Gas/Diesel Oil	13,587	13,786	13,564	594	592	4.5	4.6
Residual Fuel Oil	5,388	5,478	5,530	-72	145	-1.3	2.7
Other Products	5,977	5,912	5,924	-27	276	-0.5	4.9
Total Products	**43,566**	**43,923**	**43,827**	**962**	**1,595**	**2.2**	**3.8**

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	May-11	Jun-11	Jul-11	Jun-11	Jul-11	Jun-11	Jul-11
Africa	3,273	3,355	3,322	-188	-59	-5.3	-1.7
Asia	20,423	20,204	19,883	309	893	1.6	4.7
FSU	4,631	4,925	4,777	425	333	9.4	7.5
Latin America	6,418	6,488	6,610	135	138	2.1	2.1
Middle East	8,125	8,242	8,564	232	281	2.9	3.4
Non-OECD Europe	697	708	671	48	9	7.2	1.4
Total Products	**43,566**	**43,923**	**43,827**	**962**	**1,595**	**2.2**	**3.8**

An updated GDP profile has cut non-OECD economic growth by 0.1% for both 2011 and 2012, largely due to a weaker China outlook. As such, demand has been revised down by 180 kb/d for 2011 and by 170 kb/d for 2012. Non-OECD annual growth is now assessed at +3.3% (+1.4 mb/d) for 2011, with demand reaching 43.5 mb/d, and at +3.8% (+1.7 mb/d) for 2012, as demand climbs to 45.1 mb/d.

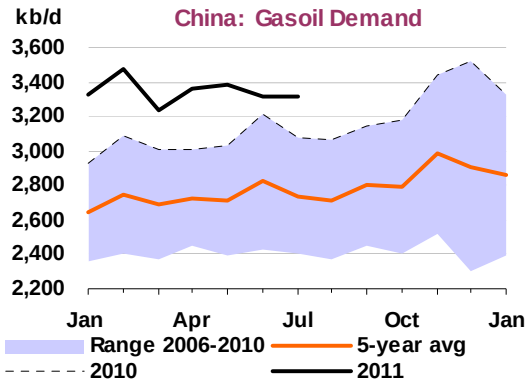
China

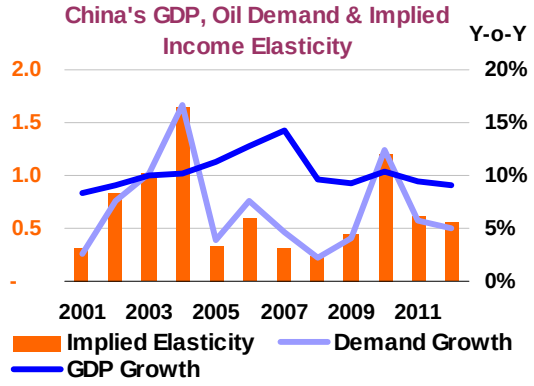
China's monthly apparent demand (calculated as refinery output plus net product imports) rose by 6.1% year-on-year in July as refinery runs rebounded. Apparent demand in June was revised up by 140 kb/d, though growth for that month, at 0.1%, remained marginal. July demand was led by year-on-year increases in gasoil (+7.9%), residual fuel oil (+10.6%) and gasoline (+5.0%). Despite the increase in gasoil, demand has not surged, suggesting little of an earlier anticipated widespread ramp-up of diesel generators in the face of summer power constraints. Electricity shortages remain a risk with some market sources pointing to potential outages through the autumn and winter given weak hydropower supplies in some areas and high coal prices. Still, our forecast does not envisage a similar 300 kb/d rise in gasoil demand in 4Q11 as experienced in the prior year amid coal-fired power restrictions.

China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	694	713	27	19	4.0	2.7
Naphtha	1,129	1,197	1,254	68	57	6.0	4.7
Motor Gasoline	1,546	1,648	1,730	102	82	6.6	5.0
Jet Fuel & Kerosene	368	389	410	21	21	5.6	5.4
Gas/Diesel Oil	3,142	3,355	3,511	212	156	6.8	4.7
Residual Fuel Oil	531	525	531	-6	6	-1.2	1.1
Other Products	1,685	1,788	1,935	103	147	6.1	8.2
Total Products	**9,069**	**9,596**	**10,083**	**527**	**487**	**5.8**	**5.1**





In part, the power sector picture looks more secure due to moderating economic activity. The manufacturing purchasing manager's index, at 50.9 in August, indicates only moderate expansion while

still-high inflation has constrained monetary policy. Our assumptions for Chinese GDP growth have been trimmed to 9.5% and 9.1% for 2011 and 2012, respectively, down from 9.6% for both years. To be sure, views over Chinese growth remain divided, with differing opinions over the degree of the economy's "soft landing" and some forecasters seeing growth in 2012 at less than 8.5%. Our forecast has revised down Chinese demand by 20 kb/d in 2011 and by 50 kb/d in 2012, with growth now seen at a still-substantial 5.8% and 5.1%, respectively.

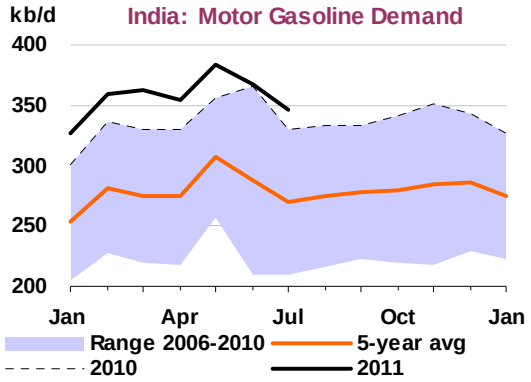
Other Non-OECD

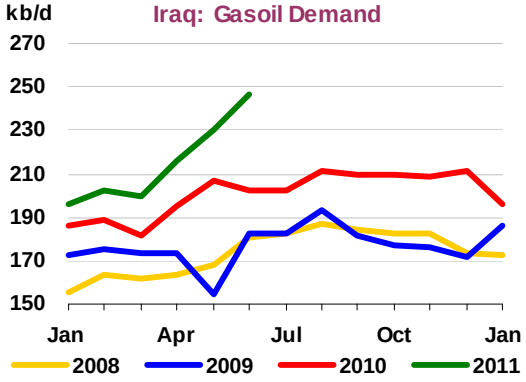
In **India**, oil demand rose by 4.3% year-on-year in July, notably higher than the 1.0% increase registered in June. Growth accelerated in gasoline (+4.5%), gasoil (+4.3%) and 'other products' (+16.0%). Similar to many countries, India's manufacturing sector has slowed in recent months, with purchasing managers' activity falling in August. Yet, expansion remains more robust than in China and OECD countries. Moreover, though India's passenger car sales, which rose by 18% year-on-year in 1H11, have slowed, the market is among the world's fastest growing. Our outlook for demand has changed little, with 2011 nudged higher by 10 kb/d and 2012 unchanged. Growth is now seen at 3.4% this year and at 4.2% next year, though further economic slowing remains a downside risk.

India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	455	491	521	35	30	7.8	6.2
Naphtha	201	200	191	-1	-9	-0.7	-4.5
Motor Gasoline	338	359	384	22	25	6.4	6.9
Jet Fuel & Kerosene	299	303	308	4	5	1.3	1.5
Gas/Diesel Oil	1,290	1,352	1,436	61	84	4.8	6.2
Residual Fuel Oil	194	181	188	-13	7	-6.7	3.6
Other Products	558	564	566	5	2	0.9	0.4
Total Products	**3,336**	**3,449**	**3,593**	**113**	**143**	**3.4**	**4.2**

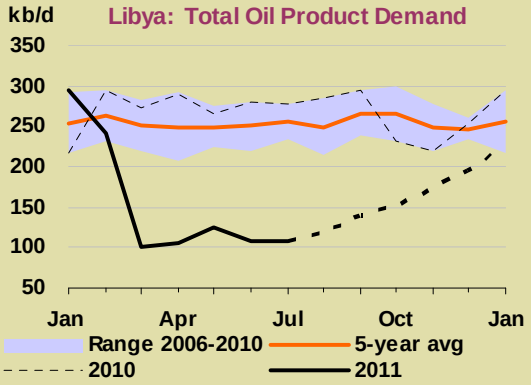


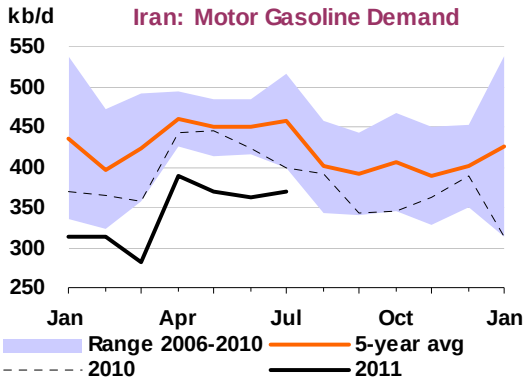


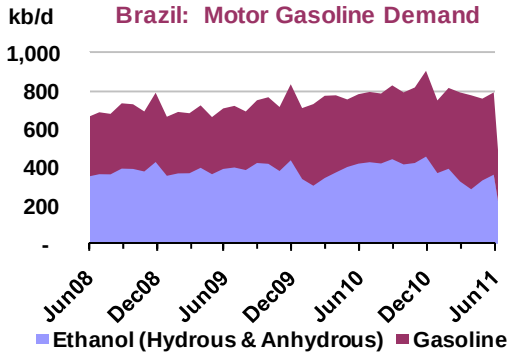
Middle East demand continues to grow strongly, up by an estimated 3.4% in July. **Iraqi** consumption reached a post-war high (800 kb/d) in June, growing by 5.2% year-on-year. Gasoil (+21.8%) and gasoline (+12.2%) were particularly robust with rising diesel generator usage to meet cooling needs and increasing vehicle travel. **Kuwaiti** demand (+33.2%) seemingly surged in July, following growth of 27.9% in June, with sharply rising gasoil and residual fuel oil. **Saudi Arabia** grew by only 2.6% year-on-year, even as oil-fired generation needs rose seasonally. Recent months' JODI data for both Kuwait and Saudi Arabia has been volatile, however. As such, our adjusted growth rates may only serve as tentative indicators. In contrast to the regional picture, **Iranian** consumption continued to decline, falling by 2.5% in July on weak deliveries of gasoline and jet fuel/kerosene, which are supply constrained by international sanctions, amid now-higher domestic petrol prices versus a year ago.

As Fighting Subsides, Libyan Oil Demand Set to Rebound

In Libya, recent events have pushed the country closer to resolution of the conflict that has raged since February. Though the situation on the ground remains fluid, oil demand has likely started a gradual recovery. Based on JODI submissions (which may only be an approximate measure, given events on the ground), we estimate that Libyan demand fell to minimal levels (just over 100 kb/d) from March-July. Refinery shutdowns, disrupted port operations, damaged infrastructure and reduced economic activity pushed demand down from an average 260 kb/d in 2010. Localised product shortages and weak economic activity are likely to continue weighing on demand through 2012. Nevertheless, a combination of increased refinery output and re-established fuel imports should ease supply constraints going forward. Smuggling from neighbouring countries will likely also play a role, though its impact is harder to measure. As such, we see consumption recovering to 200 kb/d by the end of 2011 and averaging 225 kb/d in 2012 (+45% or +70 kb/d year-on-year) with potential upside should reconstruction proceed faster than anticipated.







In **Brazil**, product demand expanded by 1.3% year-on-year in June, led by jet fuel/kerosene (+10.2%) and gasoil (+3.9%). Gasoline demand (+1.1%) increased moderately amid high ethanol prices. A disappointing sugarcane harvest and tight ethanol supplies, even with increased imports from the US, have prompted the government to cut required anhydrous alcohol blending in gasoline from 25% to 20% from 1 October. At the same time, Petrobras is increasing gasoline imports to support rising interfuel substitution, and naphtha imports, to allow for greater refinery gasoline production. The Brazilian economy has shown evidence of slowing. Indeed, with a weaker than expected June, our total oil demand forecast is revised down by 20 kb/d for 2011, but left largely unchanged for 2012. With still robust demand growth in the face of underinvestment in the ethanol sector and domestic petrol price caps, Brazil's short gasoline position is likely to continue through this year and next.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	219	222	225	3	3	1.6	1.4
Naphtha	166	166	168	0	2	0.3	1.4
Motor Gasoline	792	817	852	25	35	3.1	4.3
Jet Fuel & Kerosene	110	121	132	11	10	10.2	8.4
Gas/Diesel Oil	886	917	958	30	41	3.4	4.5
Residual Fuel Oil	187	164	155	-22	-9	-12.0	-5.5
Other Products	374	380	386	6	6	1.6	1.7
Total Products	**2,733**	**2,787**	**2,876**	**54**	**89**	**2.0**	**3.2**

SUPPLY

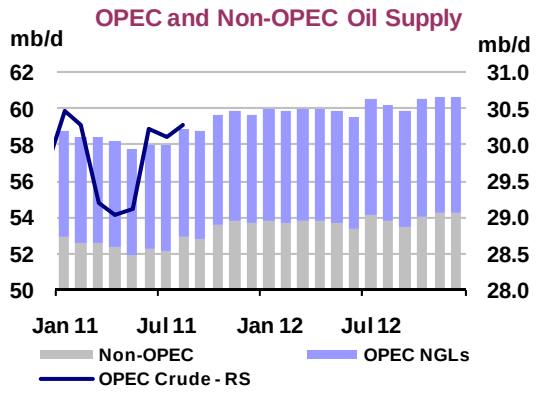
Summary

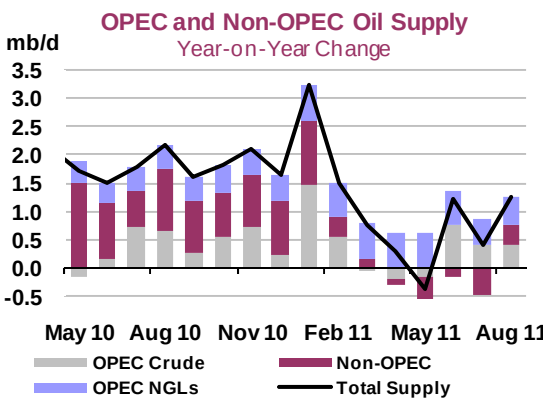
- **Global oil supply rose by 1.0 mb/d to 89.1 mb/d in August from July, with non-OPEC providing 80% of the total increase.** Compared to a year ago, global oil production increased by 1.2 mb/d, almost 40% of which stemmed from higher OPEC NGLs production and another third from increased OPEC crude output.

- **Non-OPEC supply rose by 0.8 mb/d to 52.9 mb/d in August, with new outages in the Middle East and China mitigated by increasing production in Latin America and the conclusion of maintenance in Alaska and Kazakhstan.** Non-OPEC supply is expected to increase during the second half of the year on growth from the US, Latin America, and the Caspian region. Some shut-ins at the ConocoPhillips-operated Peng Lai field in China and storm outages in the Gulf of Mexico should dent non-OPEC production growth in the second half of the year. Non-OPEC supply growth in 2011 is now expected to total around 0.2 mb/d, down from estimates of 0.4 mb/d last month.

- **OPEC crude oil output in August was up by 165 kb/d, to 30.26 mb/d. Despite the group's higher output levels, August production is still 1.04 mb/d below the 31.3 mb/d 'call on OPEC crude and stock change'** estimated for 3Q11. However, the 'call' for 4Q11 has been revised lower by 0.2 mb/d to 30.5 mb/d, due to a downward revision for demand amid a weaker global GDP outlook.

- **With the end of Libya's civil strife seemingly on the horizon, analysts have been reviewing the outlook for restoration of the country's production.** A myriad of reports on the timing and scale for a resumption of oil production have circulated, but foreign oil company partners, alongside industry analysts, remain cautious. We have revised up our Libyan capacity outlook for 4Q11 by 100 kb/d, to an average 300 kb/d. Capacity reaches 350-400 kb/d by end-2011, rising to 1.1 mb/d by 4Q12.





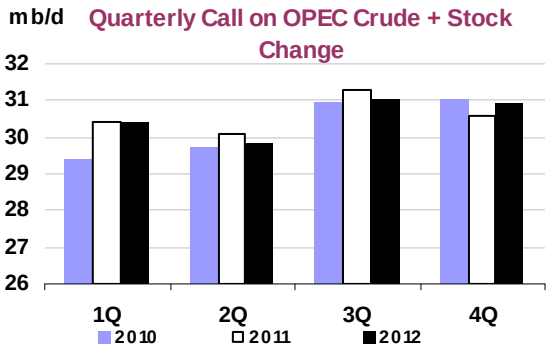
All world oil supply figures for August discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Indonesia and Russia are supported by preliminary August supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. Our current assessment totals –200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

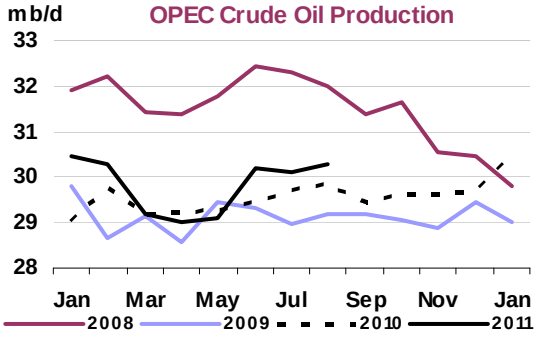
OPEC Crude Oil Supply

OPEC crude oil output in August was up by 165 kb/d, to 30.26 mb/d. Higher output by Saudi Arabia, Nigeria, Angola, Iraq, Kuwait, and the UAE more than offset a combined cut of 40 kb/d by Iran and Venezuela. Production by the OPEC-11 with output targets, which excludes Iraq, increased by 130 kb/d to 27.58 mb/d in August, around 2.74 mb/d above the group's formal, but now largely irrelevant, output target of 24.845 mb/d.

Despite the group's higher output levels, August production is still 1.04 mb/d below the 31.3 mb/d 'call on OPEC crude and stock change' expected for 3Q11. However, the 'call' for 4Q11 has been revised down by 0.2 mb/d to 30.5 mb/d, due to a downward revision for demand on the back of weaker global GDP outlook. As a result, the gap between the 'call' and recent supplies has narrowed to just under 250 kb/d. The 'call' for 2012 has been lowered by 200 kb/d to 30.6 mb/d. OPEC spare capacity is estimated at 3.24 mb/d in August, with the continued absence of Libyan supplies only partially offset by higher output from other producers. August crude supply is still 0.2 mb/d below pre-Libyan crisis levels.



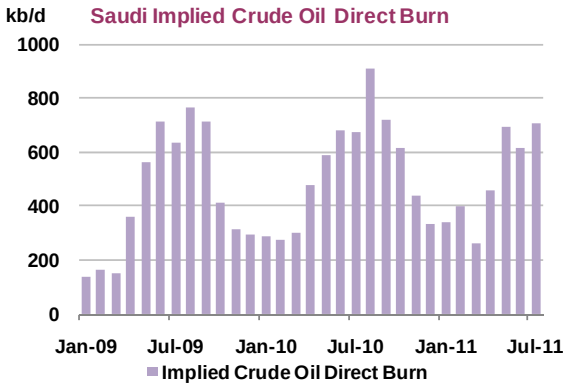
Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

With the end of **Libya's** civil strife seemingly on the horizon, analysts are reviewing their forecasts for the restoration of the country's production. We have made a modest upward revision to our Libyan capacity outlook for 4Q11 of 100 kb/d, to an average 300 kb/d and reaching 350-400 kb/d by end-2011, before rising to a total of 1.1 mb/d by 4Q12 (see *'Short-Term Oil Supply Prospects in Libya as Endgame Nears'*).

Saudi Arabia's supply was pegged at 9.8 mb/d in August, up 100 kb/d from July's downwardly revised estimate of 9.7 mb/d. Exports appear largely unchanged from July levels, with the increased volumes dedicated to meet higher demand for direct crude burn. Saudi Arabia's implied direct burn was estimated at just over 700 kb/d for July versus around 615 kb/d in June. The country's need for direct crude burn typically peaks in August, which last year averaged around 910 kb/d.



Fellow Gulf producers **Kuwait** and the **UAE** both increased output to 2.53 mb/d, up 20 kb/d and plus 30 kb/d, respectively, in August.

Crude oil supplies from **Iran** were slightly lower month-on-month, off 20 kb/d to 3.51 mb/d in August. Iranian output continues to be undermined by the lack of foreign investment due to stiffer international sanctions. The drop in production stems from declining output at southern fields, according to Iranian officials. A top official at Iran's state-owned National Iranian South Oil Company (NISCO) reported that the country's production was declining at an average 300-330 kb/d a year compared with other

estimates by the government of around 100 kb/d. NISCO produces around 80% of the country's output. The country's higher-than-reported decline rate partly reflects the lack of new field development and partly the severe delays to the country's South Pars projects, which have constrained the amount of gas available for planned enhanced oil recovery at its ageing fields, the NISCO official said.

Iraqi supply rose 35 kb/ to 2.68 mb/d in August, due to higher exports from southern terminals. Total exports were up by 20 kb/d, to 2.19 mb/d. Shipments of Basrah crude were reportedly running flat-out, up around 20 kb/d to 1.73 mb/d while exports from the northern port of Ceyhan on the Mediterranean were largely unchanged at 450 kb/d in August (a further 10 kb/d was sent by truck to Jordan).

Angolan production rose by 20 kb/d, to 1.69 mb/d as output from the Greater Plutonio field edged higher. After maintenance and repair work curtailed output to 100 kb/d in April-June, production is now estimated at 170 kb/d, but still short of its 200 kb/d nameplate capacity due to continued technical issues related to the water injection system.

Meanwhile, first oil from the Total-operated 220 kb/d deep-water Pazflor field arrived ahead of its scheduled 4Q11 start-up on 24 August. Production on 31 August was estimated at around 45 kb/d, with three 950,000 barrel cargoes expected to load in September. However, start-up of the PSVM field operated by BP has been delayed from 4Q11 to March/April 2012 due to problems found with equipment during an inspection at the construction yards in Singapore.

Nigerian August crude oil production rose to the highest level in five years, up by 60 kb/d, to 2.32 mb/d. Major attacks on oil infrastructure have abated following the government's October 2009 ceasefire and amnesty agreement with militants in the Niger Delta, enabling IOC's to increase production. That said, acts of sabotage, oil theft and illegal bunkering continued to disrupt oil flows last month. Once again, Shell declared *force majeure* on some Bonny Light loadings from 23 August through October, following sabotage to several key pipelines by suspected oil thieves. On 11 August, militants bombed a Chevron-operated pipeline that carries Escravos crude to the 20 kb/d Dibi flow station in the Warri region. Oil thieves also caused a fire at ENI's Tebidaba Brass pipeline in late August, but the impact on output was reportedly minimal.

OPEC Crude Production

(million barrels per day)

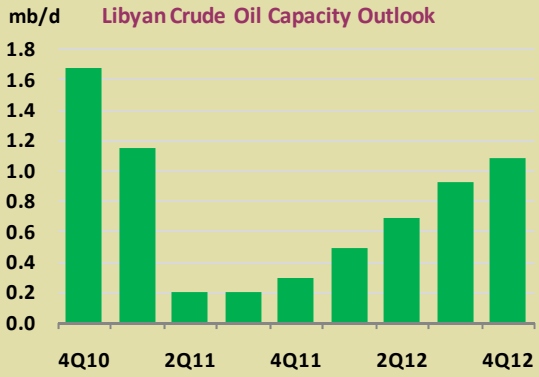
	Jun 2011 Supply	Jul 2011 Supply	Aug 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Aug 2011 Supply	End-2011 Sustainable Production Capacity
Algeria	1.26	1.28	1.28	1.34	0.06	1.34
Angola	1.49	1.67	1.69	1.95	0.26	1.98
Ecuador	0.50	0.49	0.49	0.53	0.04	0.53
Iran	3.65	3.53	3.51	3.72	0.21	3.68
Kuwait[2]	2.49	2.51	2.53	2.54	0.01	2.54
Libya	0.08	0.06	0.00	0.20	0.20	0.30
Nigeria[3]	2.28	2.26	2.32	2.53	0.21	2.55
Qatar	0.82	0.82	0.82	1.04	0.22	1.04
Saudi Arabia[2]	9.80	9.70	9.80	12.04	2.24	12.04
UAE	2.50	2.50	2.53	2.74	0.21	2.74
Venezuela[4]	2.62	2.63	2.61	2.64	0.03	2.59
OPEC-11	**27.49**	**27.45**	**27.58**	**31.26**	**3.68**	**31.33**
Iraq	2.72	2.65	2.68	2.84	0.16	2.88
Total OPEC	**30.21**	**30.09**	**30.26**	**34.10**	**3.84**	**34.21**
(excluding Iraq, Nigeria, Venezuela					*3.24)*	

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in August.

Short-Term Oil Supply Prospects in Libya as Endgame Nears

The prospects for partial restoration of Libyan hydrocarbon supplies in the short term have improved following the fall of Tripoli to rebel forces on 21 August. A myriad of reports on the timing and scale for a resumption of oil production have circulated, but foreign oil company partners, alongside industry analysts, remain cautious. Damage to production facilities, pipelines, refineries and ports, although believed comparatively light, will need to be fully assessed, and security on the ground assured before major increases in production can be expected. The pace of the restoration of production will also hinge on whether the fields were professionally shut-in and done in a rushed, haphazard manner.

For now, we have modestly revised up our expectations of Libyan crude production capacity to 350-400 kb/d by end-2011, rising to a total of 1.1 mb/d by 4Q12. The projection is predicated on an imminent end to the civil unrest, and assuming that political stability and security on the ground are achieved in the very near term. The Zawiya and smaller Tobruk refineries may restart operations relatively quickly once crude supplies are available, but Ras Lanuf, the country's largest, may take several months (*See Refining section, 'Libyan Refinery Status'*). Depending on the prioritisation of domestic oil use vs revenue needs, crude exports might attain 200-250 kb/d in 4Q11, rising to 650-850 kb/d by end-2012.



With Colonel Gaddafi still at large at the time of writing, and pockets of loyalist resistance still putting up a fight, security remains uncertain. Indeed, the twin challenges of creating political stability and security on the ground in order to enable foreign oil companies to return to the country are formidable. Prior to the civil uprising, Europe took over 85% of Libya's crude exports, with about 13% heading East of Suez. In 2010, Libya exported 1.2 mb/d of crude oil to IEA countries. An additional 0.1 mb/d of crude oil from Libya went to China in 2010, accounting for some 3% of the total Chinese crude imports.

Upstream Oil Restoration

As the endgame in the country's uprising gathers momentum, international organisations have moved swiftly to lift sanctions and remove other impediments to restoring civil society as the new National Transitional Council (NTC) takes over the reins of government. The international grouping called the 'Friends of Libya' met in Paris on 1 September to offer support, including urging countries to unfreeze funds held by the former regime, while the EU lifted sanctions on Libyan overseas assets, ports and oil companies.

There have been widely disparate reports on the state of the country's oil and gas sector. The NTC and state Arabian Gulf Oil Co (AGOCO) have both publicly announced a very ambitious timeline for restarting oil production, which most external analysts believe will not be met. AGOCO said production could restart by mid-September and reach 500-600 kb/d within two to three months and full production of 1.6 mb/d within a year. However, the country's interim oil minister, Ali Tarhouni, said production initially would be in the tens of thousands barrels a day rather than hundreds but ultimately reach pre-disruption levels within a year. Industry experts and IOCs previously operating in the country estimate it could take anywhere between one to three years to get production fully restored. Several issues highlight upside and downside risks to the oil outlook. Cause for optimism stems from:

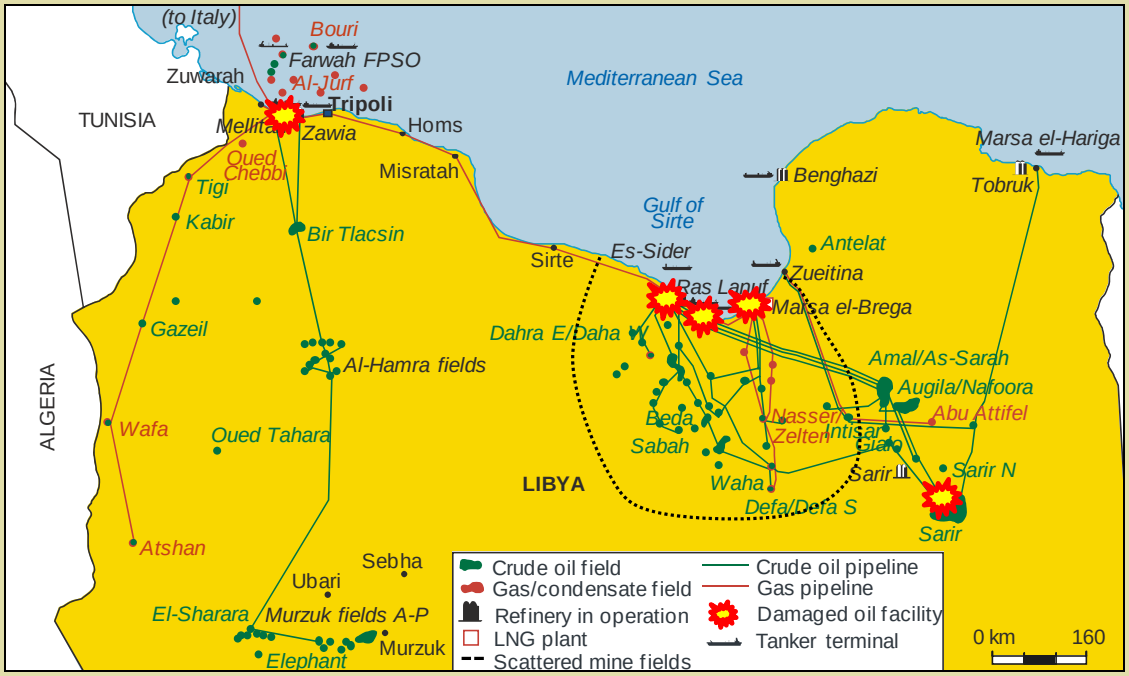
- The lifting of EU sanctions on 1 September, liberating an estimated $15 billion of frozen Libyan assets to help meet short-term needs;
- NTC statements that an armed force has been dispatched to protect the eastern fields, accounting for 80% of Libyan output, and that technical teams will be sent to the Sarir and Mesla fields in the Libyan desert to investigate damage in the first week of September following Ramadan;
- An imperative to re-start crude production as soon as possible for the associated gas needed to run the country's power generation facilities;
- News that the 510-kilometre GreenStream BV undersea gas pipeline system between Mellitah (near Tripoli) and Gela in Italy, has been repaired, with exports expected to resume by mid-October.

Short-Term Oil Supply Prospects in Libya as Endgame Nears (continued)

On the other hand, technical, security-related and institutional barriers remain to rapid and full restoration:

- Ongoing resistance from Gaddafi loyalists, with the risk they implement a scorched earth policy. There are credible reports that loyalist forces have also heavily mined some strategic oil facilities.
- Divisions within the new leadership along tribal and regional lines may stall progress in creating a sustainable government necessary for renewed investment. There is evidently friction between the NTC and various rebel groups from Misrata and the western mountain region, and many analysts fear that Islamist groups will pose the largest obstacle to creating a unity government.
- Securing equipment and workers to assess damage and manage repair work could take much longer than assumed, given security issues. The operating status of almost all of Libya's oil infrastructure remains unclear, notably the country's largest oil terminal, the 450 kb/d Es Sider facility.

Given these many uncertainties, we persist with a deliberately cautious set of assumptions for available crude oil production capacity through the end of the year. In the *Medium-Term Oil and Gas Markets (MTOGM)* projection in June 2011, we assumed hostilities continued through end-2011, with some form of resolution in early 2012. What now looks like an earlier-than-expected end to full-scale hostilities has prompted our modest upward revisions. From zero output currently (and hence below the 200 kb/d baseline deployed in *MTOGM*), production is now assumed to ramp up to an average 300 kb/d in 4Q11, reaching 350-400 kb/d by the end of 2011. Production is also now seen reaching around 1.1 mb/d by 4Q12, with many local and international experts envisaging a two to three year time frame before the country regains 2010 levels of around 1.6 mb/d.

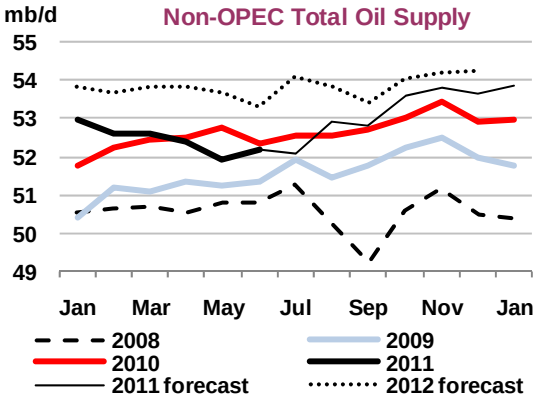


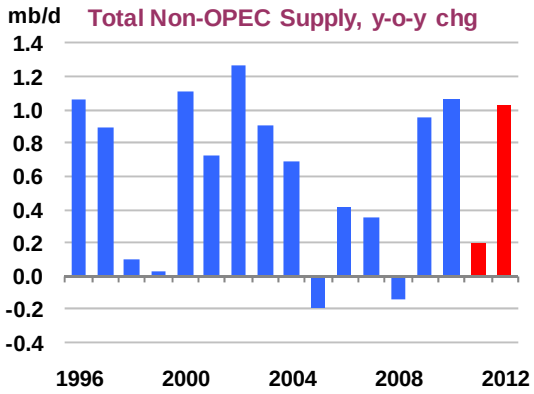
Initially, we assume production from the smaller offshore Bouri and Al-Jurf fields, with a combined nameplate capacity of around 100 kb/d, will be restarted relatively quickly. This offshore oil, however, is heavier, sour crudes rather than the country's typical light, sweet grades.

An additional 250 kb/d will come from the Mesla and Sarir fields in the eastern region once repairs to pipelines and pump stations are completed. Indeed, AGOCO reported on 12 September that it was in the process of starting up production at Sarir. The crude will flow to the Marsa el-Hariga terminal near Tobruk but with a capacity of only 150 kb/d, the remaining crude would have to be blended with other grades and exported from the larger Ras Lanuf terminal. However, it is understood that the Ras Lanuf refining, terminal and port complex suffered significant damages and it may take months for repairs, capping exports to those out of Tobruk.

Non-OPEC Overview

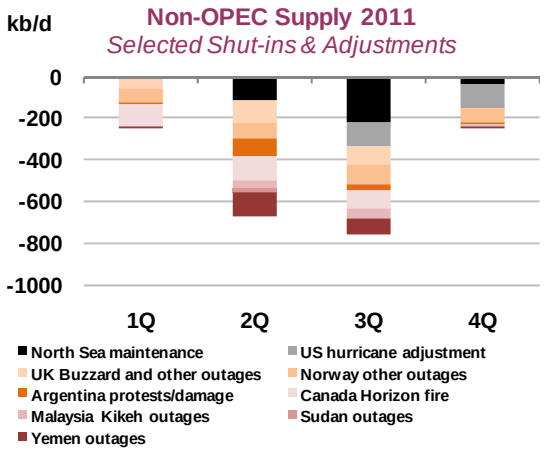
Non-OPEC oil supply is estimated to have increased by 0.8 mb/d to 52.9 mb/d in August, largely due to increasing output from the US, Latin America, and Caspian region. These gains are mitigated in part by declining production in non-OECD Asian countries. A review of field level and historical data for the first half of 2011, as well as revised estimates from OECD countries for May and June 2011, has resulted in a baseline revision of -0.1 mb/d for the second quarter of 2011. This suggests that output during the second quarter was 52.2 mb/d or 0.4 mb/d lower than during 2Q2010. During the third quarter of 2011, the onset of heavy North Sea maintenance and other unplanned outages including hurricanes (*see chart below*) restrict the rise in 2Q11 to 3Q11 non-OPEC supply to 0.4 mb/d.





With baseline revisions for 2011 included, our 2H2011 forecast is revised down 330 kb/d. Revisions stem primarily from heavier than expected maintenance in Denmark, Norway, and Kazakhstan. A review of recent NGL and biofuels production trends for the first half of 2011 has also resulted in a combined downward revision of 35 kb/d for Asia and OECD Europe's NGL production growth for the year as a whole, and a 40 kb/d downward revision to global biofuels annual production growth, largely due to Brazilian ethanol production. Unplanned outages in China (oil spill) and Yemen (pipeline sabotage and worker strikes) account for 50 kb/d and 15 kb/d of this annual revision, respectively. In sum, 2011 growth in non-OPEC supply is expected to total 190 kb/d, around 200 kb/d lower than last month's estimate.

Some of these changes necessitate a reassessment of our non-OPEC supply outlook for 2012, which has now been revised downwards by 150 kb/d to 1.0 mb/d. Around 65 kb/d of the 2012 revision is due to lower than expected NGL production growth in Asia, OECD Europe, and Brazil in 2011, which has been carried through our outlook. Global biofuels are also revised downwards by 20 kb/d in 2012. Other major negative changes to the 2012 outlook stem from analysis of field-level data in Russia, Oman, Kazakhstan, Brazil, and Australia, which show output levelling off at a number of fields previously underpinning supply growth.



Our outlook for 2012 of 1.0 mb/d growth remains largely consistent with our first assessment in the July release of the *MTOGM*. At that time, we estimated 2011 annual production growth at slightly over 0.5 mb/d, in contrast to 0.2 mb/d in this month's forecast. It is worth pointing out that unexpected outages will reduce 3Q11 output by around 0.4 mb/d, something that is not envisaged carrying through in our forecast for 2012 to the same degree. We customarily assume a more modest 0.2 mb/d annual adjustment in our outlook, largely for potential equipment failures at mature assets in the OECD.

Non-OPEC Supply

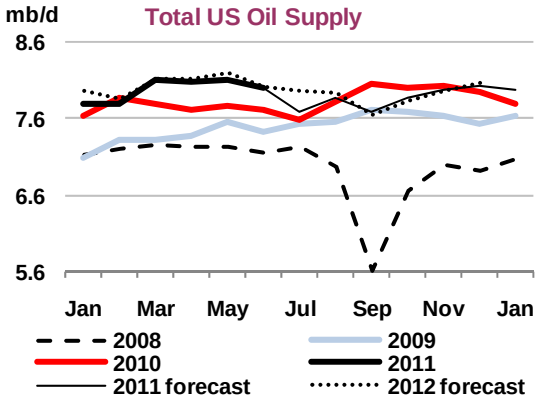
(million barrels per day)

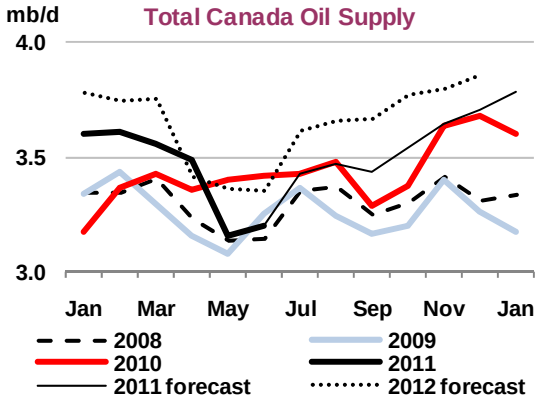
	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
North America	14.0	14.0	14.1	14.4	14.1	14.4	14.2	14.0	14.4	14.2	14.5	14.3	14.2	14.5	14.4
Europe	4.5	4.2	3.8	4.2	4.2	4.1	3.8	3.9	4.3	4.0	4.2	3.9	3.9	4.1	4.0
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.1**	**18.8**	**18.5**	**19.2**	**18.9**	**19.0**	**18.5**	**18.4**	**19.3**	**18.8**	**19.4**	**18.9**	**18.8**	**19.3**	**19.1**
Former USSR	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.7	13.8	13.6	13.8	13.7
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
China	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.3	4.5	4.3	4.5	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**29.6**	**29.7**	**29.9**	**30.0**	**29.8**	**30.1**	**29.6**	**29.9**	**30.2**	**30.0**	**30.5**	**30.5**	**30.4**	**30.5**	**30.4**
Processing Gains	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.1	1.9	1.9	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC	**52.2**	**52.5**	**52.6**	**53.1**	**52.6**	**52.7**	**52.2**	**52.6**	**53.7**	**52.8**	**53.8**	**53.6**	**53.8**	**54.1**	**53.8**
Annual Chg (mb/d)	1.3	1.2	0.9	0.9	1.1	0.6	-0.4	0.0	0.6	0.2	1.1	1.4	1.2	0.5	1.0
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.4	-0.3	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2

OECD

North America

US – July Alaska actual, other states estimated: US oil supply dipped to an estimated 7.6 mb/d in July as output at Alaska's Prudhoe Bay field fell by 0.1 mb/d due to assumed summer maintenance, augmented by some minor leaks in July. In August, preliminary data show that field output has rebounded to pre-maintenance levels by the end of the month, raising total US oil output to 7.8 mb/d. We expect Gulf of Mexico production to fall by around 220 kb/d from August to September due to hurricane-related disruptions based on a five-year average. Hurricane Lee has already reduced monthly Gulf of Mexico output by roughly 165 kb/d at the time of writing. Historical upward adjustments in Colorado and New Mexico, as well as a downward adjustment to Wyoming, from *Petroleum Supply Monthly* data have been carried through the forecast. This has resulted in annual production estimates that are 10 kb/d higher in both 2011 and 2012, bringing US supply to around 7.9 mb/d in those years.



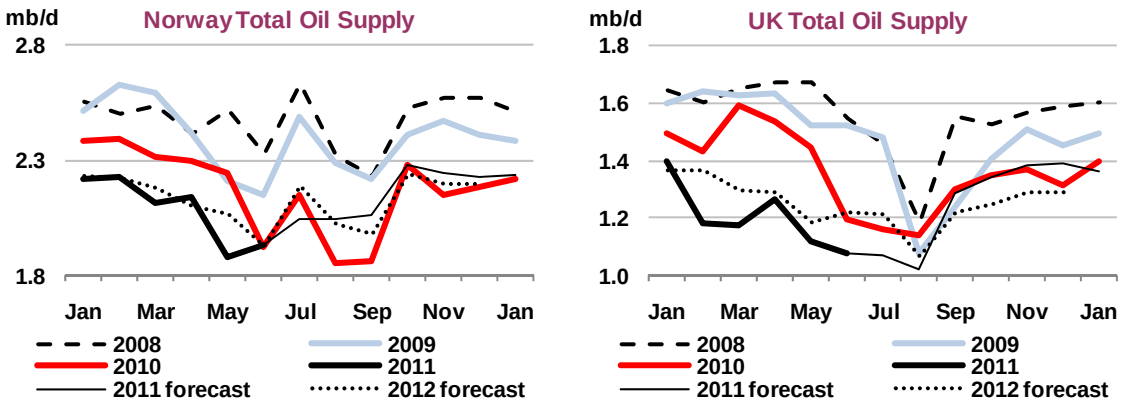


Canada –June actual: Second-quarter oil production in Canada exceeded expectations by 6 kb/d largely as a result of higher-than-expected bitumen production in June 2011. Rebounding production from Suncor in June and expectations of increased production from new wells at Hibernia offset reduced production from the CNRL Horizon mine/upgrader and declining production in Saskatchewan. CNRL reports that production restarted at 75 kb/d in mid-August and should return to pre-fire levels of 110 kb/d in a couple weeks. In a reversal of growth shown over the last six months from Saskatchewan, 2Q11 output is now 30 kb/d below 1Q11 levels, raising the possibility of further forecast downgrades in months to come. Canadian oil output should average 3.6 mb/d in 2012, an increase of 160 kb/d from 2011 levels.

Mexico – July actual: Mexican crude oil production fell by 21 kb/d in August compared to prior month levels. Overall, Mexico's output continues to decline, and 2Q11 crude oil output is 5 kb/d lower than the 2010 equivalent. Despite rising production from northern onshore areas and the Chicontepec field, which is now producing around 50 kb/d, output at the Ku-Maloob-Zaap (KMZ) field has dropped back to 4Q10 levels of slightly more than 800 kb/d. For the remainder of 2011, we expect KMZ output to rebound to 840 kb/d. Mexico is looking to Pemex's new service contract model to stem declining oil output. Three new offshore projects, Ayin, Tsimin and Xux, could add 20-80 kb/d by 2015 and new production at the KMZ complex from Kayab and Ayatsil could add 90-100 kb/d over the same time period.

North Sea

Norway – June actual, July provisional: Following a faster-than-expected ramp up of seasonal maintenance and the delayed restart of the Visund field due to technical problems, Norway total oil production has been revised downwards by 40 kb/d and 90 kb/d in June and July, respectively. It is now seen to average 1.94 mb/d and 2.05 mb/d in June and July, with 2Q11 assessed at 1.99 mb/d, a drop of 200 kb/d when compared to the previous quarter. Maintenance and other outages are estimated at 167 kb/d for 3Q11, of which almost half is due to seasonal maintenance, and will keep overall production flat during the third quarter with no pronounced uptick expected until 4Q11. Recent reports indicate that the restart of the fire-damaged Valhall platform has been delayed until the middle of September, resulting in lower output expectations for the remainder of 2011.



UK – June actual: Following widespread maintenance, June UK oil production has been revised downwards by 70 kb/d to 1.1 mb/d and is now assessed at 1.2 mb/d in 2Q11. June output fell by 40 kb/d from May, with the downward trend continuing into July and August, as the maintenance season reached its seasonal peak, before an uptick in September. Output has been trimmed by 5 kb/d in both August and September because of the shut-in of the Gannet A platform following its widely reported leak. However, in September this has been offset by the return of the Buzzard field from maintenance. The field is currently expected to ramp up to its pre-maintenance level of 205 kb/d by October. Total UK production is now estimated to average 1.24 mb/d in 2011, increasing to 1.26 mb/d in 2012.

Pacific

Australia – June actual: For Australia, June data show production remained at a lower-than-expected 420 kb/d, although output should increase later in the year with rebounding volumes from the Cossack and Van Gogh fields and new output from the Kitan and Pyrenees field. Our outlook envisages that production maintains an upward trajectory in late-2011 and 2012. Downward-adjusted 2011 and 2012 production levels now average 470 kb/d and 600 kb/d, respectively. Downward revisions stem from lower recent NGL output, which we have carried through the forecast, and from a detailed field-level review of sources of expected growth from the Carnarvon and Bonaparte Basins. The Skua and Montara fields in the Bonaparte basin are still expected to come online in January 2012 and should add 35 kb/d to Australia's output.

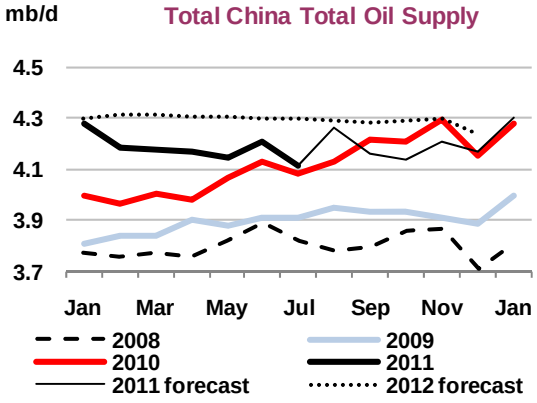
Non-OECD Asia

Thailand – June actual: Output from Thailand is around 10 kb/d lower in 1H11 than the same period last year, showing almost no growth in NGL and condensate output. Government-reported condensate output of 79 kb/d in June was the lowest total since November 2009. We had forecast some growth in NGL and condensate output, but reviewing six months of lower-than-expected output, we have revised downward our assessment of total Thai oil output by around 14 kb/d each in 2011 and 2012.

Indonesia – June actual: Despite government forecasts that Indonesia's output will reach 1 mb/d again by 2013, recent output statistics show a downward trend. Overall, oil output for the last six months has fallen by 75 kb/d versus the same period in 2010, of which 12 kb/d is from declining NGL output. New government-reported historical data for NGL output has reduced Indonesian output by 10 kb/d for 2011, and our estimate for 2012 by 7 kb/d. We estimate Indonesian crude oil production will continue to decline from 910 kb/d in 2011 to 860 kb/d in 2012.

Elsewhere in non-OECD Asia, in **Vietnam** the Te Giac Trang crude oil field began producing at 16 kb/d on 22 August, and is expected to ramp up to levels of 40-55 kb/d by the end of the year, in line with our forecast. Overall output from Vietnam is assessed at 300 kb/d in June, but should ramp up to 330 kb/d by year-end with added output from Te Giac Trang and the Dai Hung (Big Bear) field.

China – July actual: China's oil production fell by 100 kb/d to 4.1 mb/d in July, due primarily to shut in production at the Peng Lai 19-3 field in Bohai Bay. We assume the shut-ins to last into September but are partially offset by sustained production growth elsewhere. Production for 2011 is estimated to average 4.2 mb/d, which would represent annual growth of 80 kb/d, or +2%. In 2012, production is expected to rebound to 4.3 mb/d on resumed Peng Lai volumes and Chinese producers' ability to stem decline at some of its largest and mature fields. For example, oil production from the over fifty-year-old Daqing field averaged 800 kb/d in 2009, but 1H2011 data show that the field has sustained output at levels of almost 810 kb/d. All told, the Peng Lai leaks (see below), knock 50 kb/d off our 2011 Chinese outlook and 30 kb/d from 2012.



Leak at ConocoPhillips' Peng Lai 19-3 field to reduce 2H2011 Chinese output

Two separate oil leaks were discovered at the Peng Lai 19-3 field in China's offshore Bohai Bay, at platform B on 4 June and platform C on 17 June. These platforms were producing around 47 kb/d up until China's State Oceanic Administration (SOA) ordered a production suspension on 13 July. In June, the Peng Lai field produced around 150 kb/d from seven platforms, which includes 181 producing wells and 54 injecting wells. After further leaks were identified in August, the SOA ordered the shutdown of the entire 19-3 field. Based on CNOOC and ConocoPhillips statements, we estimate that the suspension of output reduced total production by 31 kb/d in July, 47 kb/d in August, and 150 kb/d in September. Looking forward, we believe the field could to have difficulty reaching its former peak production levels due to operator safety concerns and damage to the reservoir from the shut-in. We assume platforms B and C remain offline until late in the fourth quarter, and we expect the other platforms to return sooner.

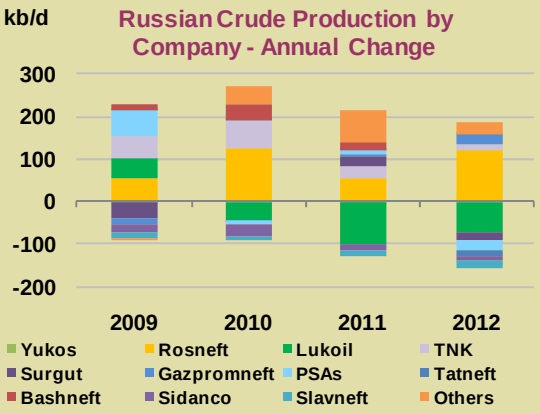
Former Soviet Union (FSU)

Russia – July actual, August provisional: Russia's oil output hit another post-Soviet high of 10.6 mb/d in August, driven by expanding output at TNK-BP greenfields, sustained output at Rosneft and Gazprom Neft's brownfields, and continued growth in condensate output from Gazprom. The Russian energy ministry has revised up its oil production forecast for 2011 by 100 kb/d, and says the introduction of a new export tax regime on 1 October should lead to higher exports (see *Russia: Upstream and Export Impacts of the 60-66 Tax Regime*). We have revised up our estimates for Russian supply for 2011 and 2012 due to recent production data showing higher-than-expected production from Bashneft, Russneft, and TNK-BP. At the Uvat fields in West Siberia, TNK-BP plans to further increase output by 17 kb/d by year-end with new wells. Also, TNK-BP's Verkhnechonsk oil field in East Siberia has moved up its target to reach peak production of 154 kb/d to 2014.

ExxonMobil and Rosneft recently announced plans to develop hydrocarbon deposits in the Russian sectors of the Arctic and Black Sea. The investment planned for the two areas is $3.2 billion and ExxonMobil will receive a 33.3% share in each newly-established JV. Rosneft receives the remaining shares and also receives footholds in several Gulf of Mexico, Texas, and Canadian deposits where ExxonMobil is active. Looking forward much will depend on government follow-through to ease tax constraints for Arctic exploration and the results of exploration in the Kara Sea, where the seismic data is very uncertain.

Russia: Upstream and Export Impacts of the 60-66 Tax Regime

Russia is expected to introduce a new crude and export duty regime on 1 October after various government ministries and Prime Minister Putin agree to the plan. Although the new tax system aims to modernise Russia's downstream sector, there are medium-term implications for oil supply, export levels, and Russian budget revenues. The new 60-66 tax regime will see the marginal export tax for most crude oil exports cut to 60% of the price of Urals, from 65% currently, and a unified oil products tax rate set at 66% of the duty for Urals. Although Prime Minister Putin signed the order to equalise the export duty for refined products at the end of August, the plan to reduce the crude oil export duty to 60% requires a separate government decree to be signed later by Prime Minister Putin. The export duty for gasoline and naphtha will remain at 90% of the export duty for Urals (set at that level since end-April to limit exports and domestic shortages), but should, according to energy minister Shmatko, gradually decline to the 66% set for other products over coming months. The export duty for light and heavy products is currently 67% and 46.7% respectively of that of Urals (See *Refining* section for more details).



The major implication for upstream-focused companies in Russia is that it secures them additional cash flow. Rosneft, Tatneft, TNK-BP, and Surgutneftegaz are poised to benefit the most from the rebalancing according to Russian analysts. Integrated companies, which derive most of their profits from their downstream segments (such as Bashneft) could see reduced overall profitability, and analysts expect the government to compensate them with lower mineral extraction tax (MET) rates or discounts on rail product transport tariffs.

A 5% reduction in crude export duty would allow producers to improve brownfield well productivity. Production from mature fields with high lifting costs and low flow rates could see enhanced productivity under the new regime because it increases the number of profitable wells. One investment bank estimates that the return on an average LUKoil West Siberian brownfield well would increase from less than 10% to over 20%. Broadly speaking, analysts estimate that at a $100/barrel crude price, upstream unit profitability increases by $4/barrel.

Russia: Upstream and Export Impacts of the 60-66 Tax Regime (continued)

The new tax regime is likely to favour the exporting of crude over products, but this does not necessarily mean that crude shipments will rise beyond 9 mb/d because of increasing domestic demand for crude. So, what does this mean for our outlook on oil production? The companies that will benefit directly from the change in crude export duties comprise around half of Russian oil output. Due to output performance exceeding our expectations in 2010 and the first half of 2011, our outlook already includes 45 kb/d annual growth for 2012, including growth of over 120 kb/d from Rosneft's fields. Although the 60-66 changes should increase brownfield production, integrated companies are still expected to see their refining margins reduced. Also, the changes are unlikely to affect Russia's greenfield output. On the downside, it is worth noting that in addition to losing its crude export duty discount, Rosneft's 300 kb/d Vankor field has also lost its mineral extraction tax exemption.

On balance, although the government seems committed to introducing these tax changes by 1 October, many observers hope for broader changes to the oil sector tax regime such as the introduction of a profits-based, rather than revenues-based, tax regime that would benefit greenfield production in frontier areas. The government also recently introduced a reduction in the mineral extraction tax for small fields (<18 million bbl). To add to the uncertainty, this is an election year in Russia, which means the government could repeal these exemptions to maintain steady budget revenues especially if oil prices fall. All told therefore, we have not substantially changed our production outlook because of the tax changes due to the remaining uncertainty with the implementation of the crude oil export duty reduction.

Kazakhstan – July actual: In July, Kazakhstan's oil production fell to 1.5 mb/d with unexpected additional maintenance at the 550 kb/d Tengiz field, which reduced output by around 150 kb/d. July data also show the marginal effect on production of the oil workers' strike on Karazhanbasmunay and Uzenmunaigas production. The strike continued to affect similar levels of output in July and into August. While crude oil production growth prospects in Kazakhstan remain largely unchanged from last month's outlook, the ongoing shareholder dispute at the Karachaganak gas and gas condensate field has caused us to keep output static at the field. Recent reports indicate a resolution in upcoming months, but this has delayed implementation of the field's Phase III expansion. The expansion would have cost up to $23 billion and resulted in around 30 kb/d of additional condensate output.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	3Q2010	4Q2010	1Q2011	2Q2011	May 11	Jun 11	Jul 11	Latest month vs. Jun 11	Latest month vs. Jul 10
Crude											
Black Sea	2.28	2.10	2.12	2.02	2.06	1.87	1.81	1.82	1.69	-0.13	-0.58
Baltic	1.60	1.60	1.56	1.60	1.48	1.57	1.54	1.43	1.34	-0.09	-0.25
Arctic/FarEast	0.46	0.74	0.67	0.78	0.70	0.69	0.69	0.66	0.64	-0.02	-0.08
BTC	0.80	0.77	0.81	0.80	0.72	0.76	0.70	0.79	0.69	-0.10	-0.13
Crude Seaborne	**5.15**	**5.22**	**5.17**	**5.19**	**4.96**	**4.89**	**4.74**	**4.71**	**4.36**	**-0.35**	**-1.03**
Druzhba Pipeline	1.11	1.13	1.16	1.14	1.14	1.12	1.11	1.10	1.17	0.07	-0.02
Other Routes	0.40	0.42	0.40	0.43	0.53	0.54	0.53	0.55	0.55	0.00	0.15
Total Crude Exports	**6.66**	**6.76**	**6.73**	**6.76**	**6.63**	**6.55**	**6.38**	**6.36**	**6.08**	**-0.27**	**-0.90**
Of Which: Transneft[1]	3.93	4.00	4.04	4.02	4.15	4.16	4.17	3.94	4.05	0.11	-0.21
Products											
Fuel oil[2]	1.41	1.54	1.63	1.51	1.43	1.82	1.79	1.88	1.70	-0.19	-0.01
Gasoil	0.95	0.88	0.82	0.81	0.90	0.79	0.79	0.74	0.71	-0.03	-0.16
Other Products	0.53	0.43	0.43	0.37	0.48	0.53	0.58	0.45	0.40	-0.05	-0.06
Total Product	**2.89**	**2.85**	**2.88**	**2.69**	**2.81**	**3.14**	**3.15**	**3.07**	**2.80**	**-0.27**	**-0.23**
Total Exports	**9.54**	**9.61**	**9.61**	**9.45**	**9.44**	**9.68**	**9.53**	**9.43**	**8.89**	**-0.54**	**-1.13**
Imports	0.06	0.07	0.08	0.10	0.08	0.09	0.07	0.12	0.06	-0.06	0.00
Net Exports	**9.49**	**9.54**	**9.53**	**9.35**	**9.37**	**9.59**	**9.45**	**9.31**	**8.82**	**-0.48**	**-1.13**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

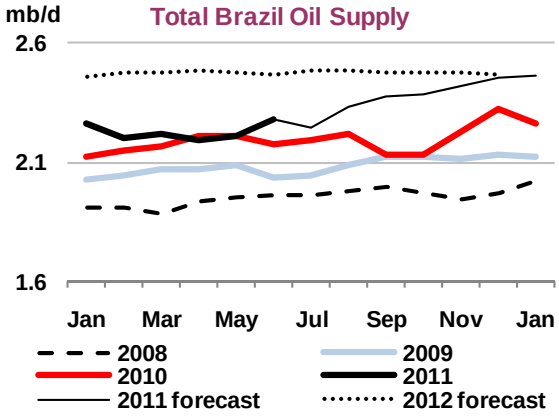
[2]Includes Vacuum Gas Oil

FSU net oil exports reached their lowest level since end-2008 in July, down by 480 kb/d to 8.82 mb/d, with the fall evenly split between crude and products. Crude shipments fell to 6.08 mb/d, 90 kb/d lower than the previous year, in response to supply problems outside of Russia. Notably, Azeri volumes were disrupted following scheduled maintenance on the Chirag platform and the Baku – Supsa pipeline. Black Sea cargoes dropped by 130 kb/d while flows on the BTC pipeline fell by 100 kb/d. Strikes in Kazakhstan also began to bite, with deliveries through the CPC pipeline decreasing by 20 kb/d. In comparison, exports through the Russian Transneft network rose by 110 kb/d, with Druzhba flows up by 70 kb/d on the month as deliveries along the Northern leg to Poland grew by 100 kb/d. In the Baltic, shipments from Primorsk fell by 90 kb/d following maintenance on the Baltic Pipeline System. In the East, although fields supplying the ESPO saw export tax breaks removed from 1 August, Kozmino loading schedules suggest pipeline flows could continue unabated.

Product exports fell by almost 50% (-270 kb/d) to 2.80 mb/d, led by an exceptional 190 kb/d drop in fuel oil shipments (including vacuum gas oil). Reasons for this slump are unclear with reports suggesting a combination of a fall in refinery throughput, increasing domestic demand and after government pressure, refineries re-orientating to stockpile more light products, were responsible. Additionally, the 90% gasoline and naphtha export tax recently introduced in response to domestic gasoline shortages has had the desired effect of reducing shipments by 80 kb/d. September product volumes may rebound in expectation of the new 60-66 fiscal regime (see: Russia: Upstream and Export Impacts of the 60-66 Tax Regime). However, crude exports are expected to remain low, as pipeline and field maintenance reaches a seasonal peak.

Other Non-OECD

Brazil – June actual: Oil output remained at 2.2 mb/d in the second quarter, on par with first quarter levels. On a monthly basis, crude and NGL output rose by 65 kb/d in June, but growth in output from Brazil during 3Q2011 from the start up of the Marlim Sul field is mitigated by seasonal maintenance at platforms in several offshore fields, including Marlim (P-20, P-35 and P-37), Albacora Leste (P-50), Parque das Baleias (FPSO Capixaba), and units of the Cabiúnas chain. In addition, we have revised the ethanol output forecast by -30 kb/d in 2011 and by -20 kb/d in 2012 because of a disappointing sugar cane harvest. In sum, we estimate that output from Brazil during 2011 and 2012 will average 2.2 mb/d and 2.4 mb/d respectively, mostly on par with growth estimates from last month's assessment and not including the changes to biofuels production estimates.



In **Yemen**, although some 110 kb/d of shut-in crude oil production resumed in mid-July, the Marib oil pipeline, which carries crude to the Ras Issa terminal, was bombed again in late August. Reports indicate that the pipeline was repaired and capacity was restored. However, companies report that drilling operations have been stopped, which means there may be longer-term implications for Yemen's output. We have conservatively reduced output by 125 kb/d in September pending historical data showing that output has indeed reached earlier levels. Nexen, which operates two blocks in Yemen reported that its production is suffering from natural field declines following the completion of development drilling activities. In the absence of an agreement to renew its existing two concessions and with the threat of worker strikes, Nexen's 35 kb/d output is expected to fall further. Downward revisions to surrounding months from the aforementioned pipeline disruption have lowered Yemen's output in 2011 to just over 200 kb/d, which is 70 kb/d lower than 2010 and a -15 kb/d revision from last month's estimate.

In **Oman,** an analysis of Ministry of National Economy and JODI data has caused us to reassess our baseline production estimate, thereby reducing our estimate for 2H11 and 2012 output by 20 kb/d. A field level analysis indicates that production from the Occidental Mukhaizna EOR project may take longer to reach targeted levels of 150 kb/d due to quadrupled project costs. Thus, we have revised downwards our estimates by 15 kb/d for this project. In sum, Oman's crude and NGL output are expected to grow to 930 kb/d by 2012, an increase of 40 kb/d from projected 2011 levels.

In **Sub-Saharan Africa** we have revised output downwards in **Uganda** and **Ghana** due to revised project timelines reported by UK-based Tullow Oil. In Ghana, Tullow modified its timetable for peak production from the Jubilee field and is now set reach 105 kb/d in October and 120 kb/d by the end of the year, down from original plans to reach 120 kb/d in August. Tullow attributed the delay to water reinjection problems. In Uganda, Tullow projects first oil from the Albert basin in 2015, which is later than earlier estimates that assumed some initial production during 2012. As a result, Ugandan output is trimmed by 10 kb/d to zero in 2012.

New EU Sanctions on Syria Unlikely to Affect Syrian Crude Oil Production

EU sanctions on Syrian oil imports ban the purchase and transport of Syrian crude and refined products. The regulation also bans the import of crude or petroleum products if they "originate in" or "have been exported from Syria." Existing contracts that were concluded prior to 3 September are exempt from the sanctions until 15 November. The embargo will not ban the supply of refined products from the EU to Syria, nor will it seek to prevent European companies from delivering Syrian oil to non-EU countries. US sanctions already restrict investment in the country, and further EU sanctions if they occurred, to include the operations of non-US companies, could have a more long-term impact.

Syria crude exports to OECD Europe

	API°	Sulfur	2010 (kb/d)	1H2011 (kb/d)
Syria Light	38	0.68	39	25
Souedie	23.12	4.19	118	99
Total			**157**	**124**

Source: IEA, Total

Syria has two primary crude blends, Syrian Light and Souedieh. Souedie, produced from the Souedie and Jebeisseh fields, is heavy and high in sulphur, while Syrian Light comes from production at the AFPC JV (Shell, 80 kb/d) and Total's Deir ez Zor (25 kb/d). Based on data submissions from IEA member countries, we estimate that Syria exported 157 kb/d of crude oil in 2010 and 127 kb/d in 1H11 to OECD Europe countries. Based on data from Syria's General Petroleum Corporation (GPC), an additional 26 kb/d of crude exports went to non-OECD countries in the first half of the year. It is also worth noting that there is anecdotal evidence of Chinese refiners taking crude oil from Syria. The loss of around 25 kb/d of Syria light crude to European refiners is unlikely to have a large impact on European refinery operations, although it might cost refiners more to find substitute crude oil to replace Syria light. Reports indicated that Italy, the destination of over 60% of Syrian crude oil, had recently been taking more Syrian crude to substitute for lost Libyan exports.

We do not believe that the sanctions currently in place will affect crude oil production volumes from Syria, which the IEA estimates at 332 kb/d in August, although they could exacerbate already-declining mature production in the country. Depending on the extent to which Syria discounts its Souedie blend crude oil, these volumes should find other customers elsewhere. Oil marketing organization Sytrol is already reported to be exploring Asian markets for Syrian exports.

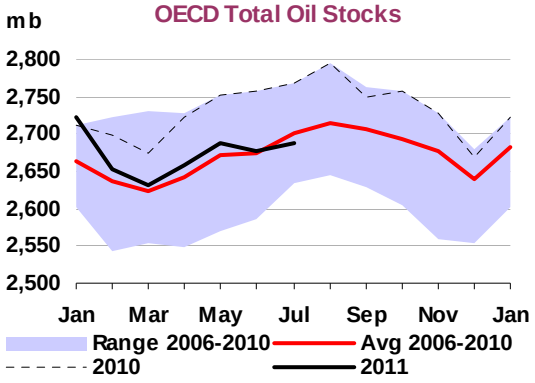
OECD STOCKS

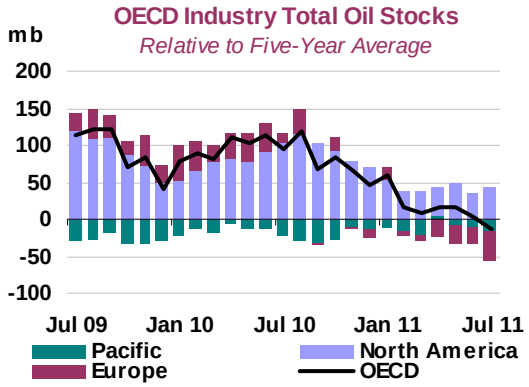
Summary

- **OECD industry oil inventories rose by 10.8 mb to 2 687 mb, or 58.4 days of forward demand cover, in July**. Seasonal product restocking, led by gains in middle distillates and 'other products', drove the overall monthly gain, while counter-seasonal declines in crude and 'other oils' provided a partial offset. The July build was weaker than the typical 26.8 mb seasonal increase. As a result, inventories fell 12.8 mb below the five-year average and 81 mb below year-ago levels. This is the first time total oil industry stocks have slipped below the five-year average since the economic recession of 2008.

- **Preliminary data indicate a modest 0.6 mb build in OECD industry oil stocks in August.** Stronger refinery runs reduced industry crude holdings by 10.6 mb, while product stocks rose by 13.8 mb. Although the products increase and crude draw mimic typical seasonal trends, the last five years have seen a much larger average 14.0 mb August build. The stock levels are subject to revision upon the receipt of more complete data next month, yet OECD inventories appear to have remained tight in August, at 26.3 mb below the five year average and 108 mb below year-ago levels.

- **Short-term oil floating storage fell to 48.3 mb in August**, down from 50.5 mb in July. Offshore crude oil holdings declined to 37.6 mb, as some Iranian volumes were offloaded in the Middle East Gulf. Refined products held in floating storage fell to 10.7 mb in August, as discharged volumes in the Middle East Gulf, Asia Pacific and Northwest Europe outweighed increases off West Africa.





OECD Inventory Position at End-July and Revisions to Preliminary Data

OECD oil industry stocks rose by 10.8 mb to 2 687 mb in July. By contrast, inventories built on average by 26.8 mb over the past five years, driven entirely by strong product gains. This year, product restocking drove July's increase in stocks, but stronger refinery runs combined with lower production reduced crude oil inventories counter-seasonally. As a result of this weaker-than-average monthly stockbuild, OECD inventories fell 12.8 mb below the five-year average and 81 mb below year-ago levels. This is the first time total industry stocks have slipped below the five-year average since June 2008.

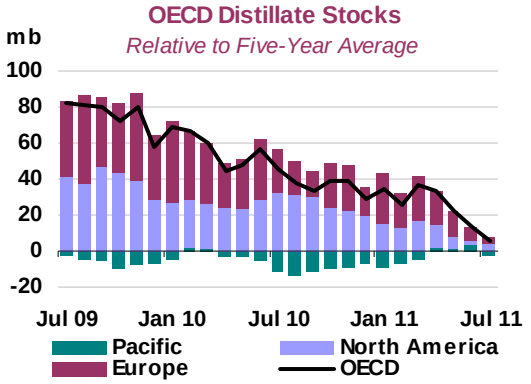
Preliminary Industry Stock Change in July 2011 and Second Quarter 2011

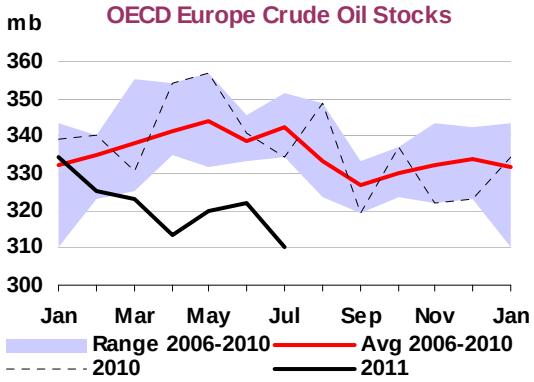
	July (preliminary) (million barrels)				July (preliminary) (million barrels per day)				Second Quarter 2011 (million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-4.2**	**-11.7**	**1.8**	**-14.0**	**-0.13**	**-0.38**	**0.06**	**-0.45**	**0.00**	**-0.01**	**0.01**	**0.01**
Gasoline	2.5	-0.8	-0.5	1.3	0.08	-0.03	-0.02	0.04	-0.02	-0.12	0.01	-0.12
Middle Distillates	11.1	-1.5	-0.1	9.5	0.36	-0.05	0.00	0.31	-0.05	-0.12	0.14	-0.03
Residual Fuel Oil	-0.5	-0.3	-0.1	-0.8	-0.01	-0.01	0.00	-0.03	-0.01	-0.03	0.01	-0.03
Other Products	13.9	0.2	4.9	19.0	0.45	0.01	0.16	0.61	0.35	0.04	0.02	0.40
Total Products	**27.1**	**-2.4**	**4.3**	**29.0**	**0.87**	**-0.08**	**0.14**	**0.93**	**0.27**	**-0.23**	**0.18**	**0.22**
Other Oils[1]	-1.6	-0.3	-2.3	-4.2	-0.05	-0.01	-0.07	-0.13	0.17	0.04	0.06	0.27
Total Oil	**21.2**	**-14.3**	**3.8**	**10.8**	**0.69**	**-0.46**	**0.12**	**0.35**	**0.44**	**-0.20**	**0.26**	**0.50**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

As anticipated in previous reports, refiners increased crude runs over the summer in line with seasonal trends. Nevertheless, and despite extra supply deriving from both OPEC producers and the IEA Collective Action (see *IEA Libya Collective Action: Oil from Government Stocks Relieving the Market*), this resulted in a counter-seasonal 14.0 mb crude draw in July. The decline was concentrated particularly in Europe, where crude oil stocks fell 11.7 mb, to almost 24 mb below year-ago levels. At 310 mb, European crude stocks apparently stand at their lowest level since January 2007, although these data are subject to revision.

In contrast, OECD industry inventories of refined products soared by 29.0 mb in July, with a build in 'other products' accounting for almost two thirds of the restocking. Middle distillates contributed by gaining 9.5 mb, although the accumulated distillate overhang diminished, narrowing to 5.4 mb above the five-year average in July, from 80 mb two years ago. Meanwhile, gasoline stocks rose counter-seasonally by 1.3 mb, in part due to a fairly weak driving season in the US.





OECD forward demand cover stood at 58.4 days in July, marginally higher than June's 58.3 days and 1.4 days above five-year average levels. Stock cover rose modestly in July driven by gains in 'other products' holdings and despite the prospects of rising distillate demand over the next three months.

Upon receipt of more complete data, estimates of total OECD industry oil holdings were revised down by 1.1 mb for June and by 1.0 mb for May. Despite the downward revision to stock levels, the implied monthly draw remains 11.9 mb in June, in line with our previous assessments. Readings for distillates and 'other products' came in lower, while upward adjustments were centred on gasoline and 'other oils'.

Revisions versus 10 August 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	May 11	Jun 11	May 11	Jun 11	May 11	Jun 11	May 11	Jun 11
Crude Oil	**0.0**	**-0.9**	**-1.7**	**1.6**	**0.0**	**-1.3**	**-1.7**	**-0.7**
Gasoline	0.0	1.8	0.0	0.2	0.0	0.6	0.0	2.7
Middle Distillates	-0.4	-5.9	1.6	0.0	0.0	0.6	1.1	-5.3
Residual Fuel Oil	0.3	-0.2	0.0	-1.3	0.0	0.0	0.2	-1.4
Other Products	-0.3	-4.5	-0.1	2.9	0.0	-1.2	-0.4	-2.9
Total Products	**-0.4**	**-8.8**	**1.5**	**1.8**	**0.0**	**0.1**	**1.0**	**-6.9**
Other Oils[1]	-0.3	4.9	-0.1	1.6	0.0	-0.1	-0.4	6.4
Total Oil	**-0.7**	**-4.8**	**-0.3**	**5.0**	**0.0**	**-1.3**	**-1.0**	**-1.1**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

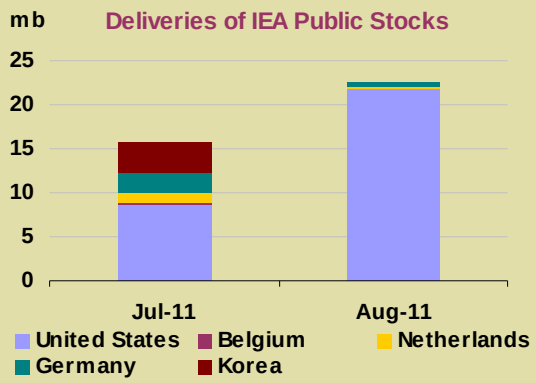
According to preliminary data from the US, Japan and Euroilstock, OECD industry inventories remained virtually flat in August, rising by a modest 0.6 mb. Stronger refinery runs reduced industry crude holdings by 10.6 mb, although deliveries from public stocks prevented a still-sharper draw from occurring. Product stocks built by 13.8 mb, driven by distillate, 'other products' and fuel oil gains, while a decline in gasoline inventories provided partial offset. By contrast, stocks rose on average by 14.0 mb over the past five years, with sharp distillate-led builds in refined products tending to outweigh draws in crude.

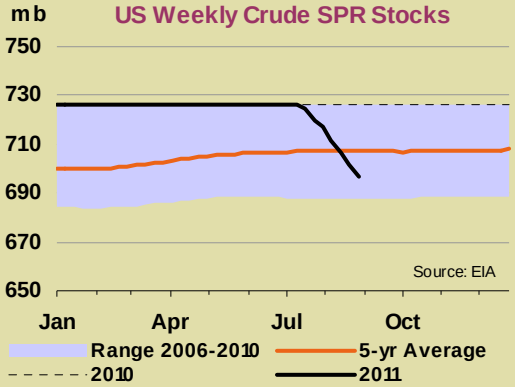
IEA Libya Collective Action: Oil from Government Stocks Relieving the Market

Oil from government reserves released as part of the IEA Libya Collective Action entered the markets in July and August, thus providing a partial relief to already tight markets constrained by lost Libyan supplies and production outages in the North Sea and elsewhere. Although *OMR* analysis focuses primarily on developments in industry stocks in OECD countries, the most recent evolution in government holdings merits a closer look. In addition, tables 4 and 5 in the annex of this report show the levels of both government-controlled (public) and industry stocks.

Based on available delivery schedules we estimated last month that approximately 40% of the over 38 mb of public oil stocks were delivered in July, with the remaining 60% likely to be taken up in August. Preliminary indications from governments now suggest that, as a result of the emergency stock release, public stocks declined by at least 13.6 mb in July. This draw accounts for 35% of total pledged oil volumes from government reserves. However, the magnitude of public stock draw is only indicative and we will be able to better assess July deliveries from government stocks next month, after the receipt of complete inventory data, including a detailed breakdown of public and industry inventory levels.

The draw from public stocks can be clearly seen in the data, but with a multitude of factors affecting end-month industry stocks, a direct inverse relationship between public and industry stocks cannot be clearly identified. Likewise, in the case of mandatory industry stocks, the lowering of stockholding obligation, while providing operators with a greater degree of flexibility, may not directly translate into a stock change.





The most recent consolidated information from the US Department of Energy, also available on their website, indicates that all Strategic Petroleum Reserve (SPR) volumes were delivered by 31 August as originally scheduled, showing 8.3 mb of crude were delivered in July and 22.3 mb in August. This has confirmed preliminary US weekly data showing a decline of 7.8 mb of crude oil from the SPR in July, and a further 21.1 mb drop in August.

In Europe, preliminary information indicates that at least 1.8 mb of crude and products from public stocks were delivered to market participants. German government-controlled stocks are estimated lower by 1.4 mb, of which 1.1 mb was likely crude and the remainder products. Preliminary information from the Netherlands signal at least a 0.4 mb draw in crude oil public reserves.

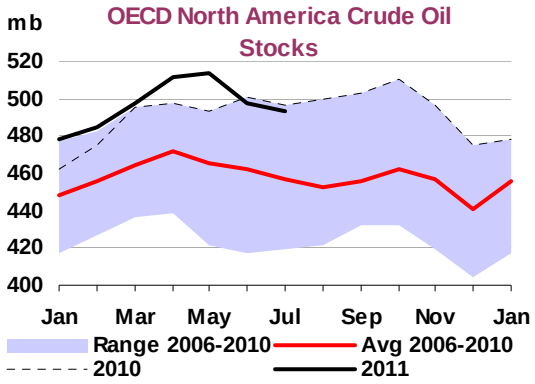
In Korea, 3.5 mb of oil from government reserves reached the market in July. First indications suggest that almost 2.0 mb of crude oil, 0.4 mb of gasoline and 1.2 mb of distillates from public reserves were loaned to industry, helping to bolster otherwise fairly tight regional industry stocks.

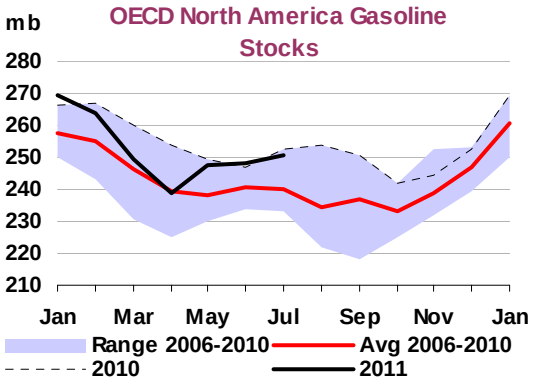
Analysis of Recent OECD Industry Stock Changes

OECD North America

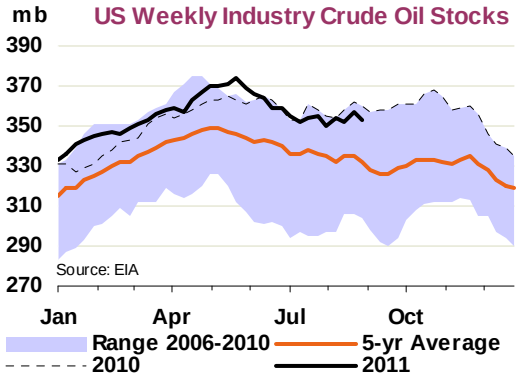
Commercial oil inventories in North America surged by 21.2 mb to 1 356 mb in July. Crude oil inventories declined seasonally by 4.2 mb and stood below year-ago levels following a rebound in regional crude runs. A delivery of 7.4 mb of crude from the US SPR in July likely counterbalanced the monthly industry

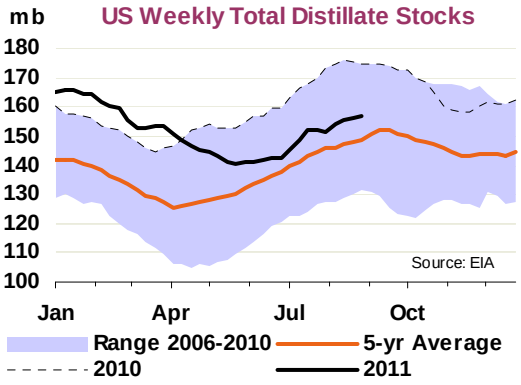
stock draw. At the same time, higher refinery throughputs boosted product inventories by 27.1 mb, as 'other products' and distillates rose more sharply than the seasonal average and a 2.5 mb gasoline build also contributed.





EIA weekly data point to a 4.4 mb increase in US industry stocks in August, including a 0.9 mb contra-seasonal gain in crude stocks. The 21.1 mb of US SPR delivered to industry buyers in August helped offset heightened refinery activity. Meanwhile, Cushing inventories fell by 2.6 mb to 32.7 mb, the lowest levels since November last year, but still well above five year average levels. The draw came despite a sharp uptick in crude imports reported in the US Midwest at the end of August.

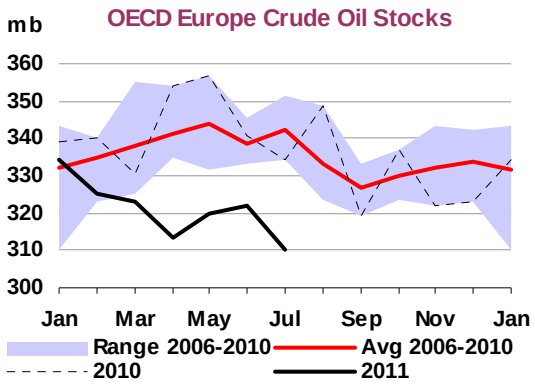


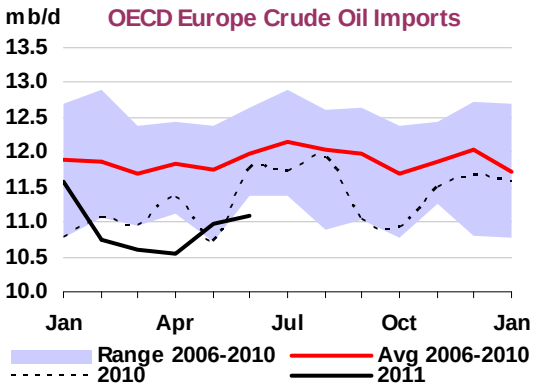


A hike in US refinery throughputs provided sufficient product supplies to cover for a seasonal increase in demand and thus raised refined product inventories by 7.3 mb in August. The bulk of the monthly stock build came from a gain in 'other products' (largely propane), but distillates and fuel oil stocks also increased and outweighed a gasoline draw.

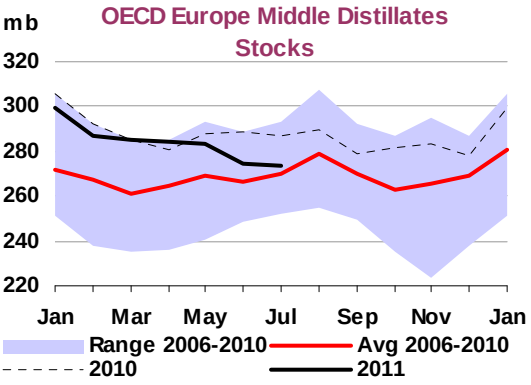
OECD Europe

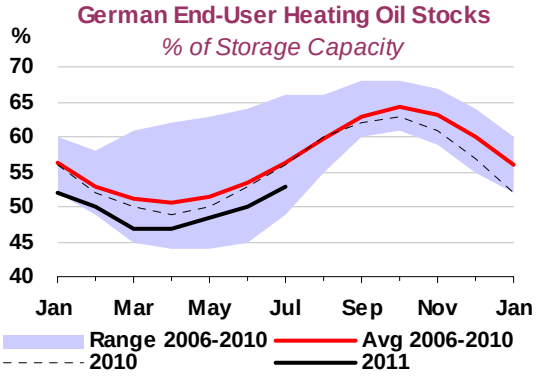
In Europe, industry oil inventories plummeted by 14.3 mb to 922 mb in July, strongly contrasting with a more typical 3.6 mb seasonal build. Crude oil stocks contracted by 11.7 mb to the lowest level since January 2007, following the loss of Libyan supplies and 2Q11 average crude imports of 10.9 mb/d, some 400 kb/d lower than a year ago. Production outages and field maintenance in the North Sea and elsewhere forced refiners to delve further into industry crude oil holdings, which stood at almost 32 mb below the five-year average in July. That said, July data are provisional and subject to later revision.





Refined products held up rather better, with industry inventories dropping by a more modest 2.4 mb in July, driven by draws in all categories bar 'other products'. An uptick in distillate demand curtailed stocks by 1.5 mb and the overhang observed over the past few years almost disappeared. This relative tightness might continue as we forecast distillate demand in Europe to increase sharply in September, partly due to traditional restocking of German end-user heating oil stocks. At end-July, German consumer heating oil stocks stood at 53% of capacity, up from 50% a month earlier.

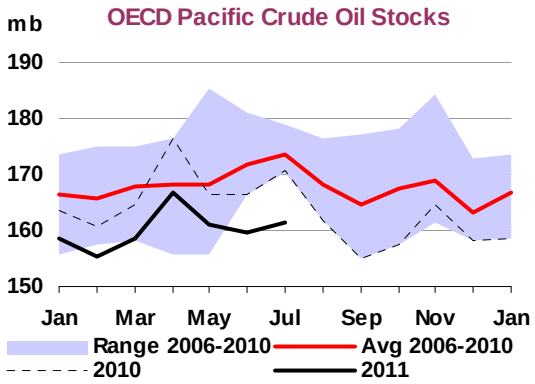


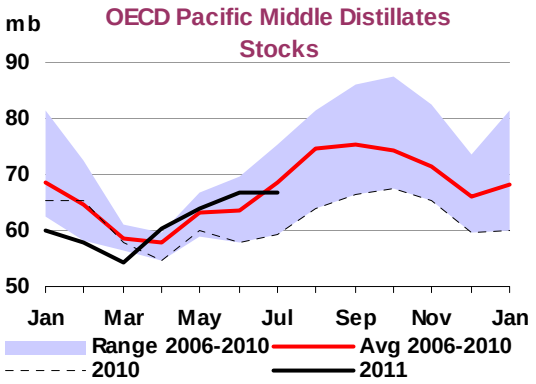


Preliminary Euroilstock data show total oil industry stocks fell by 0.5 mb in the EU-15 and Norway in August. Distillate inventories posted a modest increase of 1.5 mb, outweighed by a 2.0 mb counter-seasonal draw in gasoline. Meanwhile, refined product stocks held in independent storage in Northwest Europe fell in August, led by draws in gasoil and gasoline.

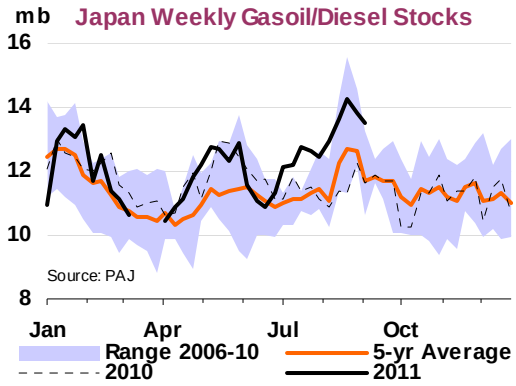
OECD Pacific

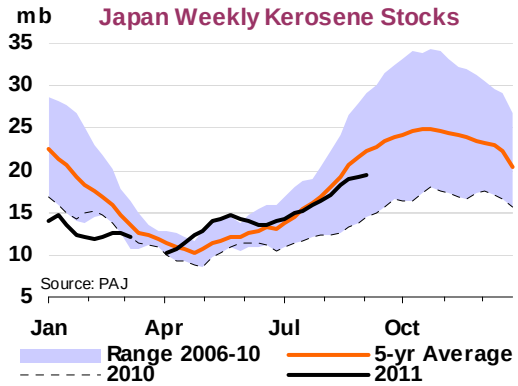
Industry oil inventories in the OECD Pacific rose by 3.8 mb to 409 mb in July. The monthly build was weaker than the typical 9.3 mb seasonal increase and was led by gains in 'other products' and crude oil, with modest declines in other product categories.





Industry crude oil inventories increased by 1.8 mb, while product inventories gained 4.3 mb, as a build in 'other products' outweighed modest draws in gasoline, distillates and fuel oil. Yet, the regional industry stock build is likely supported by 3.5 mb of public oil reserves loaned to industry in Korea (see *IEA Libya Collective Action: Oil from Government Stocks Relieving the Market*).

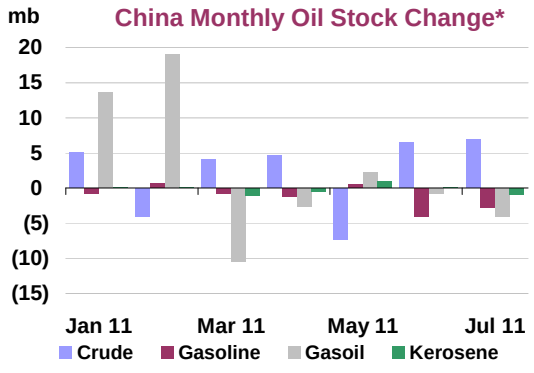




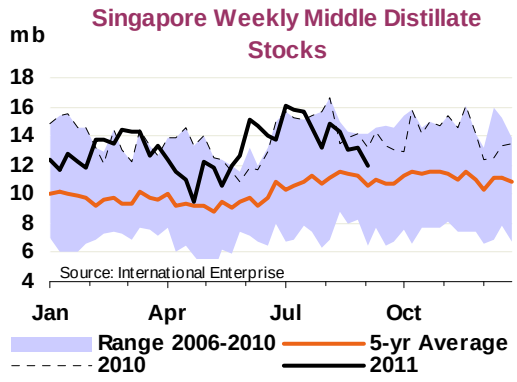
Weekly data from the Petroleum Association of Japan (PAJ) point to a 3.4 mb draw in Japanese commercial oil inventories in August. Increases in refinery throughputs drove crude oil stocks lower by 10.5 mb, while, product stocks rose by 6.0 mb driven by kerosene and gasoil restocking. Before the March earthquake Japanese kerosene inventories were on a declining trend. However, stocks have risen sharply since March, as both domestic refinery runs have recovered and imports from elsewhere in Asia have arrived.

Recent Developments in China and Singapore Stocks

According to *China Oil, Gas and Petrochemicals (China OGP)*, Chinese commercial oil inventories declined by an equivalent of 0.8 mb (data are reported in terms of percentage stock change), to just below 351 mb in July. Crude oil stocks gained 3.3% (6.9 mb) as crude imports remained elevated at the time when several refiners reduced runs due to maintenance. As a result, product stocks contracted by around 7.7 mb, led by a 5.4% (4.1 mb) draw in gasoil. Gasoline inventories dropped by 5.0% (2.7 mb) and kerosene fell by 7.6% (0.9 mb).



*Since August 2010, COGP only reports percentage stock change

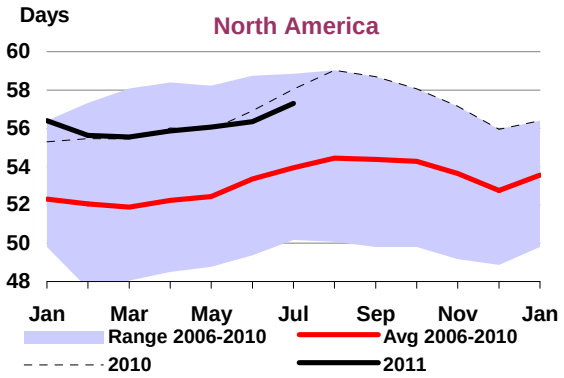


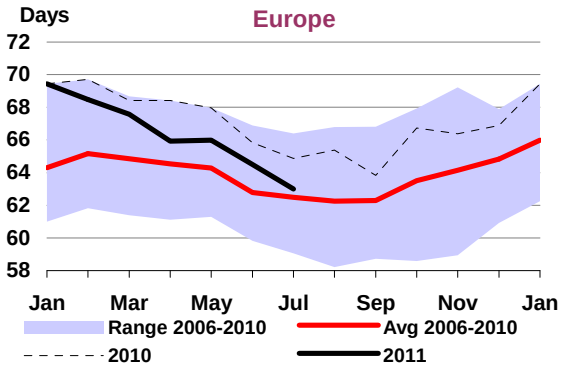
Refined oil product stocks in Singapore rose by 0.2 mb in August, as a gain in fuel oil inventories outweighed draws in light and middle distillates. Fuel oil stocks rose by 1.7 mb following the arrival of several shipments at the end of the month. Meanwhile, gasoline and middle distillate stocks declined by 1.0 mb and 0.5 mb, respectively, led by lower imports following an outage at Formosa's refinery in Taiwan. At the same time, regional demand was strong and product exports to Vietnam increased during seasonal maintenance at the country's sole refinery.

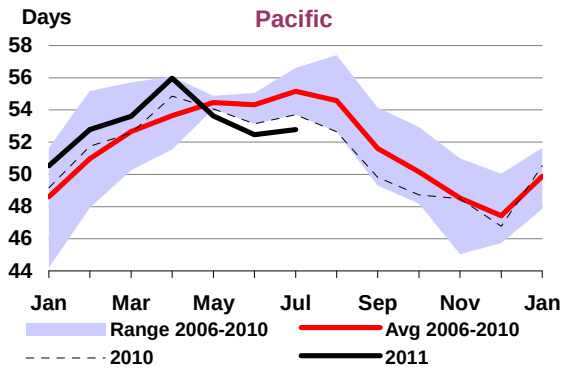
Regional OECD End-of-Month Industry Stocks

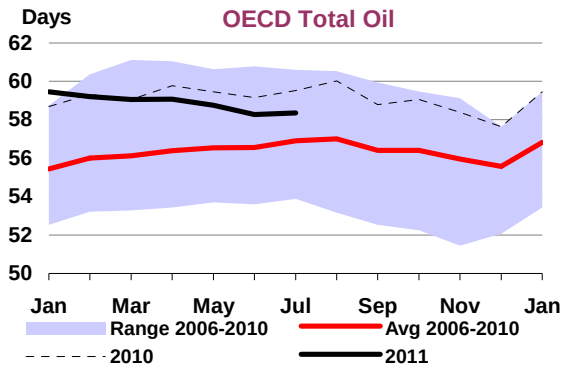
(in days of forward demand and millions barrels of total oil)

Days[1]

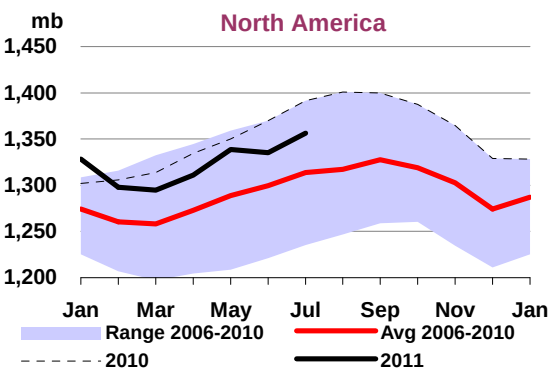


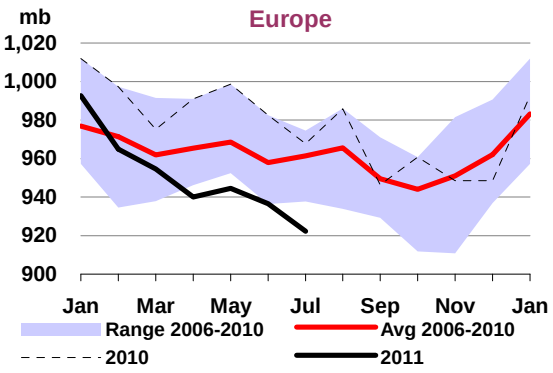


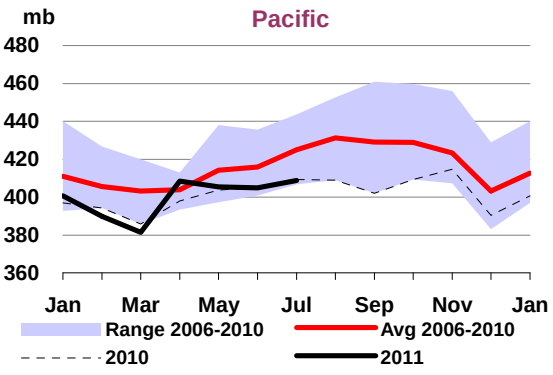


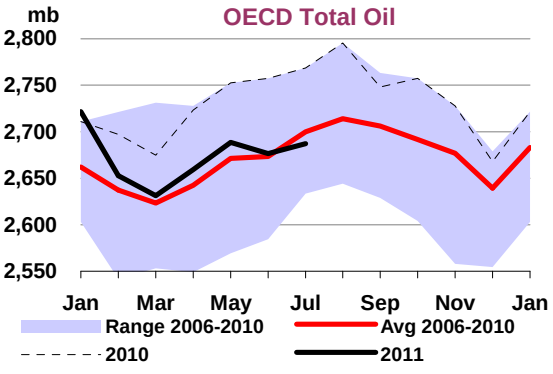


Million Barrels









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

PRICES

Summary

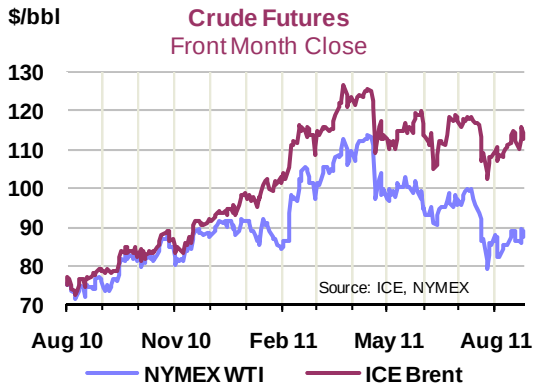
- **Uncertain global economic and financial market prospects underpinned volatile oil futures prices in August and early September.** After plunging in tandem with the large sell-off in financial and commodity markets in early August, WTI and Brent futures partially retraced their losses on tighter Asian and European markets. Prices at writing were $111/bbl for Brent and $86/bbl for WTI.

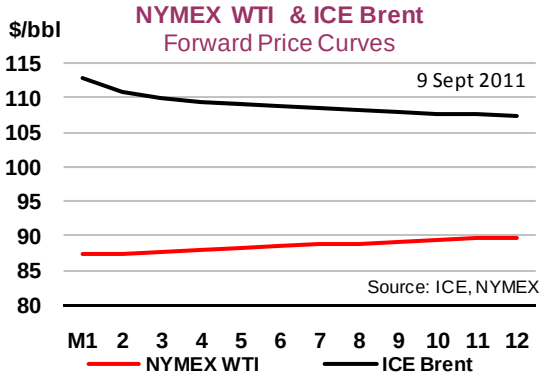
- **Spot crude oil prices tracked the downturn in futures markets, with benchmark grades in August lower month-on-month.** By mid-month, however, physical markets were strengthening on the back of robust demand from refiners, especially in Asia, and on supply outages in the North Sea, US Gulf of Mexico and China.

- **The light end of the product barrel continued to show strength in August, whereas middle distillate markets weakened throughout the month.** In late August, Hurricane Irene propped up product prices. However, moving into September, product crack spreads fell as the rise in crude prices more than outpaced those for products and as a disappointing US driving season came to an end.

- **Refining margins strengthened month-on-month in most benchmark regions in August.** One exception was the US Gulf Coast, where margins showed diverging trends. Early-September saw margins falling in all regions again, as product prices lagged behind resurgent crude.

- **Freight rates remained in malaise throughout August, with earnings on all benchmark routes close to or below break-even levels.** In the crude tanker market, data suggest that global oil in transit has fallen steadily from its June peak. As such, rates on the benchmark VLCC Middle East Gulf – Japan route remained anchored at close to $10/mt, which, when combined with persistently high bunker fuel costs, translates into negative earnings.



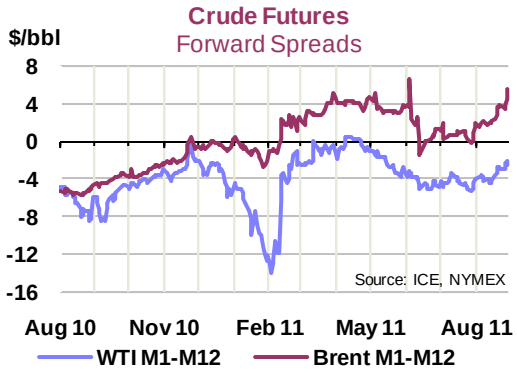


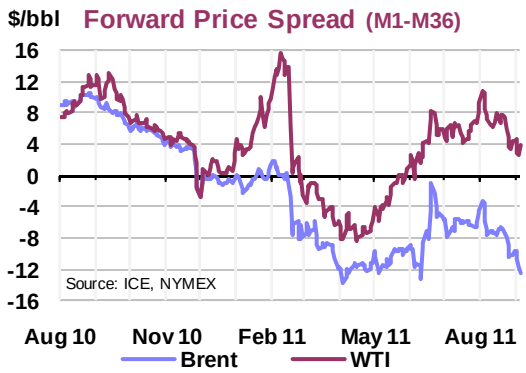
Market Overview

Precarious global economic and financial market prospects underpinned volatile oil futures prices in August and early September. After plunging in tandem with the large sell-off in markets in early August, WTI and Brent futures prices partially retraced their losses on disruptions to supplies in the North Sea stemming from operational problems, weather-related closures in the US Gulf of Mexico, technical issues at fields in China's offshore Bohai Bay, and sabotage to pipelines in Nigeria's troublesome Delta region. Prices were also supported by stronger Asian and European demand as refineries re-entered service after turnarounds.

Benchmark futures prices on average ended lower in August, with WTI down by around $11/bbl to $86.34/bbl and Brent off by a smaller $6.83/bbl to $109.93/bbl. Brent then reclaimed a four-week high of around $115.80/bbl on 6 September, before retracing gains to around $111/bbl at writing. WTI was pressured lower by a weaker-than-expected jobs report in early September but another wave of stormy weather in the US Gulf of Mexico, which forced the precautionary shut-in of oil platforms, briefly added upward pressure before prices eased again, with WTI last hovering around $86/bbl.

The WTI and Brent markets continued on divergent paths in August, with the price spread between the two hitting record levels of over $27/bbl in early September. WTI remains under pressure from relatively high US crude stocks, especially in the land-locked US midcontinent. The latest record spread, however, is in large part due to the continued shut-in of Libyan crude, compounded by continued planned and unplanned shut-ins of North Sea crudes as well as the most recent *force majeure* on Nigerian Bonny Light crude, which has tightened the market for Brent-linked grades.

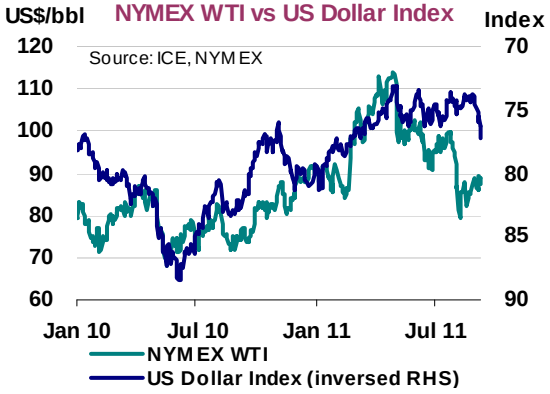




The 12-month forward price strip for WTI is hovering in a relatively narrow range around $90/bbl. The WTI M1-M12 contract was largely unchanged in August at -$4.20/bbl (contango) compared with an average -$4.35/bbl in July but narrowed again in early September to -$2.65/bbl. The M1-M36 contract widened to an average -$7.30/bbl in August, compared with an average -$5.50/bbl in July and -$3.35/bbl in June. However, after peaking in early August, contango narrowed again over the course of the month, which in part reflects growing market expectations that the economic slowdown will be protracted, further undermining global oil demand for the next few years.

By contrast, the Brent M1-M12 backwardation deepened to around $4/bbl in early September compared with $1.55/bbl in August, and $0.80/bbl in July. The longer-dated M1-M36 for Brent contract also saw backwardation widen to over $10/bbl in early September, compared with an average $6.65/bbl in August, $6.20/bbl in July and $8.05/bbl in June.





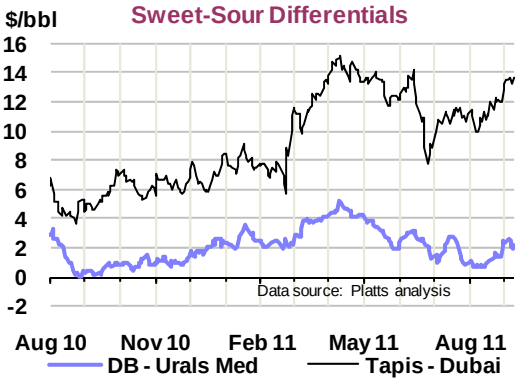
The potential for weaker oil demand is tempering price moves to the upside. Oil prices have been held hostage to almost daily negative economic and financial market reports, with heightened concerns over

European and US debt issues and fears of a double-dip recession prompting a downgrade in GDP expectations for this year and 2012. In response, this report has lowered forecast global oil demand by 0.2 mb/d for 2011 and by 0.4 mb/d for 2012.

Supply woes may yet keep a floor under prices heading into the 4Q11 winter demand period however. OPEC crude oil output in August was up by 165 kb/d, to 30.26 mb/d, but despite the group's higher output levels, production is still 1.04 mb/d below the 31.3 mb/d 'call on OPEC crude and stock change' expected for 3Q11. The supply gap is becoming increasingly apparent in reported stock holdings, with total OECD commercial oil stocks falling below the five-year average for the first time since the recession.

OPEC spare capacity, a key supply barometer for market watchers, currently is estimated at a relatively low 3.24 mb/d, largely due to other producers having raised output amid the continued absence of Libyan production from the markets. The fall of Tripoli to rebel forces on 21 August raised hopes of a quick end to the country's six-month conflict and the prospects for partial restoration of Libyan crude oil supplies, which initially added downward pressure on prices. The price impact was negated as a more cautious consensus emerged on the timeline and scale for the restoration of the country's crude production (*see Supply, 'Short-Term Oil Supply Prospects in Libya as Endgame Nears'*).

Indeed, the continued loss of light, sweet Libyan crude, coupled with the shut-in of North Sea grades and gasoline-rich Nigerian Bonny Light, led to a further widening of sweet and sour price spreads in Europe and Asia, with the Tapis-Dubai differential widening to $13.40/bbl in early September compared with around $11.30/bbl in July and $10.90/bbl in June.



In contrast to the more acute loss of light, sweet Libyan crude, sanctions imposed by the US and EU on Syrian crude and oil products imports are expected to have scant impact on global markets, given the limited export volumes of around 125-150 kb/d. Moreover, other countries not bound by sanctions, such as China and India, are free to lift the Syrian crude (*see Supply section, 'New EU Sanctions on Syria Unlikely to Affect Syrian Crude Oil Production'*).

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

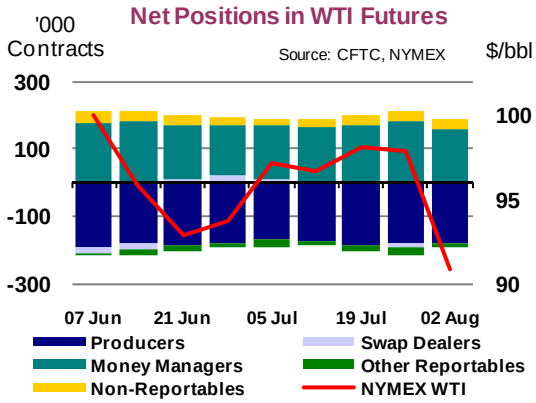
	Jun	Jul	Aug	Aug-Jul Avg Chg	% Chg	Week Commencing: 08 Aug	15 Aug	22 Aug	29 Aug	05 Sep
NYMEX										
Light Sweet Crude Oil	96.29	97.34	86.34	-11.00	-12.7	82.92	85.35	85.08	88.07	88.14
RBOB	123.93	130.16	120.53	-9.63	-8.0	115.85	119.47	121.74	123.20	120.62
No.2 Heating Oil	125.04	129.25	123.92	-5.33	-4.3	119.57	122.79	124.40	127.74	127.82
No.2 Heating Oil ($/mmbtu)	21.47	22.19	21.27	-0.91	-4.3	20.53	21.08	21.36	21.93	21.94
Henry Hub Natural Gas ($/mmbtu)	4.52	4.35	3.98	-0.37	-9.3	4.02	3.94	3.93	3.95	3.95
ICE										
Brent	113.90	116.75	109.93	-6.83	-6.2	105.81	109.12	109.96	113.47	113.33
Gasoil	127.24	130.22	125.27	-4.95	-3.9	120.99	123.98	125.40	129.64	128.13
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-17.61	-19.41	-23.59	-4.17		-22.89	-23.77	-24.88	-25.40	-25.19
NYMEX No.2 Heating Oil - WTI	28.75	31.91	37.58	5.67		36.65	37.44	39.32	39.67	39.68
NYMEX RBOB - WTI	27.64	32.82	34.19	1.37		32.93	34.12	36.66	35.13	32.48
NYMEX 3-2-1 Crack (RBOB)	28.01	32.52	35.32	2.80		34.17	35.23	37.55	36.64	34.88
NYMEX No.2 - Natural Gas ($/mmbt	16.95	17.84	17.29	-0.54		16.51	17.14	17.42	17.98	17.99
ICE Gasoil - ICE Brent	13.33	13.47	15.35	1.88		15.18	14.86	15.44	16.17	14.80

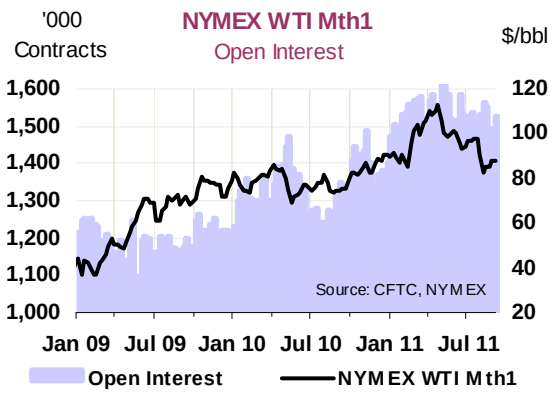
Source: ICE, NYMEX

Futures Markets

Open interest in WTI contracts on New York and London ICE Exchanges showed considerable fluctuations in August. After reaching a four-month peak in the week ending 9 August, open interest in New York declined in futures-only contracts from 1.56 million to 1.52 million contracts. Meanwhile, open interest in futures and options contracts declined by 7.64% to 2.78 million contracts. During the same period, open interest in London ICE WTI contracts increased in futures-only contracts to 0.46 million and declined in combined contracts to 0.51 million.

Producers decreased their net short position during the month of August; they held 27.29% of the short and 15.37% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 32.3% and 31.9% of the open interest on the long side and short side, respectively, decreased their net long position by 13 115 contracts. In the meantime, both producers and swap dealers reduced their net short positions in London ICE WTI futures contract.





Managed money traders decreased their bets on rising crude oil prices to a nine-month low in the week ending 23 August as a response to renewed fears of another recession in the US and concerns over sovereign debt in Europe. However, they increased their bullish bets in the last week of August from 138 771 to 155 728 contracts and from 21 287 to 21 512 contracts, in New York and in London, respectively, in response to the increase in WTI prices from $85.44/bbl to $88.90/bbl. This bullish attitude was subsequently reversed in the week ending 6 September, as managed money traders cut their bets in New York and London. Similarly, money managers decreased their Brent futures net long position by 58% from 91 994 to 38 646 contracts between 2 August and 23 August, 2011. However, they increased their net long exposure by 30 881 contracts from 23 August to 6 September.

NYMEX RBOB futures and combined open interest increased by more than 3.9% in August. Open interest in NYMEX heating oil increased by 1.83% to 312 753 contracts while open interest in natural gas markets declined by 0.32% to 977 952 contracts. Index investors increased their long exposure in commodities in July 2011. However, they withdrew $1.3 billion from the WTI Light Sweet Crude Oil market in July 2011, which fell from an all time high of 694 000 futures equivalent contracts in March to 673 000 contracts, equivalent to $65.1 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

06 September 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	234.3	415.9	-181.6	*Short*	↓ -4.7	↑ 3.8
Swap Dealers' Positions	231.7	224.9	6.8	*Long*	↓ -8.3	↓ -13.1
Money Managers' Positions	224.2	70.1	154.1	*Long*	↓ -1.6	↑ 7.0
Others' Positions	113.8	102.8	11.0	*Long*	↑ 14.1	↑ 22.4
Non-Reportable Positions	71.8	62.1	9.7	*Long*	↑ 0.6	↓ -20.1
Open Interest			**1523.9**		↑ 29.1	↓ -40.6

Source: CFTC

Commodity Index Traders -- The New Whipping Boys?

An August CFTC conference in Washington DC was organised to highlight and discuss recent academic research on key issues affecting commodity markets. The conference came at a time of intense debate surrounding recent CFTC rulemaking. Several conference panelists argued that speculators in general, and commodity index traders (CITs) in particular, have affected the functioning of commodity markets and caused oil price swings that cannot be explained by energy market fundamentals – especially during the 2008 financial crisis. However, in the presentations of that set of papers, we failed to see any detailed accounting for those very fundamentals. In contrast, the few papers at the conference that focused on fundamentals found no clear-cut evidence of speculators driving prices away from their fundamental values.

Perhaps one of the most discussed papers in the follow-up press coverage was delivered by Stanford University's Kenneth Singleton. It is worth noting here that Professor Singleton's paper, which has been seized upon by supporters of limits on speculative commodity positions, started as a survey that he conducted for the Air Transport Association of America (ATA). For this reason and because the paper has received wide publicity, it is worth discussing some of the paper's limitations and methodological shortcomings – which its author himself has acknowledged.

Professor Singleton's paper comprises two parts – a formal model of how speculation could, in theory, temporarily drive commodity prices away from their fundamental value, and an empirical analysis. The theory part assumes that investors are a heterogeneous bunch. Those market participants, including speculators, try to anticipate their competitors' move given imperfect information on economic fundamentals and on speculative activity. Their decisions are therefore sometimes affected by other participants' behaviour (herding); that is to say, investors sometimes mimic their competitors' moves. Investors might also have different opinions about the future course of economic fundamentals. Although these investors might be using common knowledge, their interpretation of common information might be different, which leads to higher trading volumes and co-movements among different asset classes. This has the effect of moving prices away from their fundamental values, inducing higher volatility and generating booms and busts in prices.

Methodology Questions Abound

Professor Singleton next seeks to provide empirical evidence for his analysis. For his empirical work, he uses CIT positions imputed on the basis of investment advisor Michael Master's methodology. This extrapolation method has significant problems. First, the imputation is based on CFTC Supplemental Commitments of Traders (SCOT) report, which does not contain any data for crude oil. To estimate crude oil CIT positions, one must therefore use data from 12 agricultural markets for which the CFTC gathers CIT position information, and then make a number of unlikely assumptions about the relationship between CIT positions in agricultural and energy markets. Second, the SCOT dataset itself is problematic when measuring CITs activity – even for the 12 agricultural commodities. This is because the SCOT, which initially identified 32 (now 43) CITs, classifies all the positions of a trader engaged in commodity index trading as commodity index investment – regardless of the trader's actual trading strategy. Therefore, as has been pointed out by the CFTC itself, "the published aggregate futures position in the COT-Supplemental may overstate or understate the actual amount of index trading (overstate it to the extent the positions reflect other trading strategies, and understate it to the extent that index positions are internally netted against non-index positions before the net position is brought to the futures markets)."

As was pointed out in another paper presented at the CFTC conference by the University of Illinois' Scott Irwin, the imputation methodology employed by Professor Singleton can lead not merely to some measurement errors but to huge measurement errors:

- The netting effect might not be important for agricultural commodities where the swap dealers' futures positions are generally limited to long futures hedges offsetting their short OTC exposure to those pension funds or other index-based traders. However, the netting effect might be very important where many swap dealers (as is the case in energy products), in addition to their commodity index-related OTC activity, enter into other OTC derivative transactions in individual commodities, both with commercial firms hedging price risk and with speculators taking on price risk.

Commodity Index Traders -- The New Whipping Boys? (continued)

- Professor Irwin and his co-author Dwight Sanders show that the level of errors is quite large. Comparing the imputed position with Index Investment Data (IID) provides a glimpse of the extent of measurement errors (52% mean absolute errors). The measurement error at some point leads to a categorisation of some 70-75% of long positions as "index investments", implying that not only all swap dealers' long positions but also managed money traders' positions are categorised as commodity index trading. This is not possible: the CFTC's own " Special Call" data indicates that at most 15-20% of index investment is carried out by money managers.

While some of the other papers presented at the CFTC conference proposed less imprecise alternatives to estimate CIT activity in commodity futures markets, they all relied on time series that the CFTC does not make public. If anything, the data difficulties faced by Professor Singleton and others in proxying for CIT activity points to the need for the CFTC to release more disaggregated position information. For example, there is evidence that the long positions of commodity swap dealers in near-maturity contracts provide a reasonable proxy for commodity index investment. Clearly, publicly available position data disaggregated by maturity would help underpin more detailed analysis in this sphere.

Finally, the interpretation of Professor Singleton's estimation results also presents some difficulties.

First, to estimate realised excess returns in crude oil prices using weekly data from 12 September 2006 to 12 January 2010, the paper uses the change in the long positions of commodity index funds and money managers as well as some financial variables (such as the change in repo positions on Treasury bonds and lagged returns on emerging market equity positions as explanatory variables). As another paper presented at the conference by the University of California's Professor James Hamilton showed, energy market fundamentals are crucial to understanding crude oil prices. Professor Singleton's estimation procedure, however, does not directly account for oil market fundamentals such as demand growth in emerging market economies (especially in China), inventories outside of the OECD, or rising costs of production. Furthermore, as we have argued in previous issues of the OMR, both excess returns and commodity index flows might be responding to some common shocks (such as expectation of higher growth in China and other emerging countries). The point estimates in the regressions might thus be biased due to this endogeneity problem.

Significance: Economic versus Statistical

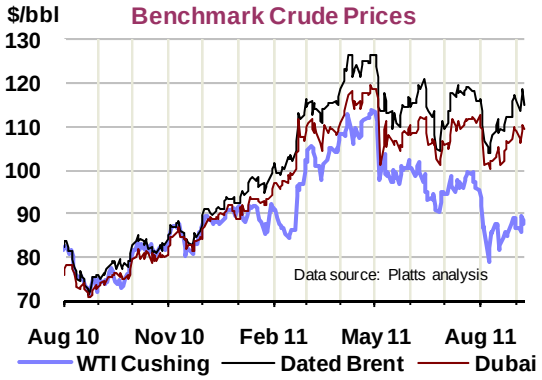
Second, the paper should provide descriptive statistics on the variables so that one can assess the impact of a change in index investment on realised returns. Professor Singleton's paper argues that it presents evidence of "an economically and statistically significant effect of investor flows on futures prices, after controlling for returns in US and emerging-economy stock markets, the futures/spot basis, and lagged returns on oil futures." The index investment coefficient is statistically significant, although it is difficult to assess the economic significance of commodity index investment on realised return, given the information provided on the paper.

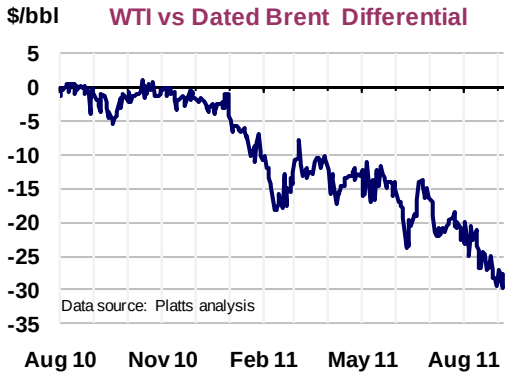
Finally, as suggested by the University of Houston's Craig Pirrong in his blog, suppose that Professor Singleton's findings do indicate that excess returns on crude oil futures are predictable, conditional on measures of speculative activity. Nonetheless, such a predictability of returns would not imply that speculation has distorted prices. Rather, predictability is the result of market frictions that might create hedging demand, leading to an increase in the risk premium. Professor Pirrong suggests that, in such circumstances, speculative positions can predict changes in futures prices. To prevent the predictability of returns, it might be advisable to reduce constraints on the flow of speculative investment to commodity markets, rather than limiting them.

Spot Crude Oil Prices

Spot crude oil prices retraced early August losses posted in the wake of the financial and commodity market sell-off, with physical markets strengthening on the back of supply outages. Average spot prices for benchmark grades in August closed lower month-on-month but by early September were trading near July's loftier levels. US WTI posted the largest decline, down 11.3% while light Malaysian Tapis was off just 3.7%.

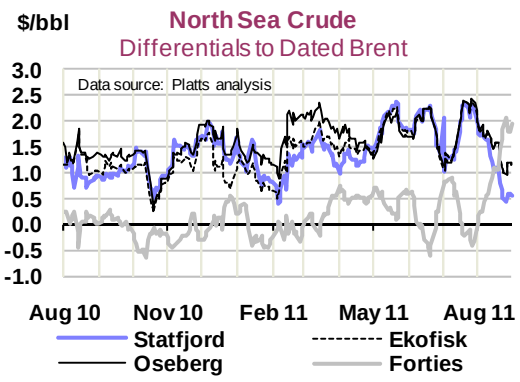
In the US, mounting concerns about the faltering economy, the arrival of SPR barrels into the key US Gulf coast refining region and crude stocks well above the five-year average in the key Midcontinent region continued to weigh on benchmark WTI. Spot prices posted a large decline in August, down by nearly $11/bbl, to an average $86.30/bbl. Spot markets strengthened again from mid-month and by 8 September, WTI had recovered to $87.70/bbl, in part due to supply disruptions caused by Hurricane Irene.

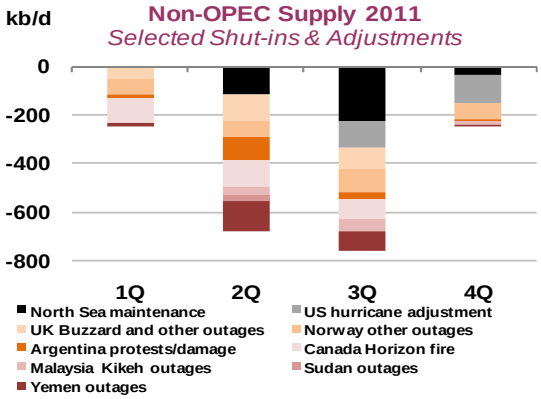




Continued delays with maintenance work curtailed output of North Sea crude in August, which helped stem the price decline last month of Dated Brent, down by around $6.50/bbl to $110.35/bbl. Prices resumed their upward trajectory in mid-August and were around $113.60/bbl on average through 9 September.

Scheduled maintenance work and operational problems in the North Sea, including its largest field, Buzzard, have curtailed the supply of Forties crude for more than four months now. Forties Blend, which includes output from the Buzzard field, is a key crude used for setting the Dated Brent price. The loss of Forties output pushed differentials to other North Sea grades to the highest in more than three years at end-August, whereas heavier Forties normally trades at a discount to other local grades.

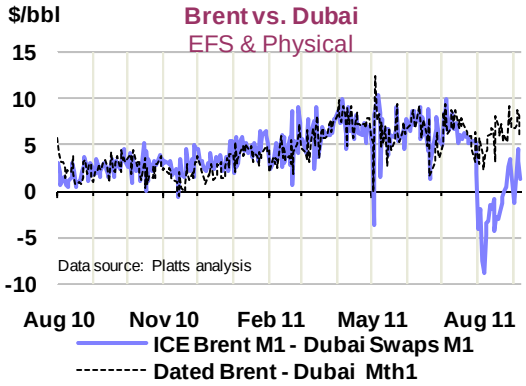


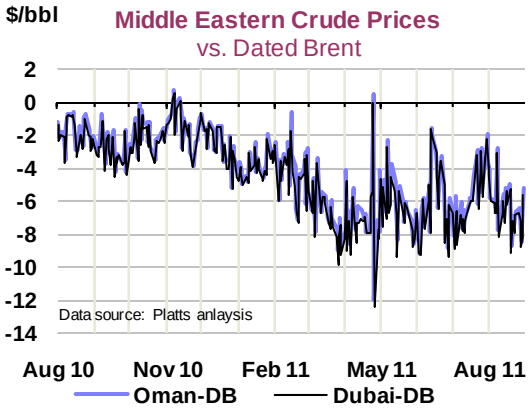


The prolonged outages of North Sea supplies, coupled with the continued loss of Libyan crudes in the Mediterranean, has had a wide-ranging impact not only in European markets but also on US and Asian trade flows. European markets, already tight due to the shut-in of light, sweet Libyan crude, are shunning regional crudes linked to high-priced Brent and, buying cheaper Middle East crudes such as Oman and Iraqi Basrah Light.

Meanwhile, Brent's premium over WTI continued to breach record levels. WTI traded at an average $24.07/bbl discount to Brent in August compared to an average $19.62/bbl in July. By the end of the first week of September, the spread had widened to more than $27/bbl.

In Asia, Brent's relative strength also distorted pricing relationships with Middle East and African crudes. The price spread between Dated Brent and Dubai narrowed over the month on stronger demand for relatively cheaper Middle Eastern crudes compared to Brent-linked African grades. Dubai's discount to Dated Brent averaged $5.35/bbl in August compared with a deeper $6.89/bbl in July. The Brent/Dubai spread, however, was temporarily distorted by the more general plunge in commodity prices in early August. The violent downward move shook out speculative length in Brent contracts while the physical market in the East for Dubai during the price sell-off was tight, so the shock absorber in the equation was the Brent/Dubai spread.





Demand for Mideast crudes is also on the rise ahead of the upcoming seasonal shift in focus to distillate-rich grades. A number of Middle East producers have raised their official selling prices for October, in part due to more robust refining margins. Saudi Aramco raised price differentials for all grades to Asia and Europe while lowering them for US customers. In Asia, prices for Arab Light were raised by $0.90/bbl while Arab Heavy rose by $1.15/bbl, in line with stronger fuel oil crack spreads. In Europe, Arab Extra Light and Arab Light posted the largest increases, as expected, given strong refiner demand for light crudes to replace Libyan barrels. Price differentials for the well-supplied US market were cut by -$0.15/bbl to -$0.25/bbl.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

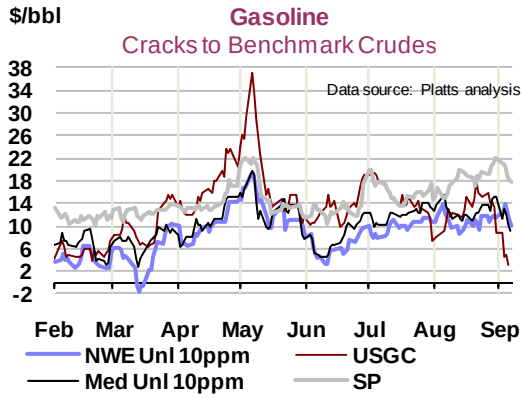
	Jun	Jul	Aug	Aug-Jul Avg Chg	Aug-Jul %	Week Commencing: 08 Aug	15 Aug	22 Aug	29 Aug	05 Sep
Crudes										
Dated Brent	114.04	116.88	110.37	-6.51	-5.6	105.54	109.71	111.18	116.66	115.95
Brent (Asia) Mth1 adjusted	113.92	116.74	110.46	-6.28	-5.4	106.90	108.78	109.94	114.06	113.00
WTI (Cushing) Mth1 adjusted	96.21	97.26	86.30	-10.96	-11.3	82.71	85.27	85.13	88.17	87.95
Urals (Mediterranean)	111.67	114.90	109.17	-5.73	-5.0	104.67	108.78	109.84	114.37	113.46
Dubai Mth1 adjusted	107.77	109.99	105.02	-4.98	-4.5	101.44	103.55	104.89	108.89	108.22
Tapis (Dated)	119.32	120.87	116.36	-4.51	-3.7	111.91	114.84	116.81	121.78	121.61
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-17.82	-19.62	-24.07	-4.44		-22.83	-24.44	-26.05	-28.49	-28.00
Urals (Mediterranean)	-2.36	-1.98	-1.20	0.78		-0.87	-0.93	-1.34	-2.29	-2.49
Dubai Mth1 adjusted - Dated Brent	-6.27	-6.89	-5.35	1.54		-4.10	-6.16	-6.29	-7.77	-7.73
Tapis (Dated)	5.28	3.99	5.99	2.01		6.37	5.13	5.63	5.12	5.66
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.38	0.85	0.45	-0.40		0.15	0.27	0.82	1.18	1.10
Forward WTI Cushing Mth1-Mth2 adj	-0.50	-0.39	-0.29	0.11		-0.35	-0.16	-0.20	-0.31	-0.22

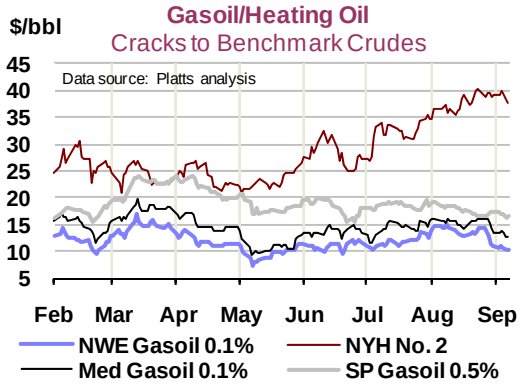
Data source: Platts analysis

Spot Product Prices

The light end of the barrel continued to show strength in August, whereas middle distillate markets weakened throughout the month. The bottom of the barrel remained relatively strong, but in August lost some support. In late August, Hurricane Irene, together with inventory draws, propped up product prices. However, moving into September product crack spreads weakened as the rise in crude prices more than outpaced those for products and a disappointing US driving season came to an end. A higher than expected build in inventories also added downward pressure.

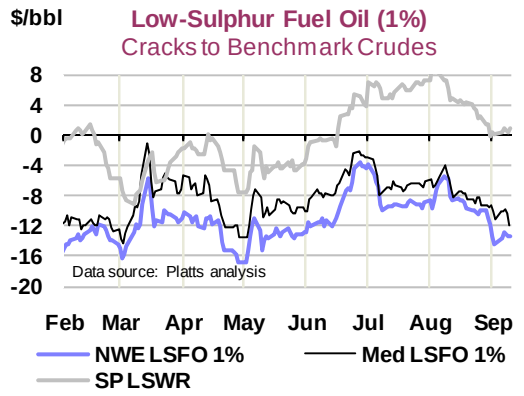
Gasoline crack spreads improved month-on-month in Europe, Asia and the US East Coast, whereas they weakened on the US Gulf Coast. The US Gulf Coast crack spreads for Mars fell from a strong $15.80/bbl in July to $12.55/bbl in August, while LLS was down a lesser $1.15/bbl, to $10.57/bbl, as falling light sweet premiums helped limit losses. Cracks fell in early August due to a larger-than-expected build in stocks combined with low US demand. However, they improved towards month-end due to reduced stock levels as well as fear of possible shortages due to Hurricane Irene, before weakening again in early September on the relative strength of crude markets.

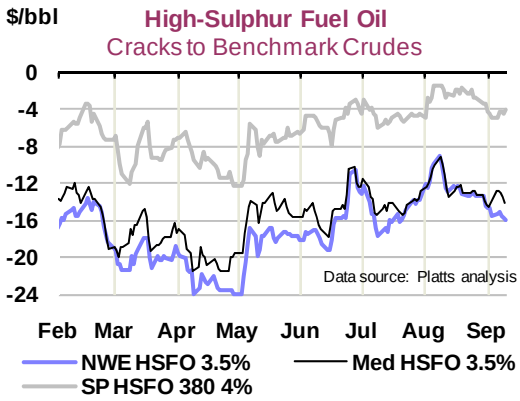




In Europe, gasoline markets were relatively tight, and crack spreads increased slightly month-on-month; up by $1.18/bbl in Northwest Europe and $0.90/bbl in the Mediterranean. Low stock levels and strong regional demand as well as an open arbitrage to all main markets tightened supplies at the beginning of the month, and Hurricane Irene supported crack spreads towards month-end.

Middle distillate crack spreads improved month-on-month in Europe and the US East Coast, and fell slightly in Asia. At the US Gulf Coast, LLS crack spreads improved, whereas the Mars spreads fell. The European market was also tight as stock levels for these products were low and demand was strong, but an open arbitrage from both the US and Asia pressured cracks lower towards month-end. In Asia, sentiment was influenced by fear of oversupply with the gradual restart of the Mailiao refinery in Taiwan as well as increased exports from Japan.





LSFO discounts widened month-on-month in Europe as peak summer demand passed, and fuel oil prices struggled to follow the increases in the crude price. Although weakening, cracks were still in positive

territory in Asia. On the other hand, HSFO discounts narrowed month-on-month in all regions, with strong Asian bunker fuel oil demand, less exports from the Middle East and refining maintenance tightening the market in the beginning of the month. Throughout August, discounts widened however, with increasing stock levels pressuring European markets and increased refinery runs weighting on the Asian markets.

Spot Product Prices

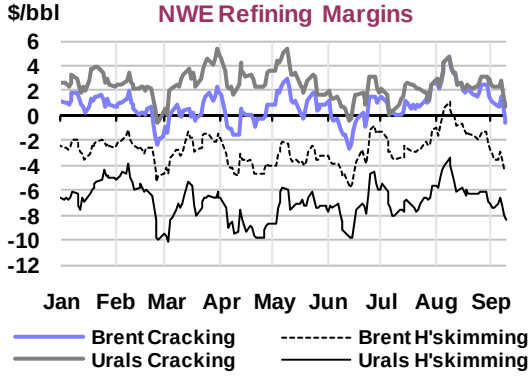
(monthly and weekly averages, $/bbl)

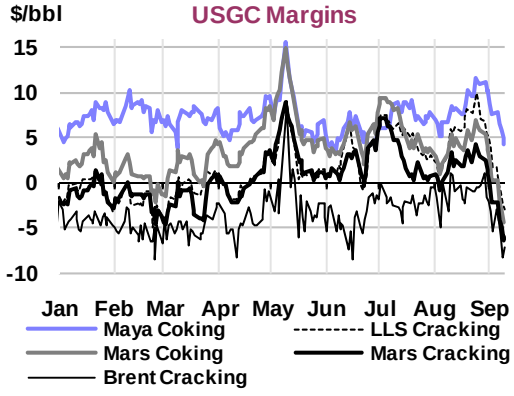
	Jun	Jul	Aug	Aug-Jul Chg	Aug-Jul %	Week Commencing: 08 Aug	15 Aug	22 Aug	29 Aug	05 Sep	Jun	Jul	Aug
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	121.77	127.11	121.78	-5.33	-4.2	117.78	120.16	121.80	129.00	127.26	7.73	10.23	11.41
Naphtha	103.19	108.35	103.94	-4.41	-4.1	99.15	103.74	105.19	108.21	105.88	-10.85	-8.53	-6.43
Jet/Kerosene	129.85	132.94	126.93	-6.00	-4.5	122.82	126.79	126.61	129.76	128.66	15.81	16.05	16.56
ULSD 10ppm	128.52	131.83	126.69	-5.14	-3.9	123.02	125.65	126.75	131.22	129.62	14.48	14.95	16.32
Gasoil 0.1%	125.11	128.50	124.17	-4.33	-3.4	120.07	123.12	124.87	128.81	126.44	11.07	11.61	13.80
LSFO 1%	105.10	108.35	101.59	-6.75	-6.2	98.76	100.87	101.01	103.92	102.50	-8.94	-8.54	-8.78
HSFO 3.5%	98.09	101.49	98.06	-3.43	-3.4	94.38	97.14	97.89	101.82	100.22	-15.95	-15.39	-12.31
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	119.57	126.68	121.85	-4.83	-3.8	117.78	120.37	121.98	128.88	124.60	7.90	11.78	12.68
Naphtha	103.48	108.87	104.40	-4.47	-4.1	99.49	104.21	105.66	108.76	106.37	-8.19	-6.03	-4.77
Jet Aviation fuel	128.50	131.21	125.72	-5.49	-4.2	121.84	125.21	125.56	129.32	127.29	16.83	16.31	16.55
ULSD 10ppm	129.91	133.48	128.15	-5.33	-4.0	124.34	126.71	128.27	132.23	130.92	18.24	18.57	18.98
Gasoil 0.1%	125.26	129.19	124.73	-4.47	-3.5	120.44	123.75	125.38	129.19	126.77	13.58	14.29	15.56
LSFO 1%	105.58	108.60	101.75	-6.85	-6.3	98.53	101.02	101.10	104.29	102.90	-6.09	-6.30	-7.42
HSFO 3.5%	97.10	100.69	96.92	-3.78	-3.8	93.37	96.17	96.77	100.14	100.10	-14.58	-14.21	-12.25
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	123.65	133.08	127.70	-5.39	-4.0	122.32	126.78	129.25	136.00	133.37	27.44	35.82	41.39
Unleaded	118.83	126.96	119.58	-7.38	-5.8	115.13	118.54	121.03	124.28	122.93	22.61	29.70	33.27
Jet/Kerosene	129.09	132.76	127.78	-4.99	-3.8	123.05	127.22	128.64	131.96	129.60	32.88	35.50	41.47
No. 2 (Heating Oil)	124.51	128.83	123.56	-5.26	-4.1	119.29	122.48	123.88	127.40	126.53	28.30	31.56	37.26
LSFO 1%†	105.18	106.65	98.84	-7.81	-7.3	94.91	97.95	99.46	101.38	100.51	8.97	9.39	12.54
No. 6 3%†	101.13	102.08	97.75	-4.34	-4.2	93.99	97.00	98.31	99.98	99.64	4.92	4.82	11.44
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	120.33	126.15	122.85	-3.30	-2.6	117.77	122.76	123.37	129.66	127.81	12.56	16.16	17.83
Naphtha	101.90	105.92	103.00	-2.92	-2.8	98.79	101.95	103.58	106.34	105.61	-5.87	-4.07	-2.02
Jet/Kerosene	126.89	129.23	124.89	-4.35	-3.4	121.79	123.47	124.03	127.65	125.81	19.12	19.24	19.87
Gasoil 0.5%	125.95	128.46	122.99	-5.46	-4.3	119.88	121.52	121.84	126.00	125.28	18.18	18.46	17.98
LSWR Cracked	108.98	116.18	109.90	-6.27	-5.4	107.15	107.90	107.92	109.34	109.06	1.21	6.19	4.89
HSFO 180 CST	101.32	103.15	100.57	-2.58	-2.5	97.54	99.42	100.48	103.05	102.39	-6.45	-6.84	-4.45
HSFO 380 CST 4%	102.66	105.16	102.41	-2.75	-2.6	99.29	101.43	102.40	104.57	103.98	-5.11	-4.83	-2.60

Data source: Platts analysis * CIF † Cargoes

Refining Margins

Refining margins strengthened month-on-month in most benchmark regions in August with the exception of the US Gulf Coast, where margins showed diverging trends, and Daqing hydroskimming margins in China, which dropped in the second half of August. Early September saw margins falling across all regions as product prices lagged behind increasing crude prices.





European refining margins were supported by both strong gasoline and middle distillates crack spreads. Simple refineries had some support from narrow fuel oil discounts in the first half of the month, but the discount widened throughout August, depressing margins for simple refineries back to all-too-familiar weak levels, with losses widening to above $7/bbl for Urals hydroskimming margins in the Mediterranean.

The picture was mixed on the US Gulf Coast. Brent and LLS margins improved as did those for Maya, whereas margins for Bonny Light and Mars fell. Margins improved on increasing gasoline crack spreads, while LLS and Brent margins benefited from falling light, sweet premiums. This is in contrast to Mars margins, which were pressured by more expensive feedstock. In Singapore, refining margins strengthened in August based on high readings at the start of the month, but then weakened as the month progressed. The main factors pressuring margins were a widening fuel oil discount in August and stronger Tapis. Chinese margins improved in August with the exception of Daqing hydroskimming, as Daqing strengthened in August. Cracking margins were stable in August as gasoline crack spreads remained strong due to high demand and reduced refinery runs in the region.

On the US West Coast, refining margins all improved, especially Kern coking margins, which increased their calculated profit to above $15/bbl on average in August. Margins were pushed higher as Kern traded at a larger deficit than usual in August and due to strong gasoline crack spreads.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jun 11	Jul 11	Aug 11		Aug 11-Jul 11	12 Aug	19 Aug	26 Aug	02 Sep	09 Sep
NW Europe	Brent (Cracking)	-0.28	0.78	2.52	↑	1.73	3.56	2.12	1.82	1.51	0.44
	Urals (Cracking)	1.40	1.65	2.92	↑	1.27	3.59	2.37	2.53	2.68	1.68
	Brent (Hydroskimming)	-3.39	-2.62	-0.99	↑	1.64	0.12	-1.19	-1.63	-2.60	-3.73
	Urals (Hydroskimming)	-5.21	-5.35	-3.80	↑	1.55	-3.01	-4.13	-4.17	-4.75	-5.73
Mediterranean	Es Sider (Cracking)	0.75	1.97	2.55	↑	0.58	3.32	1.86	1.92	1.99	0.45
	Urals (Cracking)	-0.32	0.84	2.05	↑	1.21	2.76	1.40	1.51	1.54	0.27
	Es Sider (Hydroskimming)	-3.67	-3.33	-3.14	↑	0.19	-2.14	-3.60	-3.84	-4.54	-5.75
	Urals (Hydroskimming)	-7.37	-7.03	-5.64	↑	1.39	-4.70	-6.09	-6.21	-6.96	-7.43
US Gulf Coast	Bonny (Cracking)	-1.98	0.91	0.43	↓	-0.48	0.25	0.54	1.44	-0.01	-2.78
	Brent (Cracking)	-4.12	-2.25	-1.29	↑	0.96	-1.13	-1.42	-0.68	-2.25	-5.74
	LLS (Cracking)	2.59	5.12	5.44	↑	0.32	4.99	6.59	8.39	4.55	-0.91
	Mars (Cracking)	2.19	2.89	1.91	↓	-0.98	2.20	2.39	3.16	0.45	-4.72
	Mars (Coking)	4.59	5.97	4.13	↓	-1.84	4.26	4.39	5.82	3.11	-2.76
	Maya (Coking)	5.23	7.56	8.47	↑	0.91	7.80	8.36	10.52	9.49	5.81
US West Coast	ANS (Cracking)	-3.19	-2.70	1.30	↑	4.00	-0.18	2.18	4.73	3.21	-2.67
	Kern (Cracking)	3.87	6.67	11.89	↑	5.23	13.97	13.16	13.40	8.85	3.26
	Oman (Cracking)	-0.92	0.09	2.05	↑	1.96	0.62	2.95	4.61	5.44	2.95
	Kern (Coking)	10.87	11.58	15.12	↑	3.54	12.76	15.51	20.42	19.19	11.92
Singapore	Dubai (Hydroskimming)	-1.85	-1.17	0.37	↑	1.53	0.81	0.81	0.17	-0.67	-1.17
	Tapis (Hydroskimming)	-9.26	-6.92	-6.83	↑	0.09	-5.67	-6.49	-7.95	-9.23	-10.52
	Dubai (Hydrocracking)	0.92	1.68	2.86	↑	1.18	3.06	3.35	2.61	2.33	1.71
	Tapis (Hydrocracking)	-8.28	-6.70	-6.30	↑	0.40	-5.36	-5.79	-7.18	-7.99	-9.40
China	Cabinda (Hydroskimming)	-5.40	-2.75	-1.77	↑	0.98	-0.12	-2.42	-3.09	-4.76	-4.51
	Daqing (Hydroskimming)	-2.36	-1.99	-2.74	↓	-0.76	-2.28	-2.94	-3.03	-4.72	-2.30
	Dubai (Hydroskimming)	-2.11	-1.29	0.29	↑	1.58	0.76	0.75	0.07	-0.78	-1.24
	Daqing (Hydrocracking)	0.06	-0.27	-0.22	↑	0.05	-0.34	-0.02	0.04	-0.81	1.31
	Dubai (Hydrocracking)	0.74	1.75	3.03	↑	1.29	3.26	3.54	2.76	2.45	1.88

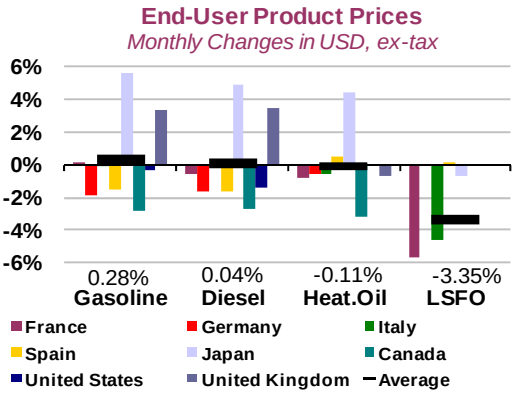
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability 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.

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in August

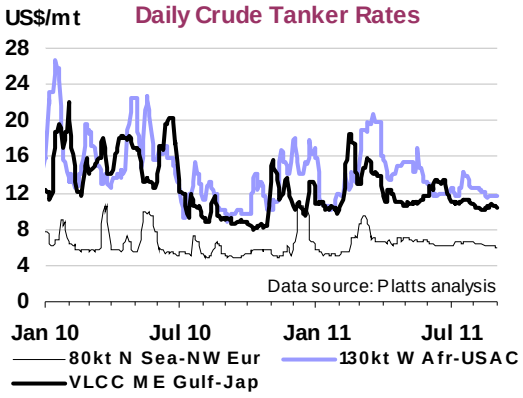
During August, average end-user prices for selected IEA countries, in US dollars ex-tax, saw a marginal decrease in most survey nations, bar the steep increases seen in Japan and the UK. On the one hand, transport fuels saw month-on-month average price decreases of 0.28% and 0.04% for gasoline and diesel, respectively. On the other hand, heating oil declined by a meagre 0.11% and LSFO fell by a sizeable 3.35%. From an annual standpoint, year-on-year growth rates for all fuel prices range between gasoline (37.8%) and LSFO (40.4%).

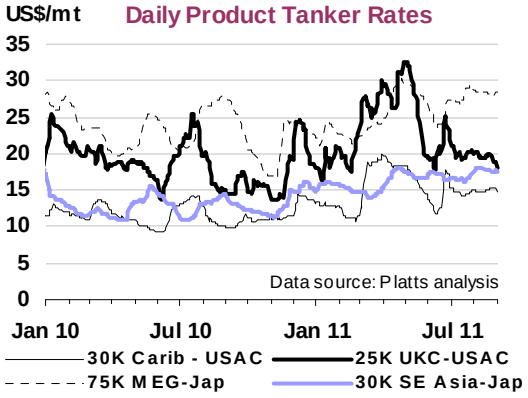


On a month-on-month basis, gasoline, diesel and heating oil fell most sharply in Canada by 2.9%, 2.7% and 3.2%, respectively. Concerning LSFO prices, the largest monthly decline was reported in France where prices fell by a hefty 5.6%. Notably, prices leapt in Japan during the period, bar those for LSFO. Gasoline, diesel and heating oil prices in Japan increased month-on-month by 5.7%, 4.9% and 4.5%, respectively.

Freight

Freight rates remained in malaise throughout August, with earnings on all benchmark routes close to, or below, break-even levels. In the crude tanker market, data suggest that global oil in transit has fallen steadily from its June peak. As such, rates on the benchmark VLCC Middle East Gulf – Japan route remained anchored at close to $10/mt, which, when combined with persistently high bunker fuel costs, translate into negative earnings. Reports indicate that rates for Suezmax and Aframax did manage to remain in positive territory, although they were reportedly well below 'acceptable' levels for owners.



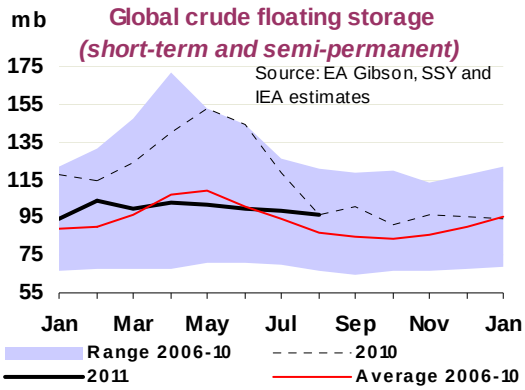


In the product tanker market, the situation was slightly brighter with rates generally holding their ground throughout August. The exception to this was the Caribbean – US Atlantic Coast route which took a downturn late month following extremely slow chartering activity.

Despite this exceedingly grim situation, owners are still resisting laying-up their tankers due to the costs and time involved and in order to maintain their approvals with oil majors. EA Gibson shipbrokers recently estimated another 50 new VLCCs are due to enter circulation by mid-2012, this expansion is expected to outpace oil demand growth and may ultimately force owners into laying-up their vessels.

Short-term floating storage of crude and products fell by 2.2 mb to 48.3 mb at end-August, its lowest level since end-2008. Crude recorded its fourth consecutive monthly fall (-1.2 mb), to 37.6 mb. There is no longer any speculative floating storage of crude, with volumes now only being stored on the water

due to operational and logistical issues. Iran is the main owner of this crude, currently holding 19.3 mb (-2.2 mb m-o-m) as NITC continually shuttles unsold volumes to Ain Sukhna as well as storing some cargoes in the Middle East Gulf. Additionally a ULCC has been anchored off Brazil since November 2010 holding 3.1 mb of crude for logistical reasons. Floating storage of products fell by 1 mb to 10.7 mb and is now concentrated off West Africa, with this region accounting for two-thirds (7.1 mb) of the global volume.



REFINING

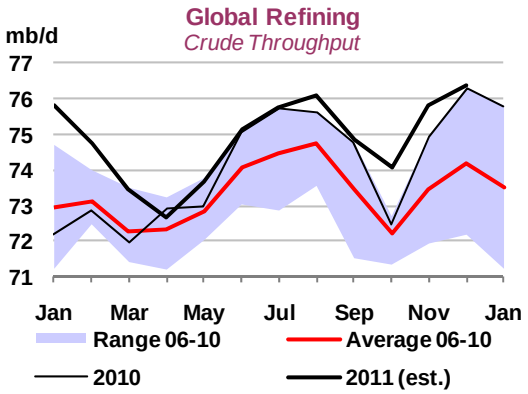
Summary

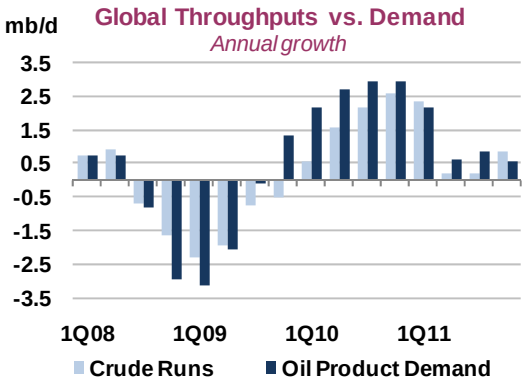
- **Global refinery crude runs have been revised down by close to 0.3 mb/d for both 3Q11 and 4Q11** in light of a weaker demand outlook and higher outages scheduled for a number of countries. The largest changes have been made to Europe, the FSU and 'Other Asia', with some offset from stronger North American and OECD Pacific runs. Global runs are now seen rising 1.7 mb/d in 3Q11, to 75.6 mb/d, and averaging 75.4 mb/d in 4Q11.

- **Estimates for global crude throughputs for 2Q11 have been lifted by 120 kb/d since last month's report** on higher US, Middle Eastern and 'Other Asian' runs. Combined with a weaker outlook for global demand and hence refinery needs for the remainder of the year, the seasonal increase from 2Q11 to 3Q11 is now more in line with historical trends, at 1.7 mb/d. 2Q11 and 3Q11 runs now see weak annual growth of around 0.2 mb/d, compared with over 2.0 mb/d in the previous four quarters.

- **OECD crude runs rose by 570 kb/d in July, to 37 mb/d.** The seasonal increase was smaller than expected, on account of persistently weak European runs and a higher US June baseline. A year-on-year deficit is still evident, with total runs 710 kb/d below a year earlier, and only the Pacific showing annual growth. In all, OECD runs are pegged at 37.0 mb/d for 3Q11, falling to 36.3 mb/d in 4Q11.

- **OECD refinery yields increased for middle distillates and other products at the expense of all other product categories in June.** Gasoil/diesel and kerosene yields rose 0.8 percentage points (pp) and 0.1 pp respectively, while OECD gasoline yields decreased slightly, mainly on a decrease in North America. OECD gross refinery output increased by 1.4 mb/d compared with May, but was still 1.1 mb/d lower than the five-year average.

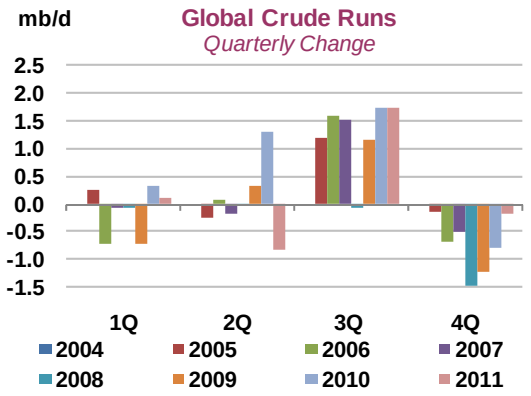


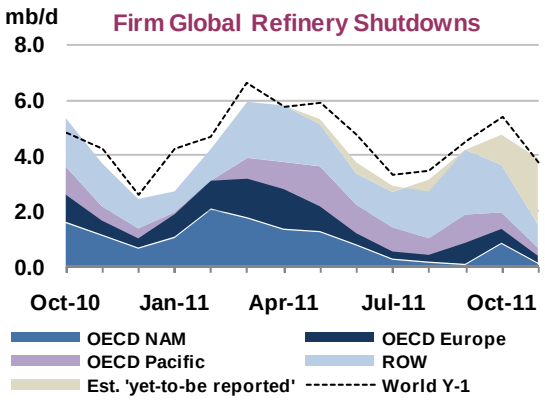


Global Refinery Overview

Global crude runs have been cut by close to 0.3 mb/d for both 3Q11 and 4Q11, following a weaker demand outlook and higher outages scheduled for a number of countries. The most significant changes have been made to the European outlook, where refinery runs remain persistently weak, despite rapidly diminishing product stocks and additional crude made available through the Libya collective action. The latest data were almost 200 kb/d below expectations, and more than 0.5 mb/d lower than a year earlier. Our Russian outlook is also slightly weaker than in our previous forecast, due more to a higher maintenance schedule rather than because of the new export duty regime (see *Implications of Russian Tax Changes on Refining More Long-Term).* Apparent delays in starting up new capacity in India, and continued outages at Taiwan's large Mailiao refinery weigh on the 'Other Asian' forecast. Recent robust runs in the US and South Korea, both supported by strong product exports, provide some offset. Global runs are seen rising by 1.7 mb/d in 3Q11, to 75.6 mb/d and then easing to 75.4 mb/d in 4Q11.

Estimates for global crude throughputs for 2Q11 have been lifted by 120 kb/d since last month's report, on higher US, Middle Eastern and 'Other Asian' runs. Combined with a weaker outlook for global demand and hence refinery needs for the remainder of the year, the seasonal increase from 2Q11 to 3Q11 is now more in line with historical trends, at 1.7 mb/d. 2Q11 and 3Q11 runs now see weak annual growth of around 0.2 mb/d, compared with over 2.0 mb/d in the previous four quarters. Growth in the FSU, China, Latin America and Other Asia is offset by structural and temporary declines in the OECD and Africa, respectively.





Global crude runs are thought to have peaked seasonally in August, at 76.1 mb/d. This is a 3.5 mb/d swing from this year's April low. As the peak summer driving season has ended, refinery runs have already started to wind down and will fall further as seasonal maintenance picks up. While the autumn turnaround schedules are not as heavy as in the spring, up to 5.0 mb/d of capacity is normally taken off line in October, the peak month. Relatively heavy maintenance in Russia and India this autumn add to regular OECD turnarounds.

Refinery margins improved somewhat in July and August, especially for European cracking refineries. US Gulf Coast margins also strengthened, especially for LLS cracking and Maya coking plants. Singapore even saw hydroskimming margins turning positive for Dubai in August. Nevertheless, margins remain under pressure, and the recent announcement from US East Coast refiner Sunoco of plans to exit the refining sector comes neither as a surprise nor is it likely to be an isolated case. More plants will have to shut before enough of the structural capacity overhang is eroded to allow the market to again rebalance.

Global Refinery Crude Throughput[1]

(million barrels per day)

	May 11	Jun 11	**2Q2011**	Jul 11	Aug 11	Sep 11	**3Q2011**	Oct 11	Nov 11	Dec 11	**4Q2011**
North America	17.5	18.0	**17.5**	18.2	18.4	17.7	**18.1**	17.1	17.4	17.6	**17.3**
Europe	11.9	12.2	**11.9**	12.4	12.5	12.2	**12.4**	12.0	12.2	12.2	**12.1**
Pacific	6.0	6.2	**6.2**	6.5	6.8	6.4	**6.6**	6.4	7.0	7.1	**6.8**
Total OECD	**35.5**	**36.5**	**35.7**	**37.0**	**37.7**	**36.3**	**37.0**	**35.4**	**36.6**	**36.9**	**36.3**
FSU	6.4	6.8	**6.5**	6.7	6.5	6.4	**6.5**	6.3	6.5	6.6	**6.5**
Non-OECD Europe	0.5	0.5	**0.5**	0.5	0.5	0.4	**0.5**	0.5	0.5	0.5	**0.5**
China	9.1	8.7	**8.9**	8.8	8.9	9.0	**8.9**	9.1	9.4	9.4	**9.3**
Other Asia	9.0	9.3	**8.9**	9.1	8.7	8.9	**8.9**	9.1	9.2	9.3	**9.2**
Latin America	5.4	5.3	**5.4**	5.3	5.4	5.4	**5.4**	5.4	5.4	5.4	**5.4**
Middle East	5.7	6.0	**5.8**	6.2	6.2	6.2	**6.2**	6.2	6.0	6.0	**6.1**
Africa	2.2	2.1	**2.1**	2.2	2.1	2.1	**2.2**	2.1	2.2	2.3	**2.2**
Total Non-OECD	**38.2**	**38.7**	**38.1**	**38.7**	**38.4**	**38.6**	**38.5**	**38.6**	**39.2**	**39.5**	**39.1**
Total	**73.7**	**75.2**	**73.8**	**75.7**	**76.1**	**74.9**	**75.6**	**74.1**	**75.8**	**76.4**	**75.4**

1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD refinery throughputs rose by 570 kb/d in July, to average 37.0 mb/d. While runs rose in all regions, the seasonal increase was weaker than expected and only OECD Pacific throughputs stood above year-earlier levels. North American and European runs were 420 kb/d and 540 kb/d below July 2010 respectively, as demand over the peak summer season has been lacklustre at best and deliveries have come from storage. A higher baseline for North America, following upward revisions to June data, nevertheless lifts the North American prognosis, and provides an offset to a weaker outlook for Europe. In all, OECD crude runs are pegged at 37.0 mb/d for 3Q11, falling seasonally to 36.3 mb/d in 4Q11.

Refinery Crude Throughput and Utilisation in OECD Countries

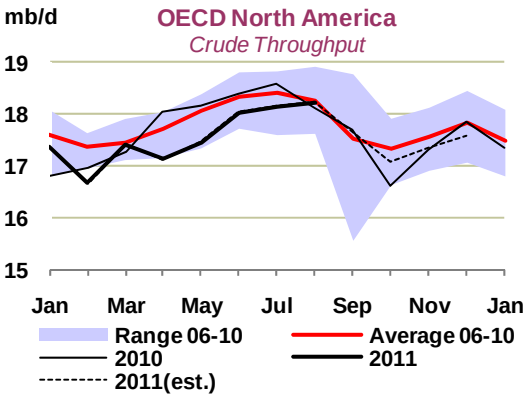
(million barrels per day)

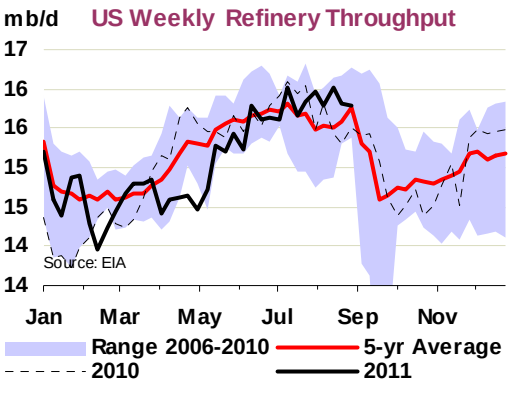
							Change from		Utilisation rate[1]	
	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Jun 11	Jul 10	Jul 11	Jul 10
US[2]	13.75	14.45	14.30	14.78	15.37	15.44	0.08	-0.08	87.9%	88.6%
Canada	1.77	1.78	1.57	1.54	1.54	1.56	0.03	-0.29	85.2%	94.7%
Mexico	1.16	1.20	1.26	1.15	1.14	1.16	0.01	-0.05	75.2%	78.7%
OECD North America	**16.68**	**17.43**	**17.14**	**17.46**	**18.05**	**18.16**	**0.12**	**-0.42**	**86.7%**	**88.4%**
France	1.35	1.26	1.18	1.33	1.35	1.34	-0.01	-0.11	81.5%	79.7%
Germany	1.93	1.73	1.85	1.84	1.78	2.02	0.23	0.03	84.3%	83.1%
Italy	1.55	1.54	1.52	1.56	1.62	1.55	-0.08	-0.21	70.9%	77.2%
Netherlands	1.12	1.08	0.80	1.00	1.04	1.08	0.04	0.00	83.4%	83.4%
Spain	0.97	0.96	1.09	1.01	1.06	1.01	-0.05	-0.13	72.1%	81.3%
United Kingdom	1.42	1.39	1.51	1.50	1.45	1.50	0.05	0.03	83.0%	81.2%
Other OECD Europe	3.83	3.79	3.65	3.72	3.92	3.92	0.01	-0.14	79.6%	83.0%
OECD Europe	**12.16**	**11.74**	**11.61**	**11.95**	**12.23**	**12.42**	**0.19**	**-0.54**	**79.3%**	**81.5%**
Japan	3.80	3.15	3.10	2.78	2.93	3.22	0.29	-0.03	70.1%	68.5%
South Korea	2.53	2.52	2.58	2.51	2.52	2.52	0.00	0.24	92.0%	83.2%
Other OECD Pacific	0.77	0.78	0.78	0.75	0.75	0.72	-0.03	0.04	78.2%	74.0%
OECD Pacific	**7.09**	**6.45**	**6.46**	**6.04**	**6.20**	**6.45**	**0.26**	**0.25**	**78.2%**	**73.9%**
OECD Total	**35.94**	**35.62**	**35.20**	**35.45**	**36.47**	**37.04**	**0.57**	**-0.71**	**82.6%**	**83.3%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

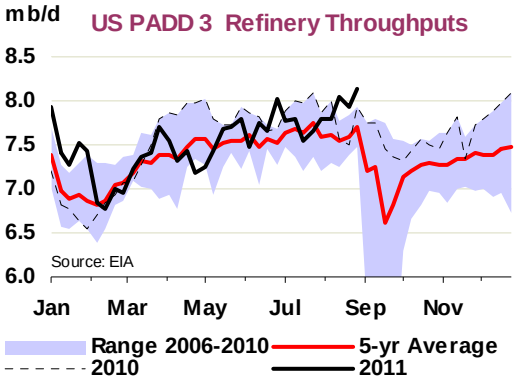
2 US50

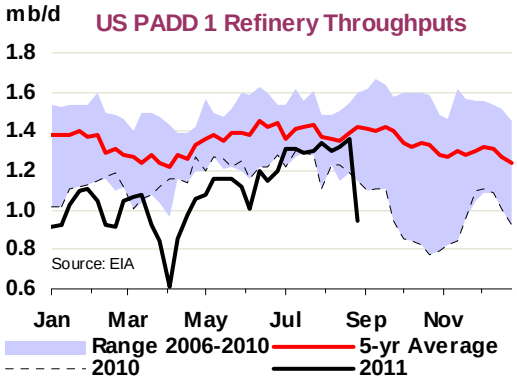
OECD North American crude runs rose by 120 kb/d in July, less than the 350 kb/d increase indicated by preliminary data, on a combination of higher US crude runs for June and weaker Canadian and Mexican runs in July. Total regional runs were still some 420 kb/d below year earlier levels. Weekly data from the EIA show **US** runs rising further in August. In all, North American runs are expected to average 18.1 mb/d in 3Q11, before falling to 17.3 mb/d in 4Q11.





US crude runs were stronger than expected in August, at 15.5 mb/d (+90 kb/d compared with last month's report). Gulf Coast runs in particular rose to their highest monthly average in over a year, supported by healthy coking and LLS cracking margins. Only Brent margins were negative. US East Coast refiners suffered losses when Hurricane Irene ripped through the region in late August. While only ConocoPhillips' 238 kb/d Bayway (NJ) refinery shut down ahead of the storm, other refineries in the region operated at reduced rate to allow for phased shutdowns if needed.



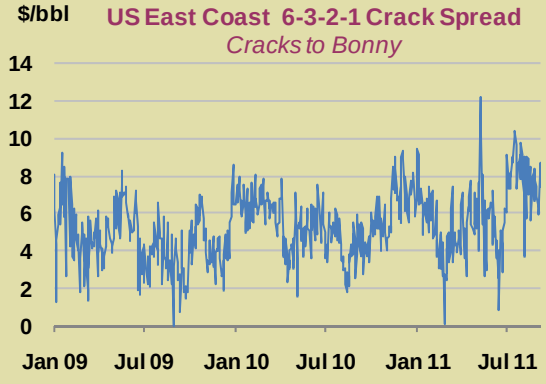


Another Refiner Bows Out - Sunoco Announces Refinery Exit

US refiner and fuel marketer Sunoco announced on 6 September it will exit the refinery business and attempt to sell its Marcus Hook and Philadelphia refineries in Pennsylvania. The two refineries, with capacity of 175 kb/d and 330 kb/d, respectively, account for almost 35% of US East Coast operable refining capacity. While the company has stated it will do its utmost to find suitable buyers, it might struggle to do so by the July 2012 deadline. By that date, if no buyers have been found, the plants' main processing units will be idled and pre-tax charges of up to $500 million for contract terminations, staffing costs and severance paid.

Sunoco's announcement does not come as a surprise, as the company's refining and supply business has lost money in eight of the last ten quarters. Refining losses amounted to $316 million in 2009, $8 million in 2010 and $182 million in the first six months of 2011. With this in mind, the company will likely struggle to find buyers for its plants and closure looks to be a strong possibility. Furthermore, the plants "face significant capacity outlays to satisfy environmental requirements and ensure safe, reliable operations" Sunoco CEO Elsenhans said during a conference call. This is not taking into consideration the large investment requirements needed to improve margins and profitability.

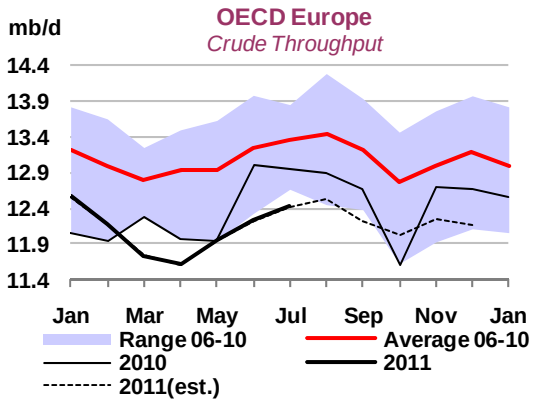
If the plants end up closing, it will have a significant impact on the US East Coast refining sector, increasing the region's reliance on product imports and providing some relief to remaining operators. Sunoco already shut its Eagle Point refinery in New Jersey in 2009 and sold its 170 kb/d Toledo refinery in Ohio, along with a petrochemical facility in Philadelphia, to PBF Holding in May of this year. The US East Coast already imports large volumes of gasoline from the Gulf Coast and Europe. In August, the region imported 630 kb/d of gasoline grades according to EIA data.

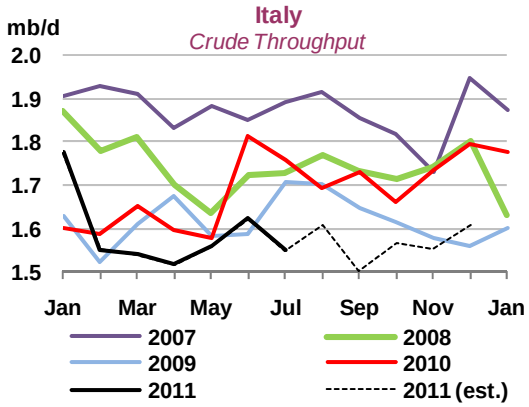


Sunoco, which mainly processes Nigerian and other African light sweet crudes, is at a disadvantage to Gulf Coast and Midwest refiners who benefit from discounted WTI-related crudes. Furthermore, since the Libyan disruption, Sunoco has had to scramble to source adequate low-sulphur barrels and has imported crudes from not only West Africa, but also from Norway, Brazil and Azerbaijan at higher costs, further pressuring margins.

CEO Elsenhans said Sunoco's decision to exit the industry was influenced by weak US Northeast crack spreads. Because Sunoco produces a significant volume of residual fuel, a 6-3-2-1 crack spread (6 barrels of crude, yielding 3 barrels of gasoline, two barrels of distillate and one barrel of fuel oil) is used to assess market conditions. While some improvements have been seen recently, this has clearly not been enough to retain Sunoco's interest in the assets.

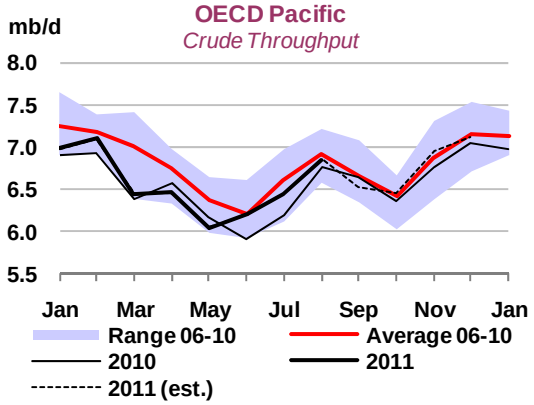
European refinery activity continues to disappoint, and July estimates have been revised down by close to 200 kb/d since last month's report. While total regional throughputs gained 195 kb/d versus June, mostly on higher German runs, they nevertheless stood 540 kb/d below July 2010. Notably, Italian runs have remained weak since the start of the Libyan disruption. Italian refiners were the largest buyers of Libyan crude prior to the disruptions, importing almost 370 kb/d of crude oil from Libya in 2010. While the seasonal increase in runs has been weaker than normal, the release of crude and product stocks and the lowering of stockholding obligations through the Libya collective action provided flexibility to operators as to how to best meet demand. Euroilstock data released on 9 September show Euro15 + Norway runs rising by 85 kb/d in August.

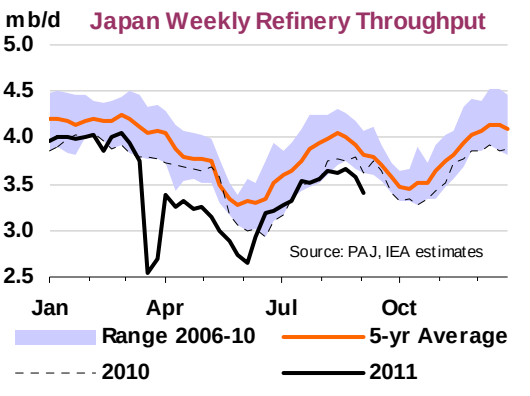




Despite the bleak situation, ConocoPhillips announced on 10 August that it had finally found a buyer for its 260 kb/d Wilhelmshaven refinery in Germany. The plant, which has been mostly idle since 2009, was in the process of being converted to an oil terminal, when Dutch Hestya Energy signed the agreement to buy the plant, storage facilities and marine terminal. Despite the recent sale, we think it is unlikely that the plant will be restarted (at least in the near term) given the dire hydroskimming margins in Europe and the large investment requirements needed to improve light product yields from the current 53%. Conoco scrapped plans to upgrade the plant in 2010, which had included a coker and a hydrocracker, estimated at more than $2 bn. Instead, the company will likely use the plant for its midstream assets.

OECD Pacific crude runs for July rose by 260 kb/d from June's levels, slightly less than anticipated in last month's report. Year-on-year gains of some 250 kb/d are entirely concentrated in South Korea, which continues to see exceptionally strong product exports. July data from the Ministry show refined product exports of 42.22 mb (1.36 mb/d), up 31% on a year earlier and a new record high. Korean runs averaged 2.5 mb/d in July, unchanged from a month earlier, but 240 kb/d above July 2010.





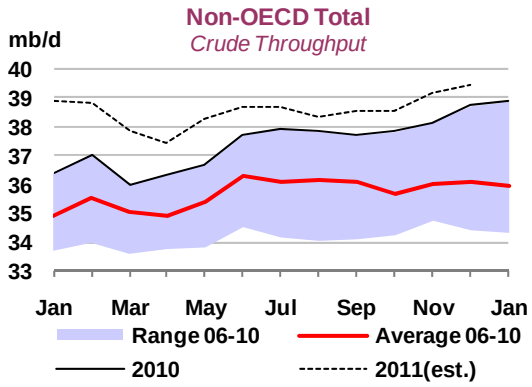
Japanese crude runs were revised slightly lower for July, to average 3.2 mb/d. According to weekly data from the Petroleum Association of Japan, runs rose further in August, before declining seasonally by end-month. The country's largest refinery JX Nippon Oil and Energy announced it would cut runs in

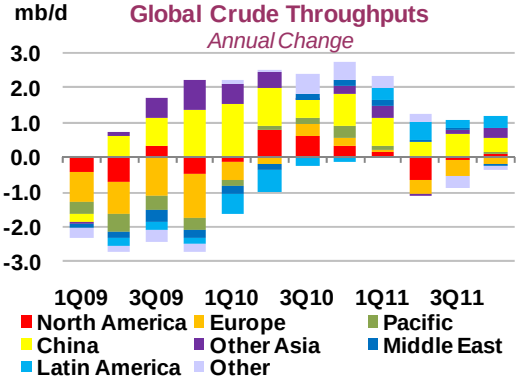
September, to 9% below last year's level due to scheduled maintenance at the Mizushima refinery during September/October. The company also stated that it expects its Kashima plant to reach full operating rates from around November, compared with current levels around 70%. Petrobras' 100 kb/d Nishihara refinery on Okinawa was damaged in a typhoon in early August and only restarted in mid-August.

Non-OECD Refinery Throughput

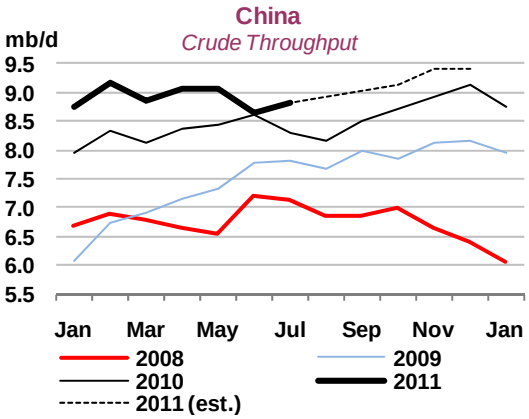
Non-OECD crude runs have been revised lower for the remainder of 2011, by about 200 kb/d on average. Weaker-than-expected runs in both India and Brazil in July have partly been carried forward, and higher refinery maintenance schedules in Russia and a new export tax system there lower our FSU forecast slightly. Apparent delays in starting up new capacity in India have also been factored in.

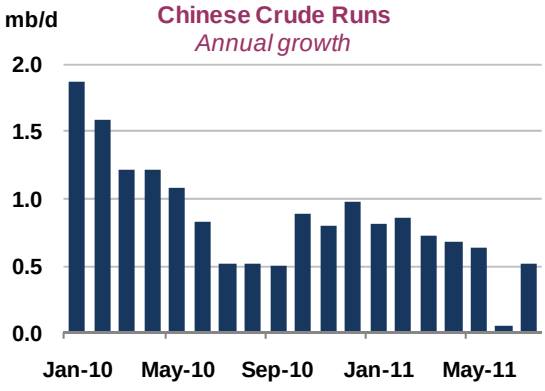
Despite these revisions, annual throughput growth is again seen stemming entirely from the non-OECD, with China, Latin America and Other Asia offsetting decline in the OECD and Africa. The non-OECD is growing by 0.9 mb/d on average in 2Q11-4Q11 period, compared with throughput growth of more than 2.0 mb/d in 1Q11 and 1.3 mb/d on average in 2010. In all, non-OECD runs are forecast to grow from 38.1 mb/d in 2Q11 to 38.5 mb/d in 3Q11 and 39.1 mb/d in 4Q11.





After an exceptionally weak June, **Chinese** refinery runs rebounded in July, posting annual growth of 520 kb/d, or 6.3%, compared with only 0.6% in June. At 8.8 mb/d, total runs were 175 kb/d higher than a month earlier, and 110 kb/d above expectations. Runs are expected to increase further in August and September, despite continued problems at PetroChina's Dalian refinery. The 400 kb/d plant was forced to shut one of its two crude distillation units in mid-July, when a fire broke out. A second fire broke out during restart of the unit at end-August, forcing the head of the plant to resign.

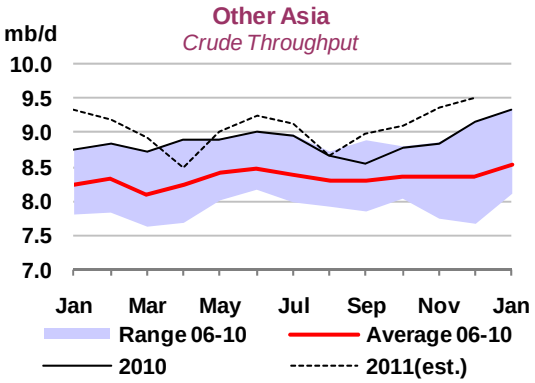


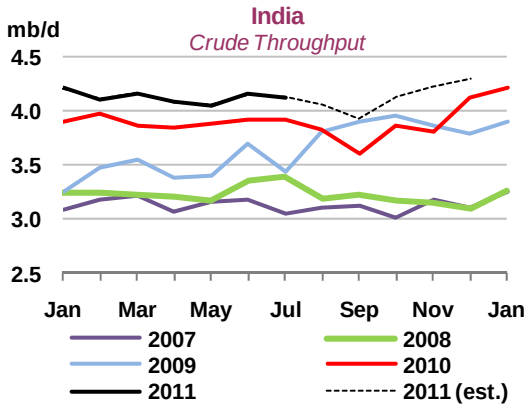


While maintenance shutdowns are expected to remain around July's levels in August, industry surveys show state-owned refiners planning to lift run rates to meet seasonally higher product demand. There

were also reports of Sinopec starting up a new 160 kb/d crude unit at its Changling plant in August, with an aim to start commercial operations in September. It is not clear if the plant's current 70 kb/d CDU will be shut, or if there is enough pipeline capacity to run the plant at full rates. Maintenance schedules start to unwind from September, suggesting increasing runs through the latter part of the year.

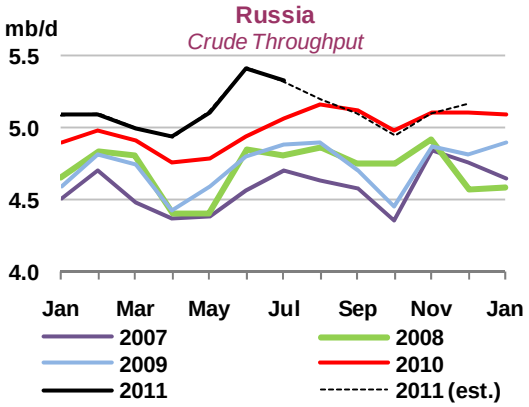
Other Asian refinery runs are seen dipping in August and September, on the shutdown of Taiwan's Mailiao refinery and maintenance in Vietnam and India. **Indian** crude runs were lower than expected in July, and have been revised down by 220 kb/d since last month's report. It seems that BPCL/Oman Oil's 120 kb/d Bina refinery is still experiencing start-up problems related to power supply and full rates are now not expected until September (we had previously assumed the plant would already be running at full capacity from July). Reports are that HPCL/Mittal's 180 kb/d Bathinda plant also started processing crude in late August. While company estimates suggest the plant will be fully operational by November, some market observers say it will only be commissioned at the end of this year at the earliest. Indian capacity will be further boosted when an 80 kb/d expansion at Essar's Vadinar refinery becomes operational in early 2012. The 280 kb/d plant will undertake a 35-day complete shutdown to tie in new units from 18 September. Total Indian crude runs are estimated at 4.1 mb/d in July, adjusted 0.7 mb/d above ministry data, to account for runs at Reliance's export refinery at Jamnagar and the recently commissioned Bina refinery, not included in official statistics.





In **Taiwan**, Formosa restarted one of its three 180 kb/d crude distillation units at the end of August. The entire 540 kb/d Mailiao plant had been closed since the end of July, when the seventh fire in a year broke out at the facilities. We assume that all three units will be operational by the end of September, although start-up still depends on the government's approval. Elsewhere, **Vietnam** restarted the 140 kb/d Dung Quat plant ahead of schedule on 26 August after a planned two-month complete turnaround from mid-July. The plant was originally to restart in mid-September.

Russian crude runs fell slightly from June's record-high; to average 5.32 mb/d. Runs were nevertheless 5% above a year-earlier, with gasoline output in particular higher year-on-year. These were up 1.8% and 9.3% on a monthly and annual basis, respectively, as refiners are struggling to prevent further domestic gasoline shortages. Despite the higher-than-expected July figures, we have revised down our outlook for Russian refinery runs for the remainder of the year. The most recent schedules released by the Energy Ministry show extensive maintenance at several large plants planned for September and October.



Implications of Russian Tax Changes on Refining More Long Term

The new Russian export duty regime discussed in *Russia: Upstream and Export Impacts of the 60-66 Tax Regime* in the *S*upply section could also have an impact on the refinery industry, but most likely more so in the longer term.

The aim of the new tax rules is two-fold. Firstly, to reduce the tax burden on oil producers to encourage upstream investments in new fields and to stem depletion. Secondly, to encourage refiners to upgrade their plants and reduce fuel oil yields. The 19% increase in fuel oil duties will slash the steep discount in fuel oil duties to crude and light products currently, starting in October. While the new regime will lower profitability for refiners exporting fuel oil, the impact on refinery runs and trade patterns is less clear-cut.

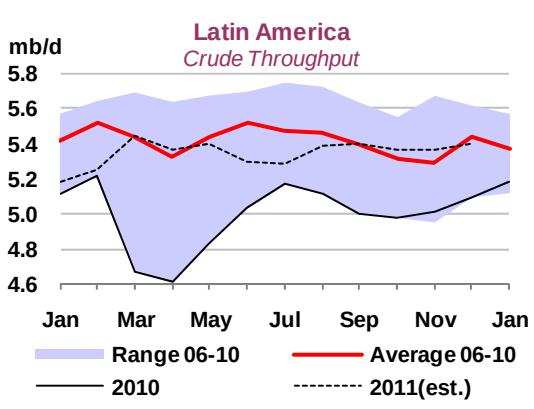
According to some traders, exports of straight-run fuel oil will remain profitable even with the higher duties, while others think fuel oil exports could take a hit from higher crude exports. In addition to some 400 kb/d of fuel oil imports from the FSU in 2010, OECD Europe imported more than 200 kb/d of refinery feedstocks from the region last year, with 65-70% coming from Russia. Given recent domestic product shortages and a tight market for light products, margins remain relatively strong in Russia, and we think runs will be sustained at relatively high rates to feed domestic demand for light products. As a result, fuel oil production and exports will likely be sustained close to current levels in the immediate future.

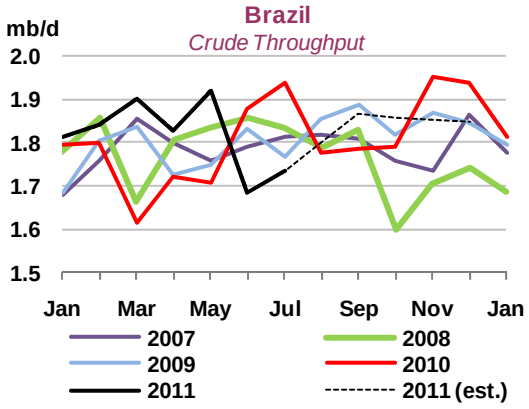
In the very short run, refiners could try to maximise runs and increase product exports through September, and several companies have talked about postponing maintenance work until after the 1 October tax change. Reportedly, Lukoil is to postpone work at its Perm and Norsi plants until October, while Gazpromneft is also to postpone planned shutdowns at its Omsk and Moskow refineries until October and November, respectively.

Longer term, the new taxes should provide incentives for refiners to invest in upgrading and modernisation of plants. From January 2015, the fuel oil duty is set to increase to 100% of the crude duty, potentially making oil product exports unprofitable - even with modernisation. This would significantly increase the rate of return on upgrading investments, but its implementation is still a key uncertainty.

While it is impossible to predict the exact effects of the new tax regime on runs and export patterns, we have adjusted down our crude runs forecast slightly for the tail-end of the year, and now see crude runs fall from 5.2 mb/d in 3Q11 to 5.1 mb/d in 4Q11.

Latin American crude runs declined marginally over June and July, on lower throughputs in Brazil. The latter fell from 1.92 mb/d in May to 1.68 mb/d in June and 1.73 mb/d in July. Lower runs at Petrobras' 240 kb/d Reduc (Duque de Caxias) refinery in Rio de Janeiro state and RPBC (Pres Bernandes) Cubatao refinery, most likely due to maintenance shutdowns, prompted the declines. Also owned by Petrobras, a 31 kb/d refinery in Bahia Blanca in Argentina was shut on 10 August after an explosion killed one worker. While the plant restarted on 17 August, provincial authorities have threatened to close the plant again, unless the company provides some assurances on safety. Argentinean refinery output was cut in June, when strikes in the Santa Cruz region cut into production and limited deliveries.

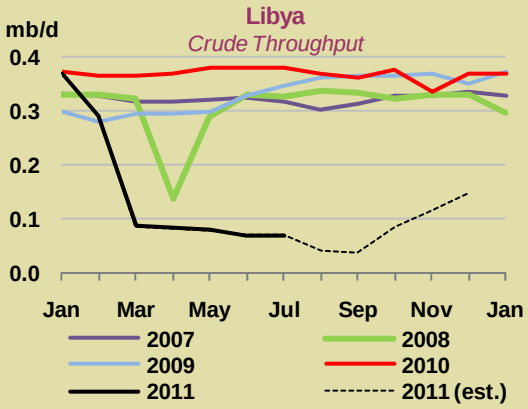




In **non-OECD Europe**, Lukoil resumed operations at its 140 kb/d Neftokhim plant in Bulgaria in early August, after Sofia's administrative court overturned the customs authorities' decision to suspend the Russian major's fuel depot license. The license had been suspended after the firm failed to meet a deadline to install flow meters linking the refinery to the Bulgarian customs agency, and as a result the plant had to stop crude processing briefly in late July.

Libyan Refinery Status

Libyan refinery operations came to a complete halt in August, when the 120 kb/d Zawiya refinery, located 50 km west of Tripoli ceased throughputs. The plant had been one of the few sources of fuel for Colonel Gaddafi's troops and the people of Tripoli since the beginning of the conflict, but rebels took control of the plant on 17 August and the pipeline linking it to Tripoli was severed. Most recent estimates suggest that the refinery was operating at 40 kb/d before the complete shutdown, due to lack of crude supplies. Both Zawiya and the smaller Tobruk refinery (20 kb/d) are not believed to have sustained serious damage and are likely to restart operations relatively quickly as crude supplies are restored. State-owned Agoco said in early September, Tobruk and the smaller 10 kb/d Sarir refinery could be restarted by end-month, coinciding with a planned production start-up at the Sarir and Mesla oil fields.

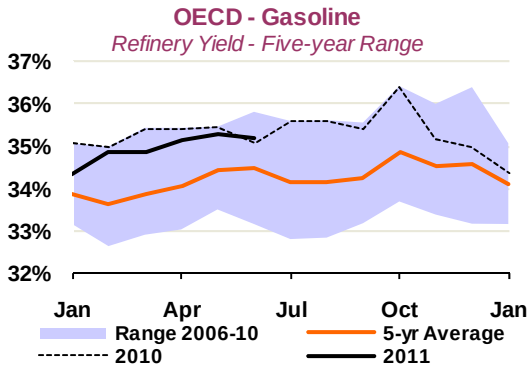


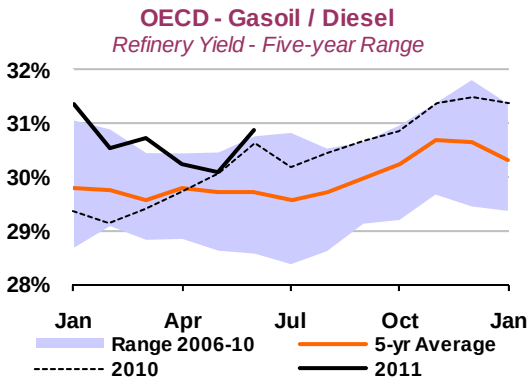
The state and likely start up of the 220 kb/d Ras Lanuf refinery, is more uncertain. The plant, which is the country's largest, has been closed since February, when staff left and the plant was shut down for security reasons. According to the refinery manager, the plant is intact and the company is planning to restart the complex. Other reports, however, indicate more serious damage to the facilities, and on 12 September Gaddafi forces reportedly attacked the plant, killing 15 guards. Moreover, the beach around Ras Lanuf and its port has reportedly been heavily mined, further impeding re-start of facilities there. Start-up will depend not only on the state and accessibility of these facilities, but also on the resumption of crude production and infrastructure to bring feedstock to the refinery. The Ras Lanuf plant is therefore assumed to remain offline for some more months to come.

In the meantime, Italy's Eni has agreed to "provide a first supply of refined products to the NTC to contribute to the basic and most urgent needs of the Libyan population", according to a statement on 29 August. On 30 August, there was a flurry of reports of product shipments heading from Malta to the Libyan ports of Benghazi, Misrata and Khoms. This follows press reports that trader Vitol continued to deliver products to rebel forces in eastern Libya throughout much of the conflict.

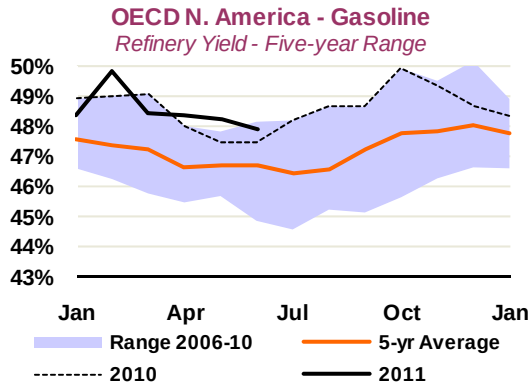
OECD Refinery yields

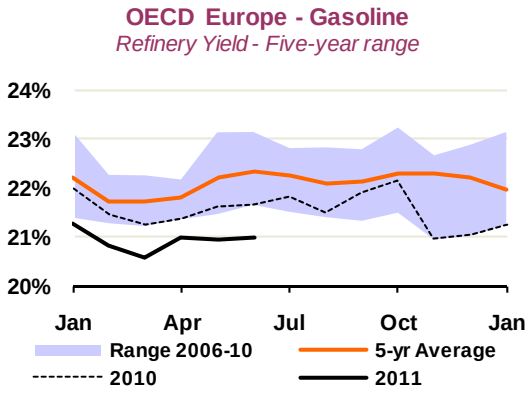
OECD refinery yields increased for middle distillates and other products at the expense of all other product categories in June. Gasoil/diesel yields rose 0.8 percentage points (pp), with OECD Pacific being the largest contributor, leaving yields 0.2 pp above last year's level and above the five-year range. Jet fuel/kerosene yields rose a modest 0.1 pp, as increases in both North America and Europe were offset by a decrease in the Pacific. OECD gasoline yields decreased slightly in June, mainly on a decrease in North America, whereas yields in the other two main regions were more or less unchanged vs May. OECD gross refinery output increased by 1.4 mb/d compared with May, but was still 1.1 mb/d lower than the five-year average as especially OECD European runs were trending below their five-year average.





In OECD North America, yields increased for gasoil/diesel as distillate crack spreads were strong due to high export demand and expectations of tighter markets ahead. Gasoline yields decreased slightly in line with seasonal trends, but yields are still high, and at 47.9% they stand 1.2 pp above the five-year average.





In OECD Europe, both gasoil/diesel and gasoline yields were practically unchanged compared with May. In contrast to North America, European gasoline yields have been 0.4-0.7 pp lower than last year's level so far this year, reflecting reduced regional demand for the motor fuel. Gasoil/diesel yields on the other hand were just below last year's level in June, supported by improved distillate crack spreads.

In OECD Pacific, gasoline yields increased somewhat, and at 23.3% they were 0.1 pp higher than last year's record-high level for June. Gasoil/diesel yields increased 1.8 pp, and stood in June some 1.5 pp above the five-year average and 1.3 pp above last year's level. The increased yields for these product categories were supported by stronger product cracks and expectations of strong demand, especially for gasoil/diesel.

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

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.4	23.7	24.1	23.9	23.8	23.8	23.3	23.7	23.5	23.6	23.5	23.1	23.6	23.5	23.4
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.5	14.5	14.3	14.1	13.9	14.5	14.5	14.2
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.7	8.3	7.9	8.6	7.4	7.5	8.1	7.9
Total OECD	47.6	45.6	45.9	45.3	46.6	46.7	46.2	46.3	44.6	45.9	46.4	45.8	46.2	44.4	45.6	46.0	45.6
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.8	4.7	4.6	4.6	4.6	4.9	4.8	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.5	9.5	9.8	9.6	10.0	10.1	10.0	10.3	10.1
Other Asia	9.7	10.1	10.4	10.5	10.1	10.5	10.4	10.7	10.8	10.5	10.8	10.7	11.1	11.2	10.8	11.3	11.1
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.6	6.5	6.5	6.5	6.7	6.9	6.8	6.7
Middle East	7.2	7.5	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.8	8.1	8.3
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.6	3.5	3.6	3.5
Total Non-OECD	38.9	39.9	40.8	42.1	42.4	43.0	42.1	42.7	43.5	43.9	43.9	43.5	44.2	45.2	45.6	45.5	45.1
Total Demand[1]	86.5	85.5	86.8	87.4	89.0	89.7	88.2	89.0	88.1	89.8	90.2	89.3	90.4	89.6	91.2	91.5	90.7
OECD SUPPLY																	
North America[4]	13.3	13.6	14.0	14.0	14.1	14.4	14.1	14.4	14.2	14.0	14.4	14.2	14.5	14.3	14.2	14.5	14.4
Europe	4.8	4.6	4.5	4.2	3.8	4.2	4.2	4.1	3.8	3.9	4.3	4.0	4.2	3.9	3.9	4.1	4.0
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	18.7	18.8	19.1	18.8	18.5	19.2	18.9	19.0	18.5	18.4	19.3	18.8	19.4	18.9	18.8	19.3	19.1
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.7	13.8	13.6	13.8	13.7
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.3	4.5	4.3	4.5	4.6	4.6	4.6	4.6
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.0	29.8	30.1	29.6	29.9	30.3	30.0	30.5	30.5	30.4	30.5	30.5
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.1	1.9	1.9	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.6	51.6	52.2	52.5	52.6	53.1	52.6	52.7	52.2	52.6	53.7	52.8	53.8	53.6	53.8	54.2	53.8
Non-OPEC: Historical Composition[2]	49.6	51.6	52.2	52.5	52.6	53.1	52.6	52.7	52.2	52.6	53.7	52.8	53.8	53.6	53.8	54.2	53.8
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.4								
NGLs	4.5	4.9	5.2	5.2	5.5	5.6	5.3	5.8	5.8	5.9	6.0	5.9	6.2	6.2	6.4	6.4	6.3
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2								
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2								
Total Supply[6]	86.8	85.6	86.6	87.0	87.7	88.3	87.4	88.5	87.4								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.4	0.9	-0.1	-0.9	0.1	-0.4	0.5								
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0								
Total	0.3	0.0	0.4	0.9	-0.2	-0.7	0.1	-0.4	0.5								
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.1	-0.2	-0.3	-0.2	0.2	-0.2								
Miscellaneous to balance[7]	-0.1	-0.2	-0.3	-1.3	-0.8	-0.3	-0.7	-0.2	-0.9								
Total Stock Ch. & Misc	0.2	0.1	-0.1	-0.4	-1.3	-1.4	-0.8	-0.5	-0.6								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.4	29.7	31.0	31.0	30.3	30.4	30.1	31.3	30.5	30.6	30.4	29.8	31.1	30.9	30.6
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.1	28.4	30.1	30.7	29.6	30.2	29.1	30.8	30.1	30.1	30.0	29.4	30.6	30.5	30.1

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	0.1	0.1	-0.1	-	-0.2	-0.1	-0.1	-0.2	-0.1
Europe	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	-	-0.3	-	-0.3	-0.2	-0.1	-0.3	-0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1	-
Other Asia	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-	-	-	-	-
Total Non-OECD	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.3	-0.2	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2
Total Demand	-	-	-	-	-0.1	-0.1	-	-0.1	-	-0.3	-0.5	-0.2	-0.4	-0.3	-0.4	-0.5	-0.4
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-0.1	-0.4	-0.3	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-0.1	-0.4	-0.3	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	0.1								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	0.1								
OPEC: historical composition	-	-	-	-	-	-	-	-	0.1								
Total Supply	-	-	-	-	-	-	-	-	-								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-	-	0.1	0.1	0.1	0.1	-								
Total Stock Ch. & Misc	-	-	-	-	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	-0.2	-	-0.3	-0.1	-0.2	-0.4	-0.2
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	0.1	0.2	-0.2	-	-0.3	-0.1	-0.2	-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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.41	23.70	24.07	23.85	23.76	23.76	23.31	23.69	23.50	23.57	23.53	23.14	23.58	23.46	23.43
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.18	14.13	14.52	14.53	14.34	14.08	13.92	14.50	14.45	14.24
Pacific	7.68	8.23	7.34	7.62	8.07	7.81	8.35	7.12	7.72	8.35	7.88	8.58	7.38	7.52	8.05	7.88
Total OECD	45.64	45.95	45.29	46.62	46.74	46.15	46.29	44.55	45.93	46.38	45.79	46.18	44.44	45.60	45.97	45.55
Asia	18.19	18.98	19.60	19.05	20.20	19.46	20.22	20.36	19.96	20.68	20.31	21.01	21.29	20.85	21.54	21.17
Middle East	7.49	7.39	7.80	8.25	7.68	7.78	7.62	8.03	8.54	7.84	8.01	7.86	8.30	8.83	8.13	8.28
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.27	6.46	6.61	6.54	6.47	6.49	6.70	6.86	6.78	6.71
FSU	4.18	4.39	4.34	4.58	4.59	4.48	4.47	4.64	4.79	4.69	4.65	4.61	4.62	4.85	4.79	4.72
Africa	3.33	3.32	3.43	3.37	3.42	3.39	3.40	3.32	3.31	3.42	3.36	3.52	3.55	3.53	3.59	3.55
Europe	0.71	0.68	0.68	0.69	0.71	0.69	0.68	0.70	0.70	0.71	0.70	0.70	0.72	0.72	0.73	0.72
Total Non-OECD	39.90	40.80	42.13	42.39	42.99	42.09	42.66	43.50	43.90	43.87	43.49	44.20	45.19	45.63	45.55	45.14
World	85.54	86.75	87.42	89.01	89.73	88.24	88.95	88.06	89.83	90.25	89.28	90.38	89.63	91.23	91.52	90.69
of which: US50	18.77	18.87	19.15	19.47	19.23	19.18	19.17	18.82	19.15	18.91	19.01	18.96	18.67	19.06	18.89	18.90
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.70	8.57	8.83	8.81	8.73	8.62	8.43	8.78	8.74	8.64
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.52	9.50	9.83	9.60	9.95	10.08	10.02	10.28	10.08
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.92	4.42	4.87	4.52	5.10	4.14	4.26	4.58	4.52
India	3.26	3.38	3.45	3.13	3.38	3.34	3.50	3.57	3.25	3.48	3.45	3.65	3.72	3.37	3.63	3.59
Russia	3.03	3.16	3.17	3.41	3.36	3.28	3.21	3.43	3.58	3.44	3.42	3.31	3.38	3.61	3.50	3.45
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.68	2.75	2.85	2.86	2.79	2.76	2.85	2.94	2.95	2.88
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.84	3.18	2.65	2.78	2.59	2.96	3.30	2.77	2.91
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.25	2.17	2.22	2.23	2.22	2.22	2.14	2.20	2.21	2.19
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.04	2.16	2.31	2.22	2.33	2.09	2.12	2.29	2.21
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.05	2.03	2.06	2.04	2.03	2.04	2.03	2.05	2.04
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.05	2.04	2.02	2.05	2.10	2.08	2.07	2.04	2.07
Total	60.03	61.31	61.62	62.84	63.31	62.28	62.83	61.73	63.22	63.47	62.81	63.63	62.58	63.77	63.95	63.48
% of World	70.2%	70.7%	70.5%	70.6%	70.6%	70.6%	70.6%	70.1%	70.4%	70.3%	70.4%	70.4%	69.8%	69.9%	69.9%	70.0%
Annual Change (% per annum)																
North America	-3.7	-0.1	3.3	3.4	1.3	2.0	1.5	-1.6	-1.6	-1.5	-0.8	-1.0	-0.7	-0.5	-0.2	-0.6
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.9	-0.9	-2.7	-2.0	-1.7	-0.7	-1.4	-0.1	-0.5	-0.7
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.1	1.2	3.4	0.9	2.8	3.7	-2.5	-3.5	0.0
Total OECD	-4.2	-1.5	1.3	3.3	1.4	1.1	0.7	-1.6	-1.5	-0.8	-0.8	-0.2	-0.3	-0.7	-0.9	-0.5
Asia	4.3	12.0	6.8	3.1	6.5	7.0	6.6	3.9	4.8	2.4	4.4	3.9	4.6	4.5	4.2	4.3
Middle East	4.0	5.0	3.4	2.9	4.3	3.9	3.2	3.0	3.4	2.0	2.9	3.1	3.4	3.4	3.7	3.4
Latin America	0.0	4.6	5.1	6.0	4.4	5.0	3.6	2.6	2.4	2.4	2.7	3.6	3.8	3.7	3.7	3.7
FSU	-1.0	8.4	6.7	5.5	7.5	7.0	1.8	6.8	4.5	2.1	3.8	3.1	-0.4	1.4	2.1	1.5
Africa	1.6	-1.9	1.8	2.0	5.1	1.7	2.2	-3.0	-1.7	0.0	-0.7	3.5	6.9	6.7	4.9	5.5
Europe	-6.1	-6.9	-6.4	-3.2	1.8	-3.7	0.3	2.3	1.6	0.4	1.1	3.3	3.1	2.8	2.7	3.0
Total Non-OECD	2.6	7.6	5.3	3.6	5.7	5.5	4.6	3.2	3.6	2.0	3.3	3.6	3.9	3.9	3.8	3.8
World	-1.1	2.6	3.2	3.4	3.4	3.2	2.5	0.7	0.9	0.6	1.2	1.6	1.8	1.6	1.4	1.6
Annual Change (mb/d)																
North America	-0.89	-0.01	0.76	0.80	0.31	0.47	0.35	-0.38	-0.38	-0.35	-0.19	-0.23	-0.17	-0.11	-0.04	-0.14
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.13	-0.13	-0.40	-0.30	-0.24	-0.10	-0.20	-0.02	-0.07	-0.10
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.22	0.09	0.28	0.07	0.23	0.26	-0.20	-0.29	0.00
Total OECD	-1.98	-0.70	0.60	1.47	0.65	0.51	0.34	-0.74	-0.69	-0.37	-0.37	-0.10	-0.11	-0.33	-0.40	-0.24
Asia	0.75	2.03	1.25	0.58	1.24	1.27	1.25	0.77	0.91	0.48	0.85	0.79	0.93	0.89	0.86	0.87
Middle East	0.28	0.35	0.26	0.24	0.32	0.29	0.24	0.23	0.28	0.15	0.23	0.24	0.28	0.29	0.29	0.27
Latin America	0.00	0.26	0.31	0.37	0.27	0.30	0.22	0.16	0.16	0.15	0.17	0.22	0.25	0.24	0.24	0.24
FSU	-0.04	0.34	0.27	0.24	0.32	0.29	0.08	0.29	0.21	0.10	0.17	0.14	-0.02	0.07	0.10	0.07
Africa	0.05	-0.06	0.06	0.07	0.17	0.06	0.07	-0.10	-0.06	0.00	-0.02	0.12	0.23	0.22	0.17	0.18
Europe	-0.05	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.02	0.01	0.00	0.01	0.02	0.02	0.02	0.02	0.02
Total Non-OECD	1.00	2.87	2.10	1.46	2.32	2.19	1.86	1.37	1.51	0.88	1.40	1.53	1.69	1.73	1.67	1.65
World	-0.98	2.17	2.71	2.94	2.97	2.70	2.20	0.63	0.82	0.51	1.04	1.43	1.57	1.40	1.27	1.42
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.13	-0.11	0.03	-0.17	-0.07	-0.05	-0.18	-0.12
Europe	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.00	-0.17	-0.14	-0.09	-0.09	-0.10	-0.12	-0.13	-0.11
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.09	0.00	0.03	-0.01	0.00	0.04	-0.01	0.01
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.15	0.05	-0.25	-0.02	-0.26	-0.18	-0.13	-0.32	-0.22
Asia	0.00	-0.03	-0.03	-0.06	-0.07	-0.05	-0.05	0.01	-0.17	-0.15	-0.09	-0.12	-0.09	-0.13	-0.13	-0.12
Middle East	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.00	-0.01	0.00	0.00	0.01	0.00	-0.02	-0.01	0.00
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.04	-0.04	-0.02	-0.01	-0.01	-0.04	-0.05	-0.03
FSU	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.04	-0.02	-0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.08	-0.08	-0.02	-0.05	0.01	0.01	0.00	0.01	0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	-0.01	-0.01
Total Non-OECD	0.00	-0.02	-0.02	-0.06	-0.06	-0.04	-0.07	-0.11	-0.31	-0.23	-0.18	-0.13	-0.12	-0.24	-0.21	-0.17
World	0.00	-0.02	-0.02	-0.06	-0.06	-0.04	-0.11	0.03	-0.26	-0.49	-0.21	-0.39	-0.29	-0.37	-0.53	-0.40
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.01	-0.01	-0.02	-0.09	-0.06	-0.05	-0.08	0.06	-0.20	-0.42	-0.16	-0.29	-0.33	-0.11	-0.04	-0.19

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	3Q10	4Q10	1Q11	2Q11	Apr 11	May 11	Jun 11 [2]	Latest month vs. May 11	Latest month vs. Jun 10
North America											
LPG&Ethane	2.83	2.95	2.76	3.12	3.31	2.72	2.71	2.75	2.71	-0.04	0.01
Naphtha	0.31	0.37	0.39	0.33	0.36	0.35	0.34	0.33	0.39	0.06	-0.02
Motor Gasoline	10.56	10.57	10.83	10.51	10.14	10.45	10.35	10.36	10.66	0.30	-0.27
Jet/Kerosene	1.61	1.65	1.70	1.63	1.60	1.68	1.65	1.63	1.75	0.13	-0.01
Gasoil/Diesel Oil	4.61	4.82	4.76	5.01	5.04	4.77	4.66	4.69	4.95	0.26	0.19
Residual Fuel Oil	0.92	0.93	0.91	0.89	0.97	0.88	0.93	0.84	0.87	0.03	-0.06
Other Products	2.45	2.46	2.71	2.36	2.34	2.46	2.43	2.30	2.65	0.35	-0.08
Total	23.29	23.76	24.07	23.85	23.76	23.31	23.07	22.90	23.98	1.09	-0.24
Europe											
LPG&Ethane	0.96	0.96	0.89	0.96	1.04	0.98	1.00	0.93	1.00	0.07	0.07
Naphtha	1.18	1.26	1.26	1.27	1.27	1.17	1.26	1.13	1.13	0.00	-0.09
Motor Gasoline	2.31	2.21	2.35	2.14	2.02	2.18	2.19	2.16	2.20	0.04	-0.12
Jet/Kerosene	1.25	1.27	1.37	1.26	1.20	1.27	1.21	1.26	1.34	0.08	0.03
Gasoil/Diesel Oil	6.04	6.13	6.14	6.43	6.04	5.73	5.66	5.73	5.80	0.07	-0.21
Residual Fuel Oil	1.44	1.27	1.28	1.30	1.28	1.22	1.21	1.21	1.24	0.03	0.03
Other Products	1.50	1.47	1.64	1.46	1.32	1.57	1.42	1.60	1.70	0.10	0.04
Total	14.66	14.58	14.92	14.82	14.18	14.13	13.95	14.02	14.41	0.38	-0.25
Pacific											
LPG&Ethane	0.86	0.84	0.80	0.83	0.88	0.81	0.89	0.78	0.75	-0.04	-0.05
Naphtha	1.62	1.68	1.63	1.75	1.78	1.55	1.46	1.59	1.60	0.00	-0.01
Motor Gasoline	1.55	1.57	1.65	1.59	1.51	1.47	1.43	1.48	1.49	0.01	-0.01
Jet/Kerosene	0.85	0.87	0.65	0.98	1.18	0.64	0.77	0.56	0.58	0.02	-0.06
Gasoil/Diesel Oil	1.61	1.62	1.57	1.70	1.67	1.53	1.54	1.49	1.58	0.09	0.01
Residual Fuel Oil	0.76	0.74	0.75	0.73	0.80	0.65	0.64	0.60	0.70	0.10	0.03
Other Products	0.44	0.49	0.58	0.48	0.54	0.48	0.42	0.47	0.54	0.07	0.06
Total	7.68	7.81	7.62	8.07	8.35	7.12	7.14	6.98	7.23	0.26	-0.03
OECD											
LPG&Ethane	4.65	4.76	4.45	4.91	5.23	4.51	4.60	4.47	4.46	-0.01	0.03
Naphtha	3.11	3.31	3.28	3.36	3.41	3.07	3.05	3.05	3.11	0.06	-0.11
Motor Gasoline	14.41	14.35	14.83	14.24	13.67	14.10	13.96	14.00	14.35	0.36	-0.40
Jet/Kerosene	3.70	3.80	3.73	3.88	3.98	3.58	3.64	3.44	3.67	0.23	-0.04
Gasoil/Diesel Oil	12.25	12.57	12.47	13.14	12.75	12.03	11.86	11.91	12.33	0.42	-0.01
Residual Fuel Oil	3.13	2.94	2.94	2.92	3.06	2.75	2.78	2.66	2.81	0.16	0.00
Other Products	4.39	4.42	4.92	4.30	4.19	4.51	4.27	4.37	4.89	0.52	0.02
Total	45.64	46.15	46.62	46.74	46.29	44.55	44.16	43.90	45.62	1.73	-0.52

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.
2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2009	2010	3Q10	4Q10	1Q11	2Q11	Apr 11	May 11	Jun 11 [2]	May 11	Jun 10
United States[3]											
LPG	2.05	2.17	2.03	2.32	2.47	1.96	1.92	2.00	1.96	-0.04	0.02
Naphtha	0.25	0.26	0.27	0.22	0.27	0.27	0.25	0.25	0.29	0.04	0.01
Motor Gasoline	9.00	8.99	9.22	8.92	8.61	8.87	8.78	8.78	9.05	0.27	-0.26
Jet/Kerosene	1.41	1.45	1.49	1.44	1.40	1.49	1.47	1.44	1.56	0.12	0.00
Gasoil	3.63	3.80	3.75	3.94	3.95	3.75	3.70	3.66	3.90	0.25	0.16
Residual Fuel Oil	0.51	0.54	0.53	0.52	0.61	0.51	0.60	0.47	0.47	0.01	-0.03
Other Products	1.92	1.97	2.18	1.87	1.86	1.97	1.98	1.83	2.12	0.28	-0.09
Total	18.77	19.18	19.47	19.23	19.17	18.82	18.69	18.43	19.35	0.92	-0.19
Japan											
LPG	0.50	0.48	0.44	0.47	0.54	0.50	0.58	0.49	0.43	-0.06	-0.02
Naphtha	0.72	0.77	0.73	0.81	0.79	0.65	0.63	0.67	0.66	0.00	-0.02
Motor Gasoline	0.99	1.00	1.08	1.00	0.95	0.92	0.88	0.93	0.95	0.02	-0.01
Jet/Kerosene	0.55	0.55	0.36	0.62	0.80	0.36	0.46	0.30	0.31	0.01	-0.05
Diesel	0.43	0.41	0.42	0.43	0.41	0.39	0.39	0.35	0.41	0.06	0.02
Other Gasoil	0.42	0.43	0.38	0.44	0.48	0.36	0.40	0.33	0.35	0.02	-0.04
Residual Fuel Oil	0.41	0.40	0.43	0.39	0.42	0.36	0.34	0.36	0.40	0.04	0.03
Other Products	0.39	0.41	0.51	0.40	0.47	0.39	0.32	0.38	0.46	0.08	0.07
Total	4.39	4.45	4.36	4.57	4.86	3.92	4.01	3.80	3.96	0.16	-0.03
Germany											
LPG	0.10	0.10	0.11	0.09	0.10	0.10	0.11	0.09	0.10	0.01	0.00
Naphtha	0.36	0.41	0.41	0.41	0.44	0.40	0.42	0.40	0.38	-0.02	-0.03
Motor Gasoline	0.47	0.46	0.48	0.45	0.43	0.47	0.46	0.49	0.46	-0.03	-0.02
Jet/Kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.19	0.19	0.19	0.00	-0.02
Diesel	0.64	0.67	0.71	0.69	0.63	0.67	0.67	0.71	0.64	-0.06	-0.05
Other Gasoil	0.42	0.43	0.45	0.47	0.37	0.23	0.18	0.27	0.25	-0.02	-0.12
Residual Fuel Oil	0.16	0.15	0.16	0.16	0.16	0.14	0.15	0.14	0.13	-0.01	-0.01
Other Products	0.11	0.09	0.12	0.09	0.05	0.12	0.10	0.13	0.13	-0.01	0.00
Total	2.45	2.49	2.65	2.53	2.35	2.34	2.28	2.43	2.29	-0.14	-0.24
Italy											
LPG	0.10	0.11	0.09	0.11	0.12	0.08	0.09	0.08	0.08	0.00	-0.01
Naphtha	0.10	0.12	0.12	0.11	0.11	0.10	0.12	0.09	0.09	0.00	-0.04
Motor Gasoline	0.25	0.24	0.26	0.24	0.22	0.24	0.24	0.23	0.24	0.01	-0.02
Jet/Kerosene	0.09	0.10	0.11	0.09	0.09	0.10	0.09	0.09	0.11	0.02	0.01
Diesel	0.49	0.49	0.50	0.50	0.47	0.51	0.50	0.50	0.53	0.03	0.01
Other Gasoil	0.13	0.12	0.11	0.14	0.11	0.09	0.08	0.09	0.09	0.00	-0.01
Residual Fuel Oil	0.18	0.13	0.13	0.12	0.10	0.11	0.10	0.10	0.13	0.03	0.00
Other Products	0.20	0.23	0.26	0.25	0.21	0.24	0.23	0.25	0.25	0.00	0.02
Total	1.54	1.53	1.58	1.56	1.43	1.47	1.46	1.43	1.51	0.08	-0.05
France											
LPG	0.12	0.15	0.13	0.17	0.17	0.12	0.13	0.12	0.12	-0.01	-0.01
Naphtha	0.13	0.13	0.12	0.10	0.13	0.14	0.14	0.15	0.14	-0.01	0.02
Motor Gasoline	0.20	0.19	0.20	0.18	0.17	0.20	0.20	0.19	0.20	0.01	0.00
Jet/Kerosene	0.15	0.15	0.16	0.14	0.14	0.15	0.15	0.15	0.15	0.00	-0.01
Diesel	0.67	0.69	0.71	0.69	0.69	0.71	0.71	0.70	0.72	0.02	-0.01
Other Gasoil	0.32	0.30	0.27	0.34	0.35	0.19	0.20	0.18	0.20	0.02	-0.01
Residual Fuel Oil	0.10	0.09	0.08	0.09	0.08	0.08	0.09	0.08	0.08	0.00	-0.01
Other Products	0.18	0.17	0.19	0.15	0.13	0.19	0.17	0.19	0.21	0.02	-0.01
Total	1.87	1.86	1.87	1.86	1.86	1.79	1.78	1.77	1.82	0.05	-0.05
United Kingdom											
LPG	0.15	0.14	0.12	0.13	0.14	0.15	0.17	0.13	0.16	0.03	0.02
Naphtha	0.02	0.03	0.03	0.02	0.03	0.03	0.03	0.02	0.03	0.01	0.02
Motor Gasoline	0.37	0.35	0.36	0.34	0.34	0.34	0.35	0.34	0.34	0.01	-0.01
Jet/Kerosene	0.33	0.33	0.33	0.34	0.34	0.32	0.31	0.30	0.35	0.05	0.04
Diesel	0.43	0.45	0.45	0.44	0.45	0.45	0.43	0.45	0.46	0.01	0.01
Other Gasoil	0.12	0.12	0.14	0.12	0.11	0.11	0.11	0.10	0.12	0.02	0.00
Residual Fuel Oil	0.08	0.06	0.06	0.07	0.07	0.06	0.07	0.06	0.05	-0.01	0.02
Other Products	0.14	0.14	0.15	0.15	0.15	0.16	0.16	0.15	0.17	0.02	0.01
Total	1.65	1.62	1.63	1.60	1.62	1.61	1.61	1.55	1.68	0.13	0.09
Canada											
LPG	0.35	0.35	0.33	0.36	0.39	0.36	0.38	0.35	0.35	0.00	-0.01
Naphtha	0.05	0.08	0.09	0.08	0.09	0.08	0.09	0.08	0.09	0.01	0.00
Motor Gasoline	0.73	0.73	0.77	0.73	0.69	0.74	0.73	0.74	0.75	0.02	0.00
Jet/Kerosene	0.11	0.11	0.12	0.11	0.11	0.10	0.10	0.10	0.10	0.01	-0.01
Diesel	0.23	0.22	0.22	0.23	0.22	0.23	0.21	0.23	0.24	0.01	0.00
Other Gasoil	0.28	0.31	0.31	0.34	0.36	0.28	0.27	0.28	0.27	-0.01	0.00
Residual Fuel Oil	0.10	0.10	0.09	0.11	0.11	0.10	0.08	0.09	0.11	0.02	0.00
Other Products	0.31	0.30	0.34	0.30	0.28	0.29	0.26	0.28	0.33	0.05	0.00
Total	2.16	2.21	2.26	2.25	2.25	2.17	2.12	2.14	2.25	0.11	-0.01

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	1Q11	2Q11	3Q11	4Q11	1Q12	Jun 11	Jul 11	Aug 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.55	8.90				9.50	9.40	9.50
Iran	3.70			3.63	3.65				3.65	3.53	3.51
Iraq	2.36			2.66	2.67				2.72	2.65	2.68
UAE	2.31			2.48	2.48				2.50	2.50	2.53
Kuwait	2.03			2.08	2.15				2.19	2.21	2.23
Neutral Zone	0.53			0.56	0.59				0.60	0.60	0.60
Qatar	0.80			0.82	0.82				0.82	0.82	0.82
Angola	1.73			1.61	1.55				1.49	1.67	1.69
Nigeria	2.08			2.14	2.25				2.28	2.26	2.32
Libya	1.55			1.13	0.12				0.08	0.06	0.00
Algeria	1.25			1.27	1.26				1.26	1.28	1.28
Ecuador	0.47			0.50	0.50				0.50	0.49	0.49
Venezuela	2.53			2.54	2.52				2.62	2.63	2.61
Total Crude Oil[6]	29.49			29.97	29.45				30.21	30.09	30.26
Total NGLs[1,6]	5.35	5.88	6.30	5.79	5.80	5.93	6.00	6.15	5.80	5.93	5.93
Total OPEC[6]	34.83			35.76	35.24				36.00	36.02	36.19
OPEC: Historical Composition[6]	34.83			35.76	35.24				36.00	36.02	36.19
NON-OPEC[2]											
OECD											
North America	14.10	14.23	14.38	14.36	14.21	13.99	14.36	14.55	14.06	13.95	14.15
United States[5]	7.77	7.87	7.92	7.84	8.02	7.70	7.91	7.94	7.96	7.63	7.82
Mexico	2.96	2.92	2.86	2.97	2.96	2.89	2.87	2.90	2.95	2.93	2.91
Canada	3.37	3.44	3.60	3.54	3.23	3.40	3.58	3.71	3.16	3.38	3.42
Europe	4.18	4.03	4.04	4.12	3.82	3.86	4.30	4.22	3.68	3.81	3.76
UK	1.37	1.24	1.26	1.26	1.16	1.13	1.38	1.35	1.09	1.08	1.03
Norway	2.17	2.12	2.13	2.18	1.98	2.05	2.25	2.21	1.94	2.05	2.05
Others	0.64	0.67	0.64	0.67	0.67	0.68	0.67	0.66	0.66	0.68	0.68
Pacific	0.61	0.56	0.68	0.52	0.50	0.58	0.62	0.66	0.50	0.53	0.60
Australia	0.51	0.47	0.60	0.43	0.42	0.50	0.54	0.57	0.42	0.45	0.52
Others	0.10	0.09	0.08	0.09	0.08	0.08	0.08	0.09	0.08	0.08	0.08
Total OECD	18.89	18.81	19.10	18.99	18.53	18.43	19.28	19.43	18.24	18.28	18.51
NON-OECD											
Former USSR	13.55	13.62	13.71	13.64	13.56	13.59	13.70	13.71	13.56	13.49	13.62
Russia	10.45	10.57	10.61	10.52	10.55	10.61	10.59	10.58	10.51	10.57	10.60
Others	3.10	3.06	3.10	3.12	3.02	2.98	3.11	3.13	3.06	2.91	3.02
Asia	7.80	7.71	7.77	7.86	7.65	7.66	7.69	7.80	7.67	7.58	7.74
China	4.10	4.18	4.29	4.21	4.17	4.18	4.17	4.31	4.21	4.11	4.26
Malaysia	0.72	0.62	0.59	0.70	0.61	0.58	0.60	0.60	0.62	0.57	0.57
India	0.86	0.90	0.93	0.91	0.89	0.90	0.92	0.92	0.89	0.90	0.90
Indonesia	0.97	0.91	0.86	0.93	0.90	0.91	0.89	0.87	0.89	0.92	0.91
Others	1.15	1.10	1.10	1.11	1.07	1.10	1.11	1.11	1.06	1.08	1.11
Europe	0.14	0.14	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.07	4.29	4.56	4.18	4.15	4.34	4.47	4.55	4.23	4.22	4.38
Brazil[5]	2.14	2.25	2.42	2.18	2.18	2.27	2.36	2.42	2.23	2.20	2.28
Argentina	0.69	0.67	0.68	0.69	0.61	0.68	0.68	0.68	0.63	0.65	0.69
Colombia	0.79	0.93	1.02	0.87	0.92	0.95	0.98	1.00	0.93	0.93	0.96
Others	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.45
Middle East[3]	1.72	1.67	1.72	1.73	1.60	1.64	1.71	1.73	1.61	1.64	1.68
Oman	0.86	0.89	0.93	0.89	0.87	0.90	0.91	0.93	0.88	0.90	0.90
Syria	0.39	0.37	0.34	0.38	0.38	0.36	0.36	0.35	0.38	0.36	0.37
Yemen	0.28	0.21	0.25	0.26	0.14	0.18	0.25	0.26	0.15	0.18	0.21
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.53	2.56	2.55	2.51	2.53	2.54	2.55	2.54	2.53	2.53
Egypt	0.70	0.69	0.68	0.70	0.69	0.69	0.68	0.68	0.69	0.69	0.69
Gabon	0.25	0.24	0.25	0.25	0.23	0.24	0.25	0.24	0.25	0.24	0.24
Others	1.58	1.60	1.63	1.60	1.58	1.60	1.61	1.62	1.60	1.60	1.61
Total Non-OECD	29.80	29.96	30.45	30.09	29.61	29.90	30.25	30.48	29.76	29.60	30.09
Processing Gains[4]	2.10	2.17	2.26	2.16	2.14	2.14	2.23	2.28	2.14	2.14	2.14
Global Biofuels[5]	1.82	1.86	2.02	1.48	1.89	2.14	1.93	1.61	2.07	2.07	2.17
TOTAL NON-OPEC[6]	52.61	52.80	53.83	52.73	52.17	52.61	53.70	53.79	52.21	52.09	52.90
Non-OPEC: Historical Composition[6]	52.61	52.80	53.83	52.73	52.17	52.61	53.70	53.79	52.21	52.09	52.90
TOTAL SUPPLY	87.45			88.49	87.42				88.22	88.11	89.09

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Mar2011	Apr2011	May2011	Jun2011	Jul2011*	Jul2008	Jul2009	Jul2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	497.4	510.9	513.2	497.7	493.5	418.9	471.1	496.8	0.02	-0.30	0.27	0.00
Motor Gasoline	249.5	238.9	247.5	248.1	250.6	234.6	241.3	252.2	0.04	0.02	-0.03	-0.02
Middle Distillate	217.4	212.4	213.9	213.0	224.2	201.6	243.3	244.5	0.14	-0.07	-0.24	-0.05
Residual Fuel Oil	44.9	47.7	44.5	43.8	43.4	43.6	42.6	49.4	-0.02	0.01	-0.05	-0.01
Total Products[3]	653.1	649.4	669.4	677.7	704.8	659.7	737.5	736.5	0.23	-0.32	-0.58	0.27
Total[4]	1294.9	1310.9	1338.5	1335.2	1356.4	1235.4	1372.7	1391.7	0.33	-0.77	-0.37	0.44
Europe												
Crude	322.9	313.7	319.6	322.1	310.4	344.4	341.7	334.4	-0.23	0.04	0.00	-0.01
Motor Gasoline	100.5	95.4	92.2	89.8	88.9	99.8	91.5	94.6	-0.02	0.02	0.04	-0.12
Middle Distillate	285.6	284.0	283.7	274.8	273.2	261.6	293.4	286.6	-0.10	-0.01	0.09	-0.12
Residual Fuel Oil	67.5	68.7	68.6	65.2	65.0	80.8	66.6	72.7	-0.01	-0.09	0.00	-0.03
Total Products[3]	566.5	560.4	558.2	545.8	543.4	554.2	558.3	565.0	-0.12	-0.07	0.12	-0.23
Total[4]	954.6	940.0	944.5	936.5	922.2	974.5	970.9	967.6	-0.39	0.02	0.07	-0.20
Pacific												
Crude	158.4	166.7	161.2	159.5	161.3	170.3	170.5	170.6	-0.12	0.03	0.00	0.01
Motor Gasoline	23.7	26.8	24.8	25.0	24.6	22.9	23.7	24.4	-0.03	-0.01	0.01	0.01
Middle Distillate	54.2	60.3	63.8	66.8	66.7	66.0	67.4	59.1	0.09	-0.07	-0.06	0.14
Residual Fuel Oil	20.7	22.0	21.3	21.3	21.3	22.1	19.1	20.1	0.01	-0.03	0.02	0.01
Total Products[3]	154.9	167.5	169.6	171.4	175.7	178.7	170.2	169.2	0.11	-0.16	-0.09	0.18
Total[4]	381.5	408.4	405.5	404.9	408.7	423.7	406.7	409.4	-0.03	-0.13	-0.10	0.26
Total OECD												
Crude	978.7	991.3	993.9	979.3	965.3	933.5	983.3	1001.8	-0.34	-0.23	0.27	0.01
Motor Gasoline	373.7	361.1	364.5	362.8	364.1	357.3	356.5	371.3	0.00	0.03	0.02	-0.12
Middle Distillate	557.2	556.7	561.4	554.6	564.1	529.1	604.1	590.3	0.13	-0.16	-0.21	-0.03
Residual Fuel Oil	133.1	138.4	134.4	130.4	129.6	146.5	128.4	142.2	-0.02	-0.12	-0.03	-0.03
Total Products[3]	1374.5	1377.3	1397.1	1394.9	1423.9	1392.6	1465.9	1470.7	0.21	-0.55	-0.54	0.22
Total[4]	2631.1	2659.2	2688.4	2676.6	2687.3	2633.5	2750.4	2768.7	-0.10	-0.87	-0.40	0.50

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Mar2011	Apr2011	May2011	Jun2011	Jul2011*	Jul2008	Jul2009	Jul2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	726.5	726.5	726.5	726.5	718.2	707.2	724.1	726.6	0.00	0.00	0.00	0.00
Products	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	-0.02	0.00
Europe												
Crude	185.9	185.6	185.6	184.9	183.3	180.0	185.6	185.3	-0.04	0.05	-0.01	-0.01
Products	232.6	234.5	234.7	237.1	236.8	231.7	239.5	234.7	0.00	-0.01	-0.03	0.05
Pacific												
Crude	391.2	391.1	391.1	391.1	389.1	384.2	388.5	388.9	-0.10	0.08	0.02	0.00
Products	20.0	20.0	20.0	20.0	18.5	18.9	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1303.6	1303.3	1303.3	1302.5	1290.6	1271.5	1298.1	1300.7	-0.13	0.13	0.01	-0.01
Products	252.6	254.5	254.7	257.1	255.3	252.5	260.6	256.7	0.00	-0.01	-0.05	0.05
Total[4]	1557.7	1559.2	1559.4	1560.9	1547.3	1525.0	1560.5	1558.8	-0.14	0.12	-0.03	0.04

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2010		End September 2010		End December 2010		End March 2011		End June 2011 [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	178.4	79	194.1	85	194.9	86	184.9	83	185.5	-
Mexico	54.4	27	49.0	24	44.5	22	45.0	22	46.5	-
United States[4]	1843.6	95	1863.2	97	1796.1	94	1769.5	94	1807.6	-
Total[4]	2098.5	87	2128.4	89	2057.6	87	2021.5	87	2061.7	87
Pacific										
Australia	42.7	45	40.5	41	38.1	39	39.1	39	39.5	-
Japan	597.1	137	581.8	127	588.3	121	575.4	147	593.2	-
Korea	167.3	78	173.5	74	165.4	70	170.2	83	175.2	-
New Zealand	8.9	59	8.2	53	8.2	51	8.0	53	8.2	-
Total	816.0	107	804.0	100	800.0	96	792.7	111	816.0	106
Europe[5]										
Austria	20.1	69	18.9	65	19.7	77	19.3	78	19.6	-
Belgium	37.8	62	34.3	51	33.6	50	37.0	59	38.1	-
Czech Republic	20.4	99	21.1	105	21.2	117	21.5	106	21.7	-
Denmark	29.8	169	26.9	159	26.8	171	21.4	132	21.5	-
Finland	28.5	134	28.5	121	27.8	127	26.9	133	27.2	-
France	170.1	91	163.4	88	168.2	91	167.4	94	166.7	-
Germany	280.4	106	285.6	113	286.8	122	289.4	124	290.8	-
Greece	33.9	98	36.3	95	34.3	92	33.9	106	33.4	-
Hungary	17.0	107	15.9	103	15.9	119	17.4	124	17.3	-
Ireland	12.8	87	11.4	68	9.8	63	10.8	79	10.2	-
Italy	132.5	84	126.6	81	133.3	93	132.2	90	132.2	-
Luxembourg	0.7	11	0.7	12	0.6	10	0.5	9	0.6	-
Netherlands	138.8	137	120.9	122	125.9	129	125.9	124	119.8	-
Norway	22.1	107	20.8	77	20.8	81	21.1	96	23.5	-
Poland	63.8	106	64.2	108	65.5	123	62.8	109	64.6	-
Portugal	24.9	87	22.8	84	22.9	89	23.5	87	23.3	-
Slovak Republic	9.3	99	8.6	101	8.3	109	9.0	111	8.9	-
Spain	134.1	94	133.0	92	133.2	93	132.9	97	130.1	-
Sweden	35.4	103	34.4	94	32.3	94	33.7	101	30.2	-
Switzerland	38.1	148	37.7	146	36.8	156	36.6	168	37.2	-
Turkey	58.4	80	58.5	90	58.5	101	58.3	85	56.6	-
United Kingdom	96.1	59	94.5	59	88.8	55	92.8	57	86.3	-
Total	1404.9	94	1365.1	92	1371.0	97	1374.6	98	1359.8	94
Total OECD	4319.3	93	4297.5	92	4228.6	91	4188.7	94	4237.5	92
DAYS OF IEA Net Imports[6]	-	146	-	145	-	146	-	146	-	147

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]		
2Q2008	4110	1526	2584	88	33	55
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	57
1Q2010	4241	1567	2675	94	35	59
2Q2010	4319	1562	2757	93	34	59
3Q2010	4298	1549	2748	92	33	59
4Q2010	4229	1561	2668	91	34	58
1Q2011	4189	1558	2631	94	35	59
2Q2011	4237	1561	2677	92	34	58

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 2Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	Apr 11	May 11	Jun 11	Year Earlier Jun 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.73	0.75	0.71	0.72	0.63	0.81	0.73	0.64	0.09
Europe	0.70	0.59	0.66	0.74	0.69	0.70	0.79	0.79	0.79	0.80	0.63	0.17
Pacific	1.22	1.28	1.21	1.15	1.26	1.33	1.14	1.25	1.10	1.08	1.08	0.00
Saudi Medium												
North America	0.64	0.40	0.36	0.33	0.36	0.33	0.36	0.32	0.38	0.37	0.36	0.01
Europe	0.05	0.02	0.00	-	-	-	0.02	-	0.02	0.05	-	-
Pacific	0.39	0.34	0.34	0.30	0.37	0.39	0.38	0.33	0.40	0.40	0.40	0.01
Saudi Heavy												
North America	0.07	0.03	0.02	0.03	0.01	0.02	0.03	0.02	0.04	0.02	0.02	0.00
Europe	0.09	0.02	0.00	0.00	-	0.00	0.00	-	0.00	0.00	-	-
Pacific	0.24	0.15	0.22	0.23	0.21	0.20	0.21	0.22	0.18	0.22	0.19	0.03
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.29	0.29	0.21	0.39	0.46	0.38	0.34	0.54	-0.20
Europe	0.21	0.12	0.09	0.13	0.08	0.03	0.10	0.01	0.14	0.14	0.15	-0.02
Pacific	0.15	0.24	0.29	0.26	0.38	0.40	0.26	0.42	0.22	0.15	0.17	-0.02
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.05	0.04	0.11	0.07	0.05	0.03	0.14	-	-
Europe	0.23	0.31	0.27	0.25	0.23	0.21	0.31	0.29	0.20	0.44	0.29	0.15
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.33	0.18	0.24	0.28	0.36	0.19	0.28	0.27	0.01
Pacific	0.08	0.07	0.04	0.04	0.01	0.06	0.03	0.02	0.04	0.02	0.06	-0.04
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.70	0.43	0.34	0.59	0.36	0.59	0.83	0.63	0.20
Pacific	0.61	0.57	0.52	0.53	0.52	0.63	0.41	0.42	0.37	0.44	0.45	-0.01
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.08	0.16	0.06	0.30	0.12	0.37	0.40	0.27	0.13
Europe	0.06	0.07	0.02	0.05	0.01	0.03	0.01	0.02	-	0.01	0.01	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.96	0.75	0.89	0.77	0.83	0.71	0.78	0.73	0.06
Europe	0.07	0.07	0.06	0.06	0.05	0.04	0.05	0.04	0.04	0.07	0.04	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.94	0.92	0.82	0.80	0.71	0.89	0.79	0.87	-0.08
Europe	0.14	0.10	0.11	0.11	0.09	0.14	0.12	0.14	0.13	0.10	0.11	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.09	0.05	0.08	0.09	0.01	0.14	0.01	0.13
Europe	0.01	0.01	0.02	-	0.05	0.01	0.02	-	0.05	-	0.01	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.03	0.01	-	-	-	-	0.15	-
Europe	1.81	1.72	1.80	1.88	1.71	1.76	1.87	2.05	1.96	1.60	1.83	-0.22
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.58	0.62	0.60	0.57	0.63	0.58	0.74	-0.16
Europe	0.29	0.32	0.34	0.31	0.49	0.40	0.40	0.27	0.54	0.40	0.26	0.14
Pacific	-	0.00	-	-	-	0.05	0.04	0.03	0.06	0.03	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.25	0.22	0.20	0.18	0.24	0.08	0.23	0.29	-0.06
Europe	0.14	0.13	0.09	0.09	0.11	0.14	0.17	0.14	0.12	0.24	0.10	0.14
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	Apr-11	May-11	Jun-11	Year Earlier Jun-10	% change
Crude Oil												
North America	8076	7353	7346	7745	6625	6571	6934	6722	6991	7087	7960	-11%
Europe	9776	8893	9076	9463	9110	8901	8949	8426	9001	9418	9769	-4%
Pacific	6605	6082	6244	6159	6472	6647	6057	6491	5615	6081	5559	9%
Total OECD	24457	22329	22665	23367	22207	22119	21940	21638	21608	22586	23503	-4%
LPG												
North America	31	13	8	7	6	21	4	6	6	1	10	-88%
Europe	268	260	270	226	299	313	285	298	250	309	231	34%
Pacific	589	529	558	533	567	569	547	651	543	447	684	-35%
Total OECD	887	802	836	766	872	904	837	955	799	758	925	-18%
Naphtha												
North America	56	22	36	59	35	34	51	22	62	70	36	95%
Europe	298	352	390	345	382	292	354	346	324	393	379	4%
Pacific	776	841	900	855	893	917	830	757	875	856	877	-2%
Total OECD	1130	1215	1326	1260	1309	1243	1235	1124	1260	1319	1292	2%
Gasoline[3]												
North America	1077	878	789	926	712	668	982	883	1110	948	862	10%
Europe	215	193	174	207	127	223	243	161	261	307	156	97%
Pacific	90	96	64	44	67	71	61	76	55	51	56	-9%
Total OECD	1383	1167	1026	1177	907	961	1286	1121	1426	1306	1074	22%
Jet & Kerosene												
North America	64	62	76	86	89	62	85	95	79	80	63	28%
Europe	401	452	417	475	396	320	362	412	304	372	356	4%
Pacific	34	53	40	29	46	58	43	48	31	51	28	85%
Total OECD	500	567	532	590	531	440	489	554	414	503	447	13%
Gasoil/Diesel												
North America	74	55	49	27	14	46	30	40	35	16	58	-72%
Europe	871	1035	1045	934	1235	1078	963	1094	917	879	775	13%
Pacific	119	87	97	88	92	99	153	201	133	125	135	-8%
Total OECD	1064	1177	1191	1049	1340	1224	1146	1336	1085	1020	967	5%
Heavy Fuel Oil												
North America	288	270	277	285	254	345	305	430	179	309	202	53%
Europe	458	534	529	504	504	505	606	537	627	651	545	20%
Pacific	125	113	117	127	101	147	111	130	98	104	59	75%
Total OECD	871	917	923	915	859	997	1021	1097	904	1065	807	32%
Other Products												
North America	1078	870	805	852	906	855	896	957	862	869	709	23%
Europe	734	770	666	699	737	683	770	809	762	739	639	16%
Pacific	298	325	335	382	352	383	252	300	233	223	327	-32%
Total OECD	2110	1964	1806	1932	1996	1921	1917	2066	1856	1831	1675	9%
Total Products												
North America	2667	2171	2039	2241	2017	2032	2353	2432	2334	2294	1940	18%
Europe	3245	3595	3491	3390	3680	3415	3582	3657	3444	3650	3081	18%
Pacific	2032	2045	2111	2059	2118	2244	1995	2163	1966	1858	2167	-14%
Total OECD	7944	7810	7640	7689	7814	7690	7930	8252	7744	7802	7187	9%
Total Oil												
North America	10743	9524	9385	9985	8641	8603	9287	9154	9325	9381	10115	-7%
Europe	13022	12488	12567	12853	12790	12316	12531	12083	12445	13068	12849	2%
Pacific	8637	8127	8354	8218	8590	8890	8053	8653	7581	7939	7725	3%
Total OECD	32401	30139	30306	31056	30021	29809	29871	29891	29352	30388	30690	-1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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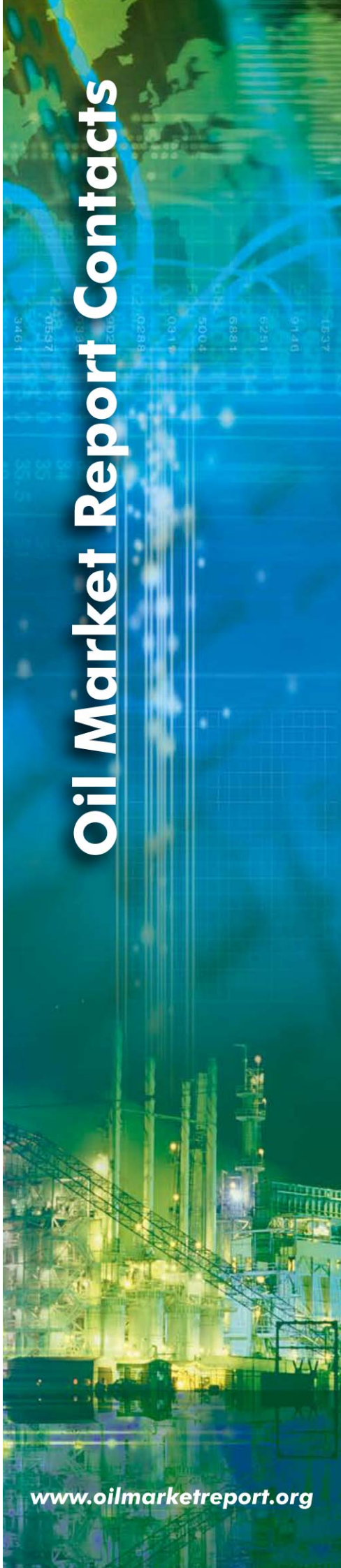
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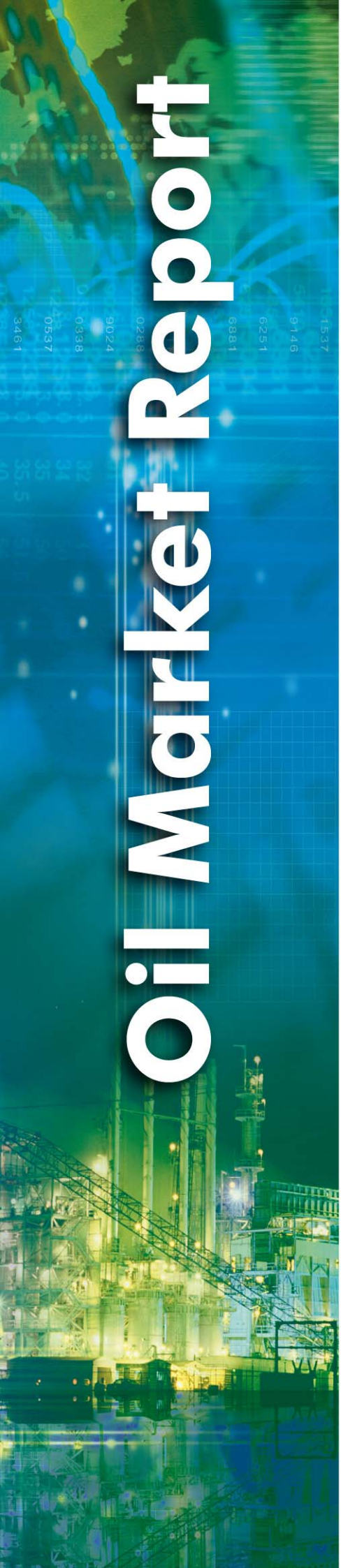
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Next Issue: 12 October 2011





International Energy Agency

12 October 2011

HIGHLIGHTS

- **Oil futures tracked latest economic developments amid the worsening European debt crisis,** which triggered downward price moves throughout September. Prices partially recovered on renewed optimism that European leaders would address euro-zone financing issues, with WTI last trading at $84.50/bbl and Brent near $108/bbl.
- **Global oil demand is revised down by 50 kb/d for 2011 and by 210 kb/d for 2012** with lower-than-expected 3Q11 readings in the non-OECD and a downward adjustment to global GDP growth assumptions. Global GDP growth is now seen at 3.8% in 2011 and 3.9% in 2012 with significant downside risks. Demand estimates stand at 89.2 mb/d in 2011 (+1.0 mb/d y-o-y) and 90.5 mb/d in 2012 (+1.3 mb/d).
- **Global oil supply fell by 0.3 mb/d to 88.7 mb/d in September** from August, due to non-OPEC outages. Non-OPEC supply projections are trimmed by 0.3 mb/d for 4Q11 and by 0.2 mb/d for 2012, with annual growth averaging 0.2 mb/d, to 52.8 mb/d, and 0.9 mb/d to 53.6 mb/d for 2011 and 2012 respectively. OPEC NGL output averages 5.9 mb/d in 2011 and 6.3 mb/d in 2012.
- **OPEC crude oil supply nudged down to 30.15 mb/d in September**, with lower Saudi Arabian and Nigerian output partly offset by resumed Libyan supply. Output there reached 350 kb/d in early October and capacity is assumed at 600 kb/d by end-year. The 4Q11 'call on OPEC crude and stock change' is adjusted up by 0.3 mb/d to 30.8 mb/d on lower non-OPEC supply, with the 2012 'call' unchanged at 30.5 mb/d.
- **OECD industry oil stocks fell counter-seasonally in August by 3.4 mb to 2 692 mb,** or 58.4 days of forward cover. Preliminary September data suggest a further 12.7 mb decline in OECD industry stocks and a drop in short-term floating storage. OECD stocks since July fell below the five-year average for the first time since June 2008.
- **Global crude runs estimates for 3Q11 and 4Q11 are revised down by 50 kb/d and 75 kb/d respectively** versus last month. Lower-than-expected Asian throughputs are partly offset by continued robust US runs. Global throughputs now average 75.5 mb/d in 3Q11 and 75.3 mb/d in 4Q11. Meanwhile, OECD refinery rationalisation continues.

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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 to recruit an accomplished Programmer/Statistician to help maintain and further develop its existing statistical databases and oil market modeling capability. The successful applicant will work under the guidance of the Head of the Oil Industry and Markets Division of the IEA.

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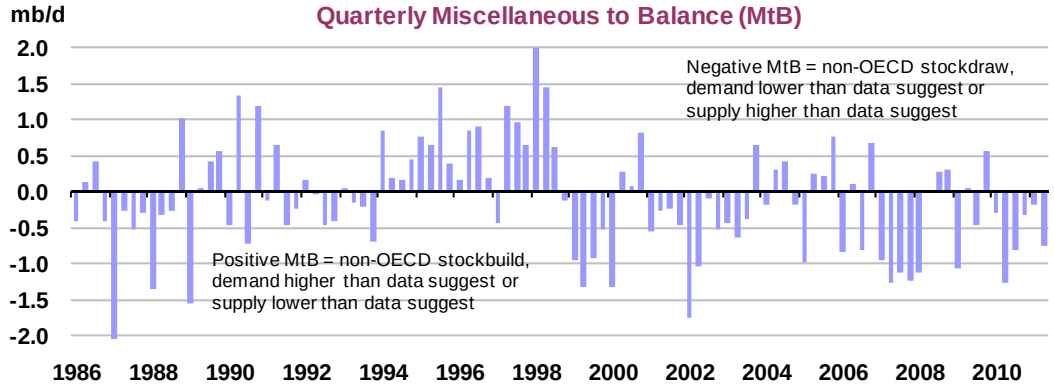
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GETTING THE BALANCE RIGHT

This month, our supply/demand balance for 2012 remains largely unchanged, with markets being swayed by both economic news from the euro-zone and reports of recovering Libyan oil supply. Both factors remain highly uncertain, but will shape market dynamics over the next 18 months. Meanwhile, participants in the *Joint Organisations Data Initiative (JODI)* met this week in Beijing to celebrate *JODI's* tenth anniversary. Enhanced collaboration between APEC, Eurostat, IEA, IEF, OLADE, OPEC and the UN, and the consolidation of monthly oil data submissions are indeed good reason to celebrate. JODI is being extended to gas, and may one day cover investments or even reserves. A better understanding of physical markets requires improved data. Huge progress has already been made in the last 10 years, but some reflection by governments, statisticians and oil analysts on the quality of existing *JODI* and national oil data is in order, acknowledging what it might cost to make material improvements.

We should not focus on shortcomings in oil market data without acknowledging that they are much more complete than data for many other sectors. The *OMR's* Table 1 *(page 59)* summarises our best estimates of prevailing and likely future market fundamentals. We explicitly acknowledge the gaps in our historical knowledge with the 'miscellaneous to balance' *(MtB)* item – the difference between observed demand and supply, having taken account of recorded inventory and shipment changes. Others try to



massage this component away by forcing unaccounted barrels into supply or demand, or inferring non-OECD stock change. The *OMR* uses *MtB* as a check on data integrity. Historically it averages less than 1% of global demand, but doggedly hunting down this elusive, near-1 mb/d of data 'error' remains important, as oil prices hinge on developments at the margin. Recent negative bias in *MtB* implies that data/estimates may overstate demand, understate supply, that non-OECD inventory is being drawn or a combination of all three. (It also argues against oil prices being driven higher by non-fundamental factors, as above-equilibrium prices would tend to cause stock build.)

The *OMR* and the *Monthly Oil Data Service* (*MODS)* showcase IEA member country official oil statistics, and are augmented by non-member country data, market intelligence and analysts' judgement for current month (M) and last month's (M-1) data. All these data points are the foundation for projections of market fundamentals looking six to 18 months ahead. Good historical data don't guarantee good forecasts, but nor can consistent, credible projections be generated without a solid baseline. Government data that look inconsistent or unaccountably diverge from normal seasonal trends are sometimes discarded. 'Official data' are not always synonymous with 'good data'. And useful though existing weekly data are, (USA, Japan, Canada), a trade off exists between timeliness and reliability. Before policy makers demand to know more about what is driving markets, they must consider whether current resources and structures for gathering and processing oil market data are sufficient. Calls for more weekly or M-1 data are fine, but only if adequately resourced to generate meaningful statistics.

In recent months *OMR* analysts have pursued data inconsistencies or omissions for Australia, Canada, Japan, Korea, Kuwait, the Netherlands, Russia, Saudi Arabia, Taiwan and Thailand, among others, occasionally resulting in the re-submission of improved data. Routinely, *OMR* analysts also try to fill in major gaps in coverage for crucial emerging markets like India (refinery operations data) and China (inventory data, inferred demand, a large unofficial refining sector). The simple truth is that even ongoing gains in data coverage, timeliness and reliability will still leave analysts scouring for missing pieces of the puzzle, applying judgement to create a market balance that 'stacks up'. That's all part of the job, although better, more detailed data on Chinese stocks or OPEC capacity would certainly help.

DEMAND

Summary

- **Forecast global oil demand is revised down by 50 kb/d for 2011 and by 210 kb/d for 2012,** with lower-than-expected 3Q11 readings in the non-OECD and a downward adjustment to global GDP growth assumptions. Stronger-than-expected OECD monthly submissions, primarily in Europe and the Pacific provide some offsetting support. Global oil demand is expected to rise to 89.2 mb/d in 2011 (+1.1% or +1.0 mb/d y-o-y) and reach 90.5 mb/d (+1.4% or +1.3 mb/d) in 2012.

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Americas	29.5	30.0	30.5	30.2	30.1	30.0	29.8	30.2	30.0	30.0	30.0	29.8	30.4	30.2	30.1
Asia/Pacific	27.2	26.9	26.7	28.3	27.3	28.6	27.4	27.7	29.0	28.2	29.5	28.6	28.3	29.5	29.0
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.4	15.3	15.1	14.8	14.6	15.3	15.2	15.0
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.9	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Middle East	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.4	7.8	7.9	7.8	8.2	8.6	8.0	8.2
World	**86.8**	**87.4**	**89.0**	**89.7**	**88.2**	**88.9**	**88.0**	**89.8**	**90.2**	**89.2**	**90.2**	**89.4**	**91.0**	**91.3**	**90.5**
Annual Chg (%)	2.6	3.2	3.4	3.4	3.2	2.5	0.6	0.9	0.6	1.1	1.4	1.7	1.3	1.2	1.4
Annual Chg (mb/d)	2.2	2.7	2.9	3.0	2.7	2.2	0.6	0.8	0.5	1.0	1.3	1.5	1.2	1.1	1.3
Changes from last OMR (mb/d)	0.01	0.00	0.01	0.00	0.00	-0.04	-0.08	-0.05	-0.01	-0.05	-0.20	-0.20	-0.25	-0.19	-0.21

- **Projected OECD demand for 2011 is now 45.8 mb/d (-0.7% or -320 kb/d) for 2011 and 45.6 mb/d (-0.6% or -260 kb/d) for 2012.** We have cut GDP growth assumptions for 2012 across all three regions. Nevertheless, stronger-than-expected 2011 data outweigh the GDP adjustments, with demand revised up by 40 kb/d this year and by 20 kb/d next year. Some of the demand boost stems from temporary factors such as seasonal heating oil tank filling, while oil-fired power generation in Japan provides more lasting upside potential.

- **Estimated non-OECD oil demand for 2011 and 2012 is revised down by 90 kb/d and 230 kb/d** to 43.4 mb/d (+3.1% or +1.3 mb/d) and 44.9 mb/d (+3.5% or +1.5 mb/d), respectively. GDP growth assumptions have been downgraded across all regions, though they remain relatively unchanged for China. Lower than expected July/August oil readings in the Middle East, Asia and Latin America combined with the GDP adjustment drive the demand revisions.

- **An economic sensitivity analysis, with GDP growth one-third lower than in our base case, would cut 0.2 mb/d from expected 2011 oil demand and 1.2 mb/d from the 2012 projection,** effectively curbing global annual demand growth to 0.7 mb/d and 0.3 mb/d, respectively.

Global Overview

This report incorporates updated GDP assumptions from the IMF's World Economic Outlook, released in September. Global real GDP growth is now seen at 3.8% for 2011 and at 3.9% for 2012, versus prior 3.9% and 4.2% assumptions. Both the OECD and the non-OECD absorb the downgrade for 2012, with prospects trimmed in most major economic areas – the US, Europe, Brazil, India, Russia and the Middle East. Our growth assumptions for China, however, remain largely unchanged. Moreover, we maintain our 2012 oil price assumption, based on the futures strip, with nominal Brent at $108/bbl. Nevertheless, these downward economic adjustments are partly offset by higher-than-expected August preliminary demand readings. Altogether, we have revised down 2011 and 2012 oil demand by 50 kb/d and 210 kb/d, respectively. Demand growth for those years is now seen at 1.0 mb/d (+1.1%) and 1.3 mb/d (+1.4%).

Global oil demand has grown at a moderate, but stable pace, in recent months, suggesting neither resurgent economic activity nor a downward consumption spiral. With the incorporation of lower-than-expected OECD readings for July, global demand growth for that month was only 0.6% year-on-year, down from 1.1% previously. By contrast, August preliminary readings boosted global demand growth to 1.4%. To be sure, the picture remains cautious – August data yielded downward revisions to key markets such as the US, China, India and Saudi Arabia and the stronger global rate may partly reflect temporarily faster seasonal heating oil tank filling in Europe. Nevertheless, oil demand in the OECD has come in broadly stronger than anticipated, with Japan's oil-fired generation needs continuing to provide support for the near future.

This picture could deteriorate, however, with a downward lurch in economic prospects. The IMF's forecast assumes that global growth is being "delayed" rather than "derailed" with the effects from the Japanese earthquake and tsunami in March and high commodity prices likely to moderate over time. Moreover, the Fund does not assume that recent financial market volatility will spill over into the real economy in a lasting way, preferring to assume that the actions of policymakers will help keep turmoil in check. Given that economic prospects remain fragile, particularly with the eurozone's ongoing sovereign debt crisis, we continue to run a sensitivity analysis showing an indicative view of oil demand should GDP growth come in about one-third lower than our base case. Under such conditions, global oil demand would be reduced by 0.2 mb/d versus our base case for 2011 and by 1.2 mb/d for 2012, with annual growth at 0.7 mb/d and 0.3 mb/d, respectively. As previously, we assume that the more income elastic developing economies will feel this impact most intensely.

Real GDP Growth

OMR dated 12 October 2011

% change	2011	2012
WORLD	**3.8**	**3.9**
OECD	**1.7**	**1.9**
OECD, North America	1.8	2.0
OECD, Europe	1.9	1.4
OECD, Pacific	0.8	2.9
Non-OECD	**6.4**	**6.2**
Africa	3.8	4.4
Latin America	4.7	4.0
China (excl. Hong Kong)	9.5	9.0
Other Asia	6.3	6.3
Non-OECD Europe	1.8	3.0
FSU	4.6	4.3
Middle East	4.7	4.0

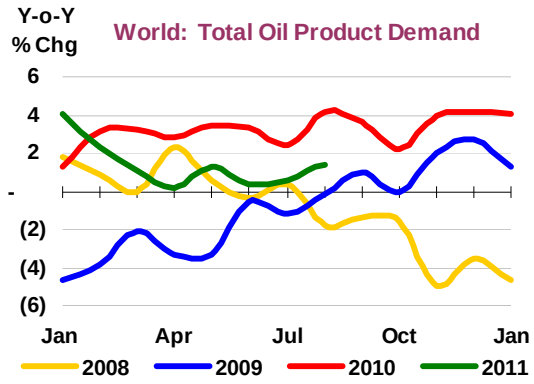
Current vs. Previous

OMR dated 13 September 2011

WORLD	**(0.0)**	**(0.3)**
OECD	**(0.1)**	**(0.3)**
OECD, North America	(0.1)	(0.2)
OECD, Europe	(0.1)	(0.3)
OECD, Pacific	0.2	(0.2)
Non-OECD	**(0.0)**	**(0.3)**
Africa	(0.1)	(0.4)
Latin America	0.0	(0.3)
China (excl. Hong Kong)	0.0	(0.1)
Other Asia	0.0	(0.3)
Non-OECD Europe	(0.1)	(0.4)
FSU	(0.2)	(0.3)
Middle East	(0.4)	(1.3)

Sources: IMF, IEA

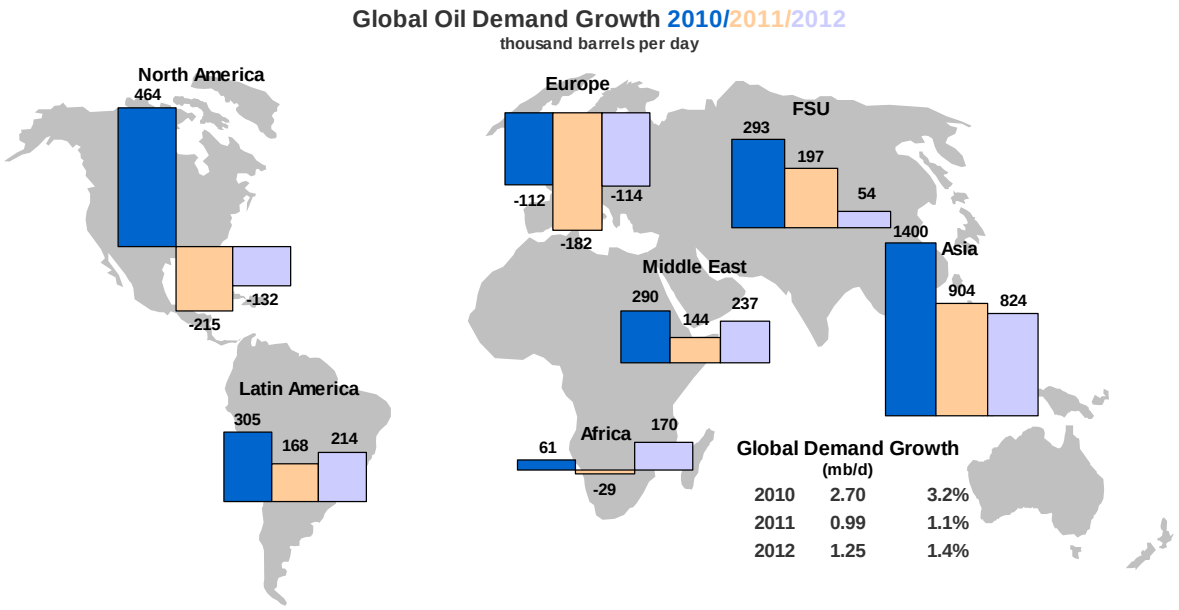
World: Total Oil Product Demand



Oil Demand Sensitivity

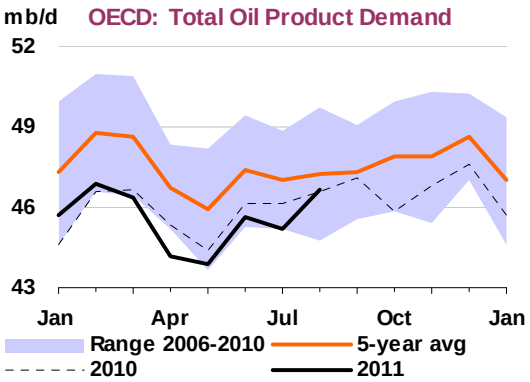
(million barrels per day)

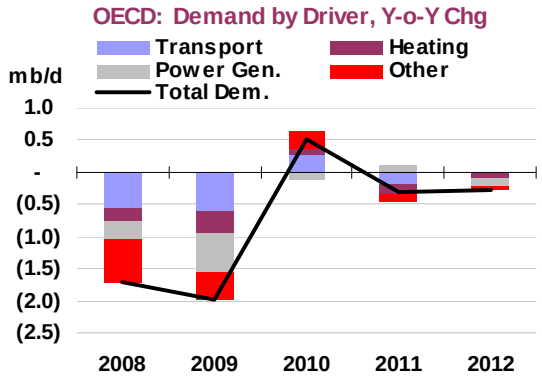
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
				%	mb/d	%	mb/d
Base GDP							
Global GDP (y-o-y chg)	5.0%	3.8%	3.9%				
OECD	46.2	45.8	45.6	-0.7%	-0.32	-0.6%	-0.26
Non-OECD	42.1	43.4	44.9	3.1%	1.31	3.5%	1.52
World	88.2	89.2	90.5	1.1%	0.99	1.4%	1.25
Lower GDP							
Global GDP (y-o-y chg)	5.0%	2.6%	2.6%				
OECD	46.2	45.8	45.3	-0.8%	-0.38	-1.1%	-0.52
Non-OECD	42.1	43.2	44.0	2.7%	1.12	1.9%	0.81
World	88.2	89.0	89.3	0.8%	0.74	0.3%	0.29



OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 0.2% year-on-year in August, with growth in the **OECD Pacific** and **OECD Europe** outweighing **OECD North America** declines. Diesel, European heating oil and 'other products', which include direct crude burn, drove the gains, outweighing falls in gasoline and heating oil outside Europe.





Revisions to July preliminary data, at -380 kb/d, stemmed largely from the US (-380 kb/d) and Japan (-110 kb/d), which outweighed upward adjustments to Mexico (+120 kb/d), Europe (+60 kb/d) and Korea (+40 kb/d). In the US, downward revisions were concentrated in diesel, heating oil and residual fuel. Japan saw 'other products' adjusted lower - yet, given volatility in deliveries and the strength of preliminary August data, there is little evidence to suggest a retrenchment in oil-fired power generation there. Meanwhile, in Europe, upward revisions concentrated in heating oil suggest a faster pattern of seasonal consumer tank filling. Still, overall OECD demand declined by 2.2% year-on-year in July, down from -1.1% in June.

Economic prospects for 2012 have been trimmed across all regions, though more moderately than in last month's issue, which attempted to pre-empt some of the IMF adjustments. Yet, our oil demand outlook remains little changed, with 2011 revised up by 40 kb/d and 2012 higher by 20 kb/d. This positive adjustment stems from sharply stronger-than-anticipated August preliminary readings (+600 kb/d), which when fed through the forecast, more than offset the effects from the GDP changes. Some of this August strength may stem from a temporary acceleration in heating oil deliveries ahead of winter. Still

with stronger-than-expected readings from other product categories, it is possible that OECD demand has found some support, for now, as economies continue to grow. Our outlook sees demand declining by 0.7% (-320 kb/d) to 45.8 mb/d in 2011 and falling by 0.6% (-260 kb/d) in 2012, with GDP growth assumptions of 1.7% and 1.9%, respectively.

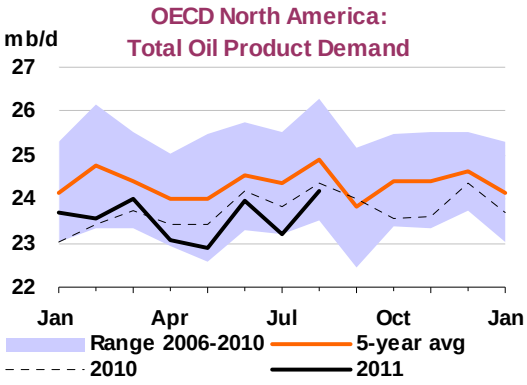
OECD Demand based on Adjusted Preliminary Submissions - August 2011
(million barrels per day)

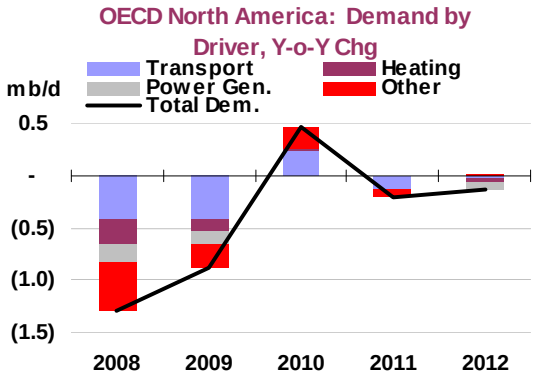
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.60**	**-2.5**	**1.76**	**2.8**	**4.29**	**7.1**	**0.72**	**-15.6**	**0.89**	**2.0**	**5.94**	**-1.80**	**24.20**	**-0.7**
US50	8.97	-3.1	1.56	4.5	3.69	7.3	0.22	-43.0	0.45	-5.9	4.59	-0.2	19.49	-0.9
Canada	0.77	-0.8	0.10	-13.7	0.22	-1.5	0.33	5.6	0.09	1.4	0.73	-9.7	2.25	-3.7
Mexico	0.79	2.4	0.06	-5.9	0.33	13.3	0.14	13.3	0.26	20.3	0.56	-3.4	2.14	4.6
OECD Europe	**2.26**	**-2.5**	**1.36**	**0.6**	**4.37**	**2.9**	**1.63**	**1.9**	**1.18**	**-5.5**	**3.73**	**0.3**	**14.54**	**0.3**
Germany	0.49	3.1	0.20	-2.0	0.71	5.2	0.44	-0.2	0.15	-2.2	0.61	-1.8	2.60	1.2
United Kingdom	0.32	-9.3	0.33	1.4	0.45	-0.6	0.13	-5.3	0.07	3.6	0.30	-1.1	1.60	-2.4
France	0.21	3.6	0.16	0.6	0.69	4.3	0.29	18.2	0.05	-35.9	0.45	2.6	1.84	3.8
Italy	0.24	-2.0	0.11	-2.1	0.46	5.0	0.10	3.8	0.13	2.6	0.46	-2.8	1.50	0.5
Spain	0.14	-3.4	0.14	2.6	0.46	-1.7	0.13	-5.3	0.17	-6.4	0.30	-4.5	1.35	-3.1
OECD Pacific	**1.70**	**-1.3**	**0.60**	**-6.4**	**1.09**	**2.2**	**0.45**	**-6.8**	**0.81**	**8.3**	**3.29**	**7.2**	**7.93**	**2.7**
Japan	1.10	-2.1	0.31	-10.8	0.39	-3.6	0.34	-8.0	0.53	22.3	1.92	10.6	4.59	4.0
Korea	0.21	-0.3	0.15	-6.2	0.30	3.5	0.10	-2.7	0.25	-11.6	1.20	3.6	2.21	0.2
Australia	0.33	0.6	0.12	3.7	0.36	7.8	0.00	0.0	0.02	1.6	0.16	1.1	0.99	3.6
OECD Total	**14.56**	**-2.4**	**3.73**	**0.4**	**9.75**	**4.6**	**2.80**	**-4.6**	**2.87**	**0.4**	**12.97**	**1.0**	**46.67**	**0.2**

* Including US territories

North America

Preliminary data show oil product demand in North America (including US territories) falling by 0.7% year-on-year in August, following a 2.7% decline in July. Gasoline (-2.5%) led the fall, but diesel and jet fuel/kerosene posted gains of 7.1% and 2.8%, respectively, continuing a trend of relative middle distillate demand durability. The IMF's outlook for North America has reduced GDP growth prospects to 1.8% for 2011 and 2.0% for 2012, but this represents a revision of only 0.1% and 0.2%, respectively, to our assumptions. Our forecast is revised down by 30 kb/d in 2011 and by 20 kb/d in 2012 with oil demand now seen at 23.5 mb/d (-0.9% or -220 kb/d) and 23.4 mb/d (-0.6% or -130 kb/d), respectively.

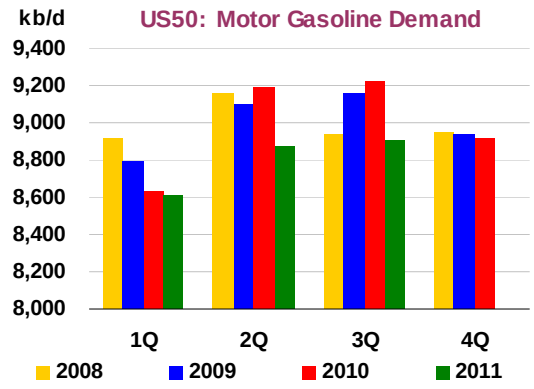


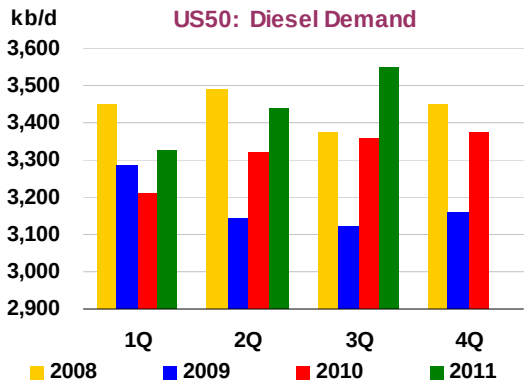


Revisions to July data averaged -340 kb/d and were driven by the US (-380 kb/d). Residual fuel oil (-160 kb/d) and diesel (-120 kb/d) accounted for the largest downward adjustments. Still, the latter posted solid growth of 3.3% year-on-year. Weekly-to-monthly gasoil revisions in the US continue to be difficult to anticipate, particularly given surging diesel and heating oil exports, which, combined, reached a record of 890 kb/d in July.

Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – declined by 2.7% year-on-year in September, following a

0.9% fall in August. It appears that 3Q2011 gasoline demand fell by 3.5%, or 320 kb/d, year-on-year and averaged only 8.9 mb/d, making it the weakest third quarter since 2001. By contrast, diesel demand grew by an estimated 5.7%, or 190 kb/d, and averaged 3.5 mb/d, its highest level since 4Q2007. These readings correspond to weakness in vehicle miles travelled, albeit on a lagged basis, versus still growing road and rail freight. This divergent trend continues through our 2012 forecast, though with smaller declines in gasoline and more moderate diesel growth on weaker economic prospects. US GDP growth is assumed at 1.5% this year and 1.8% in 2012. Overall, US demand is expected to decline 1.1% (-210 kb/d) to 19.0 mb/d in 2011 and fall 0.5% (-90 kb/d) to 18.9 mb/d in 2012, with downward revisions of 40 kb/d and 20 kb/d, respectively.

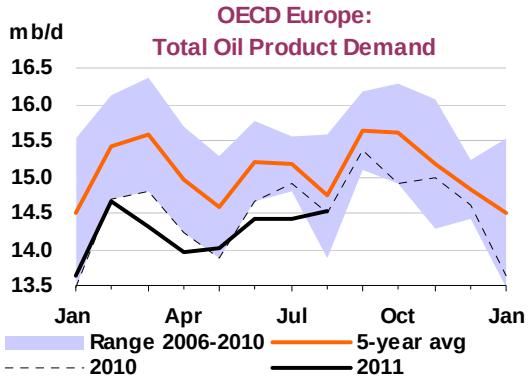


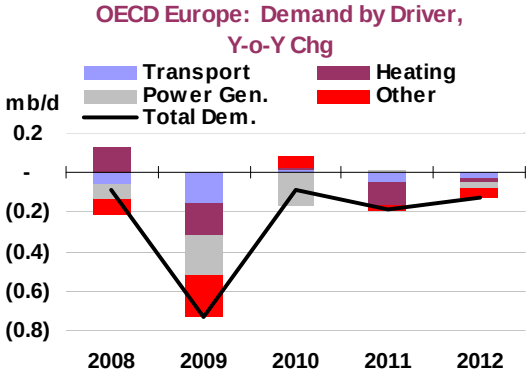


In **Mexico**, oil demand rose by 4.6% in August, led by strong diesel (+13.3%) and residual fuel oil readings (+20.3%). Economic growth has slowed, though our latest assumptions put GDP growth at a still respectable 3.8% and 3.6% for 2011 and 2012, respectively. With stronger-than-anticipated August data, the outlook is revised up by 20 kb/d in 2011 and demand is expected to decline 0.8% (-20 kb/d). The forecast for 2012 is adjusted up by 10 kb/d, with demand expected to fall 0.4% (-10 kb/d).

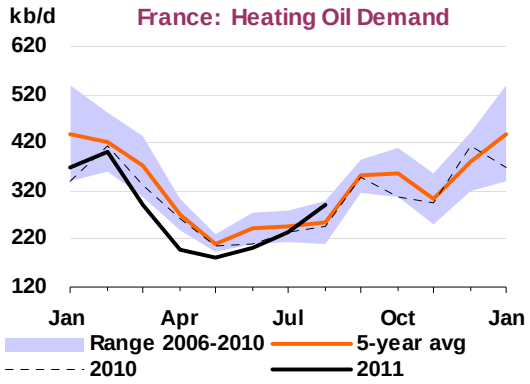
Europe

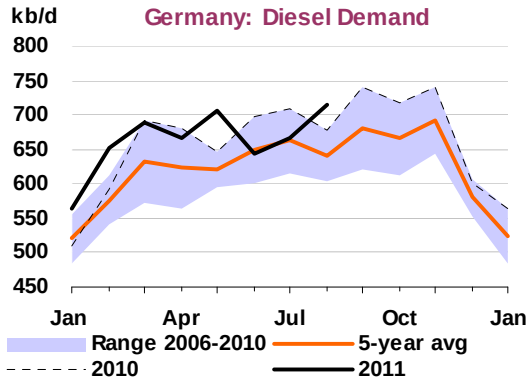
Preliminary inland data indicate that oil product demand in Europe increased by 0.3% year-on-year in August, led by gains in LPG (+4.3%), diesel (+2.9%) and heating oil (+1.9%). These more than offset declines in gasoline (-2.5%) and naphtha (-2.0%). The pick-up in European demand growth followed two months where declines averaged -2.6% year-on-year. Some of the strength may simply be due to accelerated seasonal filling of heating oil tanks at the consumer level, though it may also indicate a somewhat more supportive demand picture, particularly in France, Germany and Poland, as economies continue to expand.





Revisions to July preliminary data were positive, at +60 kb/d, with higher readings for most products outweighing downward adjustments to gasoline (-50 kb/d) and jet fuel/kerosene (-20 kb/d). GDP growth expectations for Europe have been trimmed to 1.9% for 2011 and 1.4% for 2012, versus 2.0% and 1.7% previously. Nevertheless, based on higher baseline readings, the forecast has been revised up by 50 kb/d and 20 kb/d for 2011 and 2012, respectively. We now see European demand declining by 190 kb/d (-1.3%) to 14.4 mb/d in 2011 and falling 130 kb/d (-0.9%) to 14.3 mb/d in 2012.

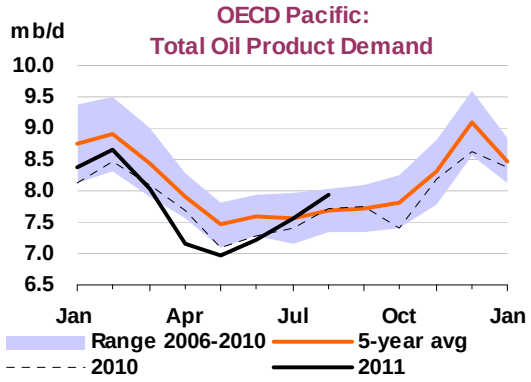


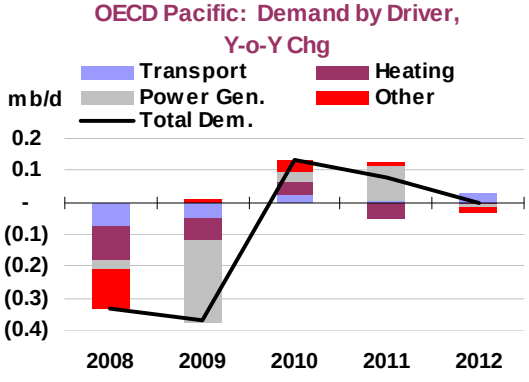


In August, according to preliminary data, oil product deliveries in **France** rose by 3.8% year-on-year with all categories except residual fuel oil posting gains. Growth was strongest in diesel (+4.3%) and heating oil (+18.2%), where it appears that consumer tank filling has accelerated ahead of winter. Such strength was also evident in **Germany**, where demand rose 1.2%, reversing average declines of 8.1% during the previous two months. Diesel increased by 5.2% and though heating oil deliveries fell by 0.2% year-on-year, demand was sharply higher on a monthly basis. **Poland** was another source of support, with total product demand up 5.9% year-on-year. Gains there were broad based, with diesel (+8.2%) and LPG (+7.5%) growing strongly. By contrast, the picture has slowed in **Turkey**. Following year-on-year growth of 6.2% in 1H2011, demand rose by only 1.4% in July. Still, data submissions indicate that diesel deliveries soared to new highs, with growth of over 20% year-on-year.

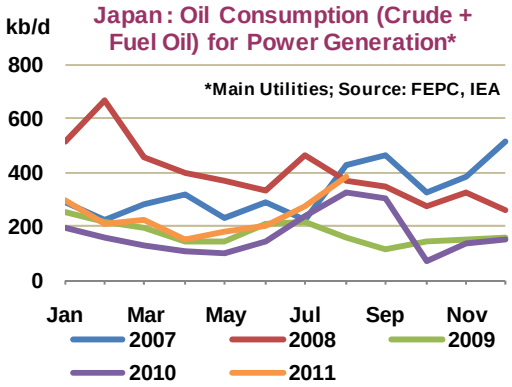
Pacific

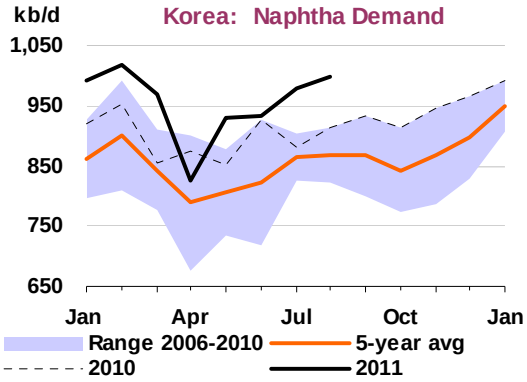
Preliminary data indicate that oil product demand in the Pacific grew by 2.7% year-on-year in August, led by 'other products', residual fuel oil and naphtha. The economic outlook has been revised up for 2011, with a stronger Japanese recovery, but revised down for 2012. GDP growth expectations are now 0.8% in 2011 and 2.9% in 2012. Revisions to July preliminary data, at -100 kb/d stemmed mostly from lower 'other products' demand in Japan. Still, oil demand continues to be buoyed by oil-fired power generation in Japan and, to a lesser degree, by petrochemical activity in Korea. These factors may diminish from 2H2012, though our forecast is revised up marginally by 10 kb/d for both 2011 and 2012. We now see regional demand increasing 80 kb/d (+1.0%) to 7.9 mb/d in 2011, and holding steady for 2012 (+0.0%).





In **Japan**, oil demand rose by 4.0% year-on-year in August, with 'other products' (+27.3%), which include crude direct burn, residual fuel oil (+22.3%) and naphtha (+4.4%) posting the strongest gains. Diesel (-3.6%) and gasoline (-2.1%), by contrast, weakened versus year-ago levels. Oil burning for power generation continues to underpin demand growth. Despite volatility in reported deliveries – 'other products' plus fuel oil demand increased by 60 kb/d from June to July but surged by 280 kb/d from July to August – main utilities have reported a smooth and steadily rising oil consumption pattern. Recent temperatures have not approached the high levels seen in late-summer 2010, but the nuclear power outlook remains unclear. At the time of writing, only 10 nuclear reactors, of 54, remained online in Japan with plant restarts contingent upon the still-evolving policy debate. Our outlook has changed little from last month, with total oil demand growing 1.5% (+70 kb/d) to 4.5 mb/d in 2011 and holding steady for 2012 (+0.0%). This forecast pre-supposes gradual recovery in nuclear generation, and therefore receding crude burn requirements, over the course of 2012.

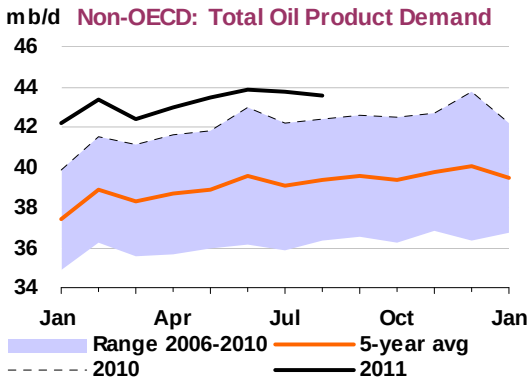


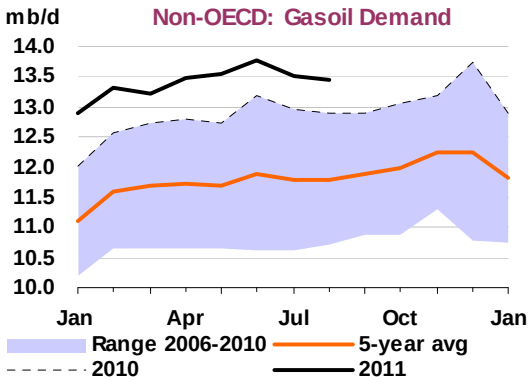


Meanwhile, in **Korea**, demand rose by only 0.2% in August. Most products declined, except for naphtha (9.3%) and diesel (+3.5%), with the former benefitting from increased petrochemical activity. In September, power outages hit residential areas across the country with surging temperatures in the face of seasonal plant maintenance. The government is seeking to avoid further blackouts this winter by having utilities secure additional coal supplies. For now, the upside to oil demand looks limited (in August, residual fuel oil declined 11.6% year-on-year), with economic concerns predominating. Our outlook sees demand falling by 20 kb/d (-1.0%) in 2011 and by 10 kb/d (-0.4%) in 2012.

Non-OECD

Preliminary demand data indicate that non-OECD oil demand grew by 2.7% year-on-year (+1.2 mb/d) in August, down from 3.6% growth in July. Much of the slow-down stemmed from relatively weaker demand growth in China and Saudi Arabia. Total August demand is estimated at 43.5 mb/d, while July levels have been revised down by 50 kb/d to 43.8 mb/d (+1.5 mb/d year-on-year).





Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jun-11	Jul-11	Aug-11	Jul-11	Aug-11	Jul-11	Aug-11
LPG & Ethane	5,021	4,912	4,955	209	208	4.4	4.4
Naphtha	2,635	2,631	2,616	-19	-11	-0.7	-0.4
Motor Gasoline	8,392	8,455	8,383	285	284	3.5	3.5
Jet Fuel & Kerosene	2,655	2,750	2,772	44	62	1.6	2.3
Gas/Diesel Oil	13,766	13,522	13,451	547	566	4.2	4.4
Residual Fuel Oil	5,485	5,467	5,451	79	43	1.5	0.8
Other Products	5,904	6,037	5,885	388	0	6.9	0.0
Total Products	**43,857**	**43,774**	**43,514**	**1,534**	**1,152**	**3.6**	**2.7**

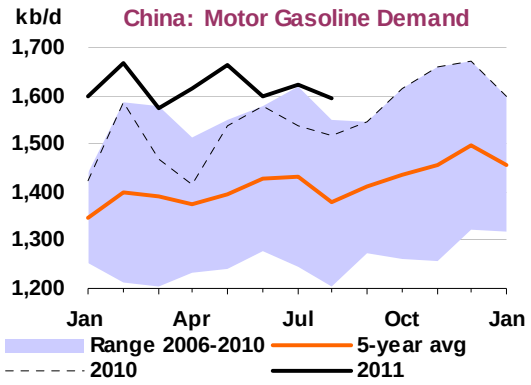
Gasoil, LPG and gasoline led product growth in August. With weaker growth in direct crude oil burning in Saudi Arabia, 'other products' demand growth was flat year-on-year and sharply lower than in July. At the regional level, growth in the FSU remained robust due to surging Russian demand while Asian growth moderated and the Middle East witnessed a rare monthly decline in year-on-year demand growth.

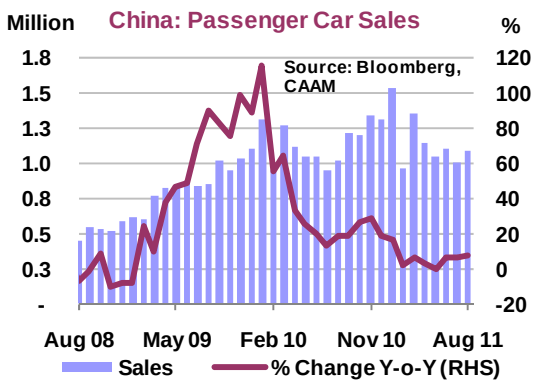
Non-OECD: Demand by Region
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jun-11	Jul-11	Aug-11	Jul-11	Aug-11	Jul-11	Aug-11
Africa	3,369	3,300	3,286	-84	-80	-2.5	-2.4
Asia	20,135	19,934	19,607	940	784	4.9	4.2
FSU	4,933	4,753	5,037	309	397	6.9	8.6
Latin America	6,497	6,543	6,619	68	164	1.1	2.5
Middle East	8,218	8,576	8,266	293	-126	3.5	-1.5
Non-OECD Europe	704	667	699	7	13	1.1	1.9
Total Products	**43,857**	**43,774**	**43,514**	**1,534**	**1,152**	**3.6**	**2.7**

China

China's monthly apparent demand (calculated as refinery output plus net product imports) rose by 5.8% year-on-year in August as slower refinery runs outweighed higher product imports. Apparent demand in July was revised up by 50 kb/d, putting growth for that month at 6.6%. August demand was led by year-on-year increases in gasoil (+6.5%), residual fuel oil (+10.6%), jet fuel/kerosene (+9.5%) and gasoline (+5.2%). The monthly demand pattern fits with our view of moderating growth rates over the next 18 months as the economy slows. However, with GDP growth and demand growth expected to average 9.0% and 5.0% (+480 kb/d), respectively, in 2012, the outlook still looks robust.





In addition to moderating economic activity, part of the demand growth slowdown relates to easing auto sales in China. August data show car sales up 7.5% year-on-year, amid overall vehicle sales up just 3.3%. While these rates are stronger than previous month readings and long-term prospects for vehicle growth remain robust, they are still far lower than the 30+% growth in 2010. The expiry of government tax incentives, reduced availability of vehicle registrations in cities and higher gasoline prices have all

contributed to the slowing. The National Development and Reform Commission (NDRC) cut prices for gasoline and diesel by 3-4% on 9 October, but this was the first adjustment since April 2011. The responsiveness of domestic prices may increase as the NDRC has announced plans to shorten its adjustment mechanism for retail product prices from 22 days to 10 days, which would make them more sensitive to international crude prices. Nevertheless, anecdotal evidence gleaned on a recent visit to Beijing suggests that persistently high gasoline prices may indeed be curbing taxi driving, with drivers complaining about tenuous profitability and cutting hours accordingly.

China: Demand by Product
(thousand barrels per day)

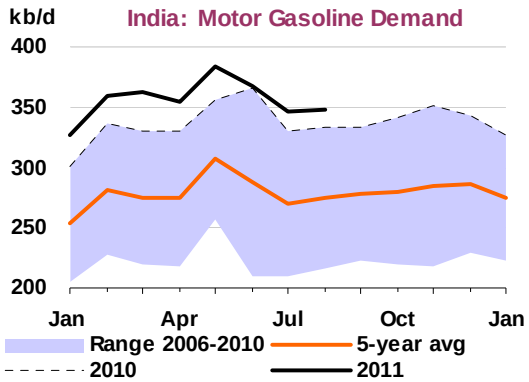
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	684	702	16	18	2.5	2.7
Naphtha	1,129	1,195	1,251	66	56	5.9	4.7
Motor Gasoline	1,546	1,646	1,726	101	80	6.5	4.8
Jet Fuel & Kerosene	368	395	415	26	20	7.1	5.1
Gas/Diesel Oil	3,142	3,345	3,502	203	156	6.5	4.7
Residual Fuel Oil	531	545	549	14	5	2.5	0.8
Other Products	1,685	1,780	1,926	96	146	5.7	8.2
Total Products	**9,069**	**9,590**	**10,072**	**522**	**481**	**5.8**	**5.0**

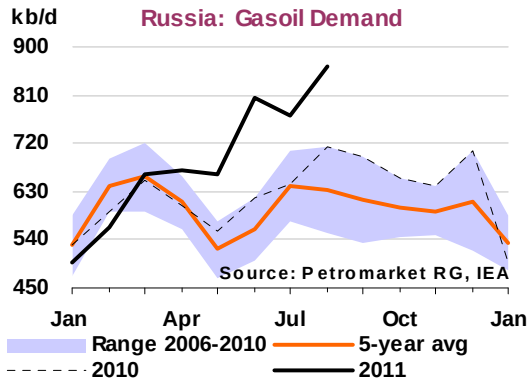
Other Non-OECD

In **India**, oil demand rose by 2.7% in August, slightly slower than the 2.9% increase in July. Growth was stable in gasoil (+6.3%) and gasoline (+4.3%) while LPG growth rose to +9.5%. Residual fuel oil, jet fuel/kerosene and naphtha all registered declines. Indian economic prospects are seen somewhat higher for 2011 and lower for 2012, with growth now expected at 7.8% and 7.5%, respectively. Passenger car sales growth continued to slow from its rapid expansion in the first half of the year. August auto sales fell for the second month in a row, decreasing 10% year-on-year. Rising gasoline prices, which are formally deregulated, may be a contributing factor to the slowdown. Oil Marketing Companies (OMCs) raised prices by $0.11/litre in May and instituted a further $0.07/litre price rise in September.

India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	455	493	523	38	30	8.3	6.0
Naphtha	201	200	191	-1	-9	-0.6	-4.6
Motor Gasoline	338	359	379	21	20	6.2	5.6
Jet Fuel & Kerosene	299	300	303	1	3	0.4	1.0
Gas/Diesel Oil	1,290	1,356	1,425	66	68	5.1	5.0
Residual Fuel Oil	194	177	185	-17	8	-8.9	4.5
Other Products	559	559	564	0	5	0.0	0.8
Total Products	**3,337**	**3,444**	**3,569**	**108**	**124**	**3.2**	**3.6**





Demand in **Russia** has shown little sign of slowing, growing by 10.4% year-on-year in August. Gasoil and residual fuel oil demand continued to soar, growing by 20.9% and 30.5% year-on-year, respectively, even as we have cut economic growth prospects on average by 0.4% for 2011 and 2012, to 4.3% and 4.1%, respectively. This year's demand growth has exceeded expectations based on income and may stem from a degree of end-user stock building. By contrast, the 2012 forecast is more in line with longer-term income-demand relationships.

Russia: Demand by Product
(thousand barrels per day)

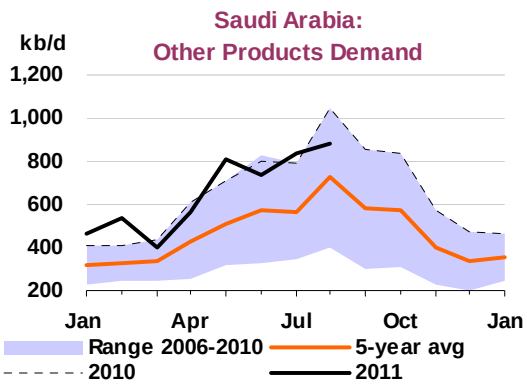
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	493	517	534	24	17	4.9	3.2
Naphtha	289	287	292	-2	5	-0.8	1.9
Motor Gasoline	774	778	780	4	1	0.6	0.2
Jet Fuel & Kerosene	255	266	269	11	3	4.1	1.3
Gas/Diesel Oil	634	694	691	61	-3	9.6	-0.5
Residual Fuel Oil	291	300	282	9	-18	2.9	-6.0
Other Products	542	599	614	57	15	10.5	2.5
Total Products	**3,279**	**3,442**	**3,462**	**163**	**20**	**5.0**	**0.6**

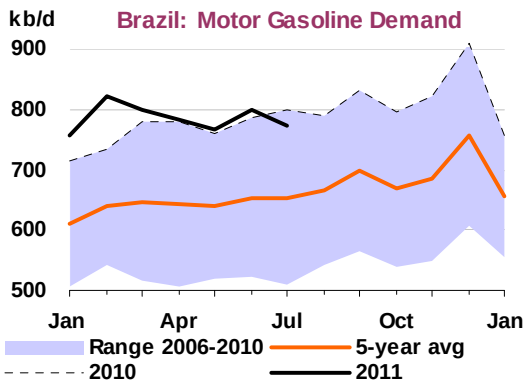
Source: Petromarket RG, IEA

In **Saudi Arabia**, demand fell by -3.5% in August. Sharply lower 'other products' (-15.6%), which includes crude direct burn for power generation, and residual fuel oil (-5.8%) accounted for the decline, though gasoline demand growth (+1.2%) also moderated. The decline may partly stem from reduced activity during Ramadan, which was centred on August this year rather than a more usual straddling of different months. Nevertheless, 'other products' demand and crude burn still rose on a monthly basis from July, though with a more smoothed pattern compared with previous summer spikes. Economic assumptions for Saudi Arabia remain steady, but we have revised our demand outlook there down by 50 kb/d for both 2011 and 2012. The outlook has also been cut for **Syria** by an average 40 kb/d this year and next, based on the IMF's assessment of negative GDP growth for 2011.

Saudi Arabia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	568	606	639	38	33	6.7	5.4
Naphtha	51	51	52	0	1	-0.5	2.0
Motor Gasoline	422	439	452	17	13	4.0	3.0
Jet Fuel & Kerosene	65	66	68	2	2	2.4	2.6
Gas/Diesel Oil	627	643	667	16	24	2.6	3.7
Residual Fuel Oil	262	269	269	7	0	2.5	0.2
Other Products	662	662	712	0	50	0.0	7.5
Total Products	**2,657**	**2,736**	**2,859**	**79**	**123**	**3.0**	**4.5**





In **Brazil** product demand fell by 0.8% year-on-year in July, weighed down by residual fuel oil (-15.6%), gasoline (-3.3%) and LPG (-0.9%). By contrast, middle distillates posted strong growth, with jet fuel/kerosene and gasoil rising by 10.1% and 2.1%, respectively. Economic prospects have been trimmed, with real GDP growth seen at 3.8% for 2011 and 3.6% for 2012. Nevertheless, demand is expected to grow at a still solid pace, +1.8% (+50 kb/d) and +2.4% (+70 kb/d), for the two years.

From 1 October, Brazil cut the mandated anhydrous ethanol content in gasoline by 5% to a level of 20%. On the one hand, with overall ethanol (whose prices are high and set by the market) tightness likely to ease versus gasoline (whose prices are relatively fixed), the move may help revive total gasoline consumption, growth rates for which have fallen steadily. That said, efficiency gains will derive from the higher energy content of a gasoline pool containing less ethanol. Petroleum based gasoline requirements may rise by only 30 kb/d to substitute for the reduced anhydrous ethanol, but this will put pressure on an already strained refining system and necessitate increased imports.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
LPG & Ethane	219	221	224	3	2	1.2	0.9
Naphtha	166	166	167	1	0	0.4	0.2
Motor Gasoline	792	813	839	21	26	2.6	3.2
Jet Fuel & Kerosene	110	121	132	11	10	10.3	8.4
Gas/Diesel Oil	886	916	951	30	34	3.4	3.7
Residual Fuel Oil	187	163	154	-23	-9	-12.4	-5.8
Other Products	374	380	384	6	4	1.6	1.2
Total Products	**2,733**	**2,782**	**2,850**	**49**	**68**	**1.8**	**2.4**

Argentina's oil demand rose by 4.1% year-on-year in August, on the back of still robust economic growth. LPG and gasoline led the increases, growing by a sizeable 29.6% and 15.1%, respectively. Total product demand is expected to average 730 kb/d in 2011 (+3.5% year-on-year or +20 kb/d) and 750 kb/d in 2012 (+3.2% or 20 kb/d), with GDP growth at 8.0% and 4.6%, respectively. While the 2011 demand forecast is guided by eight months of reported data, the 2012 outlook is based upon longer-term income-demand relationships.

SUPPLY

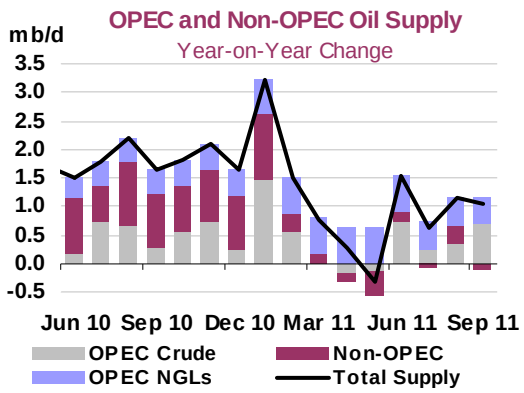
Summary

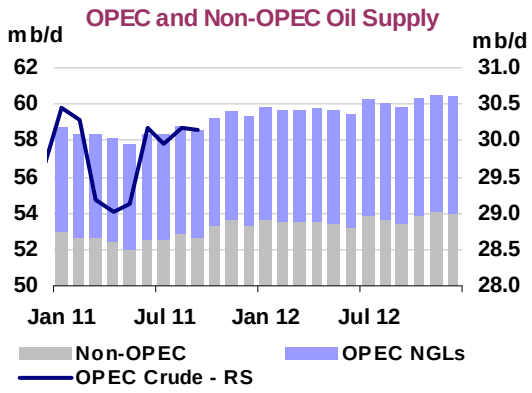
- **Global oil supply fell by 0.3 mb/d to 88.7 mb/d in September from August,** driven lower by reduced non-OPEC output. Compared to a year ago, global oil production increased by 1.0 mb/d, 40% of which stemmed from higher OPEC NGLs production and another 60% from increased OPEC crude output.

- **Non-OPEC supply fell by 0.3 mb/d to 52.6 mb/d in September, largely due to weather and/or maintenance related shut-ins** in North America, the North Sea, and Latin America, as well as unplanned outages in the Middle East. Non-OPEC supply is expected to increase during the fourth quarter by 0.7 mb/d compared to the third quarter after maintenance is completed in the North Sea. Annual non-OPEC supply growth now averages 0.2 mb/d for 2011 and 0.9 mb/d for 2012.

- **OPEC crude oil supply was down by a slight 20 kb/d to 30.15 mb/d in September, with lower output by Saudi Arabia and Nigeria partly offset by the resumption of Libyan production**. Despite ongoing armed conflict in Gaddafi strongholds, crude production was rapidly restored to 350 kb/d by early October following the liberation of Tripoli in early September. Success in restoring supplies to date has led us to revise upward our outlook for the country's capacity, with year-end output now pegged closer to 600 kb/d, although formidable challenges remain.

- **Calls by some in OPEC for fellow members to sharply scale back production now that Libyan production has restarted may be premature.** The average 'call on OPEC crude and stock change' for 4Q11 has been adjusted 0.3 mb/d higher, to 30.8 mb/d, in response to lower forecast non-OPEC supplies. The 'call' for 2012 is largely unchanged at 30.5 mb/d, marginally lower than the 30.6 mb/d average for 2011. Effective OPEC spare capacity is estimated at 3.31 mb/d.





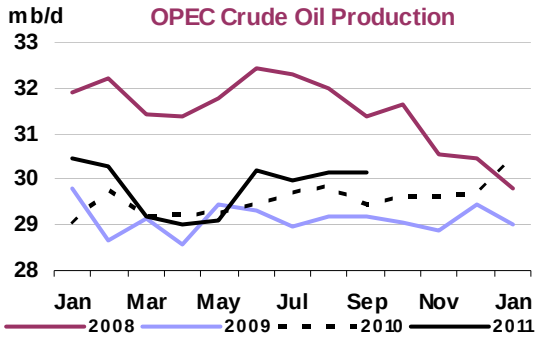
All world oil supply figures for September discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, and Russia are supported by preliminary September supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals -200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

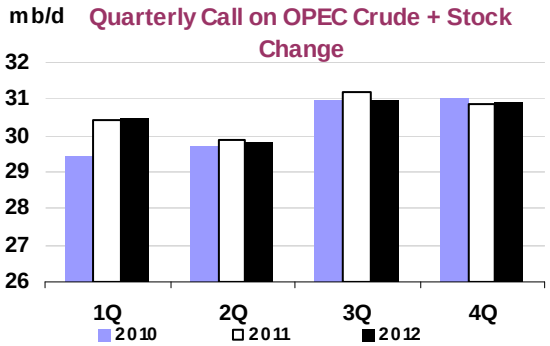
OPEC Crude Oil Supply

OPEC crude oil supply was down by a marginal 20 kb/d to 30.15 mb/d in September, with lower output by Saudi Arabia and Nigeria partially offset by the resumption of Libyan production. Despite ongoing armed conflict in Colonel Gaddafi's strongholds, the country's oil industry has been able to quickly ramp up production, to a level around 350 kb/d in early-October, following the fall of Tripoli in early September (see *'Libya Flexes it Production Muscle'*).

Libya's return to the global market may have already set in motion a rebalancing of production flows for several OPEC member countries which stepped in to fill the breach after hostilities broke out last February, forcing the shut-in of some 1.6 mb/d of production. Fellow OPEC members, led by Saudi Arabia, have collectively increased supplies by more than 1.1 mb/d from the 2011 low seen in April in a effort to replace lost Libyan crude. Both Kuwait and the UAE raised output in September to the highest levels in around three years to help compensate for Libya's shutdown. However, Saudi Arabia, which increased output by around 1 mb/d in recent months, appears now to be scaling back supplies.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Calls by other OPEC members, including Iran, Iraq and Venezuela, for Saudi Arabia to rein-in supplies now that Libyan output has restarted may be premature. The group's output is still running 300 kb/d below pre-Libyan crisis levels of 30.5 mb/d from January 2011. Moreover, despite increased output by several OPEC members and the IEA's Libyan Collection Action, demand has continued to run ahead of supply by an average 0.6 mb/d so far in 2011. Crude oil stocks in OECD Europe and Pacific are holding well below the five-year average.

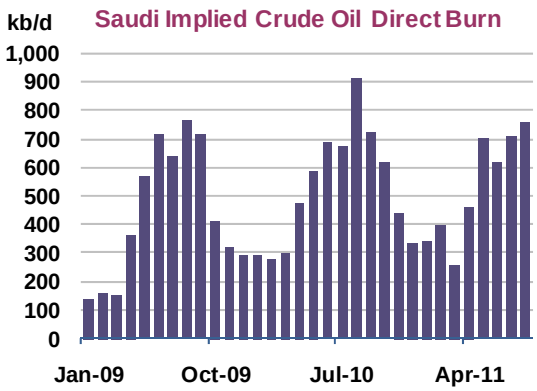
Indeed, the 'call on OPEC crude and stock change' for 4Q11 has been adjusted higher in response to lower forecast non-OPEC supplies. After a downward adjusted 2011 peak of 31.2 mb/d in 3Q, the 4Q11 call has been raised by 300 kb/d, to 30.8 mb/d, due to a downward revision in expected supplies from the North Sea, Brazil, Yemen and Syria. The 2011 'call' is largely unchanged at 30.6 mb/d, but remains unchanged for 2012 at 30.5 mb/d.

Attacks on key crude pipelines in September and early October, which temporarily forced the shut-in of 600-700 kb/d in Iraq and Nigeria, are also a stark reminder of how vulnerable oil production facilities are in countries facing ongoing civil unrest, such as that confronted now by Libya.

OPEC will next meet in Vienna on 14 December to review the market outlook for 2012. When the group last met in June, the gathering failed to agree a Saudi plan to raise output to replace lost Libyan crude. OPEC's September supply was 2.57 mb/d above the now largely irrelevant official 24.845 mb/d target, which has been in place since January 2009. Recent statements by several OPEC ministers suggest that discussions at the December meeting may revolve around calls for some Gulf producers to curtail output to make room for Libyan supplies. Reaching accord on such a proposition will largely depend on

benchmark crude prices, the state of Libyan reconstruction, the macro economic situation, current outlook for oil demand and prevailing Saudi output levels.

Saudi Arabia curtailed output by an estimated 200 kb/d to 9.6 mb/d in September, according to export data and industry reports. The cutback is largely in line with lower domestic needs following the end of the peak summer demand period. Latest data from JODI indicate direct crude burn in August came in seasonally lower than expected. The more modest increase in crude burn was most likely due to Ramadan celebrations, which led to reduced industrial and consumer electricity use in August.



Saudi Oil Minister Ali Naimi suggested on 8 October that September production was down to as low as 9.39 mb/d. Although it is not clear whether this referred to production or actual supply to the market, or indeed whether this was a monthly low-point, it nonetheless supports views that output is now on a downward trend. Moreover, Saudi Arabia sent the clearest signal yet that it intends to protect revenues despite declining output with its decision to raise prices to record levels for its Arab Light for Asian buyers for November. The steep price hike took many market players by surprise, especially following the unplanned shutdown of Shell's massive 500 kb/d Singapore refinery and ensuing cutback in crude needs. Aramco's price rise is likely pegged to recent stronger refining margins and on expectations of robust demand for winter fuels.

Meanwhile, Saudi Arabia formally announced it is unlikely now to implement plans to raise its oil output capacity to 15 mb/d, arguing increased production and expansion projects elsewhere, such as in Iraq and Brazil, will be adequate. "There is no reason for Saudi Aramco to pursue 15 mb/d," Saudi Aramco chief executive Khalid Al Falih was reported as saying 8 October. Early on in the Libyan crisis, and likely aimed at quelling market fears of a critical production shortage, Saudi Arabia reaffirmed that it could increase capacity to 15 mb/d.

Kuwait raised output to its highest level in three years at 2.55 mb/d, up 20 kb/d from August levels. Production, however, is still some 250 kb/d below levels reported by officials. Kuwait reported to JODI an unusually sharp increase in crude production for August although tanker data show no significant change over the past few months through September. Some analysts have questioned such a rise, although recent JODI demand data also suggested higher domestic use. Others have cited claims to higher production as being designed to appease domestic political criticism of the state oil company.

Elsewhere in the Gulf, the **UAE** increased output by 20 kb/d to 2.55 mb/d, the highest level since September 2008, while **Iranian** supplies inched up 30 kb/d to 3.54 mb/d. Latest shipping data show the increased Iranian production was likely moved to floating storage. Gibson Shipbrokers reported Iranian floating storage rose by around 2 mb to 21.4 mb by end-September.

Iraqi output in September reached its highest level in almost 10 years. However, production edged lower in early October following attacks on pipelines in the south of the country. Production of around 650 kb/d at the southern part of the workhorse Rumaila oilfield was initially shut-in on 7 October following two bomb attacks. Total production from the BP-China National Petroleum Corp. joint venture had been running at around 1.24 mb/d. The field's southern output was gradually restored three days later. An estimated 540 kb/d produced from the northern part of the Rumaila field was not affected by the disruption. An earlier explosion at a degassing station during maintenance work also forced operator BP to temporarily shut-in output at Rumaila on 21 September.

Iraqi production in September rose by 60 kb/d to 2.74 mb/d, the highest level since November 2001 thanks to increased output from the new joint venture projects. Oil exports also reached new highs in September, up by 50 kb/d to 2.24 mb/d. Shipments from the Basrah and Khor al-Amaya terminals averaged 1.8 mb/d, up by about 70 kb/d from August. Exports of Kirkuk crude in the north were down by around 20 kb/d to 430 kb/d. Pipeline leaks related to ageing infrastructure led to a halt in crude exports through the Kirkuk-Ceyhan network on 28 September for several days. Reduced output from the Kurdish region also contributed to the monthly decline. Norwegian operator DNO said it reduced output at the Tawke field in early September while it conducted technical tests related to reservoir management. Total crude exports from the northern Kurdish region, which flow through the pipeline to the Turkish Mediterranean port of Ceyhan, dropped to 50-60 kb/d in early September from around 160 kb/d in August, before rising to 100 kb/d by the end of the month.

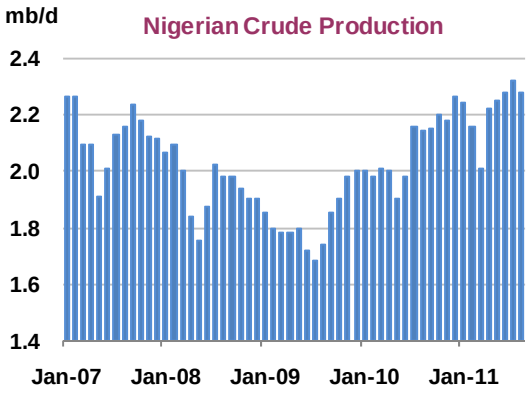
OPEC Crude Production

(million barrels per day)

	Jul 2011 Supply	Aug 2011 Supply	Sep 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Sep 2011 Supply	End-2011 Sustainable Production Capacity
Algeria	1.28	1.28	1.29	1.34	0.05	1.34
Angola	1.67	1.69	1.74	1.98	0.23	1.98
Ecuador	0.49	0.49	0.50	0.53	0.03	0.53
Iran	3.53	3.51	3.54	3.68	0.14	3.68
Kuwait[2]	2.51	2.53	2.55	2.56	0.01	2.56
Libya	0.06	0.00	0.08	0.35	0.28	0.60
Nigeria[3]	2.32	2.28	2.18	2.55	0.37	2.55
Qatar	0.82	0.82	0.82	1.04	0.22	1.04
Saudi Arabia[2]	9.70	9.80	9.60	12.04	2.44	12.04
UAE	2.50	2.53	2.55	2.74	0.19	2.74
Venezuela[4]	2.43	2.56	2.56	2.64	0.08	2.59
OPEC-11	**27.31**	**27.49**	**27.41**	**31.44**	**4.03**	**31.64**
Iraq	2.65	2.68	2.74	2.85	0.11	3.03
Total OPEC	**29.95**	**30.17**	**30.15**	**34.29**	**4.14**	**34.67**
(excluding Iraq, Nigeria, Venezuela					*3.31)*	

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in September.

Nigerian supplies in September were down 100 kb/d, to 2.18 mb/d, following a series of pipeline outages on the Bonny and Forcados network due to sabotage and oil theft. Reports suggest there have been almost a dozen vandalism incidents in August and September on pipelines in eastern operations of the Niger Delta. In early October, Shell declared *force majeure* on its Forcados export programme for October, November and December 2011 following the production shutdown stemming from sabotage on the Trans Forcados Pipeline. Forcados output was already cut by as much as 50% in the third week of September due to pipeline leaks. Operator Shell has not confirmed the exact amount of crude affected but loading schedules indicate exports were to average 220 kb/d prior to the attacks. At the same time, Shell lifted its *force majeure* on Nigerian Bonny Light crude exports, which had been in effect since 23 August following several pipeline attacks.



The attacks risk reversing a fairly steady increase in production since the government's amnesty agreement with militant groups was implemented two-years ago.

Indeed, July production levels reached a five-year high of 2.32 mb/d. However, the latest escalation in oil thefts, or 'bunkering' as it is known in Nigeria, may ultimately result in more pipeline shut-downs going forward. After coming in for harsh criticism for its environmental record from a United Nations'(UN) report on oil spills released in August, Shell, the country's biggest foreign producer, is likely to take a much more aggressive approach in dealing with vandalism and bunkering. The UN report said decades of oil pollution in the Ogoniland area of the Niger Delta, located in Rivers state, will require the world's largest ever clean-up. Shell and other IOCs contend that a large majority of oil spills are caused by sabotage or oil theft. Soon after the reports' release, Shell shut in 25 kb/d from its Imo River field in the Niger Delta on 28 August, saying it has "shut in production from Imo River Field due to a recent upsurge of illegal bunkering and refining activities which have impacted the environment."

Angolan crude oil production in September rose to the highest level in sixteen months, up 55 kb/d to 1.75 mb/d, in part due to the end of field maintenance work and start-up of production at the Total-operated deepwater Pazflor field. Output is expected to rise in coming months as Pazflor ramps up towards its 220 kb/d capacity.

Libya Flexes its Production Muscle

Libya's national oil company and joint venture partners have moved quickly to restore output since the fall of Tripoli in early September. After being idled for more than six months, production from four fields brought online so far reached an estimated 350 kb/d in early October. In September, Libyan output averaged 75 kb/d. Despite the ramp-up in production, crude exports so far have been minimal as officials divert the early barrels to replenishing tanks at refineries given the critical need to meet domestic demand. To date, four cargoes carrying a total 2.5 mb have been sold since production started up in early September.

Despite still formidable challenges, success in restoring supplies to date has led us to revise upward our outlook for the country's production capacity through the end of the year. Production now looks on track to reach an average 400 kb/d in 4Q 2011, with year-end output closer to 600 kb/d. That compares with our earlier forecast of 350-400 kb/d by end-2011. Indeed, there may be more upside revisions once companies are able to conduct a more thorough assessment on the ground and determine if damage is less than initially feared. So far, however, there are still many conflicting reports about the state of the fields and infrastructure which need to be clarified. One manager at the 300 kb/d Elephant field said production start-up would be delayed due to severe damage while operator ENI reported no damage.

So far, production is made up of relatively easy barrels from fields unaffected by the fighting but thereafter restoring production may be more difficult as companies implement repairs to war-damaged fields, terminals and other key infrastructure. The National Oil Corporation (NOC) estimated that full pre-war output is achievable at end-2012.

The bulk of current production is coming from the eastern region of the country, and includes Sarir at an estimated 180-200 kb/d, Mesla at 60 kb/d and Bu Attifel at 70 kb/d. The offshore Al-Jurf field is also ramping up to its 40 kb/d target. Planned start-up of more fields from the western region in coming weeks, including the 200 kb/d Sharara field, should double current output, NOC officials said.

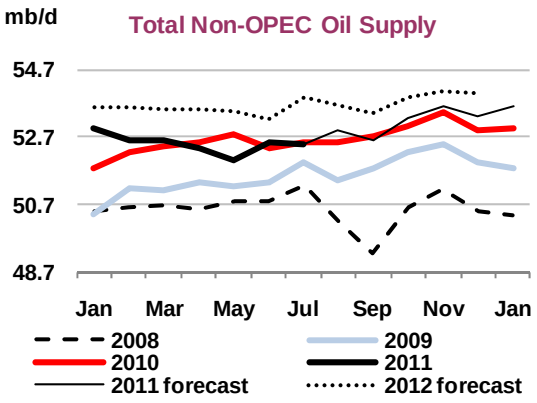
Internal power struggles within the nascent National Transitional Council (NTC) as well as at the national oil company, oil ministry and even at the field level may yet threaten output targets. Workers at the Waha oil complex, which produced 400 kb/d before the outbreak of unrest, are threatening to strike unless managers who are reportedly loyal to Colonel Gaddafi are fired and put on trial. Workers unearthed documents showing the management used the Waha oil facility as a base for Gaddafi's military operations. NATO targeted the complex because it was used to support pro-Gaddafi militia and, as a result, there is extensive damage to fields, including Waha and Gialo, which could take four to six months to repair.

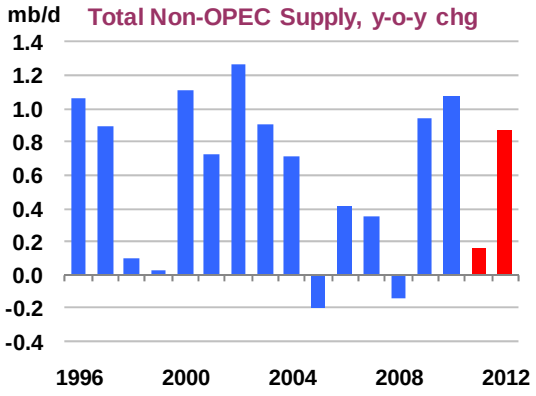
While the bulk of the production in the eastern region of the country was spared some of the worst damage, output from the Sarir and Mesla fields, which were the first to come online and combined were producing 280 kb/d by early October, is likely to be capped at current levels until equipment is replaced and repairs made. Operator AGOCO said it could take a year to fix its power turbines near Mesla. Production elsewhere in the Sirte basin could also be hemmed in since exports flow through to the heavily damaged Es Sider terminal, which officials also say could take a year to repair.

Non-OPEC Overview

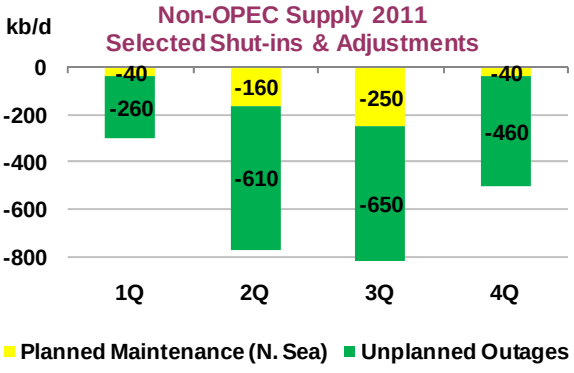
Non-OPEC oil supply is estimated to have fallen by 0.3 mb/d to 52.6 mb/d in September, largely due to weather and maintenance related shut-ins in North America, maintenance in the North Sea, unplanned outages in the Middle East, and outages and maintenance in Latin America. We expect fewer outages by the fourth quarter, with production increasing by 700 kb/d compared to 3Q11. However, compared to last year, non-OPEC supply in 4Q11 is estimated to grow by only 0.3 mb/d, halving our long-standing expectations from last month. Annual growth in 4Q11 stems mainly from gains in Latin America and Russia that are tempered by declines in Malaysia, China and Indonesia.

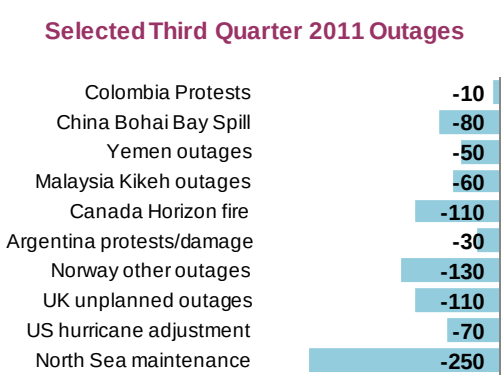
Continued mature field decline, slower than expected ramp-up of new production, and unplanned outages have caused us to reduce expectations for growth in 4Q11 (-300 kb/d) and the entire year (-30 kb/d). Noteworthy downward revisions in 4Q11 are focused in the North Sea (-95 kb/d), Brazil (-90 kb/d), US Gulf of Mexico (-80 kb/d), and the Middle East (-40 kb/d), which are offset by an upwards revision to US NGLs. In 2012, the revisions focus on the same areas and lead to an overall reduction in non-OPEC supply growth for next year by 180 kb/d to around 0.9 mb/d.





Although non-OPEC supply should grow by 0.9 kb/d to 53.6 mb/d in 2012, it is worth highlighting the major downside risks to our outlook. In addition to planned maintenance in the North Sea, this past year has had its share of unplanned outages, reaching 650 kb/d in 3Q11, and many analysts question whether 2012 will be any different. We still maintain that the rebound from unprecedented levels of unscheduled outages and growing production in Latin America, the Caspian, Russia, Australia, and the US will bolster non-OPEC supply growth in 2012. While we cannot forecast unscheduled outages in 2012, we customarily assume a 0.2 mb/d annual downward adjustment in our outlook, largely for potential equipment failures at mature assets in the OECD. Looking forward, the forecast is most susceptible to further revisions from weather and other unplanned outages, persistent project slippage, and mature field declines. However, set against that, the ability of high prices to stimulate activity remains, even if prices have receded in recent weeks.





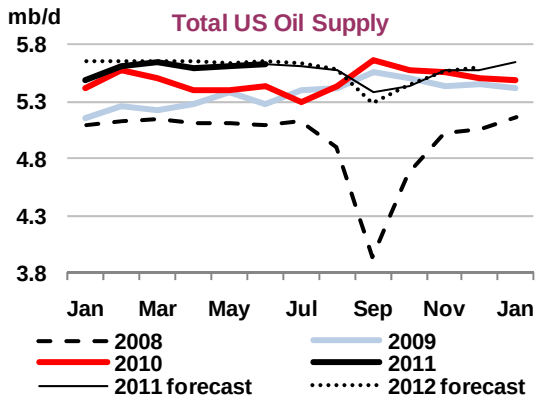
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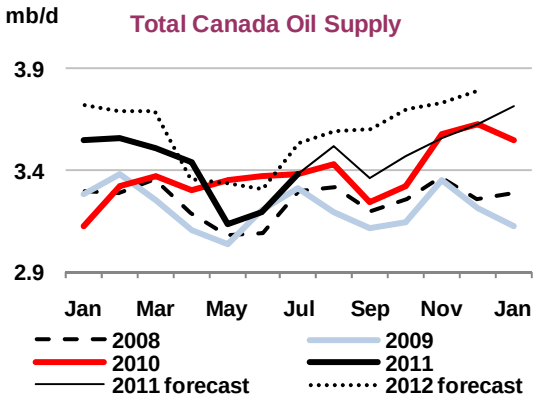
North America

US – August, Alaska actual, other states estimated: US oil supply dipped by 57 kb/d to an estimated 8.0 mb/d in August as production declined in the Gulf of Mexico and in the Lower 48. Lower production was offset by a return to pre-maintenance levels at Alaska's Prudhoe Bay field. The impact of tropical storms accounted for some of the decline in August, though conventional PADD 2 production should remain lacklustre. We expect further declines in US production in September and 4Q2011 on weather-related shut-ins, as well as mature field decline. For example, the tropical storms in September caused a liquid build up in the Destin gas pipeline and led to BP curtailing production for around two weeks at some of its facilities including the Marlin and Pompano fields and the Na Kika complex. We have also reduced our outlook by 80 kb/d for production from the Gulf of Mexico in 2012 from an analysis of recent field level production that shows reduced performance from a number of individual fields.

In North Dakota, production for May, June, and July averaged 390 kb/d, 80 kb/d higher than the same period in 2010. State data indicated that the number of producing wells rose to more than 5 500, which was mitigated by other flooding related shut-ins and rail disruptions in June and July. Severe storms at the start of the year also caused a reduction in output.

An upwards revision to our outlook for US NGL production offsets declining US crude production in these areas. Recent NGL production data have exceeded our expectations, and thus we have revised upwards our assessment of NGL output for 2H11 and for 2012 by 100 and 140 kb/d respectively. There has been a marked acceleration of shale and tight gas resource development in the US in the last two years, especially those with high liquids content, and we believe these developments will continue to support rising NGL production in upcoming months. This revision is predicated on announcements of new fractionation capacity in areas with large amounts of unconventional gas production and on an assumption that natural gas processing margins will continue to support NGL production (versus natural gas sales).





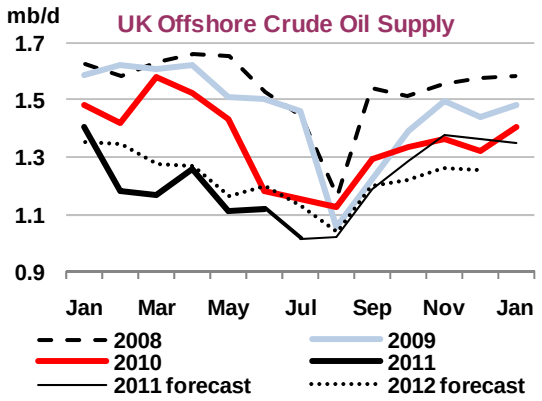
Canada –July actual: Ramp up continued at the Suncor oil sands project in July, raising Canadian total oil production to 3.4 mb/d in July. Further gains in August and September are likely to follow production restart at the 75 kb/d CNRL Horizon mine/upgrader in mid-August. The project should regain 110 kb/d by October. July estimates for conventional crude production in Alberta also reached a record-low level of 290 kb/d, but are expected to rebound to pre-summer levels of 320 kb/d by September. Recent data show that the Hibernia field's production has rebounded by 50 kb/d from seasonal maintenance in the summer, although news of reduced loadings for later this year could be due to other maintenance or performance issues at the field. In September, Syncrude Canada conducted unplanned maintenance on the vacuum distillation unit of its 350 kb/d upgrader, and recent statistics show that output was 90 kb/d lower than August levels.

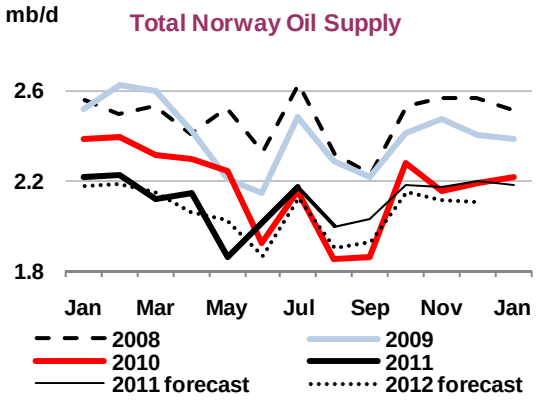
Mexico – August actual: Mexican crude oil production in August increased by 20 kb/d compared to prior month levels, but fell by around 30 kb/d compared to the previous quarter. Monthly production increased due to record high output from the KMZ field of almost 850 kb/d, but likely fell back to around 800 kb/d after Tropical Storm Nate reduced output in September. We expect production from the field to decline only slightly in our outlook. We have adjusted NGL output in Mexico slightly to take into account seasonal fluctuations in output over the last five years.

North Sea

Norway – July actual, August provisional: Total liquids production increased by 150 kb/d in July as fields returned from planned maintenance, but output likely declined by 170 kb/d in August on reduced output from the Statfjord area, shut ins at the Valhall field, and reduced NGL output. Maintenance is offset by a restart to production from the 25 kb/d Visund field, which had been shut in since April due to a gas leak. Looking forward over the next few quarters, we expect Norwegian production to continue to decline year on year by 25 kb/d in the fourth quarter and by 40 kb/d in 2012.

The outlook for 2012 production has been adjusted lower for three main reasons. First, news reports indicate a three to four month delayed start up to the 80 kb/d Skarv-Idun gas and condensate field, which operator BP had expected on stream in August. Second, recent production statistics show that some fields' production levels are lower than normal despite a return from maintenance. Finally, news reports indicate that the 130 kb/d Grane field has had problems with its injection compressor as it completed planned maintenance. Downward revisions now leave Norwegian oil production averaging 2.12 mb/d in 2H11 and 2.07 mb/d next year.





UK – July actual: Following widespread maintenance, July UK offshore crude oil production declined by around 100 kb/d to its lowest monthly level for at least 30 years. With the 200 kb/d Buzzard field still at reduced levels through August, crude oil output was likely even lower in August at around 900 kb/d. In upcoming months, Buzzard's return, albeit at a slow pace, as well as the completion of maintenance turnarounds will raise UK output by around 300 kb/d in the fourth quarter over 3Q11. Lower-than-expected production from the Schiehallion field and others in Forties leads to a more pessimistic view for these fields in 2012. More aggressive field decline rates remain a downside risk to the UK outlook. The production base, net of production increases, is projected to decline by 20% in 2011. Incorporating steeper decline, but a more normal profile for Buzzard in 2012 leaves UK production largely unchanged at 2011's level near 1.2 mb/d.

Asia

Australia – July actual: Crude oil supply in Australia fell by 10 kb/d in July to 0.3 mb/d, its lowest levels since early 2006. At that time, cyclones hampered output, but production has been lower this time primarily because of a prolonged delay at Woodside's 70 kb/d Waimea and Cossack field as the Cossack

FPSO is swapped out for the Okha FPSO. Production restarted at the end of September, and we expect it to reach 30 kb/d by December. The prolonged outage has further reduced our assessment of 2H11 production by 30 kb/d, and we have likewise lowered 2012 expectations at the field, causing a 20 kb/d downward adjustment for total Australian production. Despite these downward revisions, we still expect total liquids output to increase by 130 kb/d to 580 kb/d in 2012 on the addition of the Van Gogh and recently-started Kitan fields and higher NGL output.

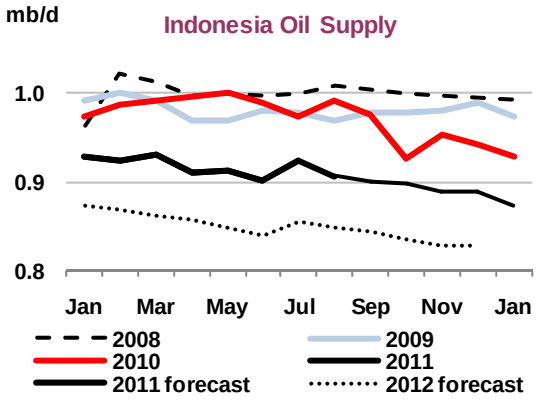
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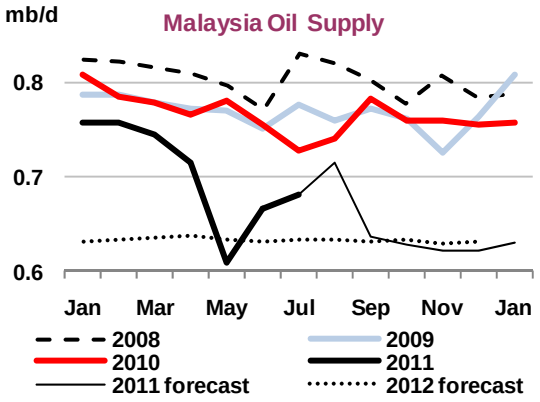
Asia

China – August actual: China's oil production remained flat at July levels of 4.1 mb/d in August as shut ins at the Peng Lai platform offset growing output from the Changqing and Jilin fields. Overall, offshore production came in around 100 kb/d below last month's expectation due to the Peng Lai stoppage. At this stage, Chinese production is still expected to grow by 120 kb/d in 2012 to 4.3 mb/d, unless the Peng Lai stoppage extends beyond the 1Q12 assumed here. ConocoPhillips reported that depressurisation of the reservoir at Peng Lai is occurring to limit the possibility of further leaks, and the company reported they are working on a new field development plan without giving further details.

India – August actual: India's output remained at 880 kb/d in August and should post annual growth of around 40 kb/d in 2011. We have slightly tempered our expectation for growth in 2012 because of a possible delay to Cairn's plans to produce an additional 40 kb/d from the Bhagyam field in the Rajasthan block. The government has not yet approved field development, and this also puts the 10 kb/d that we expected from the Aishwariya field in jeopardy. Approval is being delayed because of the company's dispute with partner ONGC over royalty payments. Therefore, India's overall output should continue to grow in 2012 to 920 kb/d with some new field additions in Rajasthan, but tempered by these above-ground factors and mature field decline at onshore fields.

Malaysia – August actual: Malaysia's output continued its three month upward trajectory to 670 kb/d in August with some rebounding production from the Kikeh field, which has been adversely affected for the last several months due to a well leak and sand in the oil. Output at the 115 kb/d field had been roughly halved since May 2011 as the operator waited for rig workovers to be completed. Operator Murphy Oil reported in August that the first workover well at Kikeh was successful, but this was offset by a mechanical problem at another 10 kb/d well on the field. We estimate that Kikeh is currently producing around 60 kb/d with three production wells remaining shut in (in addition to the mechanical problem at a fourth well described above). With new details available about the timing of further phases and a slower expected ramp up, we have lowered 4Q11 and 2012 output by 30 kb/d and 10 kb/d respectively.



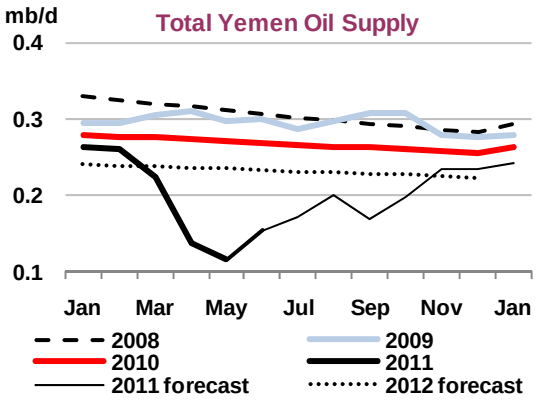


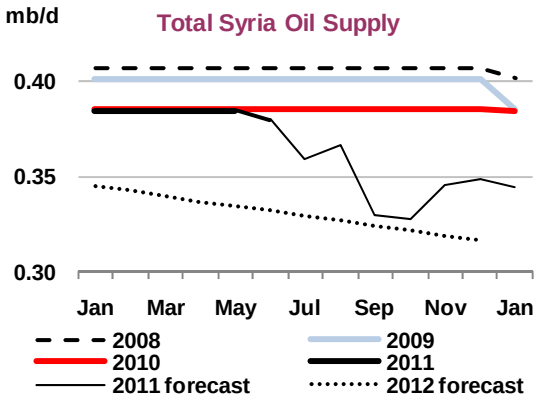
Indonesia – July actual: Output in Indonesia increased by 2.5% to 920 kb/d in July, but output for 3Q11 is expected to be around 7% lower than 3Q10 due to mature field decline. We have very slightly lowered

our monthly production estimate for September when a fire temporarily shut in around 15 kb/d of oil at CNOOC's southeast Sumatra block, where crude output is estimated at 48 kb/d. Mature field decline in 2012 will be mitigated by around 40 kb/d of new crude and condensate output, and new volumes from the ExxonMobil-operated Cepu project. ExxonMobil expects to increase supply from around 25 kb/d to 165 kb/d by 2014. In addition to the $750 million EPC contract that ExxonMobil awarded in August, four additional EPC contracts for the onshore and offshore pipeline, the FPSO, and other related infrastructure need to be awarded for the project to achieve its target output.

Middle East

In **Syria,** the impact of sanctions is now beginning to be felt on oil output. Gulfsands said production from its Khurbet East and Yousefieh fields had been lowered from 24 kb/d to 6 kb/d from the beginning of October due to lack of domestic crude storage capacity. Given that this crude and Syrian Heavy generally lie in a mid-20s API gravity, other producers may also be having similar problems marketing their crude oil production to other buyers. As a result, we have reduced our 4Q11 forecast by 20 kb/d. 2012 output is similarly revised lower, now declining by 30 kb/d to 330 kb/d, albeit the absence of field-specific data makes projections more difficult.



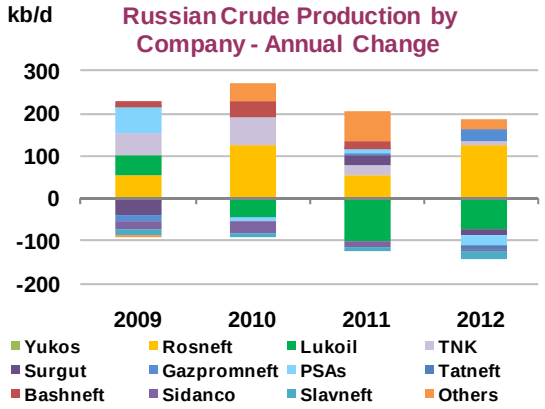


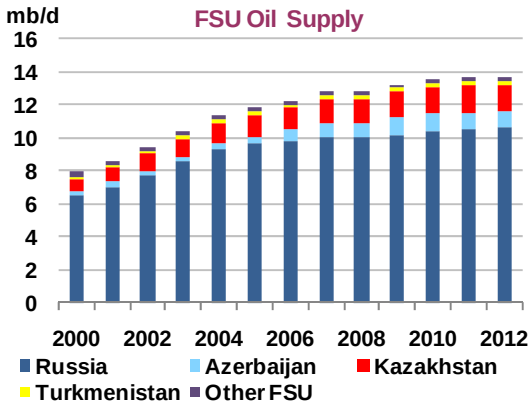
In **Yemen**, pipeline sabotage continues to reduce output, causing us to lower expectations for 4Q11 by almost 20 kb/d. The Marib pipeline was sabotaged by militias for the fifth time since July during the first week of October. The 120 kb/d capacity pipeline moves oil from the Marib and Shabwa oil fields to the Ras Isa terminal on the Red Sea, and the government maintains that crude oil continues to flow despite the sabotage. Before the most recent bombing, traders were reported saying that the pipeline flows to Ras Isa had been reduced by around 35 kb/d. Like Syria, the lack of recent monthly or even quarterly production data also complicates an accurate assessment of supply trends. As a cautionary measure, we have also reduced output by 10 kb/d in 2012, pending a stabilisation of the political situation in the country, the primary cause of the pipeline sabotage and worker strikes. Although President Saleh has returned to the country and has promised to stand down, the uncertain political landscape will continue to undermine the country's stability. Further downward revisions to the 4Q2011 and 2012 outlook are likely if the violence continues.

Former Soviet Union (FSU)

Russia – September actual: Russia's total oil output hit another post-Soviet high of 10.6 mb/d in September, driven by expanding output at TNK-BP greenfields and rising production from Bashneft. Lukoil's production in September remained largely on par with last month's levels, but 3Q11 production is 100 kb/d lower than 2010 levels, mainly on declining production at legacy fields and poor performance at the Yuzhno Khylchuyuskoye field. We expect production from some companies to increase further in upcoming months with the application of the new "60-66" export duty calculation. On balance Russian liquids production should maintain levels of around 10.6 mb/d. See last month's '*Russia: Upstream and*

Export Impacts of the 60-66 Tax Regime' in *OMR* dated 13 September 2011 for a more comprehensive discussion. The 60-66 regime reduces the marginal crude export duty rate from 65% to 60%, which enhances the profitability of upstream projects. The crude export duty fell by 7.4% in October from the prior month to around $56/bbl.





Kazakhstan – August actual: Oil output rebounded by over 100 kb/d in August to 1.6 mb/d on recovering output from the 550 kb/d Tengiz field. The return from maintenance was quicker than expected and raised the baseline production level in 2011. In addition, we have accelerated the decline rate at other mature fields in Kazakhstan due to several months of lacklustre performance. Alongside a recent oil workers' strike, these two factors result in a 10 kb/d lower 2012 annual growth rate than last month's assessment. We expect production in 2012 to stay on par with 2011 at 1.6 mb/d.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	3Q2010	4Q2010	1Q2011	2Q2011	Jun 11	Jul 11	Aug 11	Latest month vs. Jul 11	Latest month vs. Aug 10
Crude											
Black Sea	2.28	2.10	2.12	2.02	2.06	1.87	1.82	1.69	1.95	0.26	-0.31
Baltic	1.60	1.60	1.56	1.60	1.48	1.57	1.43	1.34	1.33	-0.01	-0.30
Arctic/FarEast	0.46	0.74	0.67	0.78	0.70	0.69	0.66	0.64	0.65	0.01	0.05
BTC	0.80	0.77	0.81	0.80	0.72	0.76	0.79	0.69	0.70	0.01	-0.15
Crude Seaborne	**5.15**	**5.22**	**5.17**	**5.19**	**4.96**	**4.89**	**4.71**	**4.36**	**4.63**	**0.27**	**-0.71**
Druzhba Pipeline	1.11	1.13	1.16	1.14	1.14	1.12	1.10	1.17	1.14	-0.03	0.06
Other Routes	0.40	0.42	0.40	0.43	0.53	0.54	0.55	0.55	0.52	-0.03	0.12
Total Crude Exports	**6.66**	**6.76**	**6.73**	**6.76**	**6.63**	**6.55**	**6.36**	**6.08**	**6.29**	**0.21**	**-0.53**
Of Which: Transneft[1]	3.93	4.00	4.04	4.02	4.15	4.16	3.94	4.05	3.98	-0.07	-0.09
Products											
Fuel oil[2]	1.41	1.54	1.63	1.51	1.43	1.82	1.88	1.70	1.51	-0.19	-0.13
Gasoil	0.95	0.88	0.82	0.81	0.90	0.79	0.74	0.71	0.75	0.04	-0.10
Other Products	0.53	0.43	0.43	0.37	0.48	0.53	0.45	0.40	0.35	-0.05	-0.05
Total Product	**2.89**	**2.85**	**2.88**	**2.69**	**2.81**	**3.14**	**3.07**	**2.80**	**2.60**	**-0.20**	**-0.28**
Total Exports	**9.54**	**9.61**	**9.61**	**9.45**	**9.44**	**9.68**	**9.43**	**8.89**	**8.90**	**0.01**	**-0.82**
Imports	0.06	0.06	0.08	0.08	0.06	0.06	0.08	0.06	0.07	0.01	0.00
Net Exports	**9.49**	**9.55**	**9.53**	**9.37**	**9.39**	**9.62**	**9.35**	**8.83**	**8.83**	**0.00**	**-0.82**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

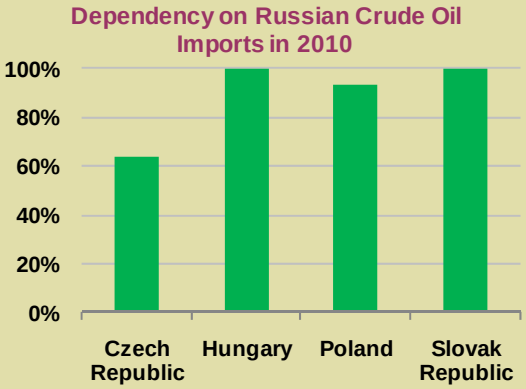
FSU net oil exports remained flat in August at 8.8 mb/d as a 200 kb/d increase in crude exports offset a 210 kb/d decrease in product exports. Net exports now stand over 800 kb/d lower than year-ago levels driven by a 500 kb/d decrease in crude largely due to the year-on-year growth in refinery runs required to satisfy healthy domestic demand. Crude volumes rose to 6.3 mb/d on the month largely driven by a rise in Caspian shipments, despite the continued low utilisation of the BTC pipeline. In the Black Sea, Odessa saw exports rise by 140 kb/d, largely after TengizChevroil railed extra Tengiz crude oil to the

terminal. Additionally, CPC volumes returned to normal 700 kb/d levels, rising by 40 kb/d on the month. Transneft volumes dropped by 70 kb/d to 4.0 mb/d, 100 kb/d lower than a year ago. Baltic shipments fell a further 20 kb/d following continuing maintenance at Primorsk and on its supply pipeline. Druzhba flows were also cut by 30 kb/d with lower deliveries to Hungary and the Czech and Slovak Republics. Looking forward, loading schedules indicate Transneft volumes are likely to rebound, but FSU exports could be capped by lower flows through the CPC and BTC pipelines.

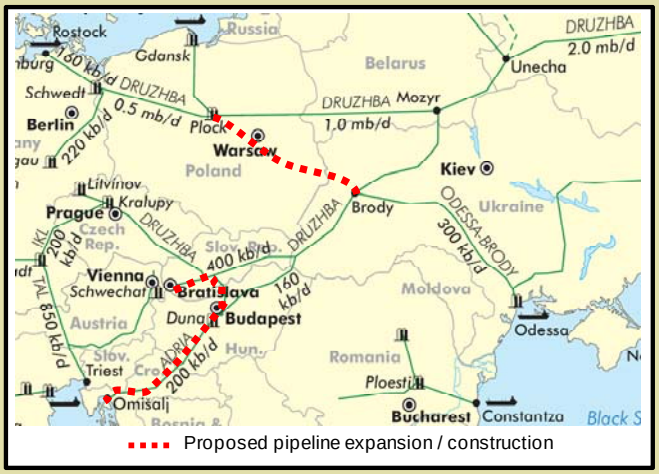
Following an uptick in refinery maintenance and buoyant domestic demand, product exports plunged by a further 200 kb/d from July's already low level to 2.6 mb/d in August. Fuel oil was again the driver for this decline with Baltic deliveries, notably sent via Tallinn, falling sharply, on reports suggesting that Russian refineries ran this product as a feedstock. The 90% emergency export tax on light products appears to be having its desired affect of incentivising domestic supply at the expense of exports, as shipments of naphtha (included here under 'other products') fell by a considerable 70 kb/d.

Eastern Europe Looks Past the Druzhba

The imminent start up of the Baltic Pipeline System-2 (BPS-2) and the expected late-2012 commencement of the Eastern Siberian Oil Pipeline-2 pipeline extension from Skovorodino to the Pacific coast have once again focused attention on the dynamics of Russia's crude export destinations. Indeed, Eastern European governments have long been exploring routes to facilitate the diversification of their crude imports away from their heavy reliance on Russian Urals via the Druzhba pipeline. These states have two concerns; firstly, that their supplies could be compromised in the event of a short-term dispute between Russia and a transit state, and secondly that Russia will eventually look to re-orient its exports towards northern and eastern outlets leading to reduced Druzhba flows. Indeed, over the past months Poland, Slovakia, and Hungary have re-stated their intent to diversify crude imports away from Russia and several plans for infrastructure upgrades have re-emerged.



Poland recently declared its intention to import Azeri crude via Ukraine and Belarus with shipments planned to start either late-2011 or early-2012. Initially, the oil will follow the route already used to supply Belarus with Azeri crude where it will enter the Odessa-Brody pipeline followed by an already-reversed segment of the Southern Druzhba to Mozyr. Crude could enter the Northern Druzhba towards Poland or even be refined at Mozyr. In the long-term, a pipeline is planned between Brody and Poland's inland refinery at Plock bypassing Belarus. Such infrastructure would permit Poland to receive alternative supplies while also permitting Azerbaijan to supply other countries connected to the Druzhba network. However, with an environmental impact assessment on the Brody-Plock leg not scheduled until 2H12 but with funding available under the EU Infrastructure and Environment program, this remains a long-term project.



Hungary and Slovakia are currently exploring the idea of using the Adria pipeline running between the Croatian port of Omisalj and Hungary with a spur running from Hungary to Bratislava. However, in order for this to be a viable alternative for all countries involved, both the Adria pipeline and its Slovakian spur require significant investment to increase capacity towards a level capable of replacing volumes supplied by the Druzhba.

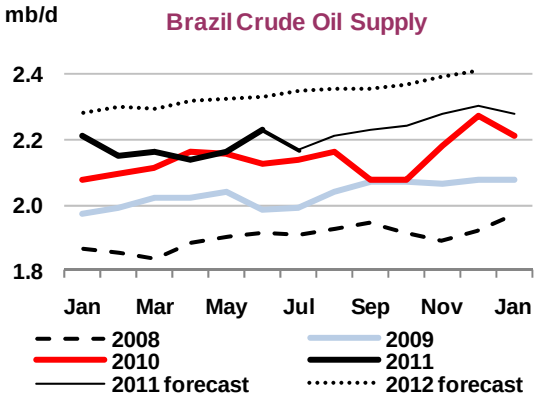
Eastern Europe Looks Past the Druzhba (continued)

Additionally, Slovakia is exploring options for importing crude via the Czech Republic which already imports a significant portion of their crude from outside Russia via the Transalpine (TAL) and Ingolstat Kralupy Litvinov (IKL) pipelines. This plan would involve the reversal of the Druzhba link and thus would need to be mutually beneficial for both countries. Another obstacle would be the required capacity upgrade of the IKL pipeline, as at present its 200 kb/d capacity is only sufficient to supply Czech refineries.

Despite these proposed projects it should be noted that even with the arrival of the ESPO stage 1 in 2010, and the producers' choice to send some Western Siberian oil on this route, there has been no major reduction in Druzhba flows yet. This report has previously (see *FSU Exporters Branching Out* in 2009 Medium-Term Oil Market Report) identified the impact of Russian infrastructure developments as being more detrimental to flows coming out of the Black Sea rather than the Druzhba. Nonetheless, the impetus to diversify sources of supply remains clear.

Latin America

Brazil – July actual: Maintenance at offshore fields led to the lowest level of Rio de Janeiro offshore production since November 2008, at 1.52 mb/d in July, and preliminary August data indicate that production fell even further. Start-up at the Marlim Sul field may mitigate field maintenance, but not until September. The Brazilian crude oil production estimate for 2012 is lowered due to field level analysis showing production from fields in decline. In particular, production from Jabuti and Marlim Leste, Parque das Conchas, Cachalote, and Roncador fields are expected to decline at a quicker rate than originally forecast, which leads to a revision of 90 kb/d for 4Q11 and 2012. This month we have revised the ethanol output forecast further by -20 kb/d in 4Q2011 and by around -10 kb/d in 2012 because of the lacklustre sugar cane harvest.



Colombia – July actual, August provisional: Colombian output fell by 50 kb/d in July to 900 kb/d on the impact of protests at the Rubiales field, jointly owned by Petrominerales and Ecopetrol. News reports indicate that protests continued to hamper output growth in August and September. Petrominerales' output also suffered from continued blockages at its Corcel and Guiatiquia fields in September, reducing output by around 15 kb/d in July. Their recent financial update indicates that 95% of this production has returned, but the threat of continued protests persists. A recent agreement between the company and its workers could prevent further disruptions except not all the unions support it, and it could also increase Petrominerales' operating costs. Consequently, we have reduced 2H11 output by 30 kb/d, although our expectation that Colombia will reach an average of 1.0 mb/d in 2012 remains unchanged.

OECD STOCKS

Summary

- **OECD industry stocks fell by 3.4 mb to 2 692 mb in August**, contrasting with a 14.0 mb five-year average seasonal build. Crude stocks dropped by 10.8 mb, as higher refinery throughputs in the Pacific ran down regional crude holdings. Elsewhere, seasonal draws were tempered by low refinery runs in Europe and deliveries from the US Strategic Petroleum Reserve (SPR) in North America. Distillate and 'other products' restocking in North America and the Pacific pushed OECD product stocks 9.4 mb higher.

- **OECD forward demand cover however rose marginally to 58.4 days in August,** from 58.2 days in July, and in so doing remained 1.3 days above the five-year average. However, the absolute deficit of OECD oil inventories versus the five-year average widened to 22.5 mb in August and industry stocks stood more than 100 mb below inflated August 2010 levels.

- **Preliminary data point to a 12.7 mb decline in OECD industry holdings in September**, as both crude and products declined seasonally. Strong refinery runs weighed on crude stocks in the US, while European crude and product holdings also contracted. However, gains in US products and in Japanese oil inventories provided a partial cushion.

- **Short-term oil floating storage declined to 43.4 mb in September, from 48.3 mb in August**. Offshore crude oil holdings fell to 33.2 mb, as volumes held in the US Gulf and Northwest Europe were brought ashore. Meanwhile, refined products held in floating storage dropped to 10.2 mb, following the discharge of a vessel near West Africa.

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

OECD industry oil inventories fell by 3.4 mb to 2 692 mb, or 58.4 days of forward demand cover, in August. Crude oil stocks dropped by 10.8 mb, with the majority of the draw coming from the Pacific where higher refinery runs led to reduced inventories. North American and European crude stocks decreased by a modest 0.9 mb each, tempered by low refinery runs in Europe and final deliveries from the US SPR balancing needs for higher refinery inputs in North America. August data show European oil stocks have fallen by more than 70 mb since January, and now stand 44.4 mb below the five-year average.

Preliminary Industry Stock Change in August 2011 and Second Quarter 2011

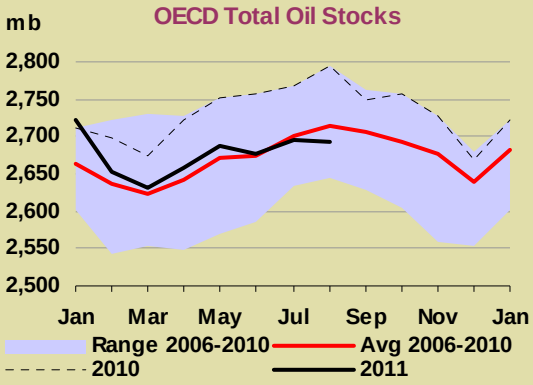
	August (preliminary) *(million barrels)*				August (preliminary) *(million barrels per day)*				Second Quarter 2011 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-0.9**	**-0.9**	**-9.0**	**-10.8**	**-0.03**	**-0.03**	**-0.29**	**-0.35**	**0.02**	**-0.01**	**0.01**	**0.02**
Gasoline	-6.3	-1.6	0.1	-7.8	-0.20	-0.05	0.00	-0.25	-0.01	-0.09	0.01	-0.09
Middle Distillates	4.7	-0.6	3.1	7.2	0.15	-0.02	0.10	0.23	-0.04	-0.12	0.14	-0.03
Residual Fuel Oil	1.2	1.7	-1.8	1.2	0.04	0.06	-0.06	0.04	-0.01	-0.02	0.01	-0.03
Other Products	7.5	-0.1	1.4	8.8	0.24	0.00	0.05	0.28	0.35	0.04	0.02	0.41
Total Products	**7.1**	**-0.5**	**2.8**	**9.4**	**0.23**	**-0.02**	**0.09**	**0.30**	**0.28**	**-0.20**	**0.18**	**0.26**
Other Oils[1]	-3.8	-0.1	1.9	-2.0	-0.12	0.00	0.06	-0.06	0.17	0.04	0.06	0.27
Total Oil	**2.5**	**-1.6**	**-4.3**	**-3.4**	**0.08**	**-0.05**	**-0.14**	**-0.11**	**0.47**	**-0.18**	**0.26**	**0.55**

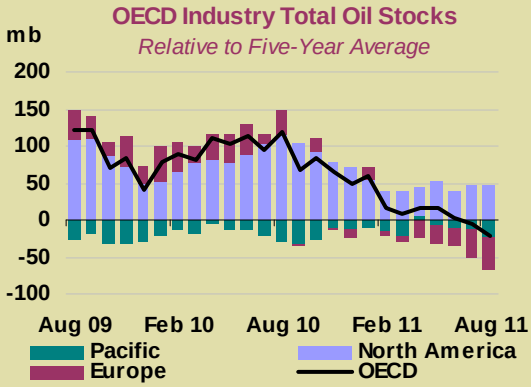
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Meanwhile, product inventories rose by 9.4 mb in August, led by gains in middle distillates and 'other products', albeit weaker-than-seasonal. Motor gasoline stocks declined by 7.8 mb. Distillates rose by 7.2 mb, driven by restocking in North America and in the Pacific, but the monthly build was lower than 'normal' as distillates in Europe fell counter-seasonally by 0.6 mb. This was due to stronger European distillate demand likely driven by filling of heating oil tanks by consumers.

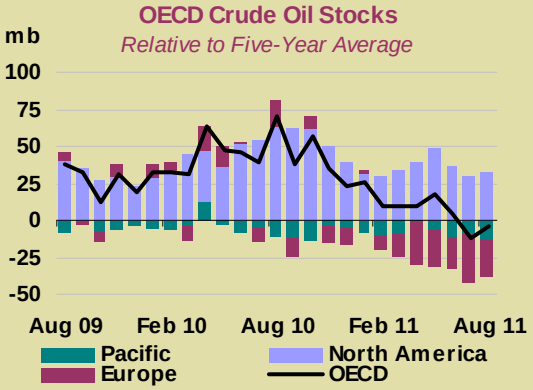
From Peak to Trough in a Year, But Is This the Low-Point for Stocks Already?

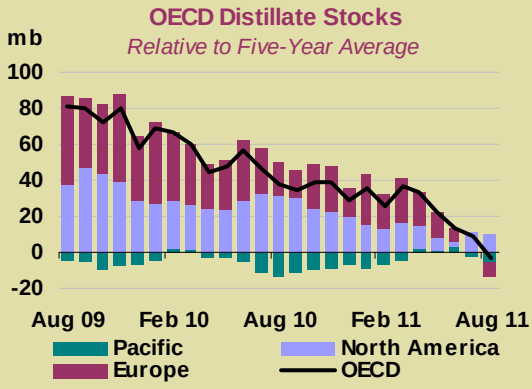
August 2010 OECD industry oil inventories reached their second-highest level since the start of official OECD Monthly Oil Statistics reporting in 1984. Following several revisions over the past year, the data now show that, at 2 796 mb, OECD stocks in August 2010 stood only a modest 0.8 mb short of all time record highs from August 1998. A lot has changed in one year. A never-ending chain of supply and refining outages caused by various weather, labour, technical or political problems, has contributed to the steady erosion of OECD inventory levels and industry stocks have fallen by more than 100 mb. The stock overhang of 119 mb a year ago turned into a deficit versus the five-year average of 22.5 mb in August. It is worth noting that the five-year average is a rolling benchmark.





The North American overhang decreased from 117 mb to 45.6 mb. Product stocks contracted due to stronger exports, but crude stocks remained elevated due to higher volumes imported from Canada, infrastructure bottlenecks and export restrictions. A European surplus of 31 mb reverted to a 44.4 mb deficit, while the Pacific shortfall narrowed from 29 mb to 23.7 mb in one year. Pacific stocks were already declining structurally before March's disastrous earthquake and tsunami in Japan. Recovery efforts and nuclear outages in Japan temporarily reversed this trend and encouraged higher levels of stockholding. Meanwhile, European stocks were particularly hard-hit during the past year by a number of supply-side elements which have driven crude stocks lower. Labour strikes in France in October 2010, the loss of Libyan supplies, North Sea production outages, *force majeure* on Nigerian crude exports as well as the gradual redirection of Russian crude flows towards Asia all contributed. Furthermore, low refining profitability has depressed European refinery output and curbed regional product holdings.





The release of oil via the IEA Libya Collective Action occurred in recognition of tightening industry stocks and a desire to avoid further sharp stock draws which risked a damaging spike in 3Q11 prices. The fact that markets have continued to tighten since raises the question as to whether weakening economic growth and oil demand or continued supply-side outages will predominate through end-2011 and into 2012.

OECD industry oil holdings were revised up by 7.8 mb upon the receipt of more complete July data. The revision implies a 17.8 mb build in July versus a previously reported 10.8 mb increase in the last report. Gasoline, distillates and 'other oils' came in higher, while downward adjustments were centred in crude, fuel oil and 'other products'.

Revisions versus 13 September 2011 Oil Market Report

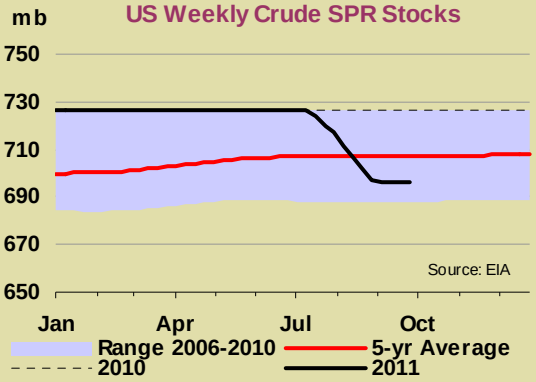
(million barrels)

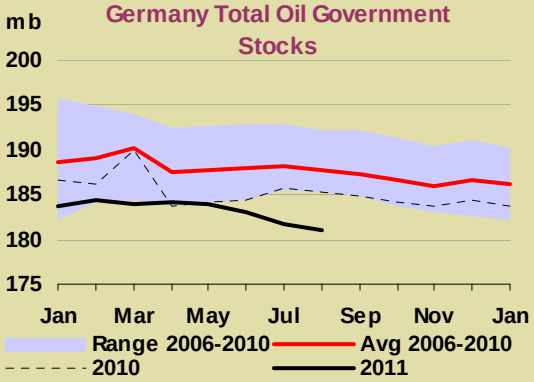
	North America		*Europe*		*Pacific*		*OECD*	
	Jun-11	Jul-11	Jun-11	Jul-11	Jun-11	Jul-11	Jun-11	Jul-11
Crude Oil	**1.3**	**-6.8**	**-3.9**	**-0.4**	**0.0**	**2.4**	**-2.6**	**-4.7**
Gasoline	0.3	-0.8	2.5	3.8	0.0	0.6	2.8	3.7
Middle Distillates	0.4	6.6	-0.6	-2.4	0.0	-0.2	-0.2	4.0
Residual Fuel Oil	0.1	1.8	0.1	-3.4	0.0	-0.1	0.1	-1.7
Other Products	0.2	-1.8	0.0	0.2	0.0	0.6	0.2	-1.0
Total Products	**1.0**	**5.9**	**2.1**	**-1.8**	**0.0**	**0.9**	**3.0**	**5.0**
Other Oils[1]	0.3	4.9	-0.1	2.8	0.1	-0.2	0.3	7.5
Total Oil	**2.6**	**4.0**	**-2.0**	**0.5**	**0.0**	**3.2**	**0.7**	**7.8**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

IEA Libya Collective Action: Accounting for Government Oil Inventories in August

Government barrels released as part of the IEA Libya Collective Action mitigated the drop in industry oil inventories, especially in the US. After a release of 30.6 mb of light sweet oil from the US SPR (of which 8.3 mb was delivered in July and 22.3 mb in August), North American industry crude stocks fell by a modest 0.9 mb in August, despite an active hurricane season, elevated refinery throughputs and low imports. Yet, weekly data point to a sharp 17.4 mb draw in US commercial crude inventories in September, also driven in part by lower production due to weather-related shut-ins in the US Gulf.





In Europe, preliminary data indicate draws of only 1.1 mb and 0.7 mb in July and August government stocks, respectively, whereas Belgium, Germany and the Netherlands released 3.9 mb of government oil. Part of this apparent discrepancy relates to stock releases being masked by other public stock movements, unrelated to the sale of IEA volumes. In the case of Germany, government stocks traditionally show more frequent turnover than any other IEA member country. Over the past five years, public stocks have tended to rise by an average 0.3 mb in July and fall by 0.5 mb in August and such 'background' changes in public stock holdings help explain why German data show only a 2.0 mb decline over July and August compared to an actual 2.6 mb release.

In the case of the Netherlands, a pledge to sell 1.2 mb of oil from public stocks far exceeds the reported release of only 0.4 mb from government stocks in July. After investigation, it now appears that a portion of oil owned by the Dutch stockholding agency was misreported in the industry category. Hopefully these volumes can be correctly re-allocated in subsequent data submissions.

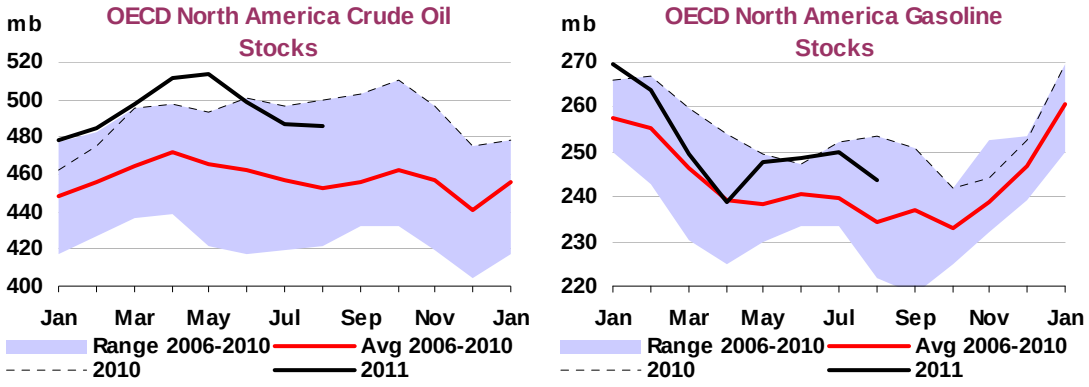
In Korea, following a release of 3.5 mb of government stocks in July in the form of a loan, companies surprisingly returned 1.8 mb, of which 85% was crude, in August. This may reflect the fact that since the Japanese earthquake in March Korean refiners have been holding extra crude in order to help replace lost distillate exports from Japan. Arguably, this left them in a position to rapidly return loaned crude barrels.

Preliminary September data indicate a 12.7 mb decline in OECD industry inventories, sharper than the 8.0 mb five-year average draw. Strong refinery runs weighed upon crude stocks in the US, which fell by 17.4 mb. European crude stocks contracted by 4.3 mb, while increases in Japan provided a partial offset. Draws in distillates and fuel oil offset gains in gasoline, thus bringing product holdings down by 2.5 mb. Meanwhile, oil floating storage dropped 4.9 mb to 43.4 mb in September, from 48.3 mb in August.

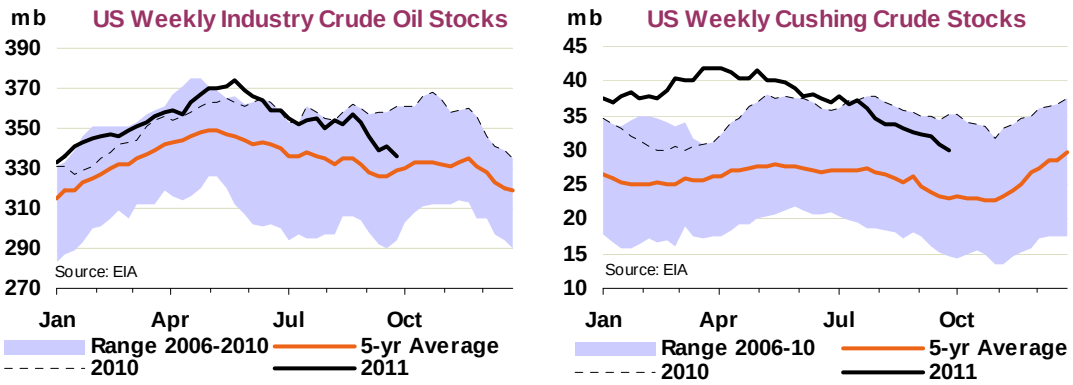
Analysis of Recent OECD Industry Stock Changes

OECD North America

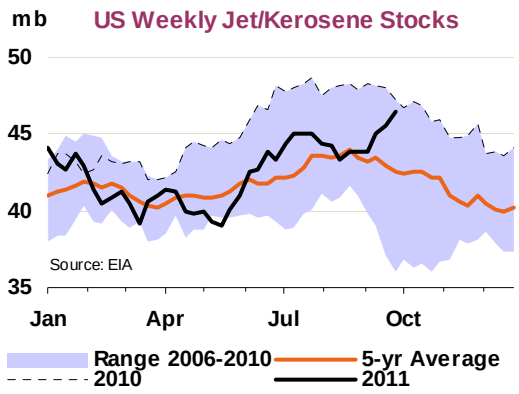
Industry oil inventories in North America rose seasonally by 2.5 mb to 1 363 mb in August. Despite higher regional refinery throughputs, industry crude stocks edged lower by a modest 0.9 mb, supported by a delivery of 22.3 mb of light sweet crude from the US SPR as part of the wider IEA Libya Collective Action. By contrast, over the past five years, North American crude oil stocks have decreased by 3.9 mb on average in August. Meanwhile, holdings of refined products gained 7.1 mb driven by sharper increase in 'other products' and a 4.7 mb addition to distillates. A counter-seasonal 3.8 mb draw in 'other oils', comprising NGLs and feedstocks, and a 6.3 mb decline in gasoline provided a partial offset.

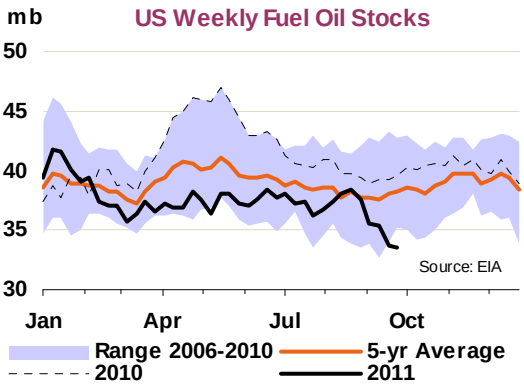


Weekly EIA data point to a sharp 14.0 mb decline in US commercial inventories in September, contrasting with a more seasonal 6.5 mb average monthly build over the past five years. Refiners trimmed strong throughputs slightly from the previous month; nevertheless crude stocks plummeted by 17.4 mb. Crude imports were low in September especially into the East Coast, likely affected in part by the passage of Hurricane Irene at end-August, while Tropical Storm Lee shut down production in the US Gulf at the beginning of September. A release of 4.4 mb of crude from short-term floating storage held in the US Gulf did not provide as big an offset as the delivery of SPR barrels in July and August. Meanwhile, inventories at Cushing fell to 30.1 mb at end-September, 11.8 mb below their peak in April.



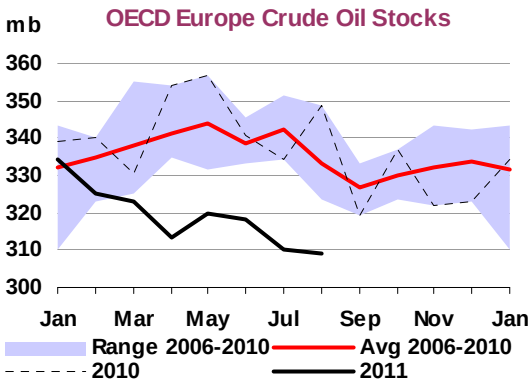
US refined product inventories increased seasonally by 3.8 mb in September. Gasoline holdings rose by 4.9 mb, again widening the surplus to the five-year average. Motor fuel holdings were oscillating between five-year average and prior year elevated levels as a weak driving season reduced gasoline demand and refiners diverted supply to export outlets including Latin America and West Africa. Meanwhile, distillates gained 2.8 mb, driven by gains in jet fuel/kerosene holdings, and fuel oil stocks declined counter-seasonally by 4.2 mb, likely on higher exports to the Asia-Pacific.

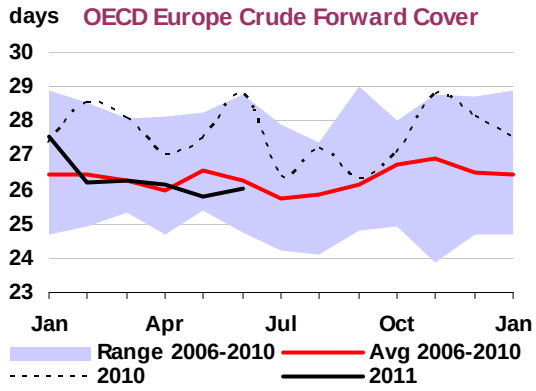




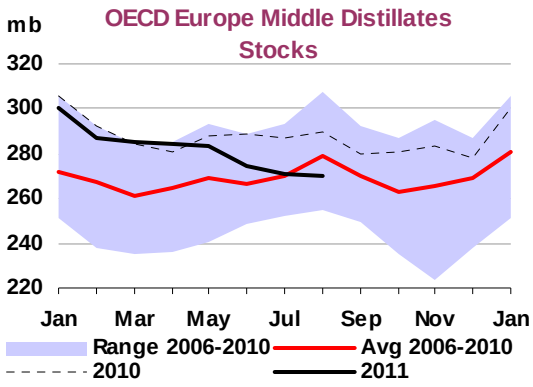
OECD Europe

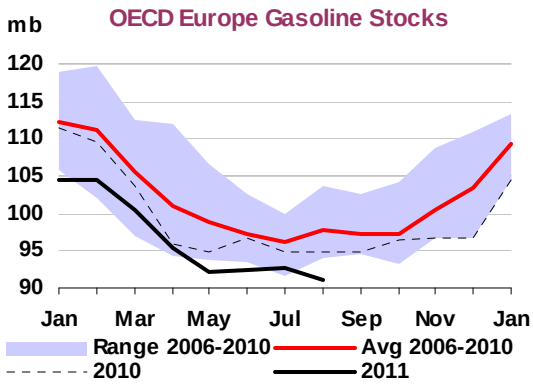
Industry oil inventories in Europe declined by 1.6 mb to 921 mb in August, as crude and products declined by 0.9 mb and 0.5 mb, respectively. The region's oil stocks plummeted to their lowest level since November 2007, a draw in part allowed by lower stockholding obligations related to the IEA Libya Collective Action by providing a greater flexibility to the operators. This is in contrast with a seasonal 4.1 mb five-year average gain, as strong refinery runs normally deplete crude stocks and allow product tanks to be refilled ahead of winter. This year, a number of supply-side factors (see *From Peak to Trough in a Year, But Is This the Low-Point for Stocks Already?*) have brought crude stocks 25 mb lower since January, to the lowest levels since February 2003. Yet, crude stocks remain near comfortable five-year average levels when measured in terms of forward crude runs cover (crude stocks versus forecast crude runs over the next three months) on the back of what will likely remain depressed refinery throughputs.





By the same token, below-average refinery throughputs have contributed to a 46.8 mb reduction in product stocks since January, with distillate draws accounting for two-thirds of the decline. Middle distillate stocks, which usually build by 8.9 mb on average, fell by 0.6 mb in August, although heating oil restocking by German consumers also likely contributed to the primary stock fall. German end-user heating oil stocks stood at 56% of capacity at end-August, lower than the seasonal average 60% fill. Moreover, gasoline holdings, drawing by a 1.6 mb in August, shrank to the lowest levels on record. As such, European product stocks fell to 19.1 mb below the five-year average in August.

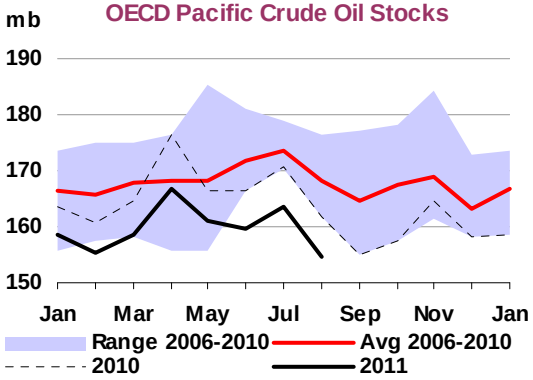


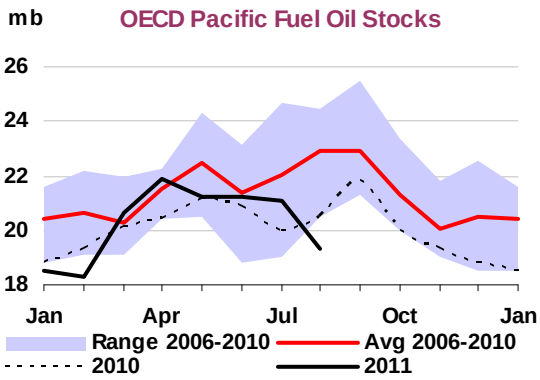


Preliminary Euroilstock data signal a seasonal 10.7 mb decline in EU-15 and Norway in September, in line with the 16.1 mb five-year average draw. Crude inventories contracted by 4.3 mb, while a sharp drop in middle distillates drove products 6.4 mb lower. Refined oil products held in independent storage in Northwest Europe declined, led by further draws in gasoline holdings.

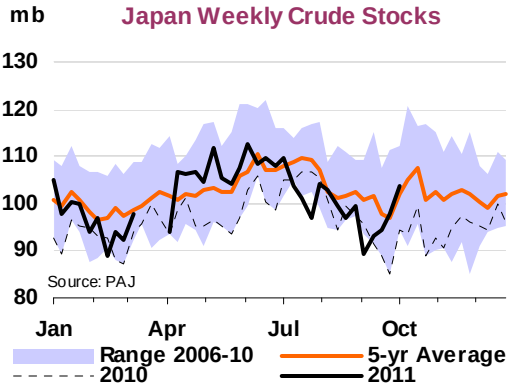
OECD Pacific

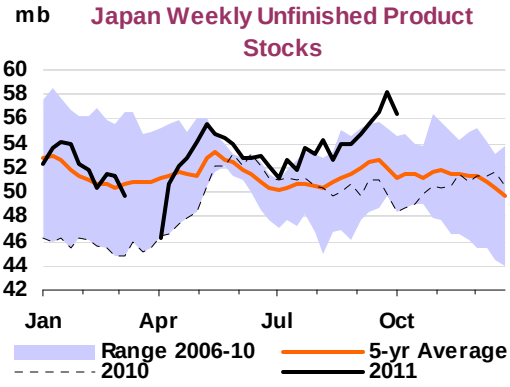
Commercial oil inventories in the OECD Pacific fell by 4.3 mb to 408 mb in August. Crude stocks declined by 9.0 mb, as higher refinery runs reduced crude holdings in Japan by 6.9 mb, while lower imports and a precipitous return of 1.5 mb of earlier-loaned government stocks contributed to a 2.3 mb decrease in crude stocks in Korea (see *IEA Libya Collective Action: Accounting for Government Oil Inventories in August*). Meanwhile, product stocks and 'other oils' rose by 2.8 mb and 1.9 mb, respectively. Distillates gained 3.1 mb, driven by kerosene restocking in Japan. However, fuel oil stocks dropped counter-seasonally, due to elevated Korean exports to satisfy demand in Japan, Singapore and Hong Kong.





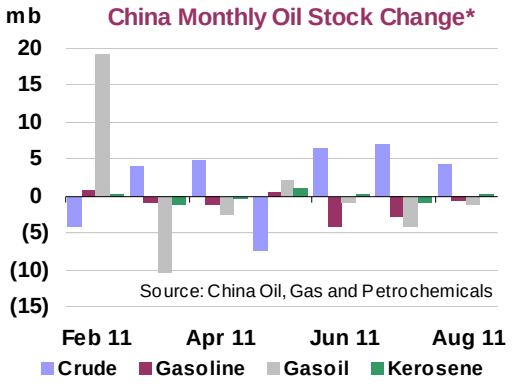
Weekly data from the Petroleum Association of Japan (PAJ) suggest an 11.9 mb increase in Japanese industry oil inventories in September. Crude oil stocks gained 9.9 mb on lower refinery runs while 'other oils' rose by 2.0 mb. In the meantime, product holdings remained virtually unchanged as modest draws in gasoline, distillates and fuel oil balanced 'other products' gains.



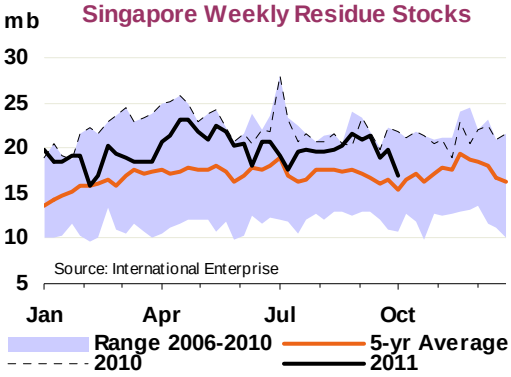


Recent Developments in China and Singapore Stocks

According to *China Oil, Gas and Petrochemicals (OGP)*, Chinese commercial oil inventories rose in August by an equivalent of 2.8 mb (data are reported in terms of percentage stock change). Crude oil holdings rose by 2.0% (4.3 mb) due to higher imports and lower refinery runs. Product stocks declined for the third consecutive month, led by draws in diesel (1.7% or 1.2 mb) and gasoline (1.2% or 0.6 mb), while kerosene stocks rose by 2.6% (0.3 mb) providing a partial offset.



*Since August 2010, COGP only reports percentage stock change

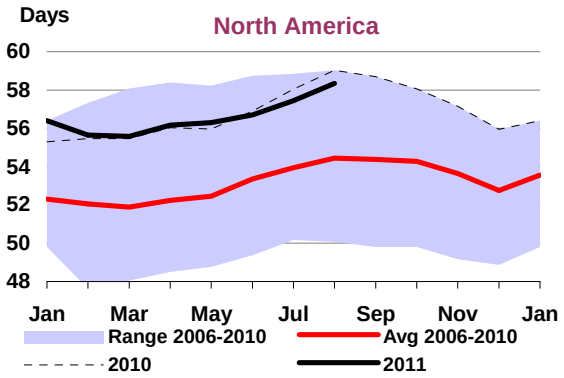


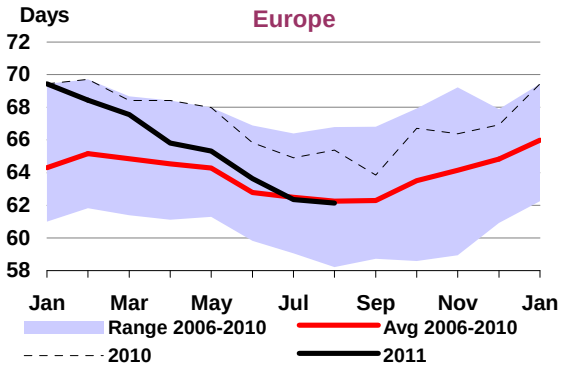
Singapore onshore inventories fell by 1.4 mb in September, driven by a draw in fuel oil inventories. Fuel oil stocks fell by 2.9 mb on lower imports. Meanwhile, light and middle distillates stocks rose by 1.0 mb and 0.5 mb, respectively, led by stronger imports from other Asian countries. However, distillate stocks fell towards the end of September following Shell's major Singapore refinery outage.

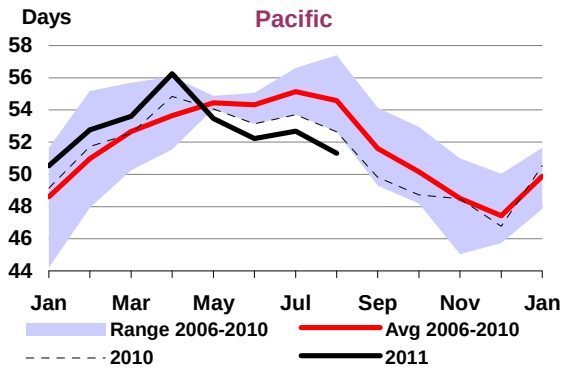
Regional OECD End-of-Month Industry Stocks

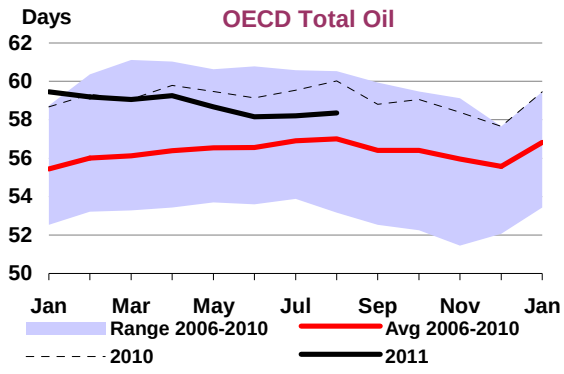
(in days of forward demand and millions barrels of total oil)

Days[1]

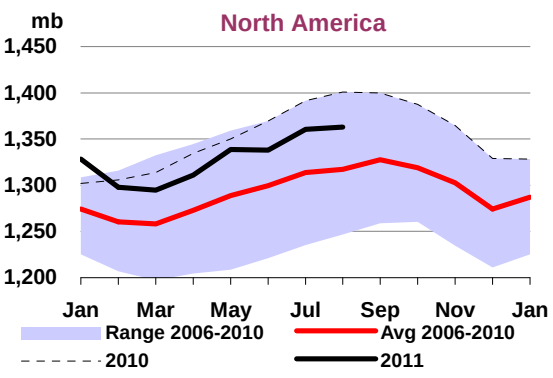


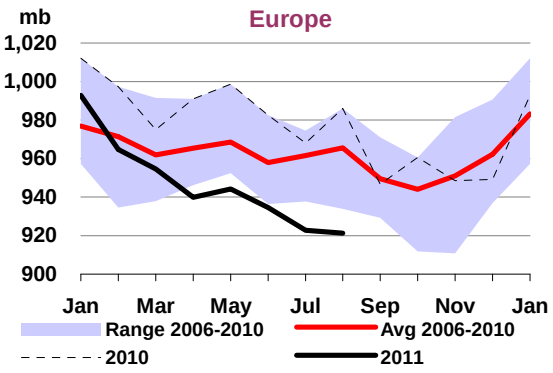


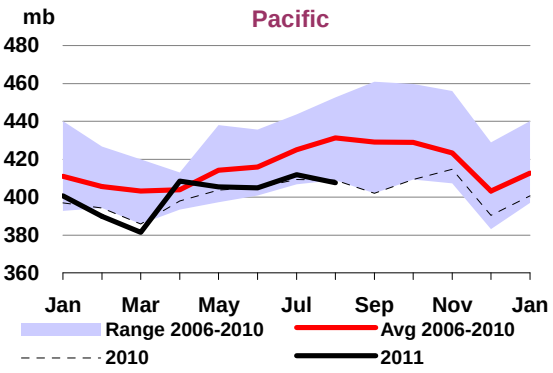


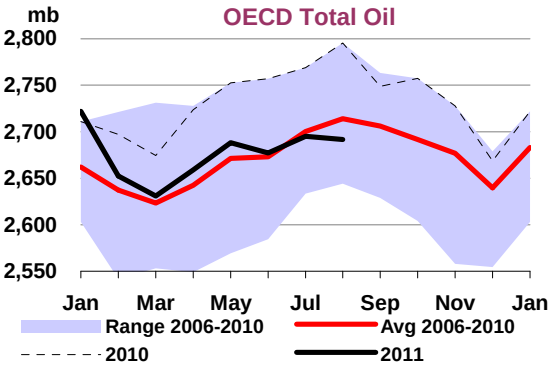


Million Barrels









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

PRICES

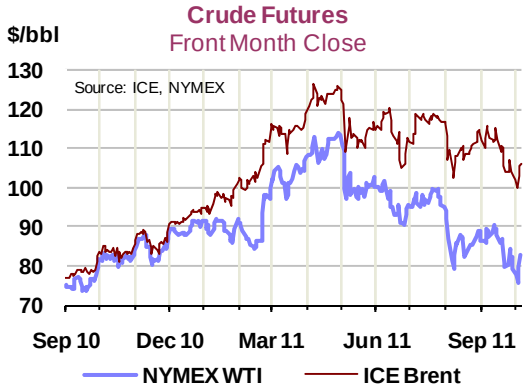
Summary

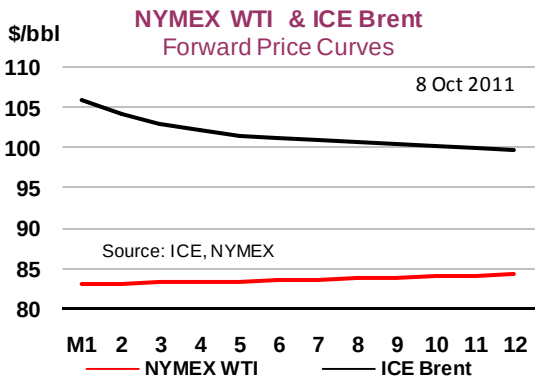
- **Oil futures prices moved in tandem with the latest economic developments in September amid the worsening European debt crisis and pervasive fears of further deterioration in recession-hit countries.** By the first week of October benchmark crudes had fallen $8.50-11.50/bbl from loftier early September levels. At writing prices had recovered from their lows, with WTI last trading around $84.50/bbl and Brent at $108/bbl.

- **While global economic concerns have been a key influence, supply and demand fundamentals are nonetheless having a more immediate impact on spot crude markets.** In September, markets were supported by more robust demand in Europe and Asia, especially for Middle East grades, as scheduled refinery turnarounds complete over the next four to six weeks. The return of Libyan crude to the market has been partially countered by continued supply disruptions in the North Sea and Nigeria while OECD inventories have tightened further.

- **With few exceptions, refined product markets saw crack spreads weaken on average in all major regions in September**. Gasoline crack spreads in the Atlantic basin eased as a disappointing summer driving season came to a close and refineries returned from maintenance. However, towards month-end and into early October product crack spreads improved on tightening product markets following a fire at a key Singapore refinery.

- **Freight rates for the benchmark VLCC Middle East Gulf – Japan route receded further in September** following a drop in the number of cargoes leaving the Gulf as well as the retreat in bunkering costs, which had previously helped to buttress rates.

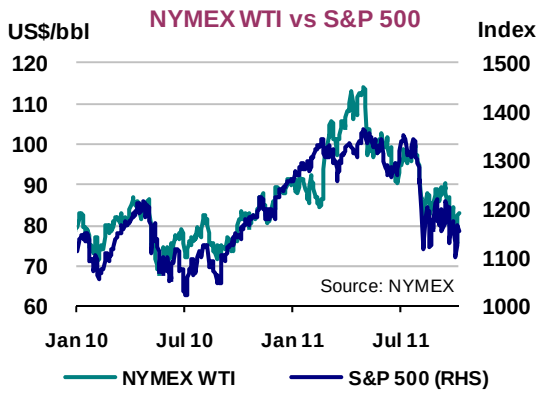


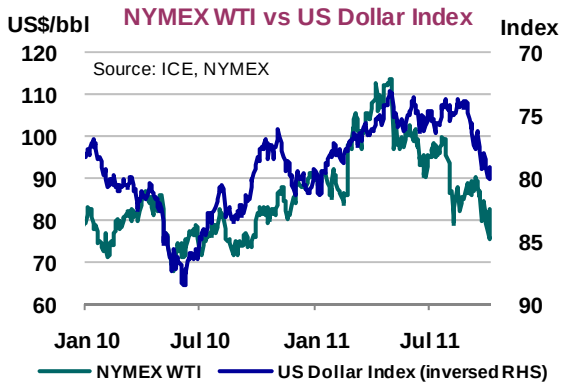


Market Overview

Oil futures prices were tethered to the latest economic developments in September amid the worsening European debt crisis. The eurozone quagmire has kept futures markets on tenterhooks and triggered downward price moves throughout September amid expectations of weakening oil demand. However, overall price moves in September were muted on a month-on-month basis, with WTI off by just $0.73/bbl to $85.61/bbl while Brent was flat at $109.91/bbl.

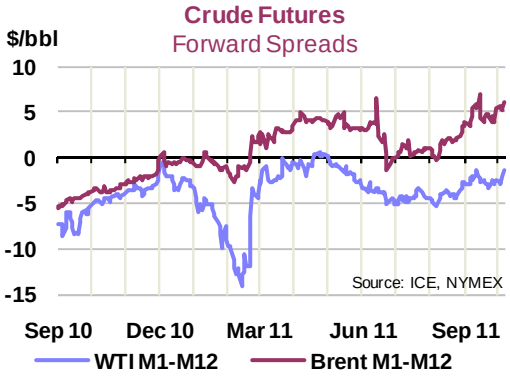
By the first week of October, benchmark crudes had fallen $8.50-11.50/bbl from loftier early September levels. WTI touched its lowest level in a year, flirting with $75/bbl while Brent hit an 8-month trough, falling below the $100/bbl threshold for the first time since the start of the Libyan crisis. At writing, prices have partially recovered from their 4 October lows on renewed optimism that European leaders were taking concrete measures to stem the economic malaise, with WTI last trading around $84.50/bbl and Brent $108/bbl.

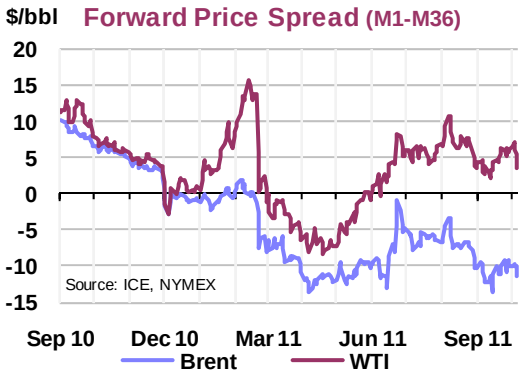




Financial markets are closely dissecting the contentious debate among European officials and policymakers at international organisations as they struggle to rescue economies on the brink, especially Greece. In turn, this has buttressed oil's correlation to equity markets. Oil futures markets are grasping at any positive comments from European leaders as they search for sustainable solutions to sovereign debt issues, craft a plan for recapitalising banks and tackle the difficult task of increasing economic coordination in the euro zone before the 3-4 November G20 summit in Cannes. A more upbeat rhetoric (not to mention some encouraging economic data) has emerged in recent days, which has added some upward momentum to oil futures prices.

The WTI M1-M12 contracts narrowed in September, to around -$2.50/bbl compared with -$4.20/bbl in August. Meanwhile the Brent M1-M12 backwardation deepened to around $4.60/bbl in September compared with $1.55/bbl in August — signalling a tighter prompt market despite the return of Libyan crude supplies and steady downward revisions in global demand expectations for 2012. A growing chorus of analysts and traders argue that demand next year will be over 1 mb/d higher than in 2011, which should more than accommodate the return of Libyan crude.





On the supply side, the faster-than-expected ramp up in Libyan crude production during September and early October initially weighed on market sentiment and gave rise to speculation on whether or not OPEC members, which stepped into the breach to offset lost Libyan supplies, will now implement a corresponding cutback. Early indications are that Saudi Arabia, which increased crude production by around 800 kb/d to 1 mb/d since last spring in a bid to replace lost Libyan supplies, is already in the process of throttling back output.

OPEC cutbacks to make way for rising Libyan supplies may be premature. Libyan officials have moved quickly to restore output since the fall of Tripoli in early September, but so far there have been limited crude exports, with a large portion of the output being used to replenish storage tanks at refineries (see

Supply Section, *'Libya Flexes its Production Muscle'*). Despite just a trickle of Libyan supply heading to global markets, expectations of higher volumes in coming weeks and months are having a more pronounced impact on the price spreads between light, sweet crudes and heavier sour grades in the Mediterranean.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

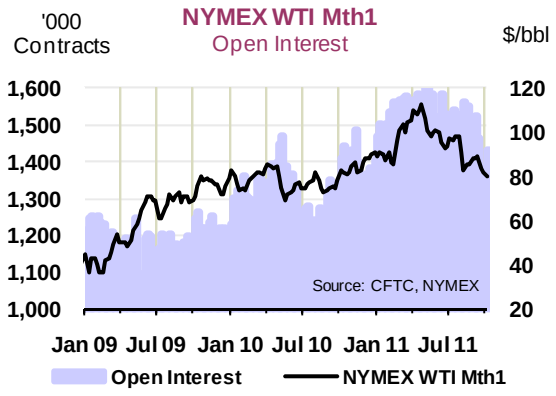
	Jul	Aug	Sep	Sep-Aug Avg Chg	% Chg	Week Commencing: 05 Sep	12 Sep	19 Sep	26 Sep	03 Oct
NYMEX										
Light Sweet Crude Oil	97.34	86.34	85.61	-0.73	-0.9	87.91	88.93	83.77	81.45	79.71
RBOB	130.16	120.53	114.46	-6.07	-5.3	119.56	115.70	110.70	110.55	108.38
No.2 Heating Oil	129.25	123.92	123.22	-0.70	-0.6	127.22	124.84	121.67	118.43	117.37
No.2 Heating Oil ($/mmbtu)	22.19	21.27	21.15	-0.12	-0.6	21.84	21.43	20.89	20.33	20.15
Henry Hub Natural Gas ($/mmbtu)	4.35	3.98	3.85	-0.13	-3.5	3.94	3.92	3.75	3.76	3.58
ICE										
Brent	116.75	109.93	109.91	-0.02	0.0	113.22	112.82	107.90	104.32	103.17
Gasoil	130.22	125.27	124.89	-0.39	-0.3	127.81	125.84	123.92	120.36	117.49
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-19.41	-23.59	-24.30	-0.71		-25.31	-23.89	-24.13	-22.87	-23.46
NYMEX No.2 Heating Oil - WTI	31.91	37.58	37.61	0.03		39.30	35.91	37.90	36.99	37.67
NYMEX RBOB - WTI	32.82	34.19	28.85	-5.34		31.65	26.76	26.93	29.10	28.67
NYMEX 3-2-1 Crack (RBOB)	32.52	35.32	31.77	-3.55		34.20	29.81	30.59	31.73	31.67
NYMEX No.2 - Natural Gas ($/mmbt	17.84	17.29	17.31	0.01		17.90	17.51	17.14	16.58	16.57
ICE Gasoil - ICE Brent	13.47	15.35	14.98	-0.36		14.59	13.02	16.02	16.04	14.33

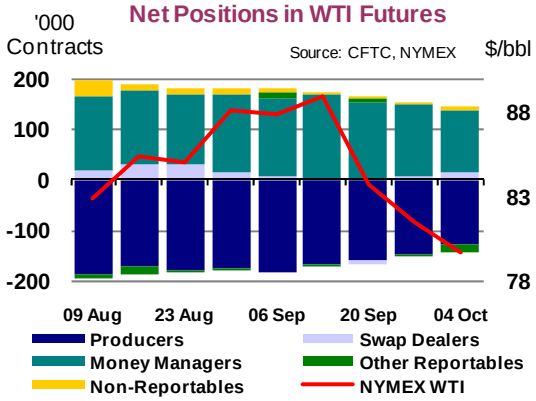
Source: ICE, NYMEX

Futures Markets

Activity Levels

Open interest in WTI contracts in New York and London ICE exchanges showed considerable fluctuations in September. After reaching its highest level since mid-June in the second week of August, open interest in New York plunged by about 200 000 in futures-only contracts from its August peak of 1.56 million contracts to 1.37 million in the week ending 20 September 2011. This was the lowest open interest in futures-only WTI contracts in New York since 30 November 2010 (1.34 million contracts open then), with WTI then at $84/bbl. Although open interest increased in the week ending 4 October 2011, it registered a decline of more than 90 000 contracts, from 1.52 million to 1.43 million, from 6 September to 4 October 2011. Meanwhile, open interest in futures and options contracts increased by 0.5% to 2.8 million contracts. During the same period, open interest in London ICE WTI contracts declined in futures-only contracts to 0.44 million and increased in combined contracts to 0.52 million.





Money managers trimmed their bets on rising crude oil prices for three straight weeks in September, sending the number of net futures long holdings to their lowest in a year in the week ending 4 October as a response to resurgent fears about the health of global economy and outlook for oil demand. In September, net futures long positions of managed money traders decreased from 154 127 to 126 093 contracts in New York. Similarly, money managers cut their Brent futures net long position by 64.3% from 69 527 to 24 776 contracts, the lowest level since the ICE started publishing data in June 2011.

Producers reduced their net futures short positions to a three-year low of 127 561 contracts in the week ending 4 October by reducing their gross short positions by more than 16% in September in response to the decline in WTI prices from $86.02/bbl to $75.67/bbl; they held 24.35% of the short and 15.44% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 33% and 32.1% of the open interest on the long side and short side, respectively, increased their net long position by 92.4% from 6 848 to 13 176 contracts from 6 September to 4 October 2011.

However, producers' trading activity in the London WTI contract showed an opposite pattern from CME WTI contracts. Producers increased their net short positions in London ICE WTI contracts by 170% from 10 495 to 28 313 contracts over the same period. Swap dealers, on the other hand, switched to hold a net long position in the week ending 4 October. Though a relatively small number of contracts (2 489), it was the first time since 15 March 2011 that swap dealers bet in favour of rising WTI crude oil prices.

NYMEX RBOB futures and combined open interest increased by more than 2.5% in September. Open interest in NYMEX heating oil increased by 5.3% to 329 440 contracts while open interest in natural gas markets declined by 4.0% to 938 710 contracts.

Index investors reduced their long exposure in commodities in August 2011. They withdrew $6.3 billion from WTI Light Sweet Crude Oil, both on and off futures contracts, in August to an eight-month low of 657 000 contracts, equivalent to $58.8 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

04 October 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	221.0	348.6	-127.6	*Short*	↑ 18.9	↑ 54.1
Swap Dealers' Positions	223.7	210.5	13.2	*Long*	↑ 5.7	↑ 6.3
Money Managers' Positions	211.4	85.3	126.1	*Long*	↓ -15.4	↓ -28.0
Others' Positions	104.2	122.1	-17.9	*Short*	↓ -14.1	↓ -28.9
Non-Reportable Positions	68.1	61.8	6.2	*Long*	↑ 4.9	↓ -3.4
Open Interest			**1431.8**		↑ 51.2	↓ -92.1

Source: CFTC

Market Regulation

Before missing the congressionally mandated deadline for implementing rules that will govern OTC derivatives markets, the Commodity Futures Trading Commission (CFTC) issued an order on 14 July to clarify the effective date of the provisions in the swap regulatory regime that would have gone into effect on 16 July 2011 established by Dodd-Frank Act. The CFTC argued that "The order provides temporary relief from certain provisions that will become effective as of 16 July 2011, until the CFTC completes the rulemakings specified in the order. The CFTC's action will avoid disruption in the markets, and will provide for the orderly implementation of the new comprehensive swap regulatory regime mandated by Congress. This order is temporary, and expires upon the effective date of final rules or 31 December 2011." However, the CFTC later indicated that they may need to extend certain exemptions beyond the December deadline as it became clear that they cannot complete final rules before then.

To date, the CFTC has issued 15 final rules ranging from large trader reporting, anti-manipulation rules, definition and regulation of agricultural swaps, process for review of swaps for mandatory clearing, process for rule submissions by registered entities, whistleblower incentives and protection, and consumer protection to the registration of swap data repositories. Most of the rules become effective within two months after the publication of the final rules. However, the CFTC issued a letter on 16 September granting temporary relief from daily large trader reporting requirements, which were to take effect on 20 September. The decree provides voluntary relief from reporting requirements to derivatives clearing organisations and clearing members until 21 November for cleared swaps and 20 January 2012 for uncleared swaps.

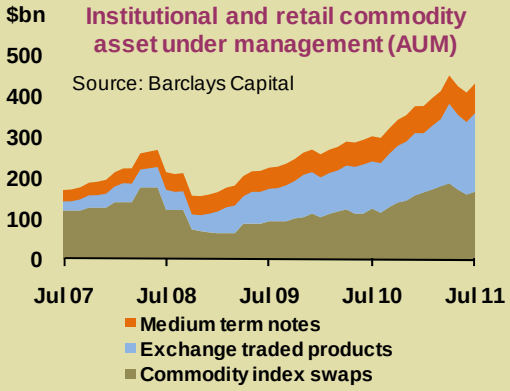
The CFTC has yet to provide its final rule on the most contentious issues, such as the definition of swap dealers and major swap participants, clearinghouses, swap execution facilities as well as position limit rules. The CFTC, after delaying consideration in September, cancelled the 4 October meeting to discuss position-limit rules. At the time of writing, the position-limit rule was being scheduled for consideration at the 18 October meeting.

The delay in finalizing the rule on position-limits might suggest that the CFTC lacks the three votes for approval, or that the CFTC is taking more time to properly analyse the costs and benefits of the so-called position-limit rule.

In the meantime, unless there is no last-minute change, the European Commission is expected to release its amendment to Markets in Financial Instruments Directive (MiFID) in mid-October. It is expected that the final draft would align European regulation with the proposed regulatory regime in the US.

Commodities: No Longer an Asset Class in their Own Right?

Investors, seeking to diversify their portfolio and hedge against rising inflation, have increased their exposure to commodities by directly purchasing commodities, by taking outright positions in commodity futures, or by acquiring stakes in exchange-traded commodity funds (ETFs) and in commodity index funds. This pattern has accelerated in recent years. According to index investment data collected by Barclays Capital for US and non-US assets under management, commodity index investment has increased from $55 billion in late 2004 to $431 billion in July 2011.



The initial surge in investment in commodities is due to the observed negative correlation between commodity returns and the other asset returns as well as positive correlation between inflation and commodity returns.

Although the positive correlation between inflation and commodity returns (0.55 for the last twenty years and 0.73 for the last three years in monthly inflation and commodity returns proxied by returns on S&P Goldman Sachs commodity total return index) is still present, the recent positive correlation between commodities and the other asset classes raise the question of whether commodities can still be considered as an asset class in their own right, and particularly a route to portfolio diversification.

A commonly used approach is to consider an investment as a separate asset class when:

- Its expected returns are higher than risk-free returns;
- Its returns perform differently from other asset classes in any given market environment; and
- Its returns may not be replicated with a linear combination of other asset classes.

Commodities: No Longer an Asset Class in their Own Right? (continued)

Up until Lehman Brothers' demise in September 2008, commodities met all three criteria. However, since then, commodities have not displayed the last two characteristics of an asset class. Of course, there are episodes in history when commodities moved in sync with other assets, especially equities. Nevertheless, compared to other episodes in the last two decades, the last three years have seen different dynamics in their degree and duration.

Weekly Returns on Different Assest

	Sep 2008-Sep 2011	Sep 1991- Sep 2008
WTI Crude Oil	0.014	0.217
Treasury Bill	0.003	0.073
Treasury Bond	0.061	0.107
GSCI	-0.246	0.151
GSCI Energy	-0.359	0.213
S&P 500	0.002	0.157

Between September 1991 and September 2008, weekly returns on commodities proxied by Goldman Sachs commodity index were very close to equity returns and exceeded bond returns and risk-free Treasury-bill returns. They displayed negative correlation with stocks (-0.008) and bonds (-0.008) (as shown in the upper triangle of the correlation table). However, since September 2008, commodity returns registered negative returns as well as statistically significant positive correlation with equities (0.689) and bonds (0.022) (as shown in the lower triangle of correlation table) returns.

Weekly Returns Correlations (1991-2008: Upper Triangle; 2008-2011: Lower Triangle)

	WTI Crude Oil	Treasury Bill	Treasury Bond	GSCI	GSCI Energy	S&P 500
WTI Crude Oil	1.000	-0.027	-0.027	0.840	0.883	-0.020
Treasury Bill	-0.109	1.000	0.650	-0.013	-0.007	0.063
Treasury Bond	0.017	0.312	1.000	-0.008	-0.005	0.053
GSCI	0.877	-0.180	0.022	1.000	0.965	-0.008
GSCI Energy	0.891	-0.148	0.054	0.987	1.000	-0.013
S&P 500	0.522	-0.221	0.015	0.689	0.653	1.000

Furthermore, if we regress the weekly GSCI return on weekly stock returns for the two sub-periods considered above, then these regression analyses suggest that the variation in commodity returns is independent of either stock or bond returns between September 1991 and September 2008 – but not afterwards. Specifically, the regression results after Lehman's demise suggest that more than 47% of the variation in commodity returns can be explained by variation in stock returns. The statistically significant coefficient on stock returns suggests that a 1% increase in stocks returns leads to 0.85% increase in commodity returns. Additionally, when we regress weekly GSCI energy returns on stock returns, we find a statistically higher coefficient on stock returns, revealing that a 1% increase in stocks returns leads to a 1% increase in energy-commodity returns. These findings suggest that post-Lehman commodity returns might be replicated by returns on stocks. In this sense, one may conclude that commodities in the last three years do not appear to fulfil the three criteria to be considered as a separate asset class in their own right.

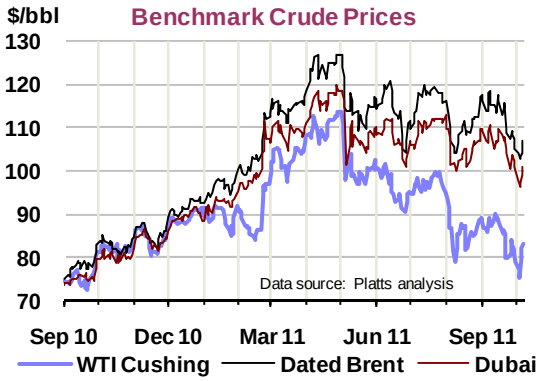
As we argued earlier, the recent episode of high correlation between different assets may not be unique, and it is unclear whether the change observed between asset classes' movement, or more specifically commodity prices, are permanent. Several recent academic studies suggest that the financialisation of commodity markets has increased the co-movements between equities and commodities. If these studies' findings are any guide, we may well expect that co-movements between commodities and equities are here to stay as long as investors' appetite for commodities stay strong.

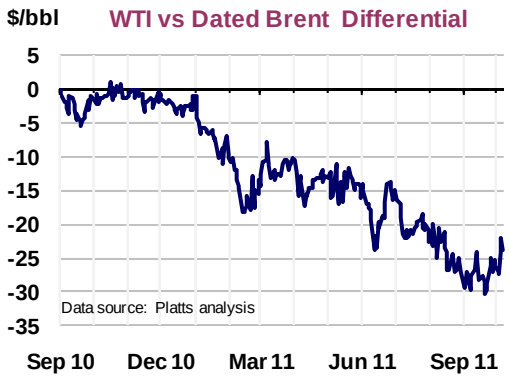
Spot Crude Oil Prices

Immediate global economic concerns and emerging expectations of weaker supply and demand fundamentals are having an immediate impact on spot crude markets. In September, prices trended lower but still found some support from more robust demand in Europe and Asia, especially for Middle East grades, as scheduled refinery turnarounds complete over the next four to six weeks.

In addition, the upcoming peak winter demand period underpins record premiums for distillate rich crudes such as Russian ESPO and the UAE's benchmark Murban crude. Initial expectations that a fire at

Shell's 500 kb/d Singapore refinery would undermine crude markets proved fleeting, especially after Saudi Arabia raised November prices for Arab Light to record levels for Asian customers. Iran, Kuwait and Iraq followed the Saudis lead and also raised prices for Asian customers for November. As usual however, interpreting formula price changes as either an attempt to ration demand on the one hand, or merely an acknowledgement that supplies will be lowered on the other, is difficult to call.

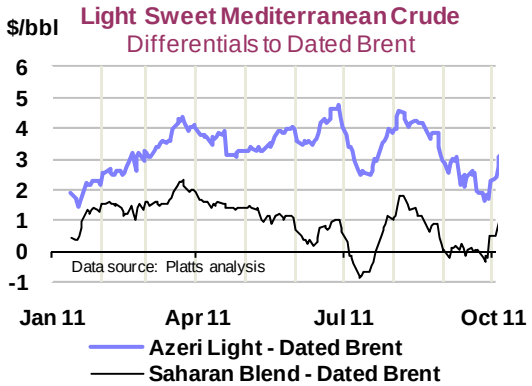


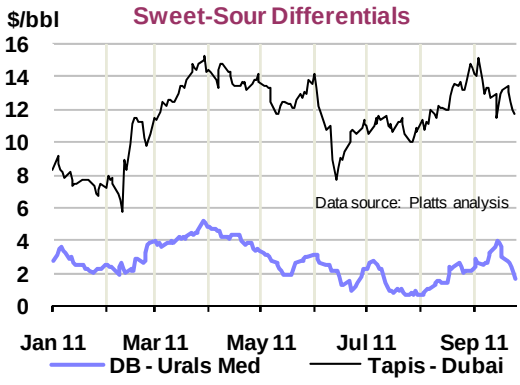


Spot crude oil prices for benchmark Brent and other European, African and Middle East crudes on average rose by around $1.25/bbl to over $3/bbl in September while isolated WTI posted a modest decline for the month. However, prices tumbled in line with the overall market-wide rout, with spot prices down by $8-12/bbl between early September and the first week of October.

WTI declined on average by $0.75/bbl, to $85.55/bbl, in September but by early October had plummeted to one-year lows above $75/bbl. Prices have since recovered from their 4 October lows, with WTI last trading around $85.65/bbl. WTI's discount to Dated Brent widened by around $3.50/bbl in September, to $27.57/bbl, largely on continued price strength for the North Sea grade.

Dated Brent prices posted a monthly increase of $2.75/bbl, to around $113/bbl, in September, supported by continued North Sea supply disruptions. North Sea outages are estimated at a steep 500 kb/d in 3Q11 and are seen only easing in 4Q11, to 170 kb/d. Underscoring the relative strength of the North Sea market, Brent M1-M2 backwardation has widened to around $2.20/bbl in September from just $0.45/bbl in August.





Although the persistent delays to the North Sea loading programmes have contributed to stronger European markets, the lack of Libyan supplies also continued to be a major support. Libyan officials have moved quickly to restore output since the fall of Tripoli in early September, but so far there have been limited crude exports, with a large portion of the output being used to replenish storage tanks at refineries (see *'Libya Flexes its Production Muscle'*).

That said, the prospect of increased supplies of Libyan crude have already pressured sweet-sour spreads in the Mediterranean. The premium of Azeri Light, which has been a main replacement crude for shut-in Libyan supplies, over Dated Brent narrowed to $2.40/bbl in September compared with around $4/bbl in August. The Saharan – Dated Brent spread, with the former typically trading at a premium, was about flat at an average $0.01/bbl in September compared with a $1.12/bbl premium in August.

In Asia, Dubai's discount to Dated Brent widened to an average $6.82/bbl in September compared with $5.35/bbl in August, largely due to the latter's relative market strength on supply disruptions. The premium for light, sweet Malaysian Tapis over Dubai widened in September to around $13.40/bbl, up almost $2/bbl above August levels. Asian demand for regional grades has increased as refiners shun some African barrels linked to pricier Brent crude.

Spot Crude Oil Prices and Differentials

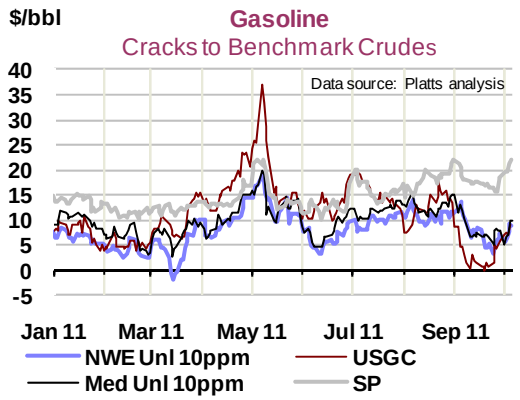
(monthly and weekly averages, $/bbl)

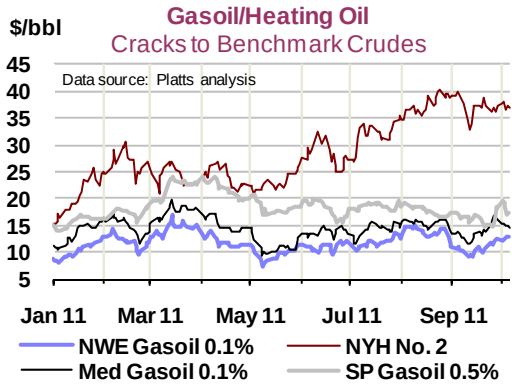
	Jul	Aug	Sep	Sep-Aug Avg Chg	%	Week Commencing: 05 Sep	12 Sep	19 Sep	26 Sep	03 Oct
Crudes										
Dated Brent	116.88	110.37	113.12	2.75	2.5	115.77	115.26	112.48	107.53	104.32
Brent (Asia) Mth1 adjusted	116.74	110.46	111.93	1.47	1.3	113.29	113.03	112.57	107.89	102.85
WTI (Cushing) Mth1 adjusted	97.26	86.30	85.55	-0.75	-0.9	87.80	88.84	83.50	81.59	79.46
Urals (Mediterranean)	114.90	109.17	110.38	1.22	1.1	113.40	112.50	109.73	104.35	102.32
Dubai Mth1 adjusted	109.99	105.02	106.30	1.29	1.2	108.45	106.98	106.38	102.19	98.33
Tapis (Dated)	120.87	116.36	119.73	3.36	2.9	121.89	121.49	119.55	114.75	110.84
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-19.62	-24.07	-27.57	-3.51		-27.96	-26.43	-28.98	-25.94	-24.86
Urals (Mediterranean)	-1.98	-1.20	-2.74	-1.54		-2.37	-2.76	-2.75	-3.18	-2.01
Dubai Mth1 adjusted - Dated Brent	-6.89	-5.35	-6.82	-1.47		-7.32	-8.28	-6.11	-5.34	-6.00
Tapis (Dated)	3.99	5.99	6.60	0.61		6.13	6.23	7.07	7.22	6.52
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.85	0.45	2.21	1.76		1.13	2.53	2.99	2.64	1.82
Forward WTI Cushing Mth1-Mth2 adj	-0.39	-0.29	-0.20	0.09		-0.20	-0.13	-0.20	-0.21	-0.19

Data source: Platts analysis

Spot Product Prices

Refined product markets registered a downturn in crack spreads on average in September in all major regions, but overall differentials remained fairly robust, especially for middle distillates. The end of the summer driving season, coupled with higher throughput rates as refineries returned from maintenance, saw gasoline crack spreads ease in the Atlantic basin. Middle distillate crack spreads were marginally weaker before the start of the winter heating season. Fuel oil discounts widened due to increasing crude prices early in the month, although strong bunker fuel demand in Singapore provided support. Generally, product crack spreads improved in the second half of the month with weaker crude prices and the fire at the 500 kb/d Pulau Bukom refinery in Singapore providing support at month-end and in early October.





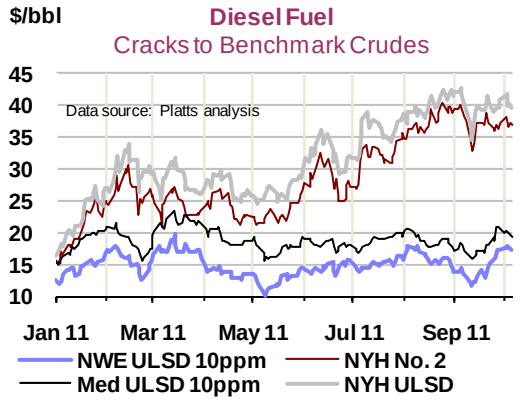
Spot Product Prices

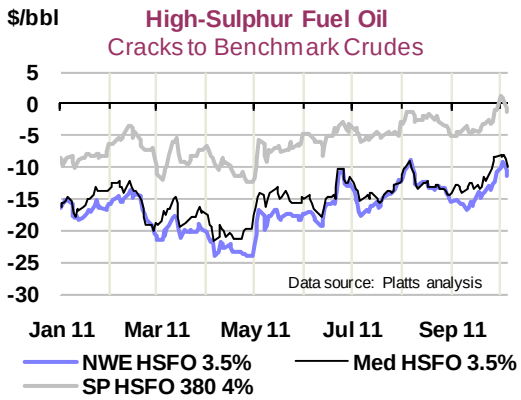
(monthly and weekly averages, $/bbl)

	Jul	Aug	Sep	Sep-Aug		Week Commencing:					Jul	Aug	Sep
				Chg	%	05 Sep	12 Sep	19 Sep	26 Sep	03 Oct			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	127.11	121.78	120.72	-1.07	-0.9	127.26	121.43	117.71	112.86	111.75	10.23	11.41	7.59
Naphtha	108.35	103.94	103.94	-0.01	0.0	105.88	105.71	102.65	99.89	95.62	-8.53	-6.43	-9.19
Jet/Kerosene	132.94	126.93	126.19	-0.74	-0.6	128.66	126.80	124.85	123.28	121.46	16.05	16.56	13.07
ULSD 10ppm	131.83	126.69	127.30	0.61	0.5	129.62	127.55	126.47	124.20	121.93	14.95	16.32	14.18
Gasoil 0.1%	128.50	124.17	123.86	-0.30	-0.2	126.44	124.69	123.07	119.64	117.00	11.61	13.80	10.74
LSFO 1%	108.35	101.59	100.91	-0.68	-0.7	102.50	101.44	100.86	98.08	96.27	-8.54	-8.78	-12.21
HSFO 3.5%	101.49	98.06	98.48	0.43	0.4	100.22	99.13	98.25	95.08	94.11	-15.39	-12.31	-14.64
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	126.68	121.85	119.13	-2.71	-2.2	124.60	119.49	116.61	111.69	110.10	11.78	12.68	8.75
Naphtha	108.87	104.40	104.36	-0.04	0.0	106.37	106.19	103.05	100.16	95.70	-6.03	-4.77	-6.03
Jet Aviation fuel	131.21	125.72	124.78	-0.93	-0.7	127.29	125.48	123.45	121.42	119.24	16.31	16.55	14.40
ULSD 10ppm	133.48	128.15	128.17	0.03	0.0	130.92	128.81	127.14	124.40	122.11	18.57	18.98	17.79
Gasoil 0.1%	129.19	124.73	124.17	-0.55	-0.4	126.77	125.11	123.29	119.89	117.03	14.29	15.56	13.79
LSFO 1%	108.60	101.75	100.97	-0.78	-0.8	102.90	102.04	100.46	97.41	95.77	-6.30	-7.42	-9.41
HSFO 3.5%	100.69	96.92	98.11	1.20	1.2	100.10	99.50	97.12	94.98	93.68	-14.21	-12.25	-12.27
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	133.08	127.70	126.15	-1.55	-1.2	133.37	127.30	121.50	119.45	120.23	35.82	41.39	40.60
Unleaded	126.96	119.58	116.67	-2.91	-2.4	122.93	117.45	111.85	112.20	113.23	29.70	33.27	31.12
Jet/Kerosene	132.76	127.78	125.65	-2.13	-1.7	129.60	126.34	123.71	121.48	120.01	35.50	41.47	40.10
No. 2 (Heating Oil)	128.83	123.56	122.63	-0.94	-0.8	126.53	124.00	120.91	118.14	116.77	31.56	37.26	37.07
LSFO 1%†	106.65	98.84	98.85	0.02	0.0	100.51	99.79	97.97	96.89	96.43	9.39	12.54	13.30
No. 6 3%†	102.08	97.75	98.20	0.46	0.5	99.64	99.36	97.71	96.10	94.86	4.82	11.44	12.65
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	126.15	122.85	124.36	1.51	1.2	127.81	124.49	123.45	119.06	119.07	16.16	17.83	18.06
Naphtha	105.92	103.00	103.49	0.48	0.5	105.61	105.07	103.02	98.97	94.27	-4.07	-2.02	-2.82
Jet/Kerosene	129.23	124.89	123.53	-1.36	-1.1	125.81	123.91	122.74	119.89	118.23	19.24	19.87	17.22
Gasoil 0.5%	128.46	122.99	122.71	-0.29	-0.2	125.28	123.24	122.01	118.68	116.66	18.46	17.98	16.40
LSWR Cracked	116.18	109.90	107.94	-1.96	-1.8	109.06	107.88	108.04	106.14	103.86	6.19	4.89	1.64
HSFO 180 CST	103.15	100.57	100.90	0.33	0.3	102.39	101.14	100.95	98.20	96.46	-6.84	-4.45	-5.40
HSFO 380 CST 4%	105.16	102.41	102.56	0.14	0.1	103.98	102.73	102.64	100.05	98.35	-4.83	-2.60	-3.75

Data source: Platts analysis * CIF † Cargoes

US gasoline crack spreads posted the largest decline on the US Gulf Coast, down a steep $9.20/bbl for Mars in September from the high levels seen in August. Prices edged lower in response to continuous low-demand readings at the end of a weak summer driving season and with renewed fears of recession. In addition, the shift to winter grade gasoline in New York Harbour, and increasing stock levels as refineries on the US East Coast came back on stream after Hurricane Irene, added downward pressure on markets.





The depressed US market also undermined European gasoline prices as arbitrage opportunities to the US dissipated. European gasoline markets, however, were supported by stronger demand from West Africa and below-normal stock levels. Weaker market fundamentals coupled with higher crude prices were behind the decline in gasoline crack spreads, off by around $3.80/bbl for Dated Brent in Northwest

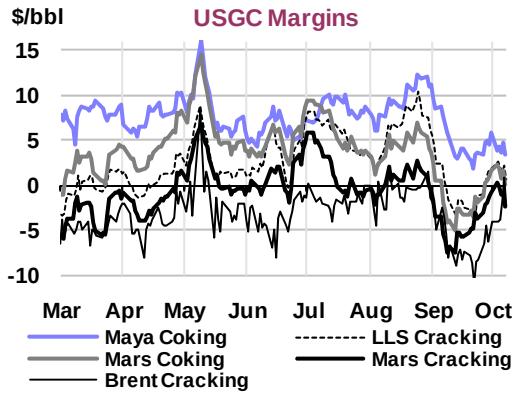
Europe and by $3.90/bbl for Urals in the Mediterranean. In Asia, gasoline crack spreads increased month-on-month.

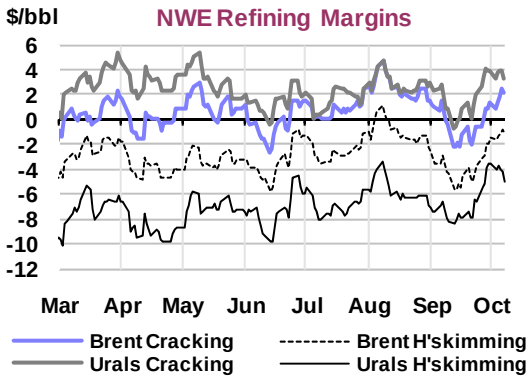
Asian markets have been tighter in general over the last few months due to regional refining maintenance, but markets softened mid-month as plants came back on stream. However, the closure of the 500 kb/d Pulau Bukom refinery in Singapore after a fire triggered a jump in prices at end-September.

Middle distillate crack spreads fell month-on-month in all regions as demand was still somewhat muted at the start of the winter heating season. However, there were several factors propping up the market throughout September. Lower supplies from Russia supported European markets, whereas US markets were still taking advantage of strong demand from Latin America. Fuel oil crack spreads widened month-on-month in all regions in September but the decline masks a steady improvement throughout the month. Although the peak summer demand season for fuel oil at power plants is over, Asian markets were supported by high bunker fuel demand and lower exports from Iran. In Europe, support came from arbitrage volumes going to Asia and diminished fuel oil exports from Russia.

Refining Margins

Refining margins decreased month-on-month in September, falling steeply from higher August readings towards mid-month as product crack spreads narrowed, in particular for gasoline. However, margins improved again towards month-end as product crack spreads increased. This was due to both weaker crude prices and tightening product markets with the fire at the major Pulau Bukom refinery in Singapore. US refining margins decreased the most on average, with margins on the Gulf Coast and Kern margins on the West Coast falling month-on-month by $4.60-$6.75/bbl and $9-$13.80/bbl, respectively.





US Gulf Coast refining margins were driven lower by narrower gasoline crack spreads compared to the high levels seen in August, with the end of the summer driving season and increasing stock levels as refineries increased production. Only Maya coking margins managed to stay in positive territory on average for September due to Maya crude's favourable pricing. Further pressure came from narrower middle distillates crack spreads, as markets were quiet before the winter heating season. However, margins improved towards month-end with both LLS cracking and Mars coking margins back in positive territory as product markets tightened and crude prices weakened. US West Coast margins suffered from weak gasoline cracks as well, but in addition, a widening fuel oil crack adversely affected margins.

European refining margins were depressed by weakening gasoline crack spreads in September, but also a widening fuel oil discount contributed, pressuring margins at simple refineries in particular. Towards month-end, crack spreads improved both due to weaker crude prices and the fire at the Pulau Bukom refinery. In addition, Urals weakened relative to Brent giving extra support to Urals margins.

In Asia, Singapore refining margins fell even though product cracks improved towards month-end due to the fire at the Singapore refinery. Tapis margins showed an average calculated loss in September of $10.60/bbl at a simple refinery, a level corresponding to the lows from April and May this year. Weak fuel oil product cracks at the beginning of the month depressed margins as did relatively stronger Tapis crude. In China, Daqing margins improved slightly month-on-month on the increased crack spreads for light and middle distillates towards month-end.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jul 11	Aug 11	Sep 11		Sep 11-Aug 11	09 Sep	16 Sep	23 Sep	30 Sep	07 Oct
NW Europe	Brent (Cracking)	0.78	2.53	-0.38	↓	-2.91	0.52	-1.88	-1.27	0.49	1.73
	Urals (Cracking)	1.65	2.93	1.66	↓	-1.28	1.76	-0.10	1.05	3.61	3.59
	Brent (Hydroskimming)	-2.62	-0.98	-3.81	↓	-2.83	-3.68	-5.26	-4.26	-2.25	-1.18
	Urals (Hydroskimming)	-5.35	-3.79	-4.76	↓	-0.97	-5.68	-6.52	-4.81	-1.84	-1.81
Mediterranean	Es Sider (Cracking)	1.97	2.56	0.26	↓	-2.30	0.53	-1.13	-0.50	1.52	0.87
	Urals (Cracking)	0.84	2.06	0.11	↓	-1.95	0.35	-1.20	-0.74	1.53	1.58
	Es Sider (Hydroskimming)	-3.33	-3.13	-5.21	↓	-2.07	-5.69	-6.50	-5.50	-3.18	-3.90
	Urals (Hydroskimming)	-7.03	-5.63	-6.77	↓	-1.13	-7.37	-7.93	-7.22	-4.32	-4.14
US Gulf Coast	Brent (Cracking)	-1.86	-0.90	-6.62	↓	-5.72	-5.36	-7.96	-8.87	-5.37	-2.30
	LLS (Cracking)	5.73	6.08	-0.66	↓	-6.74	-0.23	-2.27	-2.70	0.95	1.73
	Mars (Cracking)	1.32	0.54	-4.38	↓	-4.91	-5.97	-5.96	-4.38	-1.91	-0.87
	Mars (Coking)	5.99	4.25	-1.72	↓	-5.97	-2.52	-3.39	-2.58	0.35	1.26
	Maya (Coking)	8.51	9.41	4.82	↓	-4.59	6.75	3.44	2.84	4.60	3.90
US West Coast	ANS (Cracking)	-2.53	1.67	-5.05	↓	-6.72	-2.27	-8.61	-7.25	-4.98	0.46
	Kern (Cracking)	5.57	10.98	-2.83	↓	-13.81	2.38	-6.43	-7.04	-3.70	-0.45
	Oman (Cracking)	-1.54	0.51	-0.76	↓	-1.27	1.31	-1.22	-4.12	-0.73	3.93
	Kern (Coking)	9.11	11.64	2.35	↓	-9.29	7.62	-0.78	-2.22	1.27	4.90
Singapore	Dubai (Hydroskimming)	-1.17	0.37	-1.05	↓	-1.42	-1.17	-1.31	-1.58	-0.23	1.89
	Tapis (Hydroskimming)	-6.92	-6.83	-10.59	↓	-3.76	-10.52	-11.92	-11.00	-9.23	-7.23
	Dubai (Hydrocracking)	1.68	2.86	1.49	↓	-1.37	1.71	1.25	0.75	1.88	4.12
	Tapis (Hydrocracking)	-6.70	-6.30	-9.79	↓	-3.50	-9.40	-11.04	-10.41	-8.87	-6.73
China	Cabinda (Hydroskimming)	-2.75	-1.77	-3.56	↓	-1.80	-4.51	-4.78	-2.96	-1.58	-1.11
	Daqing (Hydroskimming)	-1.99	-2.74	-1.53	↑	1.22	-2.30	-1.31	-1.21	0.10	-0.05
	Dubai (Hydroskimming)	-1.29	0.29	-1.14	↓	-1.43	-1.24	-1.39	-1.69	-0.30	1.84
	Daqing (Hydrocracking)	-0.27	-0.22	1.52	↑	1.74	1.31	1.83	1.48	2.38	2.63
	Dubai (Hydrocracking)	1.75	3.03	1.64	↓	-1.39	1.88	1.42	0.86	2.03	4.30

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.
Sources: IEA, Purvin & Gertz Inc.

Review and Updates of US Refining Margin Model

This month, Purvin&Gertz has made several changes to the refining margin model affecting the US margin calculations. The updated version takes into account the benzene reduction programme for gasoline, which affects the yields at US refineries. For updated details on yields, please visit the user's guide at our web site www.oilmarketreport.org. Furthermore, the Bonny light refining margin calculations have been discontinued as the Bonny crude assay has changed radically and political disruptions in Nigeria are affecting the production of a number of streams. We are considering replacing the Bonny calculation with another viable offshore sweet crude in the near future.

USGC Refining Margin Model Changes:

In February 2007, the EPA finalised rule-making activities intended to reduce emissions of hazardous air pollutants from motor vehicles. The regulations require more stringent control of hydrocarbon exhaust emissions at low temperatures, reduced evaporative emissions from portable fuel containers, and lower benzene content in gasoline.

Review and Updates of US Refining Margin Model (continued)

The gasoline benzene controls require that refiners and importers meet an annual average maximum benzene content of 0.62% (volume) on all gasoline (both conventional and reformulated). California gasoline is excluded from the programme. A nationwide credit banking and trading system has been established, but no supplier will be allowed to exceed a maximum physical average of 1.3%. The technologies generally used to reduce benzene include pre-fractionation of reformer feed to eliminate benzene precursors, isomerisation of light naphthas to saturate benzene, extraction of benzene from reformate, and saturation of benzene in streams such as FCC naphtha.

The new benzene restriction came into effect on 1 January 2011. At that time, the toxic emissions control programmes applying to both RFG and conventional gasoline were replaced by the new benzene controls. The Purvin & Gertz USGC Margin Models have been updated to include the resultant yield vector changes for the new restrictions beginning, retroactively, with the January 2011 calculations.

West Coast Refining Margin Model Changes:

The yields for the US West Coast refinery yield set have been updated to provide better harmonisation with the US Gulf Coast refinery yield set. Specifically, the use of distillate hydrocracking capacity in the coking refinery yield set has been removed and both the West Coast cracking and coking yield sets now share the same basic process technologies as their US Gulf Coast counterparts.

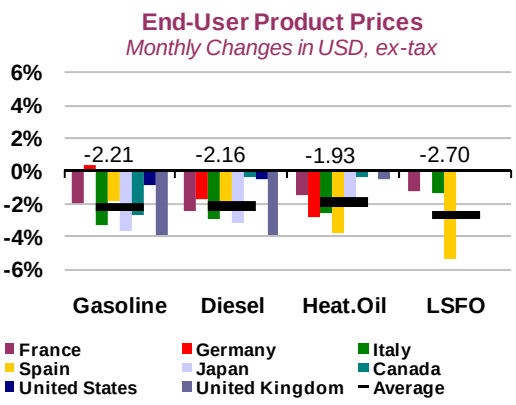
Both the cracking and coking configurations feature full hydrotreatment of FCC unit feed. Incremental gasoline sulphur control is achieved through FCC gasoline treatment, while incremental benzene control is accomplished through C5/C6 isomerisation. A specialised high pressure hydrotreater is used to treat FCC light cycle oil and coker diesel to improve the refinery cetane balance in light of the more stringent requirements that are associated with CARB diesel.

The updated West Coast refinery yields were developed through the use of Aspentech PIMS and the Aspentech Blend Model Library (ABML). ABML provides sophisticated blending correlations and allows for rigorous modelling of CARB gasoline specifications for each period. In addition, other model improvements in the areas of variable and fixed cost estimation were also applied. These updates are being applied retroactively, re-indexing the historical West Coast margins.[1]

[1]Subscribers will be able to access updated historical refining margins on the *OMR* website shortly.

End-User Product Prices in September

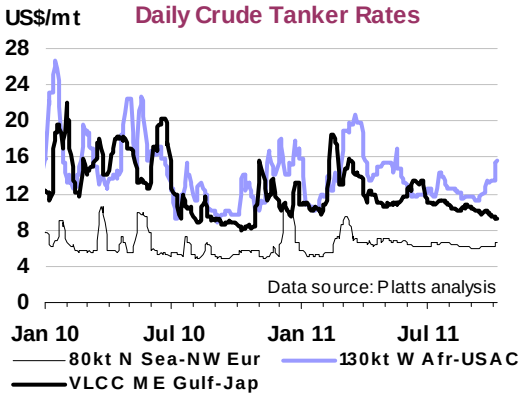
Average IEA end-user prices in US dollars (ex-tax) fell by a slim 2.25% in September. On this basis, price drops were reported across all surveyed products and countries, bar Germany, which reported a marginal increase in gasoline (0.40%). Prices decreased the most in Spain, with notable falls in LSFO (-5.40%) and heating oil (-3.80%). In Italy, France and Germany prices fell on average by 2.60%, 1.80% and 1.40%, respectively. Outside of the Eurozone, UK prices were down by 2.70%, driven by declines in gasoline and diesel. In Japan, where reconstruction efforts continued during the third quarter, prices dropped by 2.90% led by gasoline and diesel. Meanwhile, in North America, where the summer driving season finished in September, prices decreased in Canada and the US by 1.20% and 0.70%, respectively.

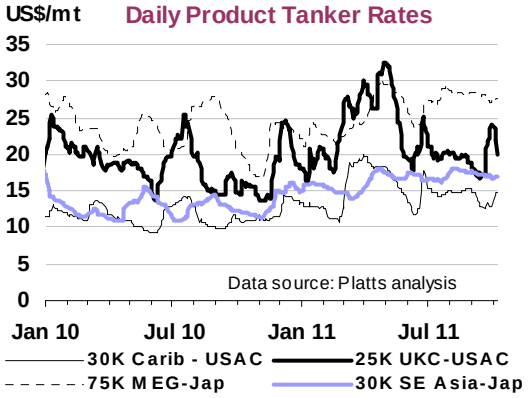


Year-on-year price hikes for surveyed countries range between 30% and 40%, with the US and the UK showing the largest increases. Across products, the yearly increments rank higher for LSFO (37%) and gasoline (35%), followed closely by heating oil and diesel by an average of 34%.

Freight

The benchmark VLCC Middle East Gulf – Japan rate receded further in September following reports of a fall in cargoes leaving the Gulf coupled with a retreat in bunkering costs, which had previously helped to buttress rates. With the Eastern VLCC market awash with vessels, even Typhoon Roke, which briefly closed a number of Japanese ports, provided no respite. By early-October the trade was at a 2011-low of $9.30/mt, pushing time charter equivalent earnings firmly into negative territory at a reported -$3000/day before taking into account slow steaming.

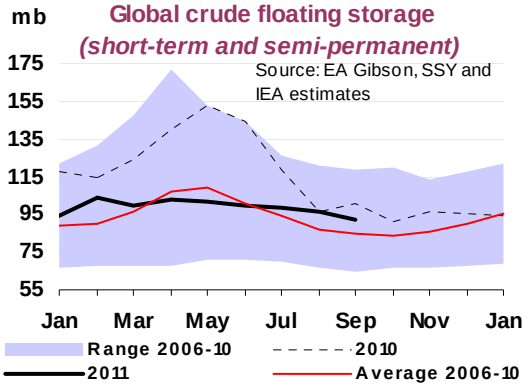




However, despite this grim situation there is still no appetite for vessel demolition amongst owners. In the Suezmax market the situation was slightly better with the benchmark West Africa – US Gulf Coast trade experiencing a mid-month climb on the back of a shortage of available tonnage for October delivery. At writing, the rate stood at over $15/mt, its highest level since mid-May.

Clean product tanker rates were mixed over the month. The transatlantic UK – US Atlantic Coast trade has been volatile for much of 2011 and again surged to a late month high of over $24/mt on the back of tight fundamentals. This was once more short-lived since vessels quickly repositioned themselves thereby forcing rates down to below $20/mt by early-October as fundamentals softened. Rates in the East have remained relatively stable and buoyant over the past few months as Japanese imports of products, notably gasoline, have increased in the wake of post-earthquake refinery shutdowns.

Oil in short-term floating storage fell by 4.9 mb to stand at 43.4 mb at end-September. Crude fell by 4.4 mb to 33.2 mb as draws in the US Gulf (-4.4 mb) and Northwest Europe (-2.1 mb) offset a surprise 2.1 mb build in Iranian storage. Products fell by 0.5 mb to 10.2 mb resulting from a draw off West Africa where volumes now amount to 6.6 mb. This region still holds the largest share of global product floating storage. Following the discharge of two VLCCs and one LR1, the fleet now numbers 29 vessels with 15 of these being VLCCs, a new historical low.



REFINING

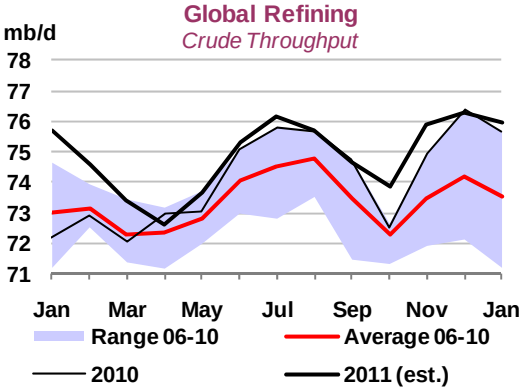
Summary

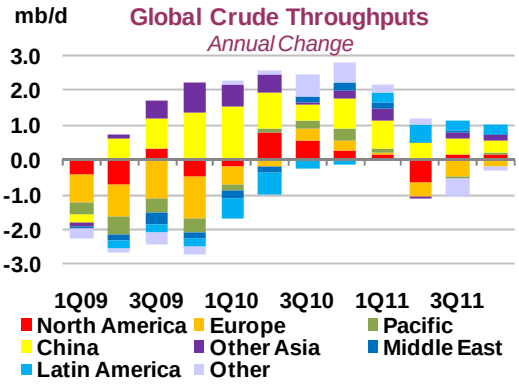
- **Global crude runs estimates for 3Q11 and 4Q11 have been revised down by 50 kb/d and 75 kb/d** respectively since last month's report. Stronger US runs only partly offset lower-than-expected throughputs in Asia. Global throughputs now average 75.5 mb/d in 3Q11 and 75.3 mb/d in 4Q11.

- **OECD crude throughputs rose 460 kb/d in August, to 37.62 mb/d, or 150 kb/d less than a year earlier**. While runs rose in all regions, the largest gains came from the Pacific, in line with seasonal trends. OECD estimates have been lifted by 75 kb/d and 60 kb/d, to 37.1 mb/d and 36.3 mb/d, for 3Q11 and 4Q11 respectively, as stronger-than-expected US data were only partly offset by lower Pacific readings.

- **July OECD gasoline yields fell in all regions but were offset by higher naphtha, jet fuel/kerosene and other products**, while gasoil/diesel and residual fuel oil yields were unchanged overall from June. OECD gross output increased 760 kb/d from June, but was still almost 600 kb/d below a year earlier, mainly on lower OECD European output.

- **Refinery consolidation continues in the OECD, with operators in all regions concluding or announcing extended shutdowns or refinery sales in September.** The recent plant rationalisations involve ConocoPhillips and Sunoco in the US, Eni and LyondellBasel in Europe and Showa Shell in Japan, with total capacity amounting to nearly 1 mb/d.





Global Refinery Throughput

Global refinery crude runs are seen averaging 75.5 mb/d in 3Q11, declining marginally to 75.3 mb/d in 4Q11. While the global figures are within 0.1 mb/d of those in last month's report, offsetting changes in the OECD and the non-OECD are masked by the total. OECD estimates have been raised by 75 kb/d and 60 kb/d for 3Q11 and 4Q11 respectively, largely on higher US runs. The latest readings from the OECD Pacific offset part of the recent strength in the US, however. In the non-OECD, China recorded its second weakest refinery runs this year in August. Maintenance plans and scheduled operating rates at key refineries show relatively weak throughputs also over September and October, before new capacity is commissioned, potentially raising runs at the tail-end of this year. Asian refinery runs were further curtailed by another large-scale refinery outage in late September. The fire and subsequent shut-down of Shell's 500 kb/d Pulau Bukom refinery in Singapore could significantly tighten regional product markets if a full restart is not imminent. While the refinery announced a partial restart on 10 October, to around 100 kb/d, market sources say it will take time for the plant to return to full operating rates.

In the OECD, refinery consolidation continued apace, with refineries accounting for close to 1 mb/d of primary distillation capacity completing or announcing extended shutdowns or refinery sales in September. Refinery margins deteriorated further last month, and were on average negative for 18 out of the 26 configurations surveyed. In the US, ConocoPhillips announced at end-September it had idled its Trainer refinery on the East Coast and would permanently shut it if no buyer is found within six months. The announcement comes only weeks after Sunoco said it would also sell or shut its two East Coast plants. In Europe, Eni idled its Venice refinery on poor margins, while LyondellBasel announced the French Berre l'Etang refinery will close permanently. Finally, in Japan, Showa Shell completed the shutdown of the Oghimachi factory, in line with previously announced plans.

Global Refinery Crude Throughput[1]

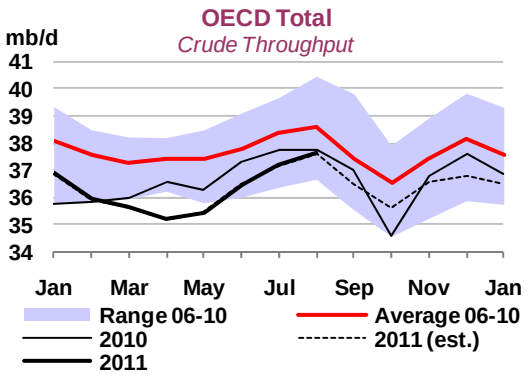
(million barrels per day)

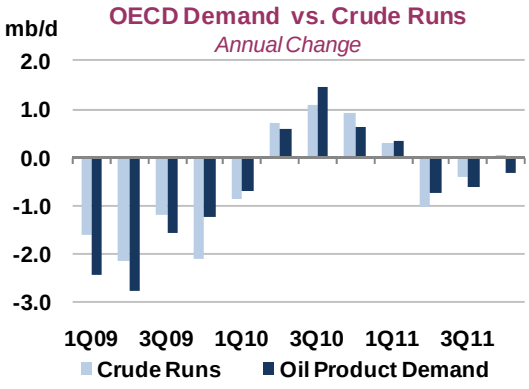
	Jun 11	**2Q2011**	Jul 11	Aug 11	Sep 11	**3Q2011**	Oct 11	Nov 11	Dec 11	**4Q2011**	Jan 12
North America	18.0	**17.5**	18.4	18.5	18.0	**18.3**	17.4	17.6	17.4	**17.5**	17.2
Europe	12.2	**11.9**	12.4	12.6	12.2	**12.4**	12.0	12.2	12.3	**12.2**	12.3
Pacific	6.2	**6.2**	6.4	6.6	6.3	**6.4**	6.3	6.8	7.1	**6.7**	7.0
Total OECD	**36.5**	**35.7**	**37.2**	**37.6**	**36.5**	**37.1**	**35.6**	**36.6**	**36.8**	**36.3**	**36.5**
FSU	6.8	**6.5**	6.7	6.6	6.3	**6.6**	6.2	6.5	6.7	**6.5**	6.7
Non-OECD Europe	0.5	**0.5**	0.5	0.3	0.4	**0.4**	0.5	0.5	0.6	**0.5**	0.6
China	8.7	**8.9**	8.8	8.7	8.8	**8.8**	9.1	9.4	9.4	**9.3**	9.3
Other Asia	9.3	**8.9**	9.2	8.7	8.9	**8.9**	8.8	9.1	9.3	**9.1**	9.6
Latin America	5.3	**5.3**	5.4	5.4	5.3	**5.4**	5.3	5.3	5.3	**5.3**	5.2
Middle East	6.1	**5.8**	6.2	6.2	6.2	**6.2**	6.2	6.2	5.9	**6.1**	5.9
Africa	2.1	**2.1**	2.2	2.1	2.1	**2.1**	2.1	2.2	2.3	**2.2**	2.3
Total Non-OECD	**38.8**	**38.1**	**39.0**	**38.1**	**38.2**	**38.4**	**38.3**	**39.3**	**39.5**	**39.0**	**39.5**
Total	**75.3**	**73.8**	**76.2**	**75.7**	**74.7**	**75.5**	**73.9**	**75.9**	**76.3**	**75.3**	**76.0**

1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

OECD Refinery Throughputs

OECD crude intake rose by 460 kb/d in August, to 37.6 mb/d on average, following gains in all regions. Japan recorded the strongest increase, in line with seasonal patterns. While total throughputs remained below year-earlier levels for the sixth consecutive month, the deficit narrowed to only 150 kb/d in the latest readings (compared to an average of -0.8 mb/d over the previous five months). The August data were 90 kb/d less than our previous forecast, with lower-than-expected Pacific runs offset by higher readings for North America. European runs were mostly in line with expectations. The submission of final monthly July data led to an upward revision of 125 kb/d for the month, following stronger US data.





As a result, 3Q11 OECD throughputs have been revised higher by 75 kb/d. We have furthermore lifted the outlook for the US for the remainder of the year, leading to an upward revision of 60 kb/d for the OECD as a whole for 4Q11. The start of seasonal maintenance in all regions, as well as a recent sharp deterioration of US refining margins, both on the Gulf Coast and West Coast, are nonetheless set to see OECD runs decline by 750 kb/d in 4Q11, compared to the previous quarter.

Refinery Crude Throughput and Utilisation in OECD Countries

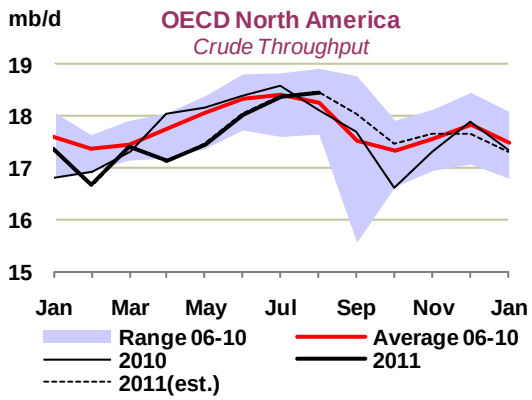
(million barrels per day)

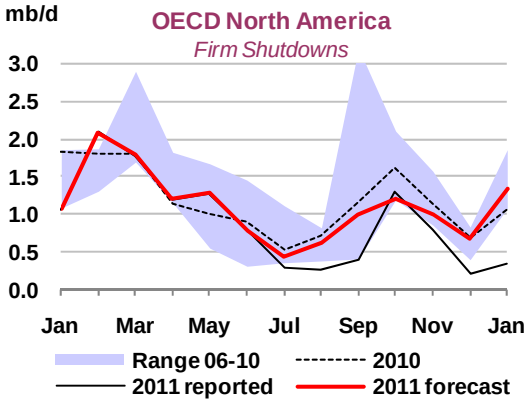
							Change from		Utilisation rate[1]	
	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	*Jul 11*	*Aug 10*	Aug 11	Aug 10
US[2]	14.45	14.30	14.78	15.37	15.62	15.65	0.03	0.54	89.1%	86.3%
Canada	1.78	1.57	1.54	1.54	1.61	1.58	-0.03	-0.29	86.0%	95.4%
Mexico	1.20	1.26	1.15	1.14	1.16	1.24	0.08	0.09	80.2%	74.6%
OECD North America	**17.43**	**17.14**	**17.46**	**18.05**	**18.39**	**18.46**	**0.07**	**0.33**	**88.2%**	**86.3%**
France	1.26	1.18	1.33	1.35	1.34	1.37	0.03	-0.13	83.4%	82.1%
Germany	1.73	1.85	1.84	1.78	2.02	2.02	0.00	-0.03	84.3%	85.4%
Italy	1.54	1.52	1.56	1.62	1.55	1.66	0.11	-0.03	76.1%	74.4%
Netherlands	1.08	0.80	1.00	1.04	1.04	1.05	0.01	-0.03	81.0%	83.5%
Spain	0.96	1.09	1.01	1.06	1.01	1.07	0.06	-0.05	76.0%	79.3%
United Kingdom	1.39	1.51	1.50	1.45	1.50	1.51	0.00	0.06	83.4%	80.2%
Other OECD Europe	3.79	3.65	3.72	3.92	3.93	3.89	-0.04	-0.12	78.8%	81.8%
OECD Europe	**11.74**	**11.61**	**11.95**	**12.23**	**12.39**	**12.56**	**0.16**	**-0.33**	**80.2%**	**81.1%**
Japan	3.15	3.10	2.78	2.93	3.17	3.43	0.26	-0.10	74.6%	74.3%
South Korea	2.52	2.58	2.51	2.52	2.52	2.43	-0.09	-0.03	88.9%	89.9%
Other OECD Pacific	0.78	0.78	0.75	0.77	0.70	0.74	0.04	-0.03	80.8%	84.0%
OECD Pacific	**6.45**	**6.46**	**6.04**	**6.21**	**6.38**	**6.60**	**0.22**	**-0.15**	**80.0%**	**80.4%**
OECD Total	**35.62**	**35.20**	**35.45**	**36.49**	**37.16**	**37.62**	**0.46**	**-0.15**	**83.9%**	**83.4%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

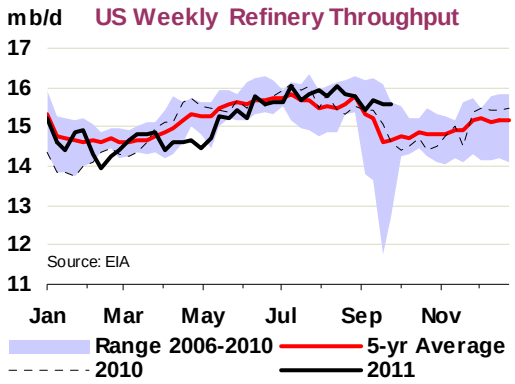
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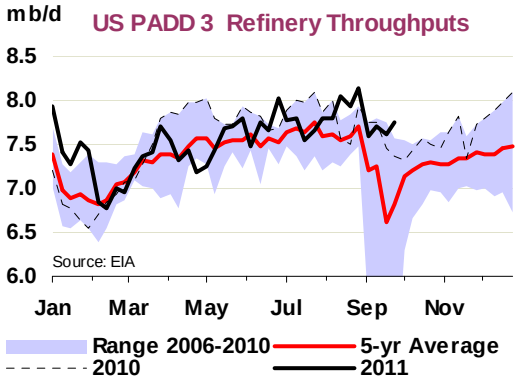
Since last month's report, **North American** crude run estimates have been lifted by 220 kb/d for 3Q11 and 110 kb/d for 4Q11 based on stronger July monthly and September weekly data. Final monthly US data for July again came in some 175 kb/d above weekly estimates. After five consecutive months of weekly-to-monthly data upgrades, we have introduced an adjustment factor to the weeklies in this month's report. The adjustment factor is the six-month rolling average difference between the weekly and monthly data. For August and September this amounts to +135 kb/d and +170 kb/d respectively.





Regional crude runs rose 70 kb/d in August, to 18.5 mb/d, or 330 kb/d above a year earlier. Preliminary weekly data show US crude runs tapering off in September, falling some 300 kb/d from a month earlier, mostly due to lower Gulf Coast runs. September runs were nevertheless stronger than expected and seasonal patterns, in part supported by healthy refining economics and the lack of any hurricane related shutdowns on the Gulf Coast. By end-September however, refining margins plummeted both on the Gulf and West Coasts following a sharp deterioration in gasoline cracks (see *Refinery Margins* in *Prices* Section), and this, combined with an uptick in maintenance shutdowns will further reduce runs over the balance of the year, albeit runs are forecast to remain above year-earlier levels.

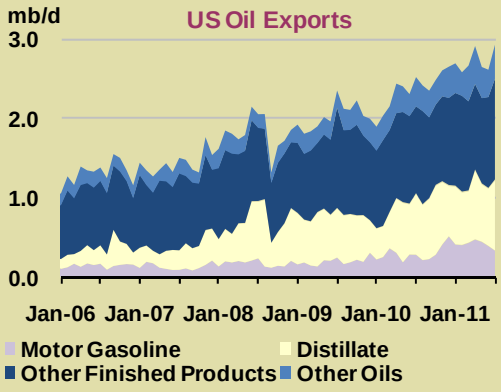


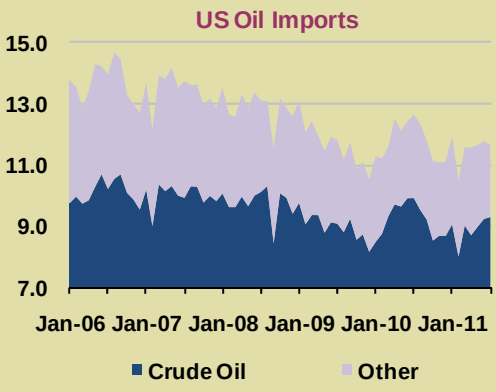


North American refinery turnarounds for this autumn are expected to be slightly lighter than normal. We estimate around 1.2 mb/d of capacity to be offline in October, falling to 0.9 mb/d in November and slightly less than 0.5 mb/d in December. This compares to five-year averages of 1.4 mb/d, 1.0 mb/d and 0.5 mb/d respectively.

Record Product Exports Drive High US Runs

US refinery runs continue to be supported by strong oil product exports. In July, the latest month for which detailed monthly trade data is available, total oil exports averaged 2.9 mb/d, a new record and 400 kb/d higher than in July 2010. Of this finished oil products accounted for 85%, with gasoline blending components and other liquids the bulk of the remainder. Distillate fuels are exported to Europe and Latin America, while gasoline is mostly shipped to Mexico and other Latin American countries. In July, middle distillate exports were 890 kb/d, of which ULSD accounted for 645 kb/d. Finished gasoline exports were 335 kb/d in July, of which 190 kb/d went to Mexico. At the same time, US crude imports are dwindling. July crude oil imports were only 9.3 mb/d compared to 9.9 mb/d in July 2010. Higher domestic production and a reduction in crude oil inventories, rather than lower refinery runs, were behind the lower crude imports.

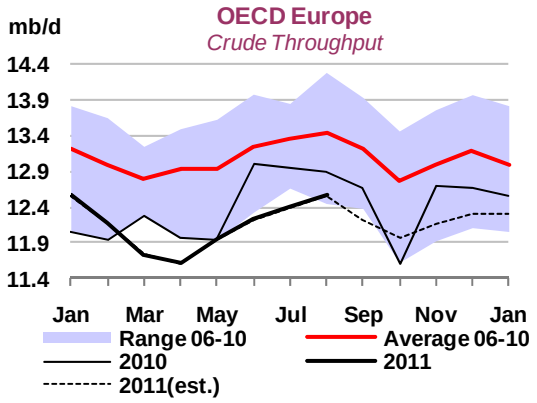


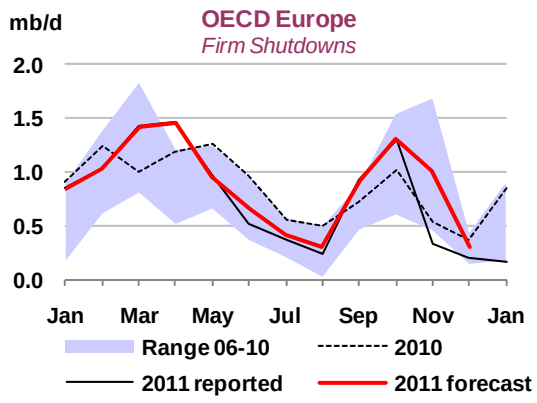


ConocoPhillips announced on 30 September that it had ceased crude processing at its 185 kb/d Trainer refinery in Pennsylvania due to poor margins. The announcement follows a statement from Sunoco only a few weeks earlier *(*see *Another Refiner Bows Out - Sunoco Announces Refinery Exit* in *OMR* dated 13 September 2011), that it is looking to exit the refining business and sell or close its two East Coast refineries. As in the case of Sunoco, ConocoPhillips is looking to sell the plant, or will shut it if no buyer is found within six months. The company cited large investment requirements to meet state regulations regarding sulphur content in heating oil and federal Tier 3 sulphur gasoline standards as one reason for the decision to exit this market. With now nearly 700 kb/d of refining capacity for sale or to be shut down on the East Coast by mid-2012, crude and product trade flows could change significantly in the next year. More light sweet crude from Nigeria and the North Sea would be available for other markets (about 300 kb/d of each), while product import requirements could increase dramatically, potentially reversing the trend of rising exports noted above.

European crude run estimates are largely unchanged from last month's report, at 12.4 mb/d for 3Q11 and 12.2 mb/d for 4Q11. Regional runs rose 165 kb/d in August, to 12.6 mb/d, 325 kb/d below a year earlier. Refinery stoppages continue to be heavier than last year, in part due to economic shutdowns. While the loss of Libyan supplies since February prompted several refiners to undertake turnarounds earlier than planned, several plants are currently reducing runs or shutting altogether due to poor margins. We include the recent closure of Eni's Porto Maghera, Venice refinery in this month's report. Eni announced it had shut the 70 kb/d Venice refinery from November due to a worsening in refining margins. The refinery processed mainly Libyan crudes and could restart as more supplies become available. The Head of Planning at Eni's downstream division said that company has cut crude distillation runs across its Italian refining network in recent weeks due to poor economics.

In terms of scheduled maintenance, the main contributors are the Netherlands, with both Shell's Pernis and BP's Rotterdam undertaking work in October. In Germany, Gelsenkirchen is out for most of the month and in Greece, Petrolas Elefsis is also undertaking work. Also notable is the 49-day partial shutdown of Statoil's 120 kb/d Kalundborg refinery in Denmark from late September.

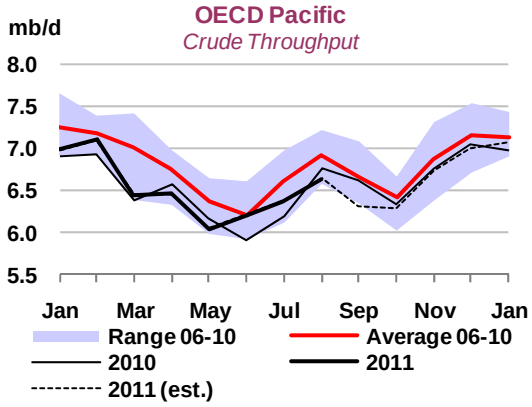


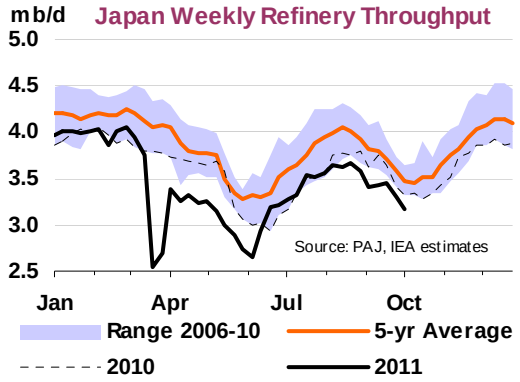


Also in Europe, refinery consolidation moved a step further this last month, as LyondellBasell announced plans to permanently close its 105 kb/d Berre l'Etang refinery in France in September. The plant was put up for sale in May, but no buyers were found. While employees at the affected plant went on strike in protest at the announcement, workers at France's other refineries voted against joining the protest. This is in contrast to last year, when all of France's 11 refineries, with a combined capacity of some 1.8 mb/d, were shut following the closure of Total's Dunkirk refinery, and emergency stocks had to be tapped to meet domestic demand. After intense negotiations between the company's management and the unions, guaranteeing no lay-offs until 31 March 2012, the Berre l'Etang refinery restarted on 10 October. The restart is temporary, however, as the plant will be mothballed for a period of up to two years as of 31 December 2011, allowing more time to attract potential buyers or margins to improve.

OMV announced on 21 September that it would reduce its downstream business from around 50% of its asset base currently, to 25% within 10 years. The company said in its medium- and longer-term strategy it will increase its upstream presence and sell off refining and marketing assets worth up to €1 bn by 2014. OMV already stopped crude processing at its Romanian Archepim plant in 2011. The company still operates the Petrobrazi refinery in Romania, as well as the Schwechat refinery in Austria, Burghausen in Germany and holds a 45% stake in Bayernoil, which operates another two German plants. OMV will still invest in modernising the 90 kb/d Petrobrazi refinery (owned through its majority stake in Petrom).

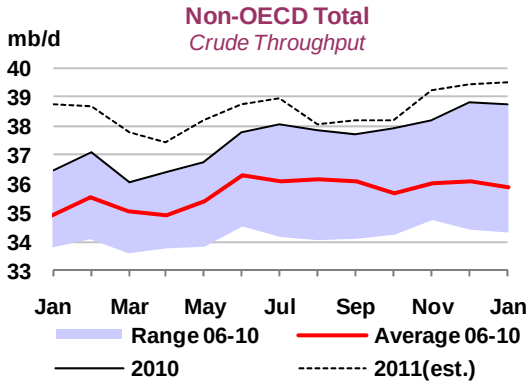
OECD Pacific crude runs were weaker than expected in August, mainly on lower-than-expected South Korean refinery runs. Still, South Korean throughputs were sufficiently buoyant to support product exports some 11.1% higher than a year earlier, according to data from the energy ministry. After reaching a seasonal peak of 3.4 mb/d in August, Japanese crude runs fell seasonally in September as refineries started autumn turnarounds. Throughputs were also hampered by Typhoon Roke, which delayed crude tanker shipments. As a result, Japanese runs were revised down by 120 kb/d for the month, to about 150 kb/d below a year earlier. Also in Japan, Showa Shell permanently shut its 120 kb/d Ohgimachi refinery in Kawasaki in September, in line with previously announced plans.

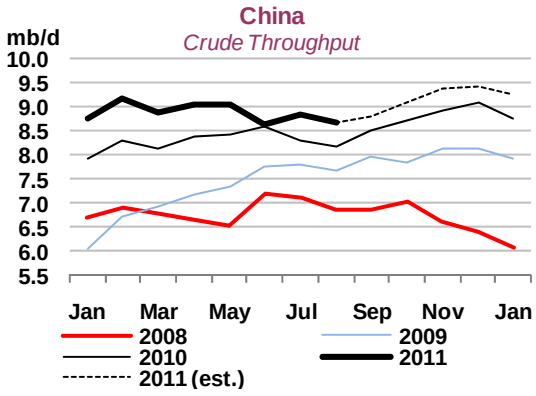




Non-OECD Refinery Throughputs

Non-OECD refinery throughputs have been revised lower for both 3Q11 and 4Q11 following weaker-than-expected runs in China in August and disruptions to refinery operations in Other Asia, primarily due to the fire and closure of Shell's 500 kb/d Pulau Bukom refinery in Singapore. Total non-OECD runs are assessed at 38.4 mb/d and 39.0 mb/d for 3Q11 and 4Q11, up 520 kb/d and 675 kb/d y-o-y, respectively.





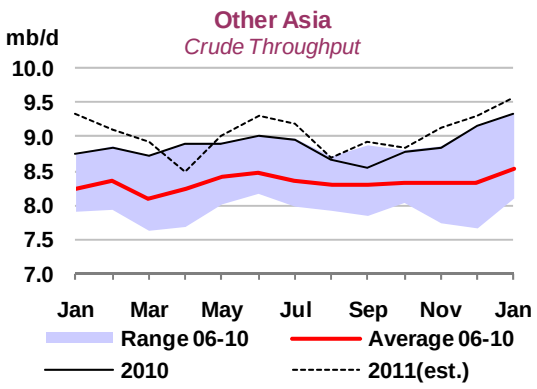
China's refinery runs fell to the second lowest reading so far this year in August, at 8.66 mb/d, or 5.9% higher than a year earlier. While maintenance is expected to continue to constrain runs over September and October, the restart of PetroChina's Dalian refinery in early September, as well as the start up of new capacity, will likely lead to higher runs at the end of this year. By late October, CNPC will start

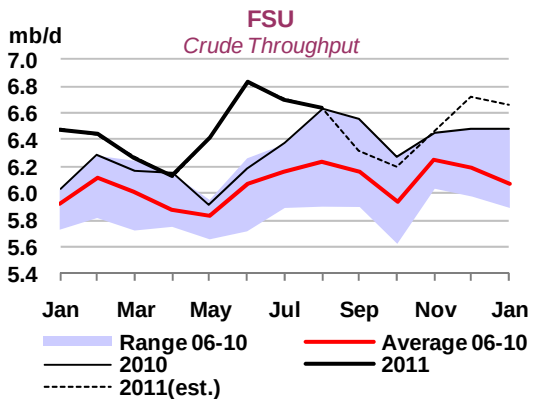
operating a new 100 kb/d crude distillation unit (CDU) at its Ningxia refinery. The unit was originally slated for start-up by the end of this year. Sinopec started test runs at its new 100 kb/d Beihai refinery at the end of September, following the recent commissioning of a new 160 kb/d unit at the Changling refinery in central China.

Other Asian refinery throughputs continue to be constrained by maintenance and unscheduled outages. Most notably, the fire and subsequent closure of Shell's 500 kb/d Pulau Bukom refinery in **Singapore** on 28 September severely curtailed regional product availability. *Force majeure* was already declared on middle distillate exports and Shell cancelled the lifting of 4 mb of October Arab Light crude. On 10 October, the company restarted a crude distillation unit (210 kb/d), at a 50% utilisation rate. Sources said a temporary delivery system had been built to divert the oil products away from the area damaged by the fire and into storage tanks in other locations on the site. The partial restart also allows the chemical complex to run at reduced rates. While the extent of the damages sustained during the fire are not yet clear, we assume that a full start up is unlikely for at least another month. Other estimates vary, with some sources saying it could take up to 6 months before the plant can resume normal operations.

The Shell outage follows on the heels of another large shut-down, at **Taiwan's** 540 kb/d Mailiao refinery. Formosa reportedly restarted the last of its three 180 kb/d crude units in mid-September, though the reactivation of RFCC and MTBE units has apparently been delayed. The plant was forced shut in July following a fire. Regional product markets were further tightened due to the closure of **Vietnam's** sole refinery from mid-July to end-August, leading to a 71% surge in Vietnamese product imports in August.

Indian refinery runs inched lower in August, to an estimated 4.02 mb/d (accounting for both Reliance's export refinery at Jamnagar and the recently commissioned Bina plant, which are currently excluded from official statistics). Total throughputs were nevertheless 5.3% above a year earlier. Runs are expected to drop further in September as several plants, including Essar's Vadinar refinery, shut for maintenance. Over coming months, Indian refinery runs will likely be supported by the ramping up of the Bina refinery to full capacity, the commissioning of the 180 kb/d Bathinda plant, as well as expanded throughput capacity at Essar's Vadinar refinery.





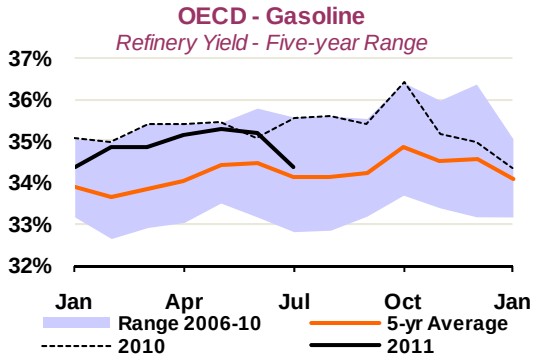
FSU refinery runs were slightly lower in August as Russian refineries processed 5.26 mb/d, down 61 kb/d from a month earlier. Gasoline production continued to increase however, at the expense of lower fuel oil and gasoil output. Russia's newest refinery, the 140 kb/d Tatneft plant in Nizhnekamsk, reportedly started commercial production finally in September. The plant was scheduled to receive 90 kb/d of crude feedstock in September.

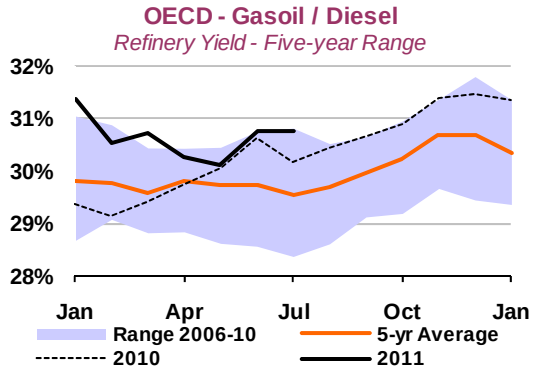
In **Africa**, Libyan refineries Tobruk (20 kb/d) and Sarir (10 kb/d) reportedly resumed operations in the third week of September, followed by the 120 kb/d Zawiya refinery in October. Ras Lanuf (220 kb/d) remains shut. Meanwhile, Ghana's sole refinery shut for almost a month in September due to crude supply outages following problems securing letters of credits for feedstock. Chad's recently

commissioned 20 kb/d refinery also halted operations on 25 September for 40 days. CNPC argues that the product price agreed with the Chadian government is too low, resulting in heavy losses. Apparently, the agreement was to supply local markets at a price of 200 CFA ($0.41) per litre of refined products.

OECD Refinery Yields

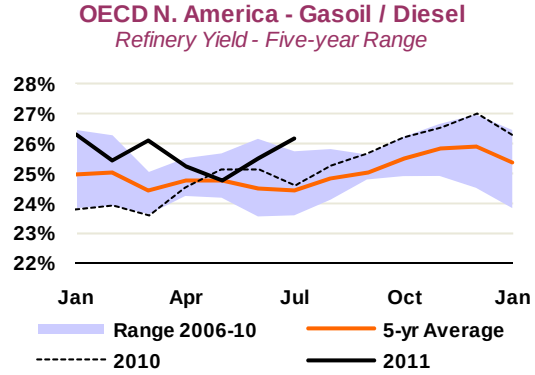
OECD refinery yields in July increased for naphtha, jet fuel/kerosene and other products, and fell for gasoline. Gasoil/diesel and residual fuel oil yields were unchanged from June. The largest change occurred for gasoline yields, which fell 0.8 percentage points (pp) amid lower relative output in all regions. Naphtha yields increased 0.4 pp with the largest increase seen in Europe, where July yields were 1 pp above the five-year average. OECD gasoil/diesel yields were unchanged from June, as an increase in OECD North America was offset by lower yields in both Europe and the Pacific. OECD gross output increased 760 kb/d from June's level, but is still almost 600 kb/d lower than last year's July output, mainly on lower OECD European output.

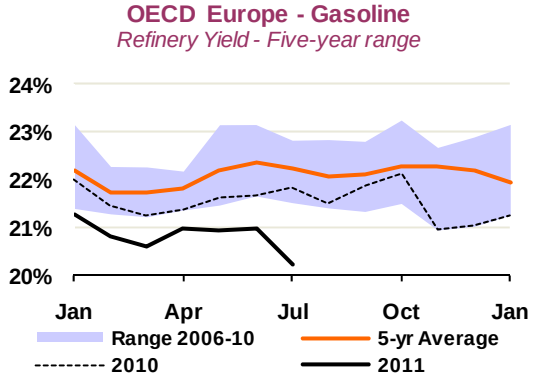




In OECD North America, gasoil/diesel yields increased at the expense of gasoline. A weak summer driving season in the US and stronger product crack spreads for middle distillates, supported by demand from Latin America likely explain the shift. Although gasoline yields fell 0.7 pp in July and are 1 pp below last year's level, they are still 0.8 pp above the five-year average. Gasoil/diesel yields on the other hand were 1.6 pp above last year's level and 1.8 pp above the five-year average.

Gasoline and gasoil/diesel yields fell in OECD Europe by 0.7 and 0.5 pp respectively, and gasoline yields were in July 2 pp below the five-year average, reflecting poor gasoline cracks. The largest change was however in residual fuel oil yields, which fell 3.7 pp in July, likely due to wide fuel oil discounts. Naphtha yields increased 0.9 pp on expected higher gasoline blending demand.





In OECD Pacific, increased petrochemical demand pushed up naphtha yields. Jet fuel/kerosene yields increased on seasonally stronger demand at the expense of gasoil/diesel yields, which fell 1.5 pp from June as earlier expectations of higher diesel demand from China dissipated.

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

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.4	23.7	24.1	23.9	23.8	23.8	23.3	23.6	23.5	23.5	23.5	23.1	23.6	23.4	23.4
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.7	14.6	14.4	14.1	13.9	14.6	14.5	14.3
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.8	8.4	7.9	8.6	7.4	7.5	8.1	7.9
Total OECD	47.6	45.6	45.9	45.3	46.6	46.7	46.2	46.3	44.5	46.0	46.4	45.8	46.1	44.4	45.7	46.0	45.6
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.9	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.5	9.5	9.8	9.6	9.9	10.1	10.0	10.3	10.1
Other Asia	9.7	10.1	10.3	10.5	10.1	10.5	10.4	10.7	10.8	10.4	10.8	10.7	11.0	11.1	10.8	11.2	11.0
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.6	6.5	6.5	6.5	6.7	6.8	6.8	6.7
Middle East	7.2	7.5	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.4	7.8	7.9	7.8	8.2	8.6	8.0	8.2
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Total Non-OECD	38.9	39.9	40.8	42.1	42.4	43.0	42.1	42.6	43.4	43.7	43.8	43.4	44.0	45.0	45.3	45.3	44.9
Total Demand[1]	86.5	85.5	86.8	87.4	89.0	89.7	88.2	88.9	88.0	89.8	90.2	89.2	90.2	89.4	91.0	91.3	90.5
OECD SUPPLY																	
North America[4]	13.3	13.6	14.0	14.0	14.1	14.4	14.1	14.4	14.3	14.3	14.4	14.3	14.6	14.3	14.4	14.5	14.5
Europe	4.8	4.6	4.5	4.2	3.8	4.2	4.2	4.1	3.9	3.8	4.2	4.0	4.2	3.8	3.8	4.0	3.9
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.7	0.7	0.7	0.7
Total OECD	18.8	18.8	19.1	18.8	18.5	19.2	18.9	19.0	18.6	18.6	19.2	18.9	19.4	18.8	18.8	19.2	19.1
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.7	13.8	13.6	13.8	13.7
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.4
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.4	4.2	4.4	4.5	4.5	4.5	4.5
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.0	29.8	30.1	29.6	29.7	30.1	29.9	30.2	30.4	30.2	30.4	30.3
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.1	1.9	1.9	1.6	2.0	2.3	2.1	2.0
Total Non-OPEC[2]	50.6	51.5	52.2	52.6	52.6	53.1	52.6	52.7	52.3	52.7	53.4	52.8	53.6	53.4	53.6	54.0	53.7
Non-OPEC: Historical Composition[2]	49.6	51.5	52.2	52.6	52.6	53.1	52.6	52.7	52.3	52.7	53.4	52.8	53.6	53.4	53.6	54.0	53.7
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.4	30.1							
NGLs	4.5	4.9	5.2	5.2	5.5	5.6	5.3	5.8	5.8	5.9	6.0	5.9	6.2	6.2	6.4	6.4	6.3
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	36.0							
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	36.0							
Total Supply[6]	86.8	85.6	86.6	87.1	87.7	88.3	87.4	88.5	87.5	88.7							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.4	0.9	-0.1	-0.9	0.1	-0.4	0.5								
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0								
Total	0.3	0.0	0.4	0.9	-0.2	-0.7	0.1	-0.4	0.5								
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.1	-0.2	-0.3	-0.2	0.2	-0.2								
Miscellaneous to balance[7]	-0.1	-0.2	-0.3	-1.3	-0.8	-0.3	-0.7	-0.2	-0.8								
Total Stock Ch. & Misc	0.2	0.1	-0.1	-0.4	-1.3	-1.4	-0.8	-0.4	-0.4	-1.1							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.4	29.7	31.0	31.0	30.3	30.4	29.9	31.2	30.8	30.6	30.5	29.8	30.9	30.9	30.5
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.1	28.4	30.1	30.7	29.6	30.2	29.1	30.7	30.4	30.1	30.0	29.4	30.5	30.5	30.1

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	0.2	-	0.1	-	-	0.1	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2	-0.3	-0.2	-0.2
Total Demand	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-0.2	-0.2	-0.3	-0.2	-0.2
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	0.1	0.3	-	0.1	0.1	0.1	0.2	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	0.2	-0.1	0.1	-	-	-	-0.1	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	0.1	0.1	-0.3	-	-0.2	-0.2	-0.1	-0.2	-0.2
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	0.1	0.1	-0.3	-	-0.2	-0.2	-0.1	-0.2	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-								
OPEC: historical composition	-	-	-	-	-	-	-	-	-								
Total Supply	-	-	-	-	-	-	-	-	0.1								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-	-	-	-	-	0.1	0.2								
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	0.2								
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-0.2	-0.1	0.3	-	-	-	-0.1	-	-
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-0.1	0.3	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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.41	23.69	24.07	23.85	23.76	23.76	23.30	23.61	23.50	23.54	23.50	23.14	23.55	23.45	23.41
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.18	14.13	14.68	14.57	14.39	14.06	13.93	14.58	14.47	14.26
Pacific	7.69	8.23	7.34	7.62	8.07	7.82	8.35	7.12	7.75	8.36	7.89	8.58	7.38	7.54	8.07	7.89
Total OECD	45.64	45.95	45.29	46.62	46.74	46.15	46.29	44.55	46.04	46.44	45.83	46.14	44.45	45.67	46.00	45.57
Asia	18.19	18.98	19.60	19.05	20.20	19.46	20.22	20.31	19.92	20.66	20.28	20.96	21.21	20.78	21.47	21.11
Middle East	7.49	7.39	7.80	8.25	7.68	7.78	7.59	7.99	8.35	7.77	7.93	7.80	8.24	8.62	8.00	8.16
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.27	6.46	6.59	6.54	6.47	6.48	6.67	6.81	6.76	6.68
FSU	4.18	4.39	4.34	4.58	4.59	4.48	4.47	4.64	4.88	4.71	4.67	4.61	4.62	4.88	4.81	4.73
Africa	3.33	3.33	3.43	3.37	3.43	3.39	3.40	3.33	3.30	3.42	3.36	3.50	3.54	3.51	3.57	3.53
Europe	0.71	0.67	0.68	0.68	0.71	0.69	0.67	0.70	0.69	0.71	0.69	0.69	0.71	0.71	0.72	0.71
Total Non-OECD	39.90	40.81	42.14	42.40	42.99	42.09	42.62	43.43	43.74	43.80	43.40	44.04	44.98	45.31	45.33	44.92
World	85.54	86.76	87.42	89.02	89.74	88.24	88.91	87.98	89.78	90.24	89.23	90.18	89.43	90.98	91.33	90.48
of which: US50	18.77	18.87	19.15	19.47	19.23	19.18	19.17	18.82	19.01	18.90	18.97	18.95	18.69	19.00	18.87	18.88
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.70	8.57	8.92	8.83	8.76	8.61	8.44	8.83	8.75	8.66
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.52	9.48	9.82	9.59	9.95	10.08	9.99	10.27	10.07
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.92	4.43	4.86	4.52	5.10	4.14	4.27	4.58	4.52
India	3.26	3.38	3.45	3.13	3.38	3.34	3.50	3.57	3.23	3.48	3.44	3.63	3.70	3.35	3.60	3.57
Russia	3.03	3.16	3.17	3.41	3.36	3.28	3.20	3.43	3.67	3.46	3.44	3.31	3.38	3.64	3.52	3.46
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.69	2.76	2.83	2.85	2.78	2.75	2.82	2.90	2.93	2.85
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.84	3.03	2.60	2.74	2.59	2.96	3.17	2.72	2.86
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.25	2.16	2.23	2.22	2.22	2.21	2.13	2.21	2.20	2.18
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.04	2.18	2.33	2.23	2.33	2.10	2.13	2.31	2.22
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.05	2.08	2.07	2.06	2.03	2.04	2.05	2.07	2.05
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.05	2.05	2.04	2.05	2.12	2.09	2.08	2.06	2.09
Total	60.03	61.31	61.61	62.84	63.31	62.27	62.83	61.73	63.14	63.47	62.79	63.57	62.55	63.62	63.88	63.41
% of World	70.2%	70.7%	70.5%	70.6%	70.5%	70.6%	70.7%	70.2%	70.3%	70.3%	70.4%	70.5%	69.9%	69.9%	69.9%	70.1%
Annual Change (% per annum)																
North America	-3.7	-0.1	3.3	3.4	1.3	2.0	1.5	-1.6	-1.9	-1.5	-0.9	-1.1	-0.7	-0.2	-0.2	-0.6
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.9	-0.9	-1.6	-1.7	-1.3	-0.9	-1.4	-0.7	-0.6	-0.9
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.1	1.7	3.6	1.0	2.8	3.7	-2.7	-3.5	0.0
Total OECD	-4.2	-1.5	1.3	3.3	1.4	1.1	0.7	-1.6	-1.2	-0.7	-0.7	-0.3	-0.2	-0.8	-0.9	-0.6
Asia	4.3	12.0	6.8	3.1	6.5	7.0	6.6	3.7	4.6	2.3	4.2	3.7	4.4	4.3	3.9	4.1
Middle East	4.0	5.0	3.4	3.0	4.3	3.9	2.7	2.5	1.2	1.1	1.8	2.8	3.0	3.1	3.1	3.0
Latin America	0.0	4.6	5.2	6.1	4.5	5.1	3.7	2.7	2.0	2.4	2.7	3.3	3.3	3.4	3.4	3.3
FSU	-1.0	8.4	6.7	5.5	7.5	7.0	1.6	6.8	6.5	2.7	4.4	3.2	-0.5	0.0	2.0	1.1
Africa	1.6	-1.8	1.9	2.1	5.2	1.8	2.1	-3.0	-2.2	-0.3	-0.9	3.1	6.3	6.4	4.4	5.1
Europe	-6.1	-7.2	-6.6	-3.4	1.5	-4.0	0.0	2.1	1.3	0.1	0.9	2.7	2.5	2.3	2.1	2.4
Total Non-OECD	2.6	7.6	5.3	3.6	5.7	5.5	4.4	3.1	3.2	1.9	3.1	3.3	3.6	3.6	3.5	3.5
World	-1.1	2.6	3.2	3.4	3.4	3.2	2.5	0.6	0.9	0.6	1.1	1.4	1.7	1.3	1.2	1.4
Annual Change (mb/d)																
North America	-0.89	-0.01	0.75	0.80	0.31	0.46	0.35	-0.39	-0.47	-0.35	-0.22	-0.26	-0.16	-0.05	-0.06	-0.13
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.13	-0.12	-0.24	-0.26	-0.19	-0.12	-0.20	-0.10	-0.09	-0.13
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.23	0.13	0.29	0.08	0.23	0.26	-0.21	-0.29	0.00
Total OECD	-1.98	-0.69	0.60	1.47	0.64	0.51	0.34	-0.74	-0.58	-0.31	-0.32	-0.15	-0.10	-0.37	-0.44	-0.26
Asia	0.75	2.03	1.25	0.58	1.24	1.27	1.25	0.72	0.88	0.46	0.82	0.74	0.90	0.86	0.81	0.83
Middle East	0.28	0.35	0.26	0.24	0.32	0.29	0.20	0.20	0.10	0.08	0.14	0.21	0.24	0.26	0.24	0.24
Latin America	0.00	0.27	0.31	0.37	0.27	0.31	0.22	0.17	0.13	0.15	0.17	0.20	0.21	0.22	0.22	0.21
FSU	-0.04	0.34	0.27	0.24	0.32	0.29	0.07	0.30	0.30	0.12	0.20	0.14	-0.02	0.00	0.09	0.05
Africa	0.05	-0.06	0.06	0.07	0.17	0.06	0.07	-0.10	-0.07	-0.01	-0.03	0.10	0.21	0.21	0.15	0.17
Europe	-0.05	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.01	0.01	0.00	0.01	0.02	0.02	0.02	0.01	0.02
Total Non-OECD	1.00	2.87	2.11	1.47	2.33	2.19	1.81	1.29	1.34	0.81	1.31	1.42	1.55	1.57	1.53	1.52
World	-0.98	2.18	2.70	2.94	2.97	2.70	2.15	0.55	0.76	0.50	0.99	1.27	1.46	1.21	1.09	1.25
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	-0.01	-0.09	0.00	-0.03	-0.03	0.00	-0.03	-0.02	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04	0.05	-0.02	0.01	0.08	0.02	0.02
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.02	0.01	0.00	0.00	0.02	0.02	0.01
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.11	0.06	0.04	-0.05	0.01	0.07	0.02	0.02
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.03	-0.01	-0.02	-0.05	-0.09	-0.06	-0.07	-0.07
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.03	-0.18	-0.07	-0.08	-0.06	-0.07	-0.21	-0.12	-0.12
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	-0.02	0.00	0.00	-0.01	-0.03	-0.04	-0.02	-0.03
FSU	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.09	0.03	0.03	0.00	0.00	0.03	0.02	0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	0.00	-0.02	-0.02	-0.02	-0.02	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.01	-0.01
Total Non-OECD	0.00	0.00	0.01	0.01	0.00	0.00	-0.05	-0.07	-0.16	-0.07	-0.09	-0.16	-0.21	-0.32	-0.22	-0.23
World	0.00	0.00	0.00	0.01	0.00	0.00	-0.04	-0.08	-0.05	-0.01	-0.05	-0.20	-0.20	-0.25	-0.19	-0.21
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.08	-0.06	-0.01	-0.05	-0.16	-0.12	-0.20	-0.18	-0.16

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	3Q10	4Q10	1Q11	2Q11	May 11	Jun 11	Jul 11 [2]	Latest month vs. Jun 11	Latest month vs. Jul 10
North America											
LPG&Ethane	2.83	2.95	2.76	3.12	3.31	2.72	2.75	2.71	2.68	-0.03	0.00
Naphtha	0.31	0.37	0.39	0.33	0.36	0.35	0.33	0.39	0.35	-0.03	-0.06
Motor Gasoline	10.56	10.57	10.83	10.51	10.14	10.45	10.36	10.66	10.56	-0.10	-0.35
Jet/Kerosene	1.61	1.65	1.70	1.63	1.60	1.68	1.63	1.76	1.69	-0.07	-0.04
Gasoil/Diesel Oil	4.61	4.82	4.76	5.01	5.04	4.77	4.69	4.95	4.47	-0.48	-0.05
Residual Fuel Oil	0.92	0.93	0.91	0.89	0.97	0.87	0.84	0.85	0.71	-0.14	-0.27
Other Products	2.45	2.46	2.71	2.36	2.34	2.46	2.30	2.64	2.72	0.08	0.11
Total	23.29	23.76	24.07	23.85	23.76	23.30	22.89	23.96	23.19	-0.77	-0.65
Europe											
LPG&Ethane	0.96	0.96	0.89	0.96	1.04	0.98	0.93	1.00	0.96	-0.04	0.07
Naphtha	1.18	1.26	1.26	1.27	1.27	1.17	1.13	1.13	1.13	0.00	-0.15
Motor Gasoline	2.31	2.21	2.35	2.14	2.02	2.18	2.16	2.20	2.17	-0.03	-0.23
Jet/Kerosene	1.25	1.27	1.37	1.26	1.20	1.27	1.26	1.34	1.36	0.02	-0.03
Gasoil/Diesel Oil	6.04	6.13	6.14	6.43	6.04	5.73	5.73	5.80	5.89	0.09	-0.18
Residual Fuel Oil	1.44	1.27	1.28	1.30	1.29	1.22	1.22	1.24	1.29	0.05	0.01
Other Products	1.50	1.47	1.64	1.46	1.32	1.57	1.60	1.70	1.61	-0.09	-0.01
Total	14.66	14.58	14.92	14.82	14.18	14.13	14.03	14.41	14.41	-0.01	-0.51
Pacific											
LPG&Ethane	0.86	0.84	0.80	0.83	0.88	0.81	0.78	0.75	0.80	0.05	0.07
Naphtha	1.62	1.68	1.63	1.75	1.78	1.55	1.59	1.60	1.71	0.11	0.14
Motor Gasoline	1.55	1.57	1.65	1.59	1.51	1.47	1.48	1.49	1.61	0.11	-0.04
Jet/Kerosene	0.85	0.87	0.65	0.98	1.18	0.64	0.56	0.58	0.59	0.01	-0.02
Gasoil/Diesel Oil	1.61	1.62	1.57	1.70	1.67	1.53	1.49	1.58	1.61	0.03	0.05
Residual Fuel Oil	0.77	0.74	0.75	0.73	0.80	0.65	0.60	0.70	0.72	0.02	-0.04
Other Products	0.44	0.49	0.58	0.48	0.54	0.48	0.47	0.54	0.54	0.01	0.01
Total	7.69	7.82	7.62	8.07	8.35	7.12	6.98	7.23	7.57	0.34	0.17
OECD											
LPG&Ethane	4.65	4.76	4.45	4.91	5.23	4.50	4.46	4.45	4.43	-0.02	0.14
Naphtha	3.11	3.31	3.28	3.36	3.41	3.07	3.05	3.11	3.19	0.08	-0.07
Motor Gasoline	14.41	14.35	14.83	14.24	13.67	14.10	14.00	14.35	14.33	-0.02	-0.62
Jet/Kerosene	3.70	3.80	3.73	3.88	3.98	3.58	3.44	3.68	3.64	-0.04	-0.10
Gasoil/Diesel Oil	12.25	12.57	12.47	13.14	12.75	12.04	11.91	12.34	11.98	-0.36	-0.18
Residual Fuel Oil	3.13	2.94	2.94	2.92	3.06	2.74	2.66	2.79	2.72	-0.07	-0.29
Other Products	4.39	4.42	4.92	4.30	4.19	4.51	4.37	4.88	4.88	0.00	0.11
Total	45.64	46.15	46.62	46.74	46.29	44.55	43.90	45.60	45.16	-0.44	-1.00

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.
2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	3Q10	4Q10	1Q11	2Q11	May 11	Jun 11	Jul 11 [2]	Latest month vs. Jun 11	Latest month vs. Jul 10
United States[3]											
LPG	2.05	2.17	2.03	2.32	2.47	1.96	2.00	1.96	1.94	-0.02	-0.04
Naphtha	0.25	0.26	0.27	0.22	0.27	0.27	0.25	0.29	0.27	-0.02	-0.02
Motor Gasoline	9.00	8.99	9.22	8.92	8.61	8.87	8.78	9.05	8.98	-0.07	-0.32
Jet/Kerosene	1.41	1.45	1.49	1.44	1.40	1.49	1.44	1.56	1.48	-0.08	-0.03
Gasoil	3.63	3.80	3.75	3.94	3.95	3.75	3.66	3.90	3.45	-0.45	-0.09
Residual Fuel Oil	0.51	0.54	0.53	0.52	0.61	0.51	0.47	0.47	0.31	-0.16	-0.29
Other Products	1.92	1.97	2.18	1.87	1.86	1.97	1.83	2.12	2.19	0.07	0.09
Total	18.77	19.18	19.47	19.23	19.17	18.82	18.43	19.35	18.62	-0.73	-0.70
Japan											
LPG	0.50	0.48	0.44	0.47	0.54	0.50	0.49	0.43	0.46	0.03	0.04
Naphtha	0.72	0.77	0.73	0.81	0.79	0.65	0.67	0.66	0.73	0.07	0.04
Motor Gasoline	0.99	1.00	1.08	1.00	0.95	0.92	0.93	0.95	1.03	0.08	-0.04
Jet/Kerosene	0.55	0.55	0.36	0.62	0.80	0.36	0.30	0.31	0.31	0.00	-0.03
Diesel	0.43	0.41	0.42	0.43	0.41	0.39	0.35	0.41	0.41	0.00	0.00
Other Gasoil	0.42	0.43	0.38	0.44	0.48	0.36	0.33	0.35	0.39	0.04	0.01
Residual Fuel Oil	0.41	0.40	0.43	0.39	0.42	0.36	0.36	0.40	0.44	0.04	0.01
Other Products	0.39	0.41	0.51	0.40	0.47	0.39	0.38	0.46	0.48	0.02	0.02
Total	4.39	4.45	4.36	4.57	4.86	3.92	3.80	3.96	4.25	0.28	0.05
Germany											
LPG	0.10	0.10	0.11	0.09	0.10	0.10	0.09	0.10	0.10	0.00	-0.01
Naphtha	0.36	0.41	0.41	0.41	0.44	0.40	0.40	0.38	0.39	0.00	-0.03
Motor Gasoline	0.47	0.46	0.48	0.45	0.43	0.47	0.49	0.46	0.44	-0.01	-0.05
Jet/Kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.19	0.19	0.19	0.00	-0.02
Diesel	0.64	0.67	0.71	0.69	0.63	0.67	0.71	0.64	0.67	0.02	-0.04
Other Gasoil	0.42	0.43	0.45	0.47	0.37	0.23	0.27	0.25	0.36	0.11	0.00
Residual Fuel Oil	0.16	0.15	0.16	0.16	0.16	0.14	0.14	0.13	0.15	0.02	-0.01
Other Products	0.11	0.09	0.12	0.09	0.05	0.12	0.13	0.13	0.13	0.00	-0.01
Total	2.45	2.49	2.65	2.53	2.35	2.34	2.43	2.29	2.43	0.13	-0.17
Italy											
LPG	0.10	0.11	0.09	0.11	0.12	0.08	0.08	0.08	0.08	0.00	0.00
Naphtha	0.10	0.12	0.12	0.11	0.11	0.10	0.09	0.09	0.07	-0.02	-0.05
Motor Gasoline	0.25	0.24	0.26	0.24	0.22	0.24	0.23	0.24	0.23	-0.01	-0.04
Jet/Kerosene	0.09	0.10	0.11	0.09	0.09	0.10	0.09	0.11	0.12	0.01	0.01
Diesel	0.49	0.49	0.50	0.50	0.47	0.51	0.50	0.53	0.51	-0.02	-0.03
Other Gasoil	0.13	0.12	0.11	0.14	0.11	0.09	0.09	0.09	0.09	0.01	-0.01
Residual Fuel Oil	0.18	0.13	0.13	0.12	0.10	0.11	0.10	0.13	0.15	0.01	0.00
Other Products	0.20	0.23	0.26	0.25	0.21	0.24	0.25	0.25	0.22	-0.03	-0.03
Total	1.54	1.53	1.58	1.56	1.43	1.47	1.43	1.51	1.48	-0.03	-0.16
France											
LPG	0.12	0.15	0.13	0.17	0.17	0.12	0.12	0.12	0.12	0.00	-0.01
Naphtha	0.13	0.13	0.12	0.10	0.13	0.14	0.15	0.14	0.14	0.00	0.02
Motor Gasoline	0.20	0.19	0.20	0.18	0.17	0.20	0.19	0.20	0.20	0.00	-0.02
Jet/Kerosene	0.15	0.15	0.16	0.14	0.14	0.15	0.15	0.15	0.16	0.02	0.00
Diesel	0.67	0.69	0.71	0.69	0.69	0.71	0.70	0.72	0.70	-0.02	-0.03
Other Gasoil	0.32	0.30	0.27	0.34	0.35	0.19	0.18	0.20	0.23	0.03	0.00
Residual Fuel Oil	0.10	0.09	0.08	0.09	0.08	0.08	0.08	0.08	0.08	0.00	0.00
Other Products	0.18	0.17	0.19	0.15	0.13	0.19	0.19	0.21	0.20	-0.01	0.01
Total	1.87	1.86	1.87	1.86	1.86	1.79	1.77	1.82	1.83	0.01	-0.03
United Kingdom											
LPG	0.15	0.14	0.12	0.13	0.14	0.15	0.13	0.16	0.14	-0.02	0.02
Naphtha	0.02	0.03	0.03	0.02	0.03	0.03	0.02	0.03	0.02	-0.01	0.00
Motor Gasoline	0.37	0.35	0.36	0.34	0.34	0.34	0.34	0.34	0.32	-0.03	-0.03
Jet/Kerosene	0.33	0.33	0.33	0.34	0.34	0.32	0.30	0.35	0.30	-0.04	-0.02
Diesel	0.43	0.45	0.45	0.44	0.45	0.45	0.45	0.46	0.43	-0.03	-0.02
Other Gasoil	0.12	0.12	0.14	0.12	0.11	0.11	0.10	0.12	0.11	0.00	-0.03
Residual Fuel Oil	0.08	0.06	0.06	0.07	0.07	0.06	0.06	0.05	0.07	0.01	0.00
Other Products	0.14	0.14	0.15	0.15	0.15	0.16	0.15	0.17	0.16	-0.01	0.01
Total	1.65	1.62	1.63	1.60	1.62	1.61	1.55	1.68	1.56	-0.13	-0.07
Canada											
LPG	0.35	0.35	0.33	0.36	0.39	0.36	0.34	0.35	0.33	-0.02	0.05
Naphtha	0.05	0.08	0.09	0.08	0.09	0.08	0.08	0.09	0.08	-0.01	0.00
Motor Gasoline	0.73	0.73	0.77	0.73	0.69	0.74	0.74	0.75	0.77	0.01	0.00
Jet/Kerosene	0.11	0.11	0.12	0.11	0.11	0.10	0.10	0.12	0.12	0.01	0.00
Diesel	0.23	0.22	0.22	0.23	0.22	0.22	0.23	0.23	0.21	-0.02	0.00
Other Gasoil	0.28	0.31	0.31	0.34	0.36	0.28	0.29	0.28	0.30	0.02	0.02
Residual Fuel Oil	0.10	0.10	0.09	0.11	0.11	0.09	0.09	0.09	0.09	0.01	0.01
Other Products	0.31	0.30	0.34	0.30	0.28	0.29	0.28	0.32	0.32	0.00	-0.02
Total	2.16	2.21	2.26	2.25	2.25	2.16	2.14	2.22	2.23	0.00	0.04

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	2Q11	3Q11	4Q11	1Q12	2Q12	Jul 11	Aug 11	Sep 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.90	9.41				9.40	9.50	9.32
Iran	3.70			3.65	3.53				3.53	3.51	3.54
Iraq	2.36			2.67	2.69				2.65	2.68	2.74
UAE	2.31			2.48	2.53				2.50	2.53	2.55
Kuwait	2.03			2.15	2.24				2.21	2.23	2.27
Neutral Zone	0.53			0.59	0.59				0.60	0.60	0.56
Qatar	0.80			0.82	0.82				0.82	0.82	0.82
Angola	1.73			1.55	1.70				1.67	1.69	1.74
Nigeria	2.08			2.25	2.26				2.32	2.28	2.18
Libya	1.55			0.12	0.04				0.06	0.00	0.08
Algeria	1.25			1.26	1.28				1.28	1.28	1.29
Ecuador	0.47			0.50	0.49				0.49	0.49	0.50
Venezuela	2.53			2.51	2.52				2.43	2.56	2.56
Total Crude Oil[6]	29.49			29.44	30.09				29.95	30.17	30.15
Total NGLs[1,6]	5.35	5.88	6.30	5.80	5.93	6.00	6.15	6.19	5.93	5.93	5.93
Total OPEC[6]	34.83			35.24	36.02				35.88	36.10	36.08
OPEC: Historical Composition[6]	34.83			35.24	36.02				35.88	36.10	36.08
NON-OPEC[2]											
OECD											
North America	14.10	14.32	14.47	14.26	14.29	14.37	14.63	14.33	14.35	14.44	14.06
United States[5]	7.77	7.94	8.03	8.04	7.94	7.93	8.03	8.11	8.04	7.98	7.81
Mexico	2.96	2.93	2.85	2.96	2.92	2.88	2.90	2.88	2.93	2.94	2.89
Canada	3.37	3.44	3.59	3.26	3.42	3.55	3.70	3.33	3.38	3.52	3.37
Europe	4.19	4.00	3.94	3.85	3.81	4.20	4.16	3.85	3.84	3.69	3.89
UK	1.37	1.22	1.24	1.18	1.09	1.36	1.34	1.23	1.03	1.04	1.21
Norway	2.17	2.11	2.07	2.01	2.07	2.18	2.17	1.99	2.17	2.00	2.03
Others	0.65	0.66	0.63	0.67	0.65	0.66	0.65	0.63	0.64	0.66	0.65
Pacific	0.61	0.54	0.67	0.50	0.55	0.61	0.64	0.67	0.50	0.57	0.59
Australia	0.51	0.46	0.58	0.42	0.46	0.52	0.55	0.58	0.41	0.47	0.50
Others	0.10	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.09	0.10	0.09
Total OECD	18.90	18.86	19.08	18.62	18.65	19.18	19.44	18.84	18.69	18.70	18.55
NON-OECD											
Former USSR	13.55	13.63	13.72	13.59	13.60	13.71	13.70	13.77	13.48	13.66	13.66
Russia	10.45	10.57	10.62	10.55	10.60	10.60	10.58	10.63	10.57	10.60	10.62
Others	3.10	3.07	3.10	3.04	3.00	3.11	3.12	3.14	2.90	3.05	3.03
Asia	7.80	7.69	7.73	7.65	7.62	7.65	7.74	7.73	7.62	7.63	7.60
China	4.10	4.17	4.28	4.17	4.10	4.17	4.27	4.30	4.11	4.09	4.11
Malaysia	0.72	0.63	0.58	0.61	0.63	0.57	0.58	0.58	0.63	0.67	0.59
India	0.86	0.90	0.92	0.89	0.90	0.92	0.92	0.92	0.89	0.88	0.91
Indonesia	0.97	0.91	0.85	0.91	0.91	0.89	0.87	0.85	0.92	0.91	0.90
Others	1.14	1.08	1.09	1.07	1.08	1.09	1.10	1.08	1.06	1.09	1.09
Europe	0.14	0.14	0.13	0.14	0.14	0.14	0.14	0.13	0.14	0.14	0.14
Latin America	4.07	4.23	4.48	4.16	4.23	4.36	4.41	4.45	4.15	4.29	4.25
Brazil[5]	2.14	2.21	2.34	2.18	2.20	2.27	2.29	2.32	2.17	2.21	2.23
Argentina	0.69	0.67	0.68	0.61	0.67	0.68	0.68	0.68	0.65	0.68	0.69
Colombia	0.79	0.92	1.02	0.93	0.92	0.97	0.99	1.01	0.90	0.96	0.89
Others	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.43	0.45	0.44
Middle East[3]	1.72	1.66	1.69	1.60	1.63	1.67	1.70	1.69	1.62	1.67	1.61
Oman	0.86	0.89	0.92	0.87	0.89	0.90	0.92	0.92	0.88	0.89	0.90
Syria	0.39	0.36	0.33	0.38	0.35	0.34	0.34	0.33	0.36	0.37	0.33
Yemen	0.28	0.21	0.24	0.15	0.19	0.23	0.25	0.24	0.18	0.21	0.18
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.53	2.56	2.51	2.53	2.54	2.55	2.57	2.53	2.53	2.54
Egypt	0.70	0.69	0.68	0.69	0.69	0.68	0.68	0.68	0.69	0.69	0.69
Gabon	0.25	0.24	0.25	0.23	0.24	0.25	0.24	0.24	0.24	0.24	0.25
Others	1.58	1.60	1.63	1.58	1.60	1.61	1.62	1.65	1.60	1.61	1.60
Total Non-OECD	29.80	29.89	30.30	29.65	29.75	30.07	30.24	30.35	29.54	29.92	29.79
Processing Gains[4]	2.10	2.17	2.26	2.14	2.14	2.23	2.28	2.23	2.14	2.14	2.14
Global Biofuels[5]	1.82	1.85	2.01	1.89	2.13	1.91	1.61	2.00	2.12	2.14	2.14
TOTAL NON-OPEC[6]	52.61	52.77	53.65	52.30	52.66	53.39	53.56	53.42	52.48	52.90	52.60
Non-OPEC: Historical Composition[6]	52.61	52.77	53.65	52.30	52.66	53.39	53.56	53.42	52.48	52.90	52.60
TOTAL SUPPLY	87.45			87.53	88.68				88.36	89.00	88.68

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Apr2011	May2011	Jun2011	Jul2011	Aug2011*	Aug2008	Aug2009	Aug2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	510.9	513.6	499.1	486.8	485.9	421.9	460.3	499.3	0.02	-0.30	0.27	0.02
Motor Gasoline	238.9	247.5	248.4	249.8	243.5	221.7	237.1	253.5	0.04	0.02	-0.03	-0.01
Middle Distillate	212.4	214.0	213.4	230.8	235.5	205.8	247.2	248.7	0.14	-0.07	-0.24	-0.04
Residual Fuel Oil	47.7	44.5	43.9	45.2	46.4	45.8	41.4	46.8	-0.02	0.01	-0.05	-0.01
Total Products[3]	649.4	670.2	678.7	710.6	717.8	660.4	738.0	740.8	0.23	-0.32	-0.58	0.28
Total[4]	1310.9	1338.8	1337.8	1360.4	1362.9	1246.5	1361.1	1400.8	0.33	-0.77	-0.37	0.47
Europe												
Crude	313.7	319.6	318.1	310.0	309.1	323.8	335.5	348.5	-0.23	0.04	0.00	-0.05
Motor Gasoline	95.4	92.2	92.3	92.8	91.2	103.7	94.0	94.8	-0.02	0.02	0.04	-0.09
Middle Distillate	283.9	283.4	274.2	270.8	270.2	278.8	307.3	289.7	-0.10	-0.02	0.09	-0.12
Residual Fuel Oil	68.7	68.6	65.3	61.5	63.2	77.4	68.4	72.9	-0.01	-0.09	-0.01	-0.02
Total Products[3]	560.3	557.8	547.9	541.6	541.0	572.7	579.4	568.3	-0.12	-0.07	0.12	-0.20
Total[4]	939.9	944.1	934.5	922.7	921.2	968.0	986.0	985.9	-0.39	0.03	0.06	-0.22
Pacific												
Crude	166.7	161.2	159.5	163.7	154.8	166.8	165.0	161.6	-0.12	0.03	0.00	0.01
Motor Gasoline	26.8	24.8	25.0	25.2	25.3	24.3	24.2	23.9	-0.03	-0.01	0.01	0.01
Middle Distillate	60.3	63.8	66.8	66.5	69.6	76.0	71.4	63.8	0.09	-0.07	-0.06	0.14
Residual Fuel Oil	22.0	21.3	21.3	21.2	19.4	23.7	21.8	20.6	0.01	-0.03	0.02	0.01
Total Products[3]	167.5	169.6	171.4	176.7	179.5	195.9	182.8	177.0	0.11	-0.16	-0.09	0.18
Total[4]	408.4	405.5	404.9	411.9	407.6	438.1	413.8	409.0	-0.03	-0.13	-0.10	0.26
Total OECD												
Crude	991.3	994.3	976.7	960.5	949.7	912.6	960.8	1009.4	-0.34	-0.23	0.27	-0.02
Motor Gasoline	361.1	364.5	365.7	367.7	360.0	349.7	355.3	372.2	0.00	0.03	0.02	-0.09
Middle Distillate	556.6	561.2	554.3	568.0	575.3	560.6	625.9	602.2	0.14	-0.16	-0.21	-0.03
Residual Fuel Oil	138.4	134.4	130.5	127.9	129.0	147.0	131.5	140.3	-0.02	-0.12	-0.04	-0.03
Total Products[3]	1377.2	1397.6	1397.9	1428.9	1438.3	1429.0	1500.3	1486.1	0.22	-0.55	-0.55	0.26
Total[4]	2659.1	2688.4	2677.2	2695.1	2691.7	2652.6	2761.0	2795.7	-0.09	-0.87	-0.41	0.51

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Apr2011	May2011	Jun2011	Jul2011	Aug2011*	Aug2008	Aug2009	Aug2010	3Q2010	4Q2010	1Q2011	2Q2011
North America												
Crude	726.5	726.5	726.5	718.2	695.9	707.2	724.1	726.6	0.00	0.00	0.00	0.00
Products	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	0.00	-0.02	0.00
Europe												
Crude	185.6	185.6	184.9	183.4	183.2	178.5	186.1	182.9	-0.04	0.05	-0.01	-0.01
Products	234.5	234.7	237.1	237.4	236.9	233.7	240.6	235.4	0.00	-0.01	-0.03	0.05
Pacific												
Crude	391.1	391.1	391.1	389.1	390.7	384.2	388.5	387.0	-0.10	0.08	0.02	0.00
Products	20.0	20.0	20.0	18.5	18.7	19.2	19.2	20.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1303.3	1303.3	1302.5	1290.8	1269.8	1270.0	1298.7	1296.4	-0.13	0.13	0.01	-0.01
Products	254.5	254.7	257.1	255.8	255.6	254.9	261.8	257.4	0.00	-0.01	-0.05	0.05
Total[4]	1559.2	1559.4	1560.9	1548.0	1526.8	1525.8	1562.2	1555.2	-0.14	0.12	-0.03	0.04

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2010		End September 2010		End December 2010		End March 2011		End June 2011 [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	178.1	79	194.1	85	194.9	86	184.9	84	188.1	-
Mexico	54.4	27	49.0	24	44.5	22	45.0	22	46.5	-
United States[4]	1843.6	95	1863.2	97	1796.1	94	1769.5	94	1807.6	-
Total[4]	2098.2	87	2128.4	89	2057.6	87	2021.5	87	2064.3	87
Pacific										
Australia	42.7	45	40.5	41	38.1	39	39.1	39	39.5	-
Japan	597.1	137	581.8	127	588.3	121	575.4	147	593.2	-
Korea	167.3	78	173.5	74	165.4	70	170.2	83	175.2	-
New Zealand	8.9	59	8.2	53	8.2	51	8.0	53	8.2	-
Total	816.0	107	804.0	100	800.0	96	792.7	111	816.0	105
Europe[5]										
Austria	20.1	69	18.9	65	19.7	77	19.4	77	19.6	-
Belgium	37.8	62	34.3	51	33.6	50	37.0	59	38.1	-
Czech Republic	20.4	99	21.1	105	21.2	117	21.5	106	21.7	-
Denmark	29.8	169	26.9	159	26.8	171	21.4	132	21.5	-
Finland	28.5	134	28.5	121	27.8	127	26.9	133	27.0	-
France	170.1	91	163.4	88	168.2	91	167.4	94	166.7	-
Germany	280.4	106	285.6	113	286.8	122	289.4	124	290.8	-
Greece	33.9	98	36.3	95	34.3	92	33.9	106	32.6	-
Hungary	17.0	107	15.9	103	15.9	119	17.4	124	17.3	-
Ireland	12.8	87	11.4	68	9.8	63	10.8	79	10.2	-
Italy	132.5	84	126.6	81	133.3	93	132.2	90	132.2	-
Luxembourg	0.7	11	0.7	12	0.6	10	0.5	9	0.6	-
Netherlands	138.8	137	121.2	122	126.4	129	125.7	124	117.8	-
Norway	22.1	107	20.8	77	20.8	81	21.1	96	23.5	-
Poland	63.8	106	64.2	108	65.5	123	62.8	109	64.6	-
Portugal	24.9	87	22.8	84	22.9	89	23.5	87	23.3	-
Slovak Republic	9.3	99	8.6	101	8.3	109	9.0	111	8.9	-
Spain	134.1	94	133.0	92	133.2	93	132.9	97	130.1	-
Sweden	35.5	103	34.4	94	32.4	94	33.7	101	32.7	-
Switzerland	38.1	148	37.7	146	36.8	156	36.6	168	37.2	-
Turkey	58.4	80	58.5	90	58.5	101	58.3	85	56.6	-
United Kingdom	96.1	59	94.5	59	88.8	55	92.8	57	84.9	-
Total	1404.9	94	1365.5	92	1371.7	97	1374.5	98	1357.8	92
Total OECD	4319.0	93	4297.9	92	4229.3	91	4188.6	94	4238.2	92
DAYS OF IEA Net Imports[6]	-	146	-	145	-	146	-	146	-	147

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
2Q2008	4110	1526	2584	88	33	55
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	57
1Q2010	4241	1567	2675	94	35	59
2Q2010	4319	1562	2757	93	34	59
3Q2010	4298	1549	2749	92	33	59
4Q2010	4229	1561	2669	91	34	58
1Q2011	4189	1558	2631	94	35	59
2Q2011	4238	1561	2677	92	34	58

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 2Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	May 11	Jun 11	Jul 11	Year Earlier Jul 10	change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.73	0.75	0.71	0.72	0.81	0.73	0.53	0.65	-0.11
Europe	0.70	0.59	0.66	0.74	0.69	0.70	0.79	0.79	0.80	0.96	0.72	0.24
Pacific	1.22	1.28	1.21	1.15	1.26	1.33	1.14	1.10	1.08	1.25	1.20	0.06
Saudi Medium												
North America	0.64	0.40	0.36	0.33	0.36	0.33	0.36	0.38	0.37	0.43	0.30	0.13
Europe	0.05	0.02	0.00	-	-	-	0.02	0.02	0.05	0.04	-	-
Pacific	0.39	0.34	0.34	0.30	0.37	0.39	0.38	0.40	0.40	0.38	0.30	0.07
Saudi Heavy												
North America	0.07	0.03	0.02	0.03	0.01	0.02	0.03	0.04	0.02	0.02	0.04	-0.02
Europe	0.09	0.02	0.00	0.00	-	0.00	0.00	0.00	0.00	0.04	-	-
Pacific	0.24	0.15	0.22	0.23	0.21	0.20	0.21	0.18	0.22	0.25	0.21	0.03
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.29	0.29	0.21	0.40	0.38	0.36	0.20	0.34	-0.13
Europe	0.21	0.12	0.09	0.13	0.08	0.03	0.10	0.14	0.14	0.17	0.13	0.04
Pacific	0.15	0.24	0.29	0.26	0.38	0.40	0.26	0.22	0.15	0.41	0.19	0.22
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.05	0.04	0.11	0.07	0.03	0.14	-	0.05	-
Europe	0.23	0.31	0.27	0.25	0.23	0.21	0.31	0.20	0.44	0.40	0.27	0.12
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.33	0.18	0.24	0.28	0.19	0.28	0.23	0.40	-0.18
Pacific	0.08	0.07	0.04	0.04	0.01	0.06	0.03	0.04	0.02	0.03	0.04	-0.01
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.70	0.43	0.34	0.59	0.59	0.83	0.80	0.80	0.01
Pacific	0.61	0.57	0.52	0.53	0.52	0.63	0.41	0.37	0.44	0.51	0.63	-0.12
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.08	0.16	0.06	0.30	0.37	0.40	0.18	0.13	0.05
Europe	0.06	0.07	0.02	0.05	0.01	0.03	0.01	-	0.01	0.01	0.03	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.96	0.75	0.89	0.77	0.71	0.78	0.79	0.99	-0.20
Europe	0.07	0.07	0.06	0.06	0.05	0.04	0.05	0.04	0.07	0.07	0.07	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.94	0.92	0.82	0.80	0.89	0.79	0.82	0.90	-0.09
Europe	0.14	0.10	0.11	0.11	0.09	0.14	0.12	0.13	0.10	0.17	0.08	0.08
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.09	0.05	0.08	0.01	0.14	0.05	0.01	0.05
Europe	0.01	0.01	0.02	-	0.05	0.01	0.02	0.05	-	0.01	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.03	0.01	-	-	-	-	-	-
Europe	1.81	1.72	1.80	1.88	1.71	1.76	1.87	1.96	1.60	1.65	1.88	-0.23
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.58	0.62	0.60	0.63	0.58	0.59	0.61	-0.02
Europe	0.29	0.32	0.34	0.31	0.49	0.40	0.40	0.54	0.40	0.46	0.26	0.20
Pacific	-	0.00	-	-	-	0.05	0.04	0.06	0.03	0.06	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.25	0.22	0.20	0.18	0.08	0.23	0.21	0.23	-0.02
Europe	0.14	0.13	0.09	0.09	0.11	0.14	0.17	0.12	0.24	0.06	0.11	-0.05
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	May-11	Jun-11	Jul-11	Year Earlier Jul-10	Year Earlier % change
Crude Oil												
North America	8076	7353	7346	7745	6625	6571	6923	6991	7054	7047	7492	-6%
Europe	9776	8893	9076	9463	9110	8901	8903	9001	9280	9303	9526	-2%
Pacific	6605	6082	6249	6160	6479	6645	6086	5653	6105	6256	6061	3%
Total OECD	24457	22329	22671	23367	22213	22117	21912	21645	22439	22606	23584	-4%
LPG												
North America	31	13	8	7	6	21	4	6	1	4	7	-39%
Europe	268	260	270	226	299	313	284	250	306	279	217	29%
Pacific	589	529	558	533	567	569	547	543	447	642	516	25%
Total OECD	887	802	836	766	872	904	836	799	755	925	739	25%
Naphtha												
North America	56	22	36	59	35	34	51	62	70	41	65	-38%
Europe	298	352	390	345	382	292	336	324	339	353	419	-16%
Pacific	776	841	900	855	893	917	830	875	856	881	918	-4%
Total OECD	1130	1215	1326	1260	1309	1243	1217	1260	1266	1275	1403	-9%
Gasoline[3]												
North America	1077	878	788	926	712	668	981	1110	947	739	1031	-28%
Europe	215	193	174	207	127	223	221	261	238	213	228	-7%
Pacific	90	96	64	44	67	71	61	55	51	59	43	38%
Total OECD	1383	1167	1025	1177	907	961	1262	1426	1236	1010	1302	-22%
Jet & Kerosene												
North America	64	62	76	86	89	62	86	79	85	98	83	19%
Europe	401	452	417	475	396	320	367	304	388	449	374	20%
Pacific	34	53	40	29	46	58	43	31	51	36	32	9%
Total OECD	500	567	532	590	531	440	497	414	525	583	489	19%
Gasoil/Diesel												
North America	74	55	49	27	14	46	30	35	16	23	26	-12%
Europe	871	1035	1045	934	1235	1078	931	917	784	928	952	-2%
Pacific	119	87	97	88	92	99	153	133	125	121	106	14%
Total OECD	1064	1177	1191	1049	1340	1224	1114	1084	924	1072	1084	-1%
Heavy Fuel Oil												
North America	288	270	277	285	254	345	305	179	309	179	297	-40%
Europe	458	534	529	504	502	505	582	627	580	663	437	52%
Pacific	125	113	117	127	101	147	111	98	104	132	118	12%
Total OECD	871	917	923	915	857	997	997	904	993	974	852	14%
Other Products												
North America	1078	870	805	852	906	855	896	862	871	993	864	15%
Europe	734	770	666	699	737	683	776	761	760	675	679	-1%
Pacific	298	325	335	382	352	383	252	233	223	317	374	-15%
Total OECD	2110	1964	1806	1932	1996	1921	1924	1856	1854	1985	1917	4%
Total Products												
North America	2667	2171	2038	2241	2017	2032	2355	2334	2300	2078	2374	-12%
Europe	3245	3595	3491	3390	3678	3415	3498	3443	3394	3559	3306	8%
Pacific	2032	2045	2111	2059	2118	2244	1995	1966	1858	2188	2106	4%
Total OECD	7944	7810	7639	7689	7812	7690	7848	7743	7552	7825	7786	0%
Total Oil												
North America	10743	9524	9384	9985	8641	8603	9278	9325	9354	9125	10371	-12%
Europe	13022	12488	12567	12853	12788	12316	12401	12445	12674	12863	12832	0%
Pacific	8637	8127	8360	8218	8596	8888	8081	7619	7963	8444	8167	3%
Total OECD	32401	30139	30310	31056	30025	29807	29760	29388	29991	30431	31371	-3%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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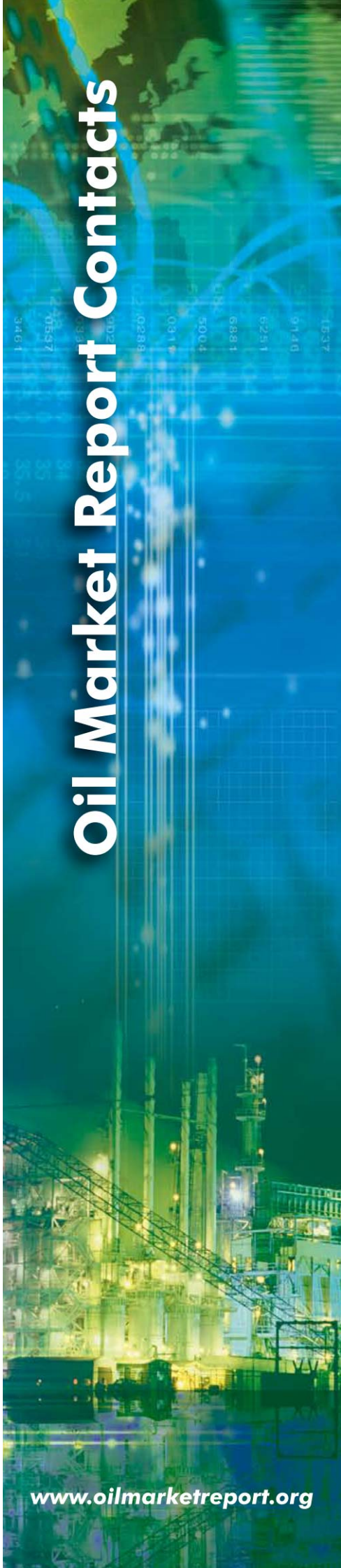
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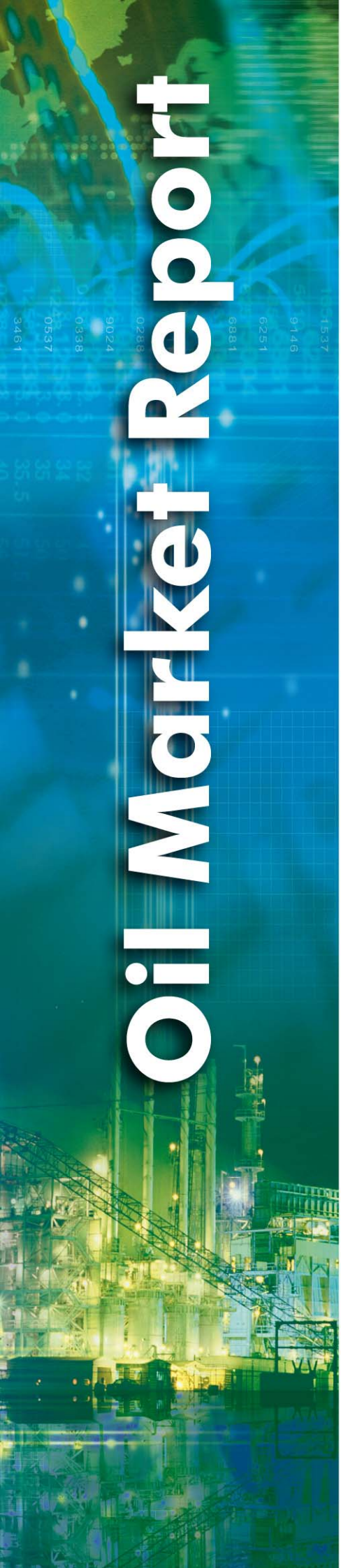
User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 10 August 2011), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of The McGraw-Hill Companies, Inc.).

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Next Issue: 10 November 2011





International Energy Agency

10 November 2011

HIGHLIGHTS

- **The Euro zone debt crisis influenced market sentiment in October and early November although ultimately fundamentals reasserted themselves**. Futures prices for benchmark crudes diverged in October, with WTI on a solid upward trend while Brent eased. At writing, Brent traded around $114/bbl, with WTI at $96/bbl.

- **Forecast global oil demand is revised down by 70 kb/d for 2011 and by 20 kb/d for 2012**, with lower-than-expected 3Q11 readings in the US, China and Japan. Gasoil continues to provide the greatest impetus for demand growth. Global oil demand is expected to rise to 89.2 mb/d in 2011 (+0.9 mb/d y-o-y) and reach 90.5 mb/d (+1.3 mb/d) in 2012.

- **Global oil supply rose by 1.0 mb/d to 89.3 mb/d in October from September,** driven by recovering non-OPEC output. A yearly comparison shows similar growth, with OPEC supplies well above year-ago levels. Non-OPEC supply growth averages 0.1 mb/d in 2011 but rebounds to 1.1 mb/d in 2012, with strong gains from the Americas.

- **OPEC supply rose by 95 kb/d to 30.01 mb/d in October, with higher output from Libya, Saudi Arabia and Angola, partially offset by lower output from other members.** The 'call on OPEC crude and stock change' for 2011 is largely unchanged at 30.5 mb/d, while higher non-OPEC supply leads to a 0.2 mb/d downward adjustment for 2012 to 30.4 mb/d.

- **Global refinery crude throughputs fell sharply in September,** as planned and unplanned shutdowns amplified the normal seasonal downturn. Following significant refinery outages and apparent delays in starting up new capacity in Asia, 3Q11 global runs have been lowered by 30 kb/d, to 75.5 mb/d, while 4Q11 runs are revised down 260 kb/d, to 75.1 mb/d.

- **OECD industry oil stocks declined by 11.8 mb to 2 684 mb in September,** led lower by crude, plus lesser declines in middle distillates and fuel oil. Inventories stood below the five-year average for a third consecutive month, a first since 2004. September forward demand cover dropped to 57.9 days, from 58.6 days in August. October preliminary data point to a 34.3 mb draw in OECD industry stocks.

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10 November 2011

OMR PUBLISHING SCHEDULE – 2012

Please find below the 2012 release dates for the ***Oil Market Report***:

Wednesday 18 January
Friday 10 February
Wednesday 14 March
Thursday 12 April
Friday 11 May
Wednesday 13 June
Thursday 12 July*
Friday 10 August
Wednesday 12 September
Friday 12 October**
Tuesday 13 November
Wednesday 12 December

This information is also available at: **oilmarketreport.org/schedule** and **omrpublic.iea.org/schedule**.

The ***OMR of 12 July will contain projections through end-2013.

****The 2012 Edition of the ***Medium-Term Oil Market Report (MTOMR)*** will be released on the same date as the ***OMR*** of 12 October 2012. The ***OMR*** of this date will comprise the usual data and projections through end-2013, but with heavily abridged text.

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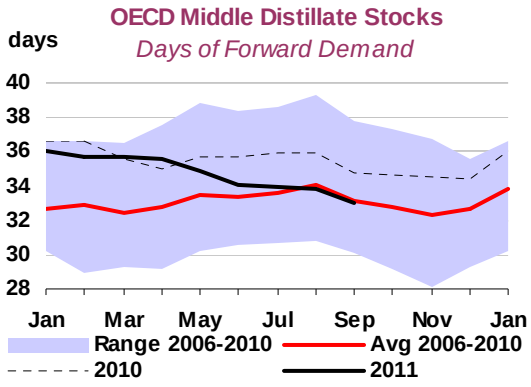
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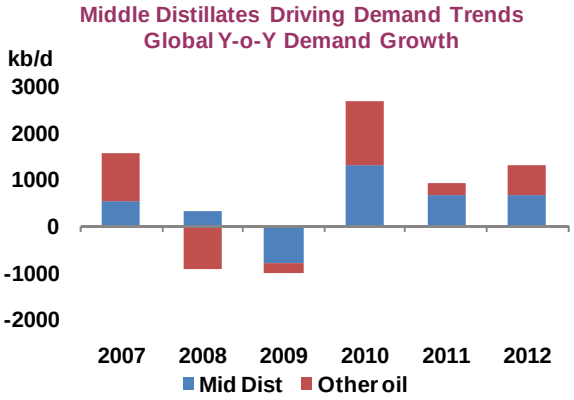
TABLES 55

DISTILLATES, DERIVATIVES & DOWNSIDE RISK

October was a better month for beleaguered OECD refiners, largely due to stronger diesel cracks. As noted before, clean middle distillate markets will remain a driver of crude and product prices in future too. In the mature OECD markets, jet fuel and diesel represent the only durable source of demand growth, albeit driven in Europe by preferential diesel taxes. This month's report also suggests that rising light tight oil supply and logistical bottlenecks around Cushing are, at the margin, boosting road and rail shipments and thus US diesel demand. Impending changes in bunker quality will generate a new market for middle distillates at fuel oil's expense. In the emerging economies, rising personal mobility and growing freight traffic are largely fuelled by diesel. And, as seen last winter, when non-oil fired power generation bottlenecks emerge in China and elsewhere, industrial and domestic consumers turn to diesel generators to fill the gap. Short-term demand surges of several hundred thousand b/d can result.

When products, and clean middle distillates in particular, are in tight supply, crude prices can be driven sharply higher. Part of the 2007/early-2008 crude price surge resulted from tightness in clean diesel supplies. With over 50% of future demand growth deriving from middle distillates, refinery supply of these products may be as important as OPEC quotas or upstream investment in setting market dynamics.





Middle distillates may be pervasive in the market right now, but middle ground among policy makers in Washington rather less so. Upcoming decisions affecting new pipeline capacity to the Gulf Coast are likely to be contentious, while October also saw a split vote among CFTC Commissioners narrowly favour the adoption of further position limits for commodity derivatives. It remains difficult to tread the fine line between ensuring market diversity, preventing manipulation and minimising systemic risk on the one hand, while sustaining economic hedging opportunities, preserving market liquidity and preventing unintended outcomes for price volatility on the other. The debate on market regulation will continue, and a joint IEA-IEF-OPEC Vienna workshop on 29 November will again examine some of the issues.

To end on market fundamentals, this month's report sees an underlying 'call on OPEC crude and stock change' averaging 30.4 mb/d for the rest of 2011 and 2012, just above recent OPEC output. Considering this and tightening OECD stocks, a fundamentals underpinning for stubbornly high prices is clear. And although demand estimates are shrouded in economic uncertainty for 2012, so perennial supply risks also need acknowledging. The combination of Libya and extensive non-OPEC supply outages may make 2011 an outlier. Resurgent, +1 mb/d non-OPEC supply and over 400 kb/d of extra OPEC NGLs should cover demand growth in 2012. But don't forget that the US Gulf largely avoided hurricane outages in 2011, that the Arab winter could well prove as turbulent as the Arab spring and, not least, that the Iranian nuclear issue is again rising among market concerns. Single-point projections are invaluable, but only with the caveats that are provided by recognising the more extreme supply and demand side risks.

DEMAND

Summary

- **Forecast global oil demand is revised down by 70 kb/d for 2011 and by 20 kb/d for 2012,** with lower-than-expected 3Q11 readings in the US, China and Japan. Stronger-than-expected demand in Korea, India and Brazil provide some offsetting support, with overall demand growth largely supported by gasoil. Global oil demand is expected to rise to 89.2 mb/d in 2011 (+1.0% or +0.9 mb/d y-o-y) and reach 90.5 mb/d (+1.5% or +1.3 mb/d) in 2012.

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Americas	29.5	30.0	30.5	30.2	30.1	30.0	29.8	30.2	30.0	30.0	30.0	29.8	30.3	30.3	30.1
Asia/Pacific	27.2	26.9	26.7	28.3	27.3	28.6	27.4	27.5	29.0	28.1	29.6	28.6	28.3	29.5	29.0
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.4	15.3	15.1	14.7	14.6	15.3	15.2	15.0
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.9	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Middle East	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.3	7.8	7.9	7.8	8.2	8.6	8.0	8.2
World	**86.8**	**87.4**	**89.0**	**89.8**	**88.3**	**88.9**	**87.9**	**89.6**	**90.2**	**89.2**	**90.2**	**89.4**	**90.9**	**91.4**	**90.5**
Annual Chg (%)	2.6	3.2	3.4	3.4	3.1	2.5	0.5	0.6	0.5	1.0	1.4	1.7	1.5	1.3	1.5
Annual Chg (mb/d)	2.2	2.7	2.9	3.0	2.7	2.2	0.5	0.5	0.5	0.9	1.2	1.5	1.4	1.2	1.3
Changes from last OMR (mb/d)	0.02	0.02	0.02	0.02	0.02	0.02	-0.06	-0.20	-0.03	-0.07	-0.02	-0.04	-0.05	0.04	-0.02

- **Projected OECD demand for 2011 is now 45.8 mb/d (-0.8% or -380 kb/d) for 2011 and 45.5 mb/d (-0.5% or -220 kb/d) for 2012.** Demand has been revised down by 60 kb/d this year and by 20 kb/d next year, led by downward adjustments to the US and Japan. Nonetheless, European demand was broadly unchanged and oil-fired power generation in Japan is expected to rise in coming months.

- **Estimated non-OECD oil demand for 2011 and 2012 is now seen at 43.4 mb/d (+3.0% or +1.3 mb/d) and 44.9 mb/d (+3.5% or +1.5 mb/d), respectively.** Recent Chinese data have come in lower than expected, but higher readings from India and Latin America offered a partial offset. Overall revisions were marginal, with 2011 adjusted down by 10 kb/d and 2012 left unchanged.

- **An economic sensitivity analysis, with GDP growth one-third lower than in our base case, would cut 0.2 mb/d from expected 2011 oil demand and 1.2 mb/d from the 2012 projection,** effectively curbing global annual demand growth to 0.7 mb/d and 0.3 mb/d, respectively.

Global Overview

Amid continued economic uncertainty and sustained high oil prices, we have revised down global oil demand versus last month's report. Our base case global economic growth assumptions remain steady at 3.8% for 2011 and 3.9% for 2012, but 3Q11 demand readings have come in weaker than expected. Indeed, we estimate global demand in September, albeit based on preliminary data, as flat compared to the same month in 2010. This follows growth of 1.4% in August. If this result holds, it would signal the weakest monthly demand growth since October 2009. Nevertheless, the forecast revisions are moderate overall; we have cut 2011 by 70 kb/d and lowered 2012 by only 20 kb/d, with an upward baseline revision to 2010 of 20 kb/d, primarily due to Syria, providing some offset.

The short-term oil demand picture remains cautious but stable. Recent weaker-than-expected data for China, the US and Japan, led to combined downward revisions in September of 670 kb/d. Russian gasoil demand has eased from its recent soaring heights, and baseline revisions have reduced Kuwait's consumption. Although JODI data have yet to show dents in Thailand's consumption, recent widespread flooding may signal future downward adjustments there. As such, global growth should remain tepid over the next few months, with average annual increases of 0.5% expected in 4Q11. Nevertheless, this

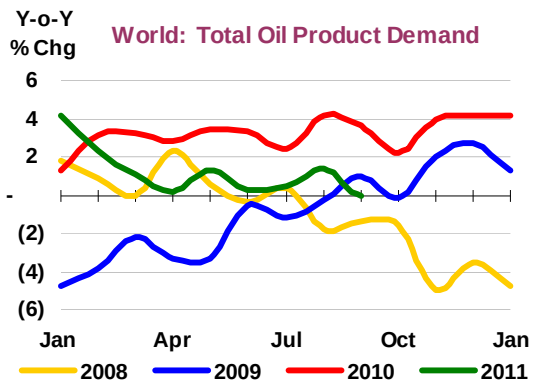
annual comparison needs to be seen in context. For one, demand in 4Q10 grew exceptionally, by +3.4% (3.0 mb/d), a strong comparison baseline. Real power sector requirements in Japan suggest increased oil-burning there in the coming months and potential needs for diesel generators in China also lend upside risks, though gasoil there is not expected to grow at the pace of 4Q10's expansion. Moreover, the global consumption picture still appears broadly supportive, with annual European demand expectations unchanged and Korea, India and Brazil growing stronger than expected. Robust gasoil continues to underpin product demand in many countries. Leading indicators point to economic caution, but gasoil strength may signify lingering industrial strength in some markets, particularly the US.

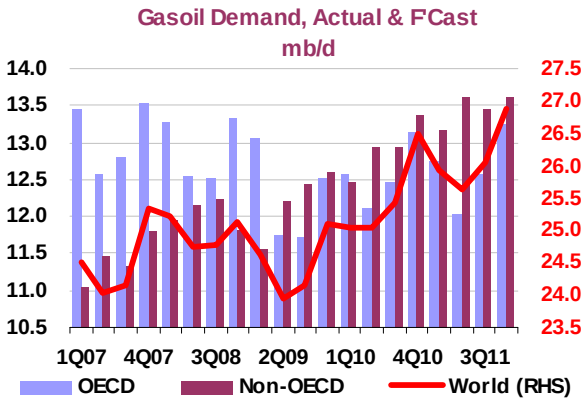
Oil Demand Sensitivity

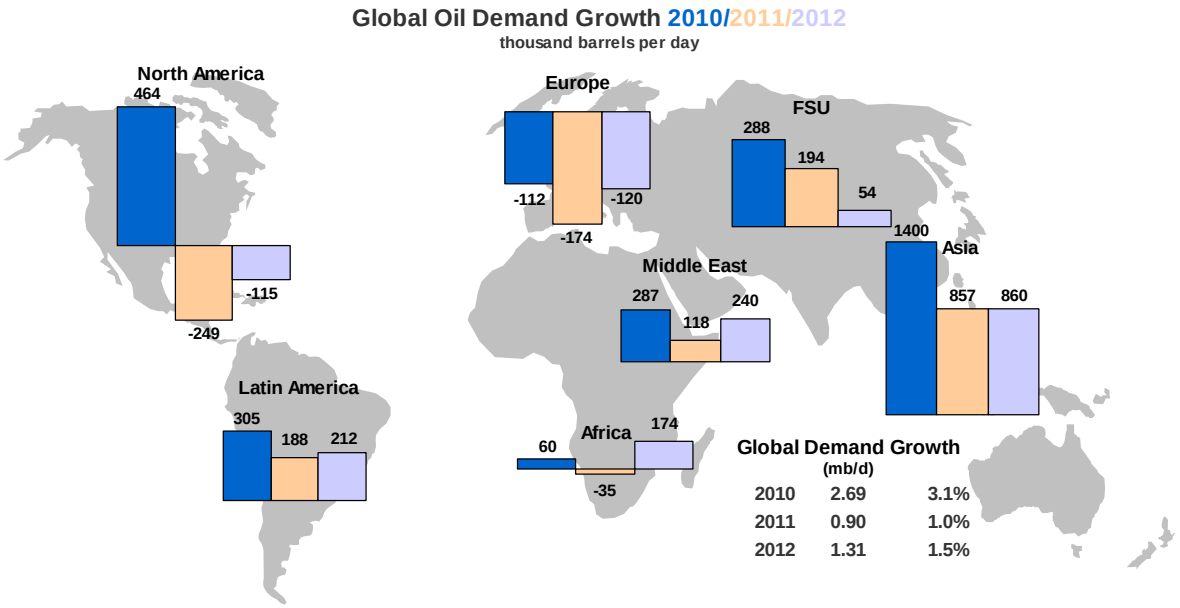
(million barrels per day)

	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
				%	mb/d	%	mb/d
Base GDP							
Global GDP (y-o-y chg)	5.0%	3.8%	3.9%				
OECD	46.2	45.8	45.5	-0.8%	-0.38	-0.5%	-0.22
Non-OECD	42.1	43.4	44.9	3.0%	1.28	3.5%	1.53
World	88.3	89.2	90.5	1.0%	0.90	1.5%	1.31
Lower GDP							
Global GDP (y-o-y chg)	5.0%	2.6%	2.6%				
OECD	46.2	45.7	45.2	-0.9%	-0.42	-1.1%	-0.50
Non-OECD	42.1	43.2	44.0	2.6%	1.11	1.8%	0.80
World	88.3	89.0	89.3	0.8%	0.69	0.3%	0.30

As we habitually note, the demand picture could sour significantly should economic prospects falter. Our sensitivity analysis provides an indicative view with GDP growth one-third lower than the base case. Under such conditions, global oil demand would be reduced versus our base case by 0.2 mb/d for 2011 and by 1.2 mb/d for 2012, with annual growth at 0.7 mb/d and 0.3 mb/d, respectively. As previously, we assume that the more income elastic developing economies would feel this impact most intensely.

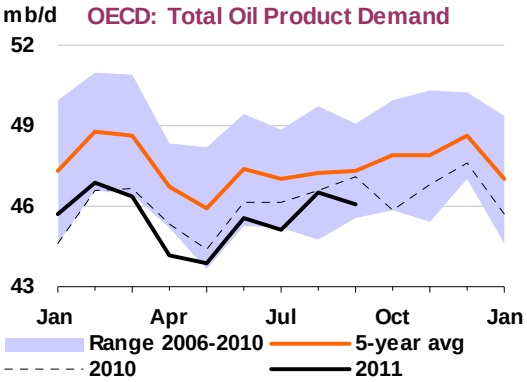


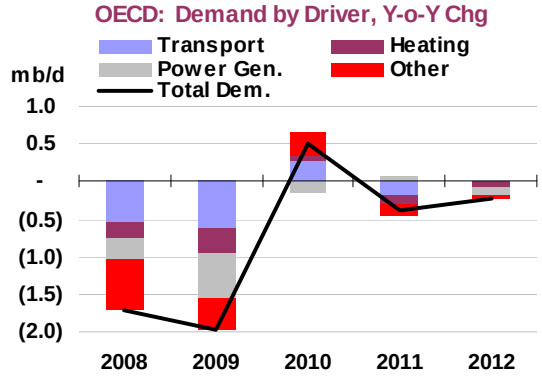




OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) fell by 2.2% year-on-year in September, with all three regions posting declines. All products fell year-on-year except for diesel (+2.0%) and residual fuel oil (+1.6%), amid strength from **North America** and the **Pacific**, respectively.





Revisions to August preliminary data, at -190 kb/d, stemmed largely from the US (-260 kb/d) and Japan (-150 kb/d), which outweighed upward adjustments to Turkey (+130 kb/d) and Germany (+60 kb/d). In the US, downward revisions were concentrated in residual fuel, 'other products' and gasoline. Downward adjustments to 'other products' (which includes direct crude burn) led the revision in Japan. Yet, as noted last month, given volatility in deliveries and the strength of preliminary September data, there is little evidence to suggest a retrenchment in Japanese oil-fired power generation. Meanwhile, gasoil in Turkey and naphtha in Korea have continued to surprise to the upside.

Overall, OECD demand declined by only 0.2% year-on-year in August versus -2.3% in July. September preliminary data, however, suggest a weaker picture, with consumption declining by 2.2% year-on-year. Japan, in particular, appears to be contributing to the weaker-than-expected September data. While oil burning in power generation remains strong, downward adjustments to all other product categories may indicate some slowing in the recovery effect after March's earthquake and tsunami. We have continued to revise down the annual OECD demand picture, but only moderately, with downward adjustments of 60 kb/d in 2011 and 20 kb/d in 2012. Our outlook sees OECD demand declining by 0.8% (-380 kb/d) to 45.8 mb/d in 2011 and falling by 0.5% (-220 kb/d) in 2012.

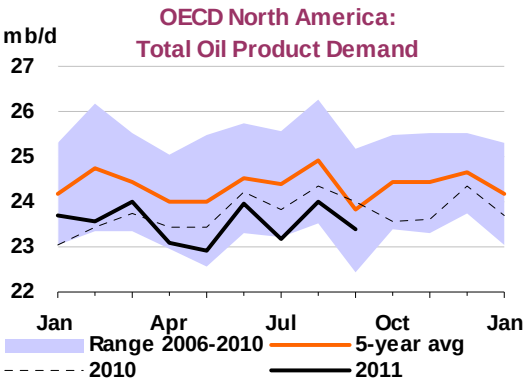
OECD Demand based on Adjusted Preliminary Submissions - September 2011
(million barrels per day)

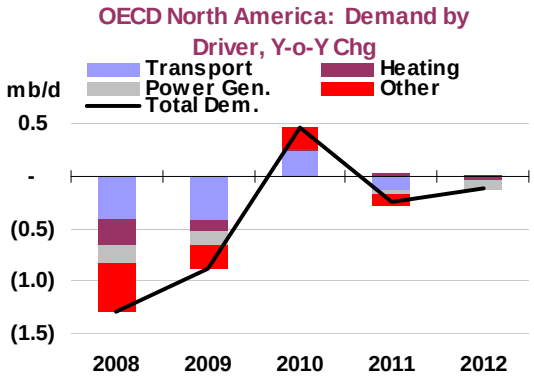
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.32**	**-3.5**	**1.63**	**-2.2**	**4.19**	**5.4**	**0.80**	**-15.3**	**0.91**	**2.4**	**5.55**	**-5.03**	**23.40**	**-2.6**
US50	8.73	-4.2	1.43	-2.1	3.61	5.6	0.33	-29.8	0.53	4.2	4.21	-5.6	18.85	-3.0
Canada	0.76	-0.9	0.11	-10.4	0.23	-2.3	0.31	-5.2	0.09	2.4	0.73	-0.1	2.22	-1.8
Mexico	0.78	1.0	0.05	14.3	0.32	9.8	0.14	9.8	0.21	-1.4	0.56	-6.8	2.06	0.5
OECD Europe	**2.22**	**-4.5**	**1.37**	**0.0**	**4.55**	**-1.1**	**1.84**	**-4.2**	**1.26**	**-3.3**	**3.80**	**-1.4**	**15.04**	**-2.2**
Germany	0.48	-3.0	0.20	0.0	0.70	-5.5	0.52	-6.8	0.13	-16.9	0.64	2.2	2.67	-3.9
United Kingdom	0.34	-5.8	0.32	-4.5	0.46	-0.1	0.14	6.8	0.06	6.9	0.28	-0.2	1.61	-1.5
France	0.18	-5.9	0.17	4.5	0.73	0.2	0.32	-6.7	0.08	1.1	0.46	-1.9	1.94	-1.7
Italy	0.24	-5.1	0.11	-3.3	0.53	0.4	0.11	-9.9	0.12	-0.5	0.45	-5.8	1.55	-3.4
Spain	0.13	-6.8	0.14	13.9	0.47	-2.4	0.14	-12.2	0.19	-2.8	0.31	-5.3	1.38	-3.3
OECD Pacific	**1.54**	**-3.6**	**0.65**	**-6.9**	**1.10**	**2.2**	**0.45**	**-9.8**	**0.81**	**9.2**	**3.08**	**-1.4**	**7.64**	**-1.4**
Japan	0.98	-5.8	0.34	-16.5	0.41	-7.2	0.34	-16.1	0.51	17.9	1.69	-3.3	4.26	-4.5
Korea	0.20	1.0	0.16	6.7	0.28	10.4	0.12	13.2	0.27	-4.1	1.21	1.9	2.24	2.9
Australia	0.31	-0.3	0.13	4.2	0.36	7.2	0.00	0.0	0.02	5.7	0.17	-0.6	0.99	3.0
OECD Total	**14.08**	**-3.7**	**3.64**	**-2.3**	**9.85**	**2.0**	**3.10**	**-8.1**	**2.98**	**1.6**	**12.43**	**-3.1**	**46.08**	**-2.2**

* Including US territories

North America

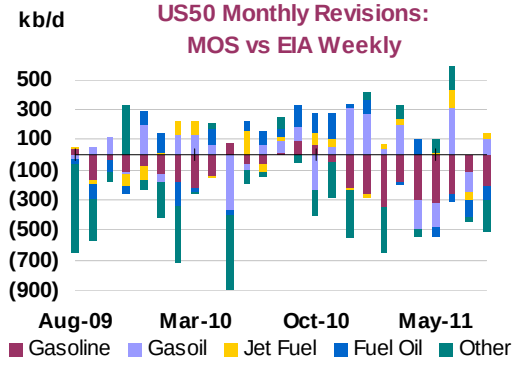
Preliminary data show oil product demand in North America (including US territories) falling by 2.6% year-on-year in September, following a 1.5% decrease in August. Declines were led by gasoline (-3.5%), heating oil (-15.3%) and naphtha (-17.0%). Diesel (+5.4%) continued to post strong readings, amid still-positive industrial indicators. US GDP grew at an annualised 2.5% in 3Q11, suggesting a degree of economic stability amid recent pessimistic headlines. Our assumptions for US and North American GDP growth in 2012 remain at 1.8% and 2.0%, respectively. Still, preliminary October readings for the US have come in lower than expected. Going into November, an early blizzard in the US Northeast may help temporarily boost heating oil demand, but travel disruptions may further depress gasoline.

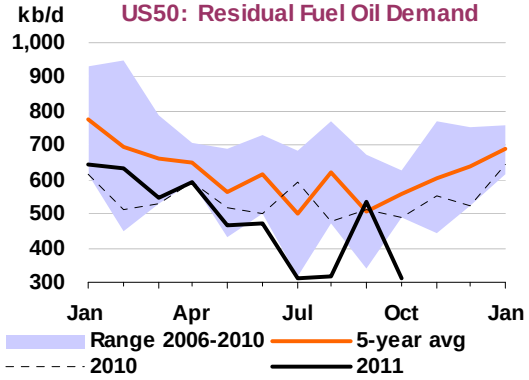




Revisions to August data averaged -200 kb/d and were driven by the US (-260 kb/d). Residual fuel oil (-130 kb/d), other products (-130 kb/d) and gasoline (-50 kb/d) were all lower, while gasoil (+50 kb/d) provided some offset. Weekly-to-monthly gasoil revisions in the US continue to be difficult to anticipate, with adjustments alternating between positive and negative over the past four months; by contrast, gasoline adjustments to weekly data have been consistently negative.

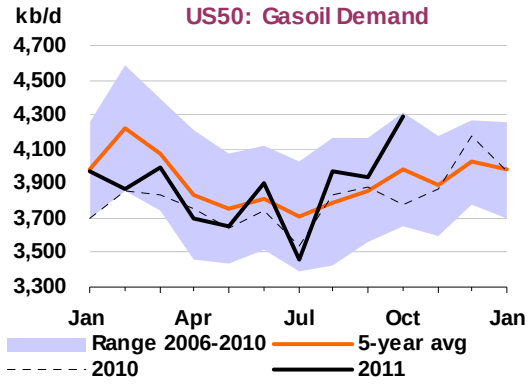
Adjusted preliminary weekly data for the **United States** (excluding territories) up to the 28th of October, which would exclude the unseasonably early winter storm, indicate that inland deliveries – a proxy of oil product demand- declined by 1.7% year-on-year in October, following a 3.0% fall in September. October data featured a sharp year-on-year decline in residual fuel (-36.5%) amid mild autumn temperatures. Gasoline demand declined by an estimated 4.9%, suggesting that passenger travel has continued to deteriorate even with retail prices around $3.40/gallon at month-end, some 15% below price highs reached in May, but 25% above prior-year levels.

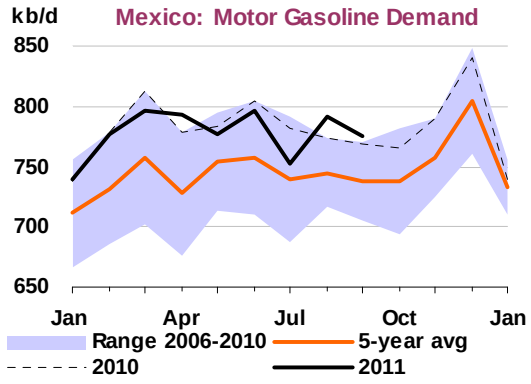




Meanwhile, gasoil demand appears to have strengthened in October, growing at an estimated 13.6%. Such a strong rate should be viewed cautiously; it may indeed stem from both methodological and economic factors. Our growth assessment, which adjusts weekly data for prior weekly-to-monthly

revisions, may be producing an inflated result compared to a seasonally low October 2010. Moreover, diesel indicators, while still strong, suggest that year-on-year growth may be somewhat less robust. US intermodal rail traffic from the Association of American Railroads rose 3.6% year-on-year in October and the latest truck tonnage index from the American Trucking Association in September showed growth of 5.8% year-on-year.

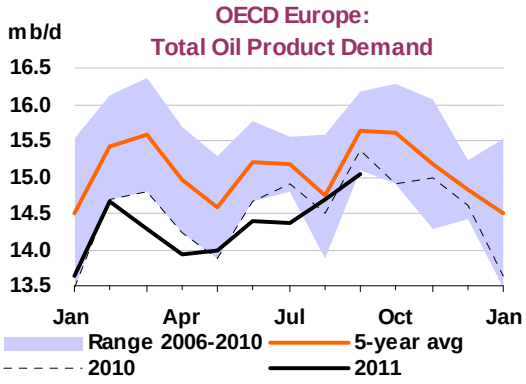


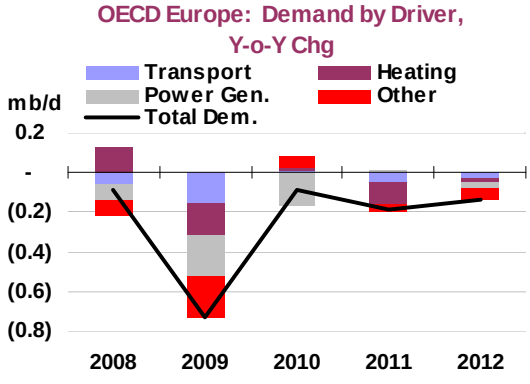


Mexico's oil demand grew by 0.5% in September with positive readings coming from jet fuel/kerosene (+14.3%) and gasoil (+9.8%) partly offset by weak readings of residual fuel and naphtha. Mexico's air travel activity has recovered from last year's lows as other carriers have stepped-in to cover routes once flown by bankrupt Mexicana. Gasoil demand strength has continued to benefit from strong industrial activity, though leading indicators suggest that manufacturing may moderate over the next six months.

Europe

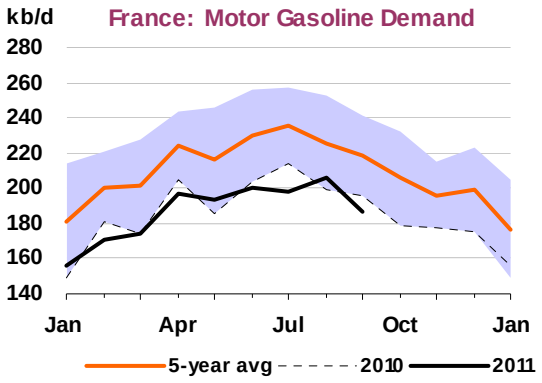
Preliminary estimates of European demand in September point to a 2.2% year-on-year decline, with naphtha (-4.6%), motor gasoline (-4.5%) and heating oil (-4.2%) performing poorly. September's gasoline contraction implies a combination of fuel switching and simple economising, as new car registrations continued to rise, according to the European Automobile Manufacturers' Association, up 0.6% in September after August's 7.7% gain. Considering the declining nature of the European demand picture, jet/kerosene's steadiness (flat compared to 2010) has been another positive, with the International Air Transport Association reporting a 9.2% gain in European airline traffic flows this September. Moreover, revisions to August preliminary data were positive, at 160 kb/d, largely due to stronger-than-anticipated diesel and heating oil; a downward baseline revision to Norwegian LPG provided a partial offset. Our forecast remains largely unchanged, with demand averaging 14.4 mb/d in 2011 and 14.3 mb/d in 2012.

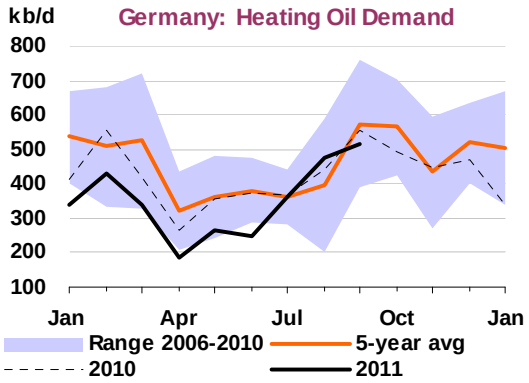




Still, the two-tier nature of the European oil demand picture remains – with the more northerly European nations seeing stronger demand than their more heavily indebted Mediterranean brethren –

albeit the gap appears to be narrowing, with the general economic gloom spreading north. Germany and France saw sub-50 purchasing managers' indices in October, at 49.1 and 49.0 respectively. Having enjoyed strong growth in August, above 3.5%, preliminary estimates for **French** oil demand in September point towards a return to its long-run declining trend, down 1.7% on the corresponding period last year. The gasoline market in France was particularly sluggish, down 5.9%. Early estimates for September imply year-on-year declines across the continent, with neither **Germany** (-3.9%), **Spain** (-3.3%), nor **Italy** (-3.4%) escaping the malaise. Still, German heating oil demand continued to rise on a seasonal basis.





August data for the **UK** showed a decline of 1.5% year-on-year, led by gasoline (-4.7%) with potentially weaker readings ahead. The UK purchasing managers' index for October fell to 47.4 from September's 50.8 reading. Not only is the reading a 28-month low for this index but its decline below the key 50 threshold effectively signals a contraction. Nevertheless, European demand supports persist. September preliminary data indicate **Poland** grew by 0.5%, following 6.9% growth in August. **Turkey's** demand also continues to surprise to the upside, led by gasoil, though its growth rate (+20.8% in August versus the prior year) may be unsustainably high.

The Winter That Cries Wolf for Heating Oil

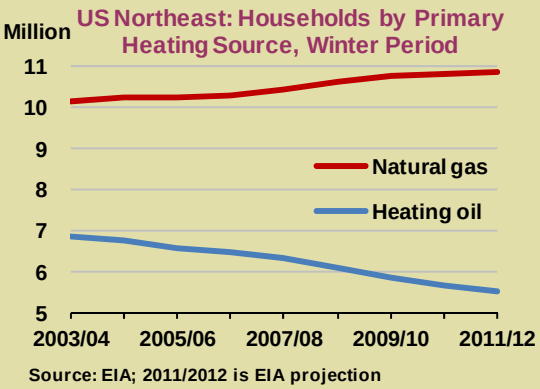
While autumn prevails in the calendar, a late October blizzard in the US Northeast serves as a reminder of the approaching winter heating season in the OECD. Oil market players often greet cold winter weather surges with excitement, in anticipation of upward revisions to heating oil consumption above forecasted seasonal rises. In exceptional cases where impairment to the power sector prompts a widespread rollout of diesel generators, the uptick to oil demand could be significant. However, as elaborated previously (see *Watching the Mercury, OMR* dated 10 December 2010), the real upside of many cold shocks on anticipated demand often falls short of headlines over the course of a winter, given uncertainties over the duration of colder-than-normal weather and structurally declining OECD oil use for heating and power generation.

A simple, top-down examination of OECD heating oil demand during winters (October-March) over the last decade suggests that original forecast estimates have been prone to sharp swings, with changing economic conditions and distillate categorisation likely playing a larger role than the weather. It appears for the five coldest winters during that period, final heating oil demand has come in roughly between -100 kb/d to +300 kb/d versus our original forecast. During these winters, heating-degree days (HDDs) averaged 5-to-15% higher than the prevailing 10-year average. During last year's winter (2010-2011) heating oil demand was revised up by 160 kb/d versus the original forecast with HDDs 6% above normal. Still with the economy recovering from recession at that time, the demand upside attributable solely to weather was probably less.

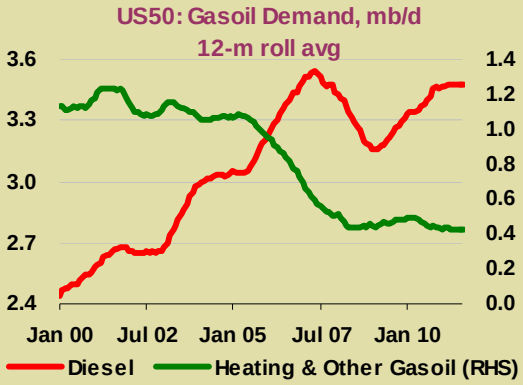
Indeed, given structural inter-fuel substitution, the weather impact on OECD oil use continues to slowly recede over time. Ongoing changes in the US are illustrative of this trend. Demand for heating oil has fallen as less homes use oil as their chief source of heat, while those still doing so have become more efficient consumers. The US Energy Information Administration's (EIA) Residential Energy Consumption Survey indicates that in 2009 only 6.3% of US homes were dependent upon heating oil to heat their homes, down from 6.6% in 2005 and 7.6% in 2001. Most of these households are located in the US Northeast, where heating oil accounts for about 27% of space heating. Since 2003, the number of heating oil households in the

The Winter That Cries Wolf for Heating Oil (continued)

US Northeast has fallen by 20%, with over half of the decline due to increased natural gas penetration, a trend that is likely to continue as natural gas maintains an advantageous price gap over oil products.



Source: EIA; 2011/2012 is EIA projection

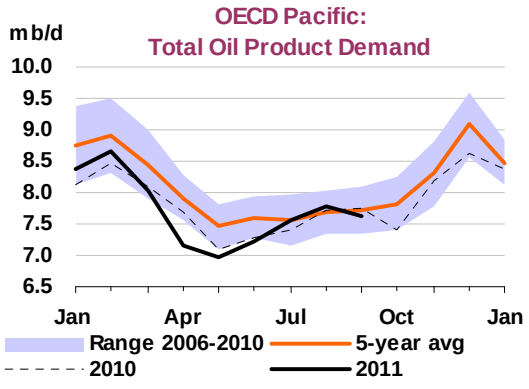


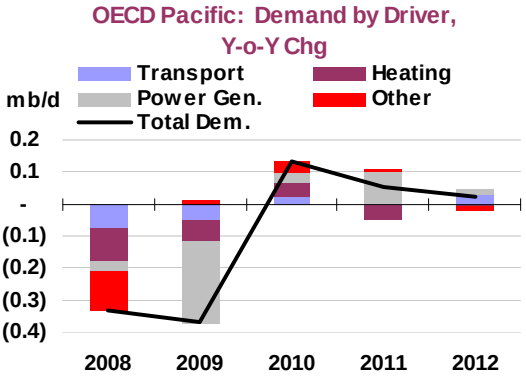
Still, gauging the demand impact of substitution is difficult given ongoing challenges in characterising gasoil consumption by use. Evolving fuel quality specifications and changing consumption patterns have blurred the distinction between 'Transport Diesel' (defined as on-road diesel) and 'Heating and Other Gasoil' (heating oil for industrial/commercial uses, marine diesel, rail diesel and other uses, irrespective of sulphur content) in monthly data submitted to the IEA. In the US, dramatic changes in heating oil demand in recent years may stem as much from data classification issues as from economics, weather and inter-fuel substitution. With several states in the US Northeast planning to reduce sulphur in heating oil to that of low-sulphur diesel in the next few years, the picture may become even more muddled going forward.

Data classification issues notwithstanding, we would caution that any impending cold snap during the coming winter may have less impact on OECD heating oil demand over the course of a winter than many commentators think. This contrasts with developments in emerging markets, particularly China, where a combination of weather, government policy and non-oil generation shortages can induce huge short-term swings in gasoil demand of several hundred thousand barrels per day in magnitude.

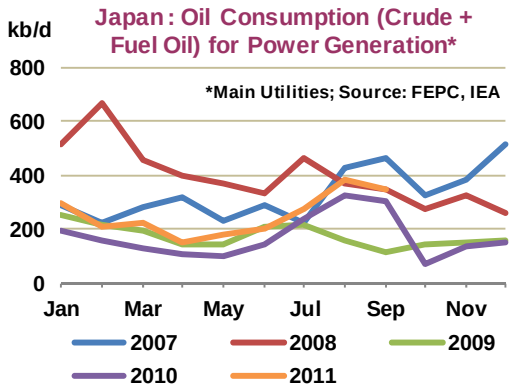
Pacific

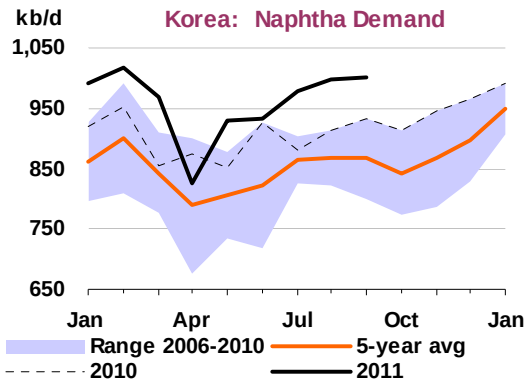
Preliminary data indicate that Pacific oil product demand declined by 1.4% year-on-year in September, led by LPG, jet fuel/kerosene and gasoline. Revisions to August preliminary data, at -140 kb/d, stemmed mostly from lower 'other products' in Japan. Still, the outlook for crude and fuel oil burning in Japan has improved, while petrochemical activity in Korea has acted as a near-term support. In contrast, weaker readings across other product categories suggest that the recovery effect after Japan's earthquake and tsunami in March may be waning. We have revised down 2011 demand by 30 kb/d to 7.9 mb/d (+0.7% or 50 kb/d y-o-y) while leaving 2012 unchanged at the same level (+0.3% or 20 kb/d y-o-y).





In **Japan**, oil demand declined by 4.5% year-on-year in September, with all categories, bar 'other products', which include crude direct burn, and residual fuel oil, posting declines. Jet fuel/kerosene (-16.5%) and gasoil (-11.4%) posted the steepest falls. Due to higher assessed needs for power generation, the outlook for 'other products' and residual fuel oil has been raised by a modest 10 kb/d for 2012. Our base case profile for nuclear power generation continues to see a recovery starting in spring 2012, though at a slightly slower pace versus the previous assessment. Oil burning needs in 2012 are forecast to add 290 kb/d to 'normal' levels (around 200 kb/d). To be sure, the nuclear policy debate in Japan continues. In the less likely event that no nuclear power returns in 2012, incremental oil burn needs versus normal would stand at 460 kb/d next year.

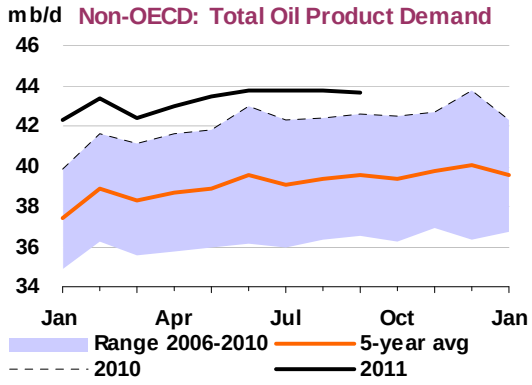


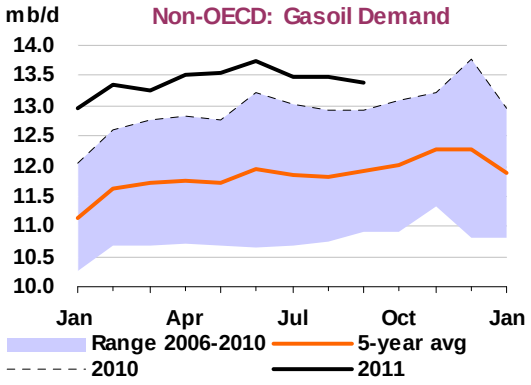


In **Korea**, demand rose by 2.9% in September. Despite indications of generally weak petrochemical activity in Asia, naphtha demand continued to hold up, growing by 7.3% year-on-year. Still, expectations are for moderating growth rates through 2012, with naphtha demand growth forecast to fall below 3% in the fourth quarter of 2011 and demand remaining relatively steady in 2012. Korean diesel demand (+10.4%) posted strong gains while gasoline grew moderately (+1.0%) in September, in contrast to the declining motor fuel picture in many other OECD countries.

Non-OECD

Preliminary demand data indicate that non-OECD oil demand grew by 2.4% year-on-year (+1.0 mb/d) in September, down from 3.1% growth in August. Chinese apparent demand growth was markedly slower, though questions persist over the true weakness of underlying consumption. Russian demand, particularly in gasoil, also slowed from its torrid pace during the previous four months. Still, the overall demand picture remained supportive, with India's growth rate notably picking up.





Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-11	Aug-11	Sep-11	Aug-11	Sep-11	Aug-11	Sep-11
LPG & Ethane	4,911	4,971	5,025	224	216	4.7	4.5
Naphtha	2,631	2,608	2,664	-19	21	-0.7	0.8
Motor Gasoline	8,478	8,499	8,464	410	275	5.1	3.4
Jet Fuel & Kerosene	2,751	2,774	2,795	66	87	2.4	3.2
Gas/Diesel Oil	13,488	13,484	13,398	563	480	4.4	3.7
Residual Fuel Oil	5,398	5,463	5,348	55	-171	1.0	-3.1
Other Products	6,050	5,921	5,944	35	108	0.6	1.9
Total Products	**43,707**	**43,720**	**43,637**	**1,333**	**1,016**	**3.1**	**2.4**

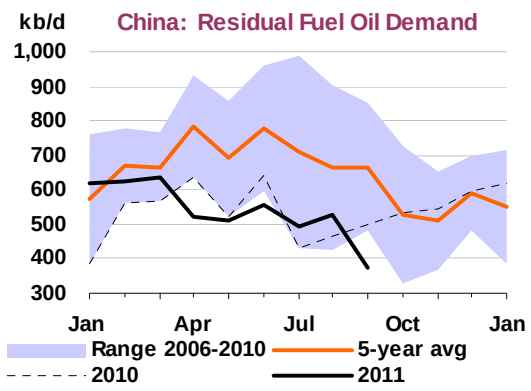
Total September demand is estimated at 43.6 mb/d, while August levels have been revised up by 210 kb/d to 43.7 mb/d (+1.3 mb/d year-on-year). Still, part of August's upward revision included a boost to Thailand, as reported via JODI data. With recent flooding dampening industrial output there, the demand risk looking forward lies increasingly to the downside. The latest JODI update also included sizeable revisions to Kuwaiti demand, resulting in the downward adjustment of our estimate there by 160 kb/d in June and by 110 kb/d in July (these revisions were smaller than the changes to the JODI numbers themselves, given our previous adjustments for data points we believed to be too high).

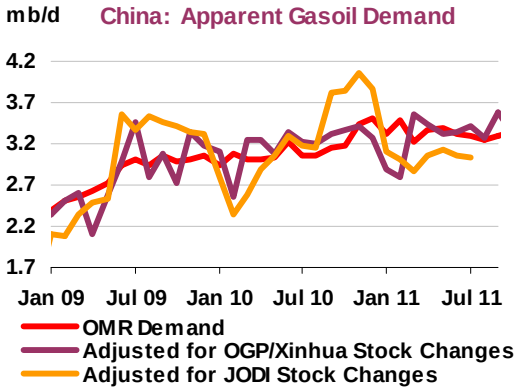
Non-OECD: Demand by Region
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-11	Aug-11	Sep-11	Aug-11	Sep-11	Aug-11	Sep-11
Africa	3,300	3,253	3,297	-113	-72	-3.3	-2.1
Asia	19,932	19,717	19,934	889	596	4.7	3.1
FSU	4,748	5,026	4,783	396	142	8.6	3.1
Latin America	6,549	6,695	6,659	240	205	3.7	3.2
Middle East	8,492	8,300	8,246	-123	131	-1.5	1.6
Non-OECD Europe	687	728	718	44	13	6.4	1.9
Total Products	**43,707**	**43,720**	**43,637**	**1,333**	**1,016**	**3.1**	**2.4**

China

China's monthly apparent demand (calculated as refinery output plus net product imports) rose by only 1.9% year-on-year in September as higher refinery runs were weighed down by lower net imports compared to a year ago. Apparent demand in August was revised down marginally, by 20 kb/d, putting growth for that month at 5.6%. September demand was led by year-on-year increases in gasoline (+6.4%), jet/kerosene (+16.0%) and gasoil (+4.6%). Residual fuel oil (-24.8%) posted a sharp fall, while LPG continued to decline (-1.5%). The monthly demand pattern fits with our view of moderating growth rates over the next 18 months as the economy slows and particularly heading into 4Q11, which is not expected to feature the almost 300 kb/d quarter-on-quarter gasoil increase that characterised 4Q10.





However, questions remain over the viability of Chinese consumption indicators. While our apparent demand calculation implicitly includes stock changes, recent month product draws may be exacerbating apparent demand weakness and could signal stockpiling ahead. September's calculated inventory change (see *OECD Stocks* section) suggests gasoil stocks may have drawn 8.9 mb, with Sinopec indicating a need to replenish its holdings. Moreover, indicators again point to shortfalls in winter power generation, which may incentivise higher-than-expected diesel use. Nevertheless, the economy has slowed on the back of monetary tightening, with GDP growing at 9.1% in 3Q11. Notably, the official purchasing managers' index fell in October to a level only just in expansionary territory. Overall, our forecast for 2012 is revised down modestly, by 20 kb/d, though growth at 5.3% (+500 kb/d) remains robust.

China: Demand by Product
(thousand barrels per day)

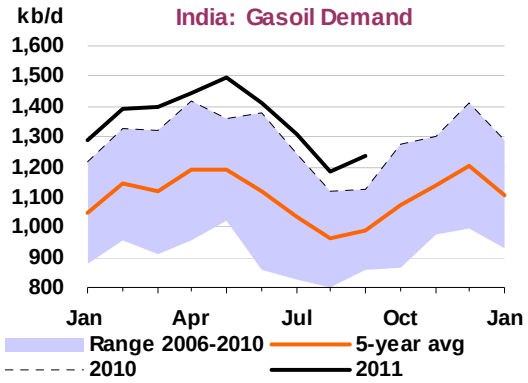
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	680	699	13	18	1.9	2.7
Naphtha	1,129	1,184	1,241	56	56	4.9	4.8
Motor Gasoline	1,546	1,657	1,736	112	78	7.2	4.7
Jet Fuel & Kerosene	368	400	419	32	19	8.6	4.8
Gas/Diesel Oil	3,142	3,335	3,498	193	163	6.1	4.9
Residual Fuel Oil	531	532	539	0	8	0.1	1.5
Other Products	1,685	1,756	1,915	71	159	4.2	9.1
Total Products	**9,069**	**9,544**	**10,047**	**476**	**502**	**5.2**	**5.3**

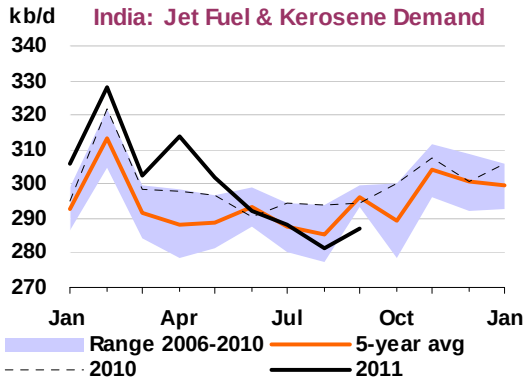
Other Non-OECD

In **India**, oil demand rose by 6.7% year-on-year in September, faster than August's 3.4% growth. Gasoil (+9.8%), LPG (+10.2%) and naphtha (+18.5%) posted the largest gains, though residual fuel oil (-20.2%) and jet fuel/kerosene (-2.5%) declined. Gasoline, which is priced higher than diesel and whose price rose in September, still increased by 6.2% y-o-y while gasoil demand benefitted from coal-fired power shortfalls. Despite September's strong growth, the Indian economy continues to show signs of slowing, with both industrial output and auto sales moderating. Nevertheless, with a now higher 2011 baseline, our forecast is revised up by 20 kb/d for 2012, with growth marginally higher at 3.7%.

India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	455	495	525	40	30	8.8	6.1
Naphtha	201	207	198	6	-10	3.1	-4.7
Motor Gasoline	338	359	379	21	20	6.2	5.6
Jet Fuel & Kerosene	299	299	302	0	3	-0.1	1.1
Gas/Diesel Oil	1,290	1,364	1,435	74	71	5.7	5.2
Residual Fuel Oil	195	173	183	-21	10	-11.0	5.6
Other Products	559	564	568	5	4	0.9	0.7
Total Products	**3,337**	**3,462**	**3,590**	**125**	**128**	**3.7**	**3.7**



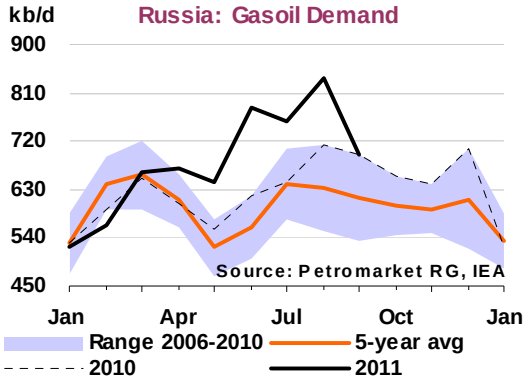


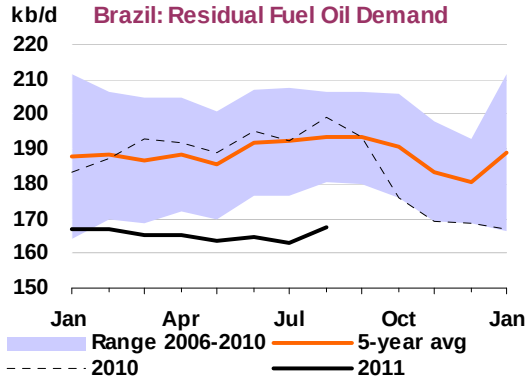
Demand growth in **Russia** eased from its previous lofty heights, rising 2.8% in September versus the prior year. This deceleration comes after four-months of average 10%+ growth. Slowing gasoil explains much of the retrenchment, with demand declining slightly (-0.3%) in September, and baseline demand revised down slightly over the previous four months. Gasoline (+0.7%) also registered a notably slower growth rate. Persistent strength in LPG (+4.5%) and 'other products' (+12.2%) continued to lend support to the consumption picture.

Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	493	514	531	22	16	4.4	3.2
Naphtha	289	286	292	-3	6	-1.0	1.9
Motor Gasoline	774	777	778	3	1	0.4	0.2
Jet Fuel & Kerosene	255	266	270	11	3	4.3	1.3
Gas/Diesel Oil	634	686	685	52	0	8.2	0.0
Residual Fuel Oil	291	300	282	8	-18	2.9	-6.0
Other Products	542	612	626	70	14	12.9	2.3
Total Products	**3,278**	**3,441**	**3,464**	**163**	**23**	**5.0**	**0.7**

Source: Petromarket RG, IEA





In **Brazil**, product demand rose 3.2% year-on-year in August, led by jet fuel/kerosene (+8.6%), gasoil (+7.3%) and LPG (+4.7%). Residual fuel oil (-15.9%) continued to decline, displaced in the power sector by increased gas and hydro supplies. Brazil's industrial indicators have continued to soften; as such, gasoil growth rates are expected to moderate through the end of the year. Gasoline demand growth, at 3.4%, improved versus the 2.6% decline registered in July. As elaborated in last month's issue, a reduction in anhydrous alcohol blending from 1 October may have a neutral effect on overall motor gasoline demand, while increasing petroleum based products requirements. Still, auto sales have been declining year-on-year since July (by comparison, sales grew by 7% in 2010), suggesting potentially more moderate gasoline growth rates ahead.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	219	223	225	4	2	1.8	0.9
Naphtha	166	166	167	1	0	0.4	0.2
Motor Gasoline	792	817	843	25	26	3.1	3.2
Jet Fuel & Kerosene	110	121	132	11	10	10.2	8.4
Gas/Diesel Oil	886	924	958	38	34	4.2	3.7
Residual Fuel Oil	187	163	154	-24	-9	-12.6	-5.7
Other Products	374	380	384	6	4	1.6	1.2
Total Products	**2,733**	**2,794**	**2,862**	**61**	**68**	**2.2**	**2.4**

SUPPLY

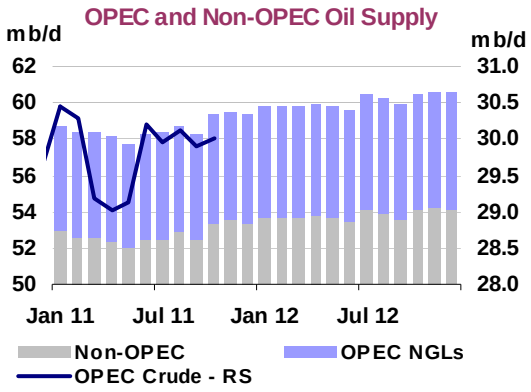
Summary

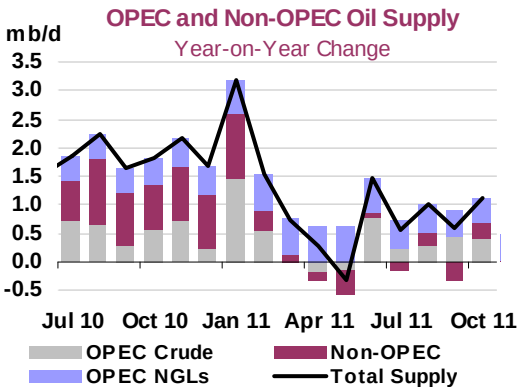
- **Global oil supply rose by 1.1 mb/d to 89.3 mb/d in October from September,** driven higher by rebounding non-OPEC output. Compared to a year ago, global oil production stood 1.2 mb/d higher, 70% of which stemmed in roughly equal shares from higher OPEC crude and NGLs production and 30% from increased non-OPEC oil output.

- **Non-OPEC supply rose by 0.9 mb/d to 53.3 mb/d in October, largely due to the completion of maintenance in the North Sea, as well as increased production in Brazil and North America.** Unplanned outages in China and the Middle East only modestly dented overall output. Compared to last year, 4Q11 production should grow by around 300 kb/d to 53.4 mb/d. Annual non-OPEC supply growth now averages only 0.1 mb/d for 2011 but recovers to 1.1 mb/d for 2012.

- **OPEC supply rose by 95 kb/d to 30.01 mb/d in October, with higher output by Libya, Saudi Arabia and Angola partially offset by lower output from all other members.** Libya continued to ramp-up crude production from 75 kb/d in September, to a monthly average of 350 kb/d in October and by early November it was hovering around the 500 kb/d mark. OPEC NGLs supply averages 5.9 mb/d in 2011 and 6.3 mb/d for 2012, representing annual growth of 0.5 mb/d and 0.4 mb/d respectively.

- **The 'call on OPEC crude and stock change' for 2011 is largely unchanged at 30.5 mb/d while a further increase in non-OPEC supplies results in a 0.2 mb/d downward adjustment in the 2012 call to 30.4 mb/d.** Meanwhile, estimated OPEC spare capacity for October stood at 3.58 mb/d versus 3.31 mb/d in September. OPEC spare capacity reached a 2011 low of 3.21 mb/d in June compared with 4.74 mb/d prior to the Libyan crisis in January.





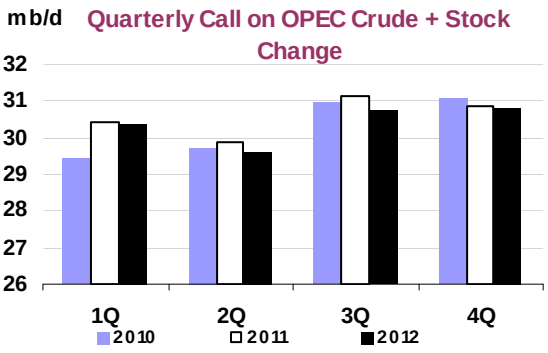
All world oil supply figures for October discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, and Russia are supported by preliminary October supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

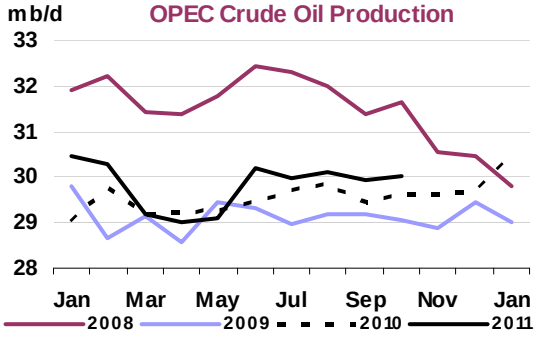
OPEC Crude Oil Supply

OPEC supply rose by 95 kb/d to 30.01 mb/d in October, with higher output from Libya, and to a lesser extent Saudi Arabia and Angola, which offset declines in output from all other members. Libya continued to ramp-up crude production in October, to a monthly average of 350 kb/d and by early November reached the 500 kb/d mark (*see 'Libyan Production Outpaces Forecast'*).

While October OPEC production was still running below pre-Libyan crisis levels by 450 kb/d, latest export schedules and tanker data indicate November supplies may increase by 300-400 kb/d, in line with the seasonal upturn in winter demand.

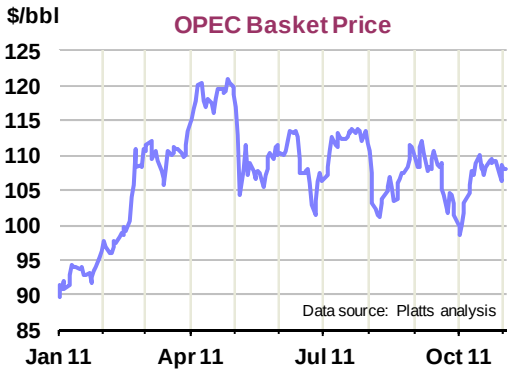


Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

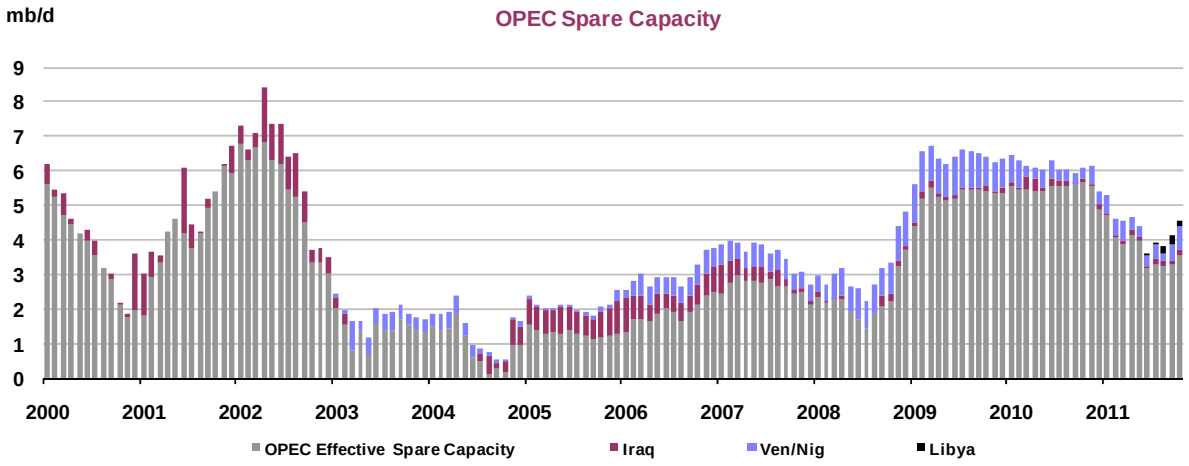
OPEC's ministerial meeting in Vienna on 14 December is expected to be a low-key gathering, against a backdrop of high prices. After last June's rancorous meeting, which led Saudi Arabia and other Gulf producers to break ranks and ramp up production to offset lost Libyan supplies, already there is a growing chorus of statements by OPEC representatives that the market is well balanced heading into the peak winter demand season. In addition, relatively strong oil prices have seen OPEC's basket of crudes average above $107/bbl in the first ten months of the year.



However, habitual price hawks Iran and Venezuela argue that the group's current 24.845 mb/d target, in effect since January 2009, should be actively re-instated. Underscoring the group's obsolete output targets, October production by OPEC-11 of 27.32 mb/d is now estimated 2.47 mb/d above official levels. Iran currently holds the group's rotating presidency but will pass this task on to Iraq in January. The thorny issue of individual production targets is again likely to be side-stepped (potentially until Iraqi capacity nudges above 3.5 mb/d in late-2012/early-2013). With high prices plus economic headwinds possibly counteracting rising Libyan supplies in OPEC thinking, many analysts see the December meeting leaving official production levels well alone.

Our 'call on OPEC crude and stock change' for 2011 is largely unchanged at 30.5 mb/d while a further increase in non-OPEC supplies results in a lower call for 2012, revised down 0.2 mb/d to 30.4 mb/d.

An escalation in civil unrest and/or political instability among several member countries, including Libya, Iran, Iraq and Nigeria, has served to focus the market's attention once again on OPEC's spare production capacity. Estimated effective spare capacity for October reached 3.58 mb/d versus 3.31 mb/d in September. OPEC spare capacity reached a 2011 low of 3.21 mb/d in June compared with 4.74 mb/d prior to the Libyan crisis in January.



Saudi Arabia increased October supplies by 50 kb/d, to 9.45 mb/d. The September output estimate was lowered by a steep 200 kb/d on the back of more complete tanker data, to 9.4 mb/d. That said, preliminary indications are that production may rebound in November in response to higher customer requests following Aramco's decision to lower prices for December liftings (*see Prices section*). Several Asian buyers reportedly plan to request additional volumes above their normal allocations in December.

Kuwaiti production has been on a solid upward trend in response to the Libyan crisis, with output in October averaging 2.65 mb/d, unchanged from an upwardly revised September estimate. That represents an increase of 240 kb/d since April, largely due to higher output from the northern region of the country.

OPEC Crude Production

(million barrels per day)

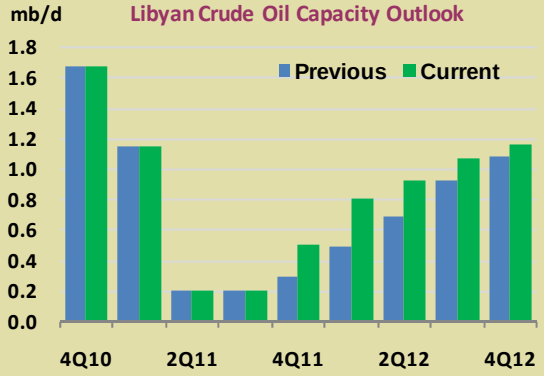
	Aug 2011 Supply	Sep 2011 Supply	Oct 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Oct 2011 Supply	End-2011 Sustainable Production Capacity	OPEC Targets Effective Jan 2009	October Output vs OPEC Targets
Algeria	1.28	1.29	1.29	1.34	0.05	1.34	1.203	0.087
Angola	1.69	1.70	1.72	1.98	0.26	1.98	1.517	0.203
Ecuador	0.49	0.50	0.50	0.53	0.03	0.53	0.434	0.066
Iran	3.51	3.54	3.53	3.68	0.15	3.68	3.336	0.194
Kuwait[2]	2.53	2.65	2.65	2.70	0.05	2.85	2.222	0.428
Libya	0.00	0.08	0.35	0.50	0.15	0.60	1.469	-1.119
Nigeria[3]	2.28	2.18	2.02	2.55	0.53	2.55	1.673	0.347
Qatar	0.82	0.82	0.81	1.04	0.23	1.04	0.731	0.079
Saudi Arabia[2]	9.80	9.40	9.45	12.04	2.59	12.04	8.051	1.399
UAE	2.53	2.55	2.51	2.74	0.23	2.74	2.223	0.287
Venezuela[4]	2.51	2.51	2.49	2.64	0.15	2.59	1.986	0.499
OPEC-11	**27.43**	**27.21**	**27.32**	**31.73**	**4.42**	**31.93**	**24.845**	**2.470**
Iraq	2.68	2.70	2.69	2.85	0.16	3.03		
Total OPEC	**30.11**	**29.91**	**30.01**	**34.58**	**4.58**	**34.96**		
(excluding Iraq, Nigeria, Venezuela					*3.58)*			

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in October.

Supplies from **Iran** were down marginally last month, to 3.53 mb/d from 3.54 mb/d in September, but it appears an increasing volume of crude is moving into floating storage. Shipbrokers EA Gibson reported Iranian crude held in floating storage rose to 34.3 mb at end-October compared with 21.4 mb at end-September and 19.3 mb at end-August. These volumes are not included in monthly supply estimates until vessels set sail for export markets.

Libyan Production Outpaces Forecast

Restoration of Libyan production is on a far faster track than initially anticipated. In the midst of the pandemonium that ultimately led to the formal end to civil unrest in the country on 23 October, Libyan officials have made a herculean effort to restore upstream operations. Crude oil supplies rose from an average 75 kb/d in September to around 350 kb/d in October. By early November, that figure was an even higher 500 kb/d.



Libya's impressive reactivation of its production operations, amid less-than-feared damage to infrastructure, has led to another upgrade in our projection for the near term. Production capacity looks on course to average 500 kb/d in 4Q11, with year-end levels closer to 700 kb/d.

For 2012, the scope and pace of the recovery to date has led to a revision on a quarter-by-quarter basis since our last assessment in June. The 4Q12 estimate has been raised slightly, to 1.17 mb/d compared with the previous estimate of 1.08 mb/d, but a more rapid build-up in the first three quarters of the year is now envisaged. 1Q12 capacity is forecast to reach an average 800 kb/d compared with the 500 kb/d envisaged in June; 2Q12 is now estimated at 930 kb/d versus 685 kb/d previously and; 3Q12 nearer 1.07 mb/d compared with 925 kb/d.

The initial surge in production has come from a handful of fields. Going forward, the timing and pace of the production increases will hinge on the state of supporting infrastructure such as pipelines, refineries and export terminals. Production from some fields like Sarir and Mesla has been capped by export constraints. Other fields in the Sirte basin, such as Waha, could also be hemmed in since exports flow through to the heavily damaged Es Sider terminal, which officials also say could take a year to repair. Production flows from the Amal field, which serves as a gathering centre for smaller fields in the eastern Sirte basin, could also be curbed due to extensive damage at the Ras Lanuf export terminal, including key infrastructure such as storage tanks and control rooms.

The bulk of the restoration of production has been carried by local petroleum industry staff, with much of the foreign workforce still outside the country. Participation by IOCs may be needed now to undertake more costly and specialised repairs. The board of Libya's National Oil Co (NOC) held meetings with all the IOCs' representatives at end-October to discuss the status of field operations, export infrastructure and security, with the goal of restoring remaining shut-in output as soon as possible.

Estimated Libyan Production
Thousand barrels per day

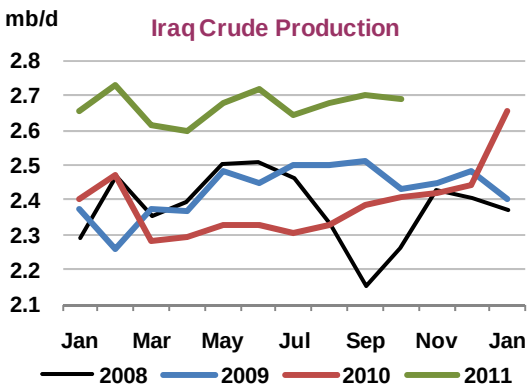
Selected Oil Fields	October Output	Current Output	Pre-War Capacity
Bu Attifel	30	60	80
Sarir	150	150	200
Mesla	50	60	60
Nafoora	20	20	130
Hamadi/Beida	5	30	30
Zuetina	28	34	60
As Sarah/NC 96-97	11	20	105
Amal	7	45	100
Waha	0	0	400
Eastern Region	**301**	**419**	**1,165**
Al Jurf	40	41	45
Bouri	0	0	50
El Shahara	11	70	200
Elephant	0	0	150
Western Region	**51**	**111**	**445**
TOTAL CRUDE	**352**	**530**	**1,610**

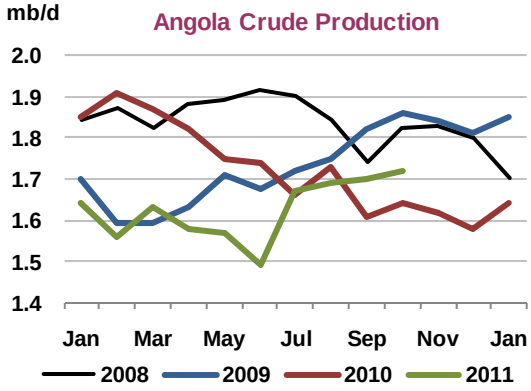
In the immediate aftermath of the capture of Sirte and subsequent death of Colonel Gaddafi, there were heightened fears of retribution killings and attacks on oil infrastructure. So far, the worst expectations have not come to pass. Indeed, exports have progressed more smoothly than anticipated. Much of the September output was earmarked to refill storage tanks and supply refineries, which kept a lid on exports, October saw shipments edge higher, to an estimated 180 kb/d. Though supplying domestic refineries remains a priority, November exports volumes are expected to be in the 200-250 kb/d range. Libya's NOC has also started publishing production, export and status reports on its web site to improve transparency.

The surge in export revenue has provided the National Transitional Council (NTC) much-needed breathing room while it takes on the historic task of forming a new government.

Iraqi supplies were marginally lower in October, down by around 15 kb/d to 2.69 mb/d. Crude oil exports were also down 15 kb/d, to 2.09 mb/d, with reduced shipments from southern ports stemming from pipeline attacks and weather-related lifting delays only partially offset by a rebound in northern shipments. Crude exports from the Basrah and Khor al-Amaya shipping terminals averaged 1.63 mb/d, off 138 kb/d from a revised 1.77 mb/d for September.

Exports of Kirkuk crude to the Turkish Mediterranean port of Ceyhan recovered in October, up around 125 kb/d to 460 kb/d, largely due to increased output from the Kurdish region of the country. September exports of Kirkuk were revised down by 95 kb/d to 335 kb/d, the lowest level since August 2010, partly reflecting maintenance work at the Ceyhan port and partly reduced output from the Kurdish region of the country due to payment disputes between Baghdad and local authorities.





Angolan output continued its upward trend in October, up 20 kb/d to 1.72 mb/d. The chronic production problems that have plagued output at the Greater Plutonio field have largely been overcome now, while at the same time production continues to ramp-up from the Total-operated 220 kb/d Pazflor field, which was inaugurated in late August. Pazflor crude oil production averaged an estimated 100 kb/d in October. Angolan output hit a 2011 low of 1.49 mb/d in June during the worst of Greater Plutonio field problems. Plutonio has a nameplate capacity of 200 kb/d but recent production has averaged 170 kb/d.

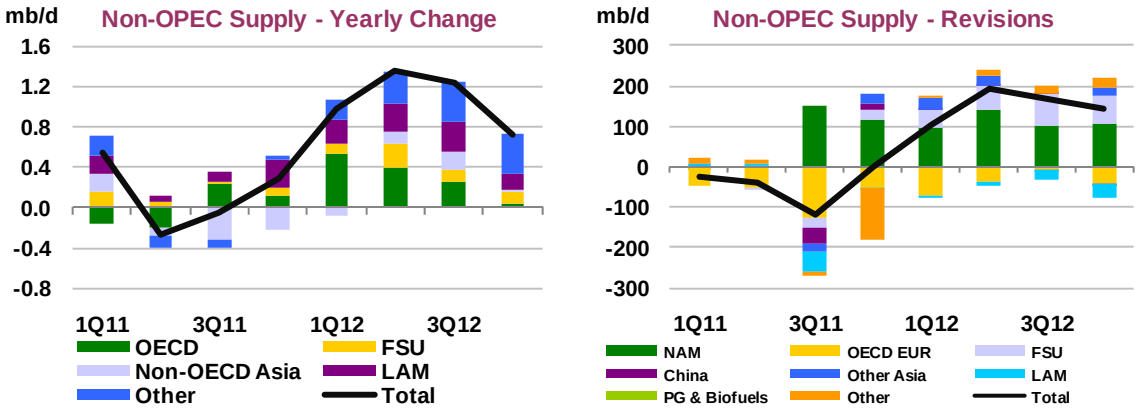
Nigerian production was off by 160 kb/d to 2.02 mb/d due to the loss of Bonny and Forcados supplies following sabotage to infrastructure in September and October. By early November, however, the *force majeure* on Forcados crude exports was lifted a month earlier than expected following completion of repairs to the Trans-Forcados Pipeline. As a result, exports for November and December are expected to increase by around 200 kb/d, barring further pipeline vandalism and theft.

Venezuelan supplies ebbed in October, down by 20 kb/d to 2.49 mb/d. September supplies were revised down by 55 kb/d, to 2.51 mb/d, reflecting latest data showing China reduced imports by 60 kb/d that month. October output was hit by lower supply from two of the country's heavy oil upgraders. Operations at the Petropiar heavy oil upgrading unit were reduced following two separate small explosions and fires. Maintenance work at the 130 kb/d Petroanzoategul heavy oil upgrader also led to lower October output.

Non-OPEC Overview

Non-OPEC oil production is estimated to have risen by 0.9 mb/d to 53.3 mb/d in October, largely due to rising supply from North America and Brazil and the completion of maintenance in the North Sea. Unplanned outages in Yemen and Syria partially reduced overall output. Compared to last year, non-OPEC supply in 3Q11 fell very slightly (-50 kb/d), with North American and Latin American production growth offset by multiple outages and maintenance elsewhere. In the UK, production again reached record low levels in August, when offshore crude oil production totalled only 770 kb/d (over 20% below August 2010). We expect fewer outages during the fourth quarter in the North Sea, with non-OPEC production increasing by 0.9 mb/d compared to 3Q11. With the exception of a couple of new fields coming online this month in Africa and Latin America, the real source of non-OPEC growth is coming from North American shale oil production and Canadian Oil Sands. See (*Eagle Ford and Bakken Bonanza to Transform US Oil Production Outlook).*

The major source of the downward revision to our estimate for 2011 non-OPEC supply is centred in a data-related revision to Norway's production, described in more detail in *'Revisions to Norwegian Petroleum Directorate Data Allow for Better Forecasting.'* This baseline revision, combined with other outages lowers our assessment of 2011 non-OPEC supply growth by 30 kb/d to only 140 kb/d, or 0.3% compared to 2010.

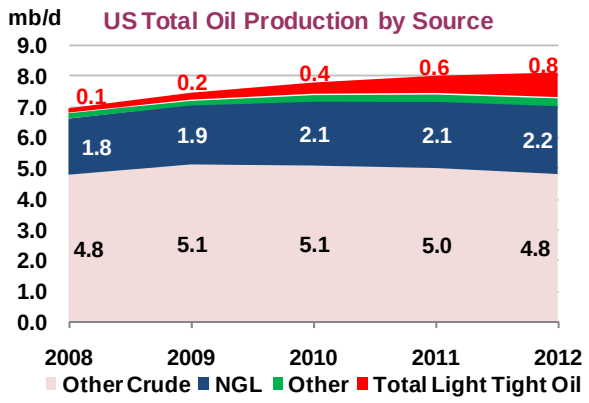


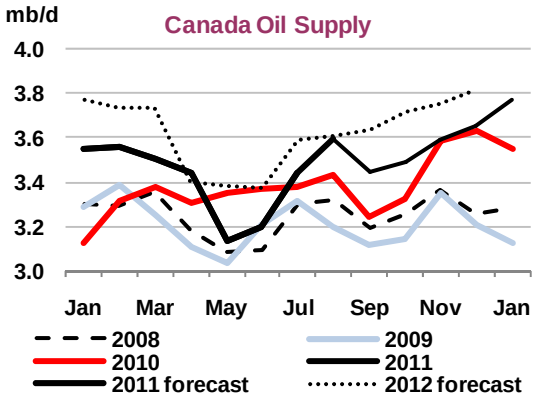
In 2012, a 70 kb/d upwards revision to the US oil production outlook is the largest component of the change to the non-OPEC supply estimate. Non-OPEC supply is expected to grow by 1.1 mb/d to 53.8 mb/d in 2012, as shown in the chart above, and is driven primarily by increasing production in North America, OECD Pacific, Latin America, and biofuels. A major downside risk to the outlook includes unplanned outages, which reached around 650 kb/d in 3Q11. While by definition we cannot predict unscheduled outages in 2012, we customarily assume a 0.2 mb/d annual downward adjustment in our outlook, largely for potential equipment failures at mature assets in the OECD.

OECD

North America

US – September, Alaska actual, other states estimated: The impact of tropical storm Lee reduced US crude oil output in September by around 170 kb/d to 5.5 mb/d, bringing September's crude output 250 kb/d lower than August's levels. US total liquids supply increased by almost 300 kb/d in the third quarter compared to the prior year to 8.0 mb/d, stemming largely from growth in US light tight oil production and natural gas liquids. Even in light of 3Q11 hurricane-related shut-ins in the Gulf of Mexico and declining conventional production elsewhere, US oil supply has not reached these levels since 2002. Crude and total oil supply is seen remaining stable for the balance of the year. Major revisions for this month centre in the shale plays, especially in North Dakota's Bakken and Texas' Eagle Ford shale where oil production is exceeding expectations. Increased oil output from shale oil deposits that raises total US crude oil production by 1% in 2012 will be mitigated by declining production elsewhere, especially in Alaska and the Gulf of Mexico.





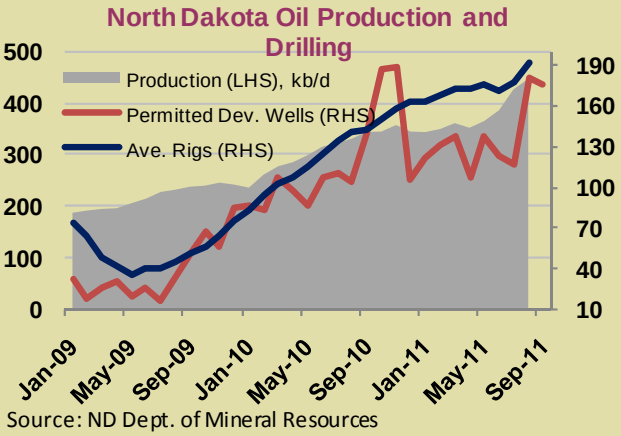
Eagle Ford and Bakken Bonanza to Transform US Oil Production Outlook

The *Medium-Term Oil and Gas Markets* report (*MTOGM*) highlighted how the application of horizontal drilling and hydraulic fracturing techniques, which have been used to access natural gas, could also be used to access liquids from the same tight oil formations. The combination of these techniques with lessons learned producing shale gas has greatly boosted oil recovery rates. *MTOGM* presented data showing a sky-rocketing US oil rig count, and that light "tight" oil from these newly tapped resources would be the single largest driver of incremental oil production in the medium- (and even long-) term. In fact, the number of oil drilling rigs in the United States jumped by 34 this week to 1 112, the highest on record and 50% higher than last year. Zooming in on certain plays shows that we were correct to emphasise light tight oil as a key driver of the supply outlook, but the data point to an even quicker and higher magnitude uptick in NGL and crude oil production than previously forecast. Consequently, we have revised our outlook for 2012 light tight oil production by around 120 kb/d to 810 kb/d.

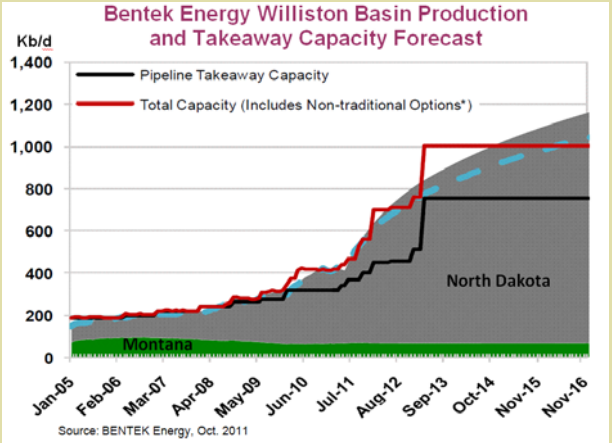
In North Dakota, where the Bakken and Three Forks acreage accounts for almost 90% of production, monthly output has risen by 6% on average in the last three months. Fourth quarter 2011 output is forecast to grow by over 60% annually. The chart below shows the number of rigs drilling for oil in North Dakota jumping again to around 170 this past month as well as a sharp uptick in development well approvals. These leading indicators are also evident in the Monterey (California), Niobrara (Rockies), and Eagle Ford (Texas) tight oil formations.

Tight oil production is not cheap, with some estimates placing per barrel production costs at around $40-$55, and it requires extensive infrastructure to collect small volumes from dispersed wells. Transporting the oil to the Gulf Coast adds additional costs, but producers can get Louisiana Light Sweet equivalent prices for their oil. As long as oil-to-gas price ratios remain at high levels, producers will maximize the liquids output of their resources.

An additional possible constraint could be takeaway capacity, especially from areas of the Williston Basin in North Dakota and eastern Montana. Even though current production exceeds existing pipeline and rail capacity from the area, analysts do not expect a real constraint until at least the end of 2013 (see chart below). The chart below shows a representation of one company's analysis of these trends as well as their



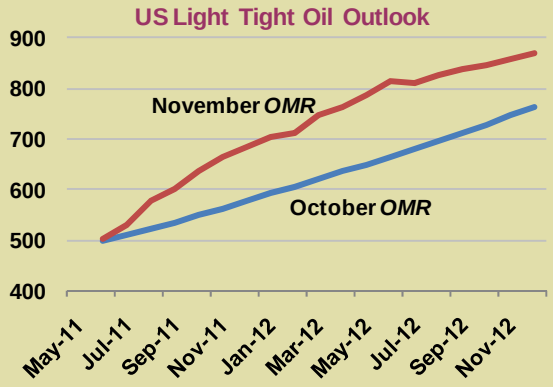
Source: ND Dept. of Mineral Resources



Eagle Ford and Bakken Bonanza (continued)

forecast for the basin. Recent data show a large uptick in trucking and rail from the region (trucking reached 20 kb/d according to BENTEK Energy), which puts a strain on road infrastructure and has increased diesel demand.

Takeaway capacity and economics are less of a constraint in the Eagle Ford shale, where producers benefit from close proximity to the Gulf Coast refining centre, high gas liquids content, and high initial oil production rates. Production in the area tripled over the course of 2010. Since then, it has more than doubled in 2011 to over 300 kb/d. With rising production, trucking and rail takeaway capacity have also ramped up, and 1 mb/d of new transmission and 465 kb/d of processing capacity are planned to handle new crude and associated gas production.



We have tempered the upwards revision to the US light tight oil production outlook because of the high reported decline rates and the high capital costs in shale oil formations. Drilling and completion costs sometimes reach $10 million/well largely due to the need for longer horizontal laterals and constrained quantities of oilfield services in the Bakken. Another limiting factor will be the extent of drilling that can occur without reducing the pressure in the formation. Analysts maintain that if the Bakken can support multiple wells, then future exploration and development would shift to new prospective areas such as Three Forks and would result in even higher output. In fact, this month Continental Resources, one of the Bakken's largest resource holders, announced positive flow rates in a deeper part of the Three Forks formation that might indicate other production zones that could be tapped commercially.

Despite the positive outlook in the Bakken and Eagle Ford shales, there remains much debate about whether hydraulic fracturing poses a threat to the environment. We will continue to re-assess our estimates as new data on the economics of these plays becomes available, and we will provide a revised forecast to our 2011-2016 estimates next month.

Canada – August actual: Rising output from the oil sands drove a 150 kb/d monthly increase in Canada's liquids production in August. In upcoming months planned maintenance at Terra Nova's FPSO, declining production at Hibernia (both offshore Newfoundland/Labrador), and maintenance at Canadian Oil Sands' Syncrude project should mitigate production gains from growing oil sands projects like Suncor's Firebag and Devon's Jackfish project. Changes to the outlook for 4Q11 and 2012 stem mainly from the slightly faster-than-expected return of the Horizon facility after the major fire in January caused a complete shutdown, and the subsequent deferral of 2012 maintenance into 2013.

Mexico – September actual, October preliminary: Tropical Storm Nate reduced Mexican crude oil output in September by around 60 kb/d to 2.5 mb/d, and preliminary figures for October show production rebounding almost to August levels. Overall, Mexican liquids production fell by around 50 kb/d to 2.9 mb/d in 3Q11 compared to the prior quarter and decreased by 30 kb/d y-o-y. Declining production at Cantarell and at KMZ were the primary sources of overall decline. Looking forward, production in Mexico is expected to continue to decline at 3% annually despite Pemex's efforts to maintain production at KMZ and Cantarell and ramping production at the Chicontepec fields.

North Sea

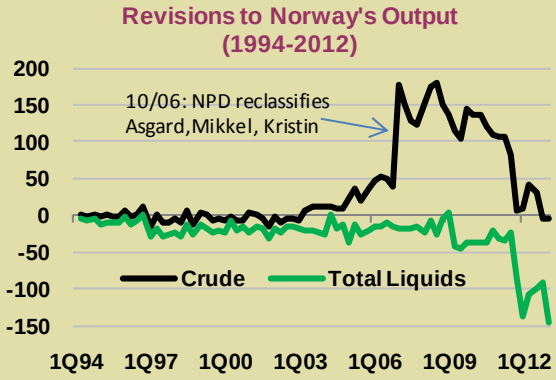
Norway – August actual, September provisional: Total liquids production fell by 100 kb/d to 1.9 mb/d in September, as maintenance continued at the Troll, Snorre, and Grane fields. With the return of these fields to full production by November, 4Q11 production should rise about 130 kb/d over 3Q11 levels. We

adjusted our outlook downwards last month after news reports indicated problems with the 130 kb/d Grane field after it completed planned maintenance. Statoil was able to bring the field back to its normal levels more quickly than expected. With the revisions to the data series taken into account, we now expect 4Q11 output to grow by 6.7% to 2.1 mb/d compared to 7.3% last month. In 2012 liquids output should fall by 1.4% to 2.0 mb/d in contrast to the 0.6% growth envisaged last month.

Revisions to IEA's Norway Field Level Data Allow for Better Forecasting

We have undertaken a systematic review of our field level data and are now matching the Norwegian Petroleum Directorate's (NPD) field level crude, condensate, and NGL data back to the beginning of our monthly data series in 1994. A step-change in condensate reporting convention by NPD back in 2006 previously caused our own and NPD estimates to diverge, as we retained higher condensate numbers to match with historical data.

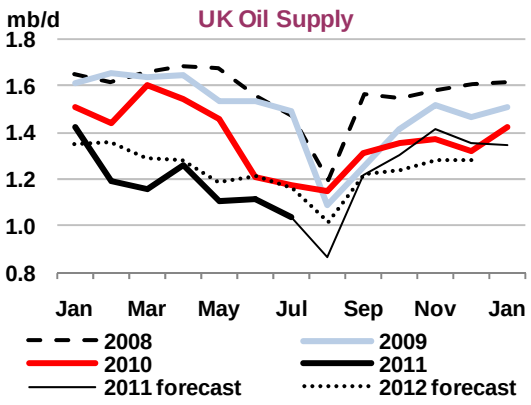
The largest volume divergence began in October 2006, when NPD reclassified Kristin, Mikkel, and Åsgard condensate as crude oil. The reclassification occurred because the operator no longer separately markets its output as condensate but instead blends the condensate into the crude stream and markets it as Åsgard Blend 47.1° API crude oil. At the time, it was prudent to keep these streams as condensate in our database to avoid a break in the series for crude and condensate. Other fields, including Troll and several small fields also underwent similar re-classifications since 1994.

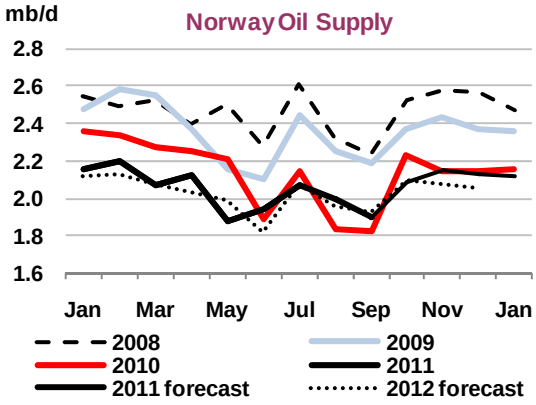


Three factors have caused us to change the *OMR*'s accounting of Norway's liquids output. First, we believe that comparisons between 2006 and 2007 that might have been impacted by a break in series are less important today than the advantage gained from more closely matching the NPD convention. Second, matching the NPD convention more accurately reflects the way that Norway's petroleum production satisfies world oil demand given heightened interest in NGL and condensate output. The revision improves near-term forecasts by providing a better link to loading schedules and by more accurately tracking field-level trends for crude, NGLs and condensate. Finally, this revision addresses a wider effort in our monthly oil database to better account for differences in liquids qualities and to delineate between crude, NGL, and condensate production where data is accurate and available.

Other changes to our field level database include removing satellite fields Valhall, Gullfaks, and Heimdal Ost, which the NPD includes in already existing aggregates. Removing these fields also means they do not appear in the 2012 forecast, which is the main reason for the revision to the outlook this month. In order to better model NGL output from Norway, we have also added field level NGL output detail for nine fields that account for 90% of Norway's NGL output.

UK – July actual, August preliminary: Following a record low production level in July, preliminary estimates indicate maintenance reduced offshore crude oil production by almost 150 kb/d to even lower levels in August at 770 kb/d. In addition to the Buzzard field outage, maintenance in the Teal Area and at the Schiehallion field was also heavy. Production is expected to rebound in the fourth quarter by 300 kb/d over 3Q11 levels, largely unchanged from the estimate last month. Downward revisions to the 2012 outlook take into account start-up delays at the Causeway, Andrew, Solan, and Athena fields, previously expected to come online in late this year, but now delayed for a year or more. Higher-than-expected output after the completion of routine maintenance at some fields in the Forties system offsets most of these downwards revisions. In sum, 2012 output should remain at around 2011 levels, supported in large part by Buzzard's return to normal production.

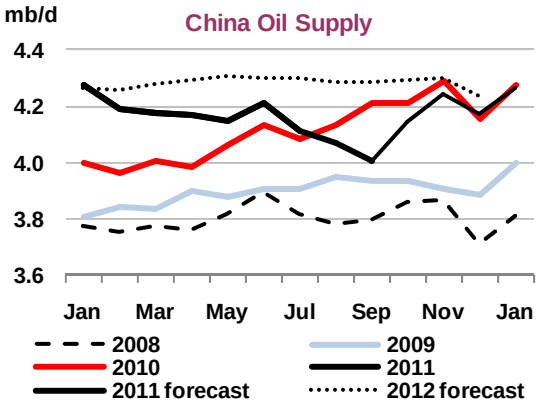




Non-OECD

Asia

China – September actual: China's oil production fell by around 70 kb/d in September to 4.0 mb/d, its lowest level in over a year. The Peng Lai field outage curbed China's output by over 120 kb/d in September and likely even more in October. Declining production at Jilin, Changqing, and other mature CNOOC fields also drew down China's output. News reports indicate the Peng Lai leaks were plugged in late October/early November, but ConocoPhillips has not indicated a possible restart date. In October, there were also reports that CNOOC found and quickly fixed another spill at its 20 kb/d Jinzhou 9-3 field, making this the third spill at a CNOOC facility this year. Sources indicate that an anchor of a ship ruptured a pipeline in the oil field and caused the leak. We remain sceptical about reports indicating production has increased at other facilities while these problems are occurring.



A more likely driver of production trends in the medium term is the new resource tax on oil and gas that will go into effect on 1 November. This particular tax change, *ceteris paribus*, will mean that production is taxed at 5-10% of the value of the commodity, rather than the volume of commodity. The reform redistributes some production tax revenues from the federal government to local governments and means a total tax take of around $4/bbl, seven times higher than current levels. Analysts estimate that a 5% value-based tax would reduce Sinopec's earnings by 8%. However, the government is also considering increasing the windfall tax threshold from $40/bbl, which would benefit producers' earnings by around 15-20% if the threshold were raised to $60/bbl. Also, the government is already providing tax breaks for production at offshore fields, in western China (mostly for enhanced oil recovery), and for heavy oil production. These fields might receive a value tax rate below the 5% window. We have not substantially altered our short-term outlook as a direct result of tax changes however.

Other Asia - August estimated: In other Asian countries, aggregate production increased in 3Q11 by 10 kb/d over the prior quarter to 3.5 mb/d, and fell by over 200 kb/d year on year. Vietnam, Thailand, India, Indonesia, and Malaysia all posted annual declines in this quarter largely due to mature field decline. In **Vietnam** the 25 kb/d Chim Sao and 40 kb/d Te Giac Trang fields have started in the last two months and should raise the country's production by 25 kb/d to 330 kb/d in 4Q11. In **Indonesia**, ExxonMobil reported it had almost finished awarding the EPC contracts for the 160 kb/d Cepu project, which is expected to begin ramping up during 2013-2015.

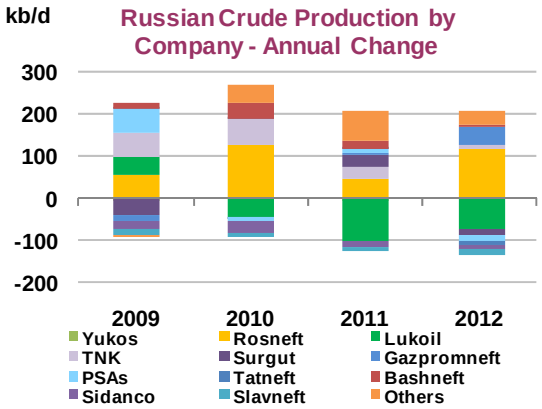
Middle East

In **Syria**, sanctions have begun to have an impact on oil output. UK-based Gulfsands said production from its Khurbet East and Yousefieh fields had been lowered from 24 kb/d to 6 kb/d from the beginning of October due to lack of domestic crude storage capacity. With the exception of Gulfsands and Croatia's INA, oil companies are not revealing if their crude oil output has been curtailed. Recently, Syria's Oil Minister was quoted as saying that production had been reduced by around 110 kb/d to 250-270 kb/d. We assess that this estimate is likely conservative, given that shipping data does not indicate any exports from the country in September or October, and given reported challenges in exporting oil products. Additionally, anti-Assad regime supporters could target oil and product deliveries to the domestic market, thus curbing output and domestic product transit.

Despite a reported heavy marketing effort targeting India, Malaysia, and Indonesia, we expect it to take several more months before Syria can return to previous export levels. Before Syria can finalise new contracts, Sytrol will be challenged to obtain financing and tanker insurance. Therefore, we have further reduced our output forecast for Syria by 80 kb/d in 4Q11, which would mean an 80 kb/d y-o-y decline in 4Q11. We expect Syrian oil production to decline by a further annual 20 kb/d in 2012 to 320 kb/d, which is around 20 kb/d lower than last month's estimate.

Former Soviet Union (FSU)

Russia – October actual: Russian oil output hit another post-Soviet high of 10.7 mb/d in October, up slightly from last month's levels and 90 kb/d higher than last year. Growth from Rosneft's Eastern Siberian fields is primarily responsible for Russia's oil output growth, followed by increased production from Gazprom (NGLs), Gazpromneft, and TNK-BP. Lukoil's production has fallen by 5.3% year-on-year, due in part to a precipitous 60% decline at the Yuzhno-Khyluchuskoye field and other mature field decline. It is also worth noting that Gazpromneft's output is increasing with very little greenfield investment, and that TNK-BP's Verkhnechonskoye output has more than doubled to around 120 kb/d in October. Despite these highlights, we still expect Russia's output to grow by a modest 0.9% next year to 10.7 mb/d, nevertheless a 50 kb/d increase from last month's outlook. The upwards revision takes into account Gazpromneft's impressive performance over the last several months.



Russia's output could exceed our expectations in 2012 with the introduction of the 60-66 tax regime. The overall effect of the regime change on oil companies' cashflow and their willingness to invest in stemming oilfield decline remains a subject of much debate. As of 1 October, the 65% to 60% tax change reduces crude export duties using a formula as follows: [$4/bbl + **60%** * (Urals price - $25/bbl)]. However, oil companies likely paid a duty of $53/bbl in October, the same level as in September, given the increase in Urals prices. And although the regime shifts the tax burden from the upstream to the downstream, companies also face a 6.5% higher mineral extraction tax from January 2012, higher Transneft export tariffs, 5-7% higher excise taxes, and possible price controls if the price at the pump increases by more than 10% in any 30-day period. All of these factors could reduce the incentive of producers to invest in brownfield production.

FSU net oil exports increased by 150 kb/d to 9.0 mb/d in September as crude shipments climbed by 220 kb/d, offsetting a 70 kb/d decrease in product deliveries. Net oil exports remain close to year-ago levels, although crude volumes have grown by 150 kb/d to 6.5 mb/d and have offset a 150 kb/d fall in products. The month-on-month rise in crude shipments was driven by a sharp 250 kb/d hike in Transneft deliveries after seasonal Russian refinery maintenance reduced domestic crude requirements. The

largest beneficiary of this was Russia's flagship Baltic port of Primorsk where shipments increased by 140 kb/d. Indeed, reports suggest that scheduled maintenance on the Baltic Pipeline System (BPS) feeding the port was postponed at the behest of producers. In the Black Sea, Novorossiysk exports crept up to 950 kb/d (+30 kb/d m-o-m), their highest level since March after an uptick in Kazakhstani and Azerbaijani deliveries to the terminal. Flows through the Druzhba pipeline increased by 80 kb/d following a rebound in deliveries to Poland after its Plock refinery came out of maintenance. Outside Russia, volumes through the BTC and CPC pipelines remained flat at 700 kb/d and 650 kb/d, respectively.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	4Q2010	1Q2011	2Q2011	3Q2011	Jul 11	Aug 11	Sep 11	Latest month vs. Aug 11	Latest month vs. Sep 10
Crude											
Black Sea	2.28	2.10	2.02	2.06	1.87	1.87	1.69	1.95	1.97	0.02	0.14
Baltic	1.60	1.60	1.60	1.48	1.57	1.37	1.34	1.33	1.45	0.13	-0.02
Arctic/FarEast	0.46	0.74	0.78	0.70	0.69	0.65	0.64	0.65	0.65	-0.01	-0.05
BTC	0.80	0.77	0.80	0.72	0.76	0.69	0.69	0.70	0.69	-0.01	-0.09
Crude Seaborne	**5.15**	**5.22**	**5.19**	**4.96**	**4.89**	**4.58**	**4.36**	**4.63**	**4.76**	**0.13**	**-0.02**
Druzhba Pipeline	1.11	1.13	1.14	1.14	1.12	1.18	1.17	1.14	1.22	0.08	0.04
Other Routes	0.40	0.42	0.43	0.53	0.54	0.54	0.55	0.52	0.54	0.02	0.14
Total Crude Exports	**6.66**	**6.76**	**6.76**	**6.63**	**6.55**	**6.30**	**6.08**	**6.29**	**6.52**	**0.22**	**0.15**
Of Which: Transneft[1]	3.93	4.00	4.02	4.15	4.16	4.09	4.05	3.98	4.23	0.25	0.43
Products											
Fuel oil[2]	1.41	1.54	1.51	1.43	1.82	1.61	1.70	1.54	1.59	0.05	0.03
Gasoil	0.95	0.88	0.81	0.90	0.79	0.72	0.71	0.76	0.67	-0.08	-0.07
Other Products	0.53	0.43	0.37	0.48	0.53	0.36	0.40	0.36	0.32	-0.04	-0.11
Total Product	**2.89**	**2.85**	**2.69**	**2.81**	**3.14**	**2.68**	**2.80**	**2.65**	**2.58**	**-0.07**	**-0.15**
Total Exports	**9.54**	**9.61**	**9.45**	**9.44**	**9.68**	**8.98**	**8.89**	**8.94**	**9.09**	**0.15**	**0.00**
Imports	0.06	0.06	0.08	0.06	0.06	0.08	0.06	0.10	0.10	0.00	0.00
Net Exports	**9.49**	**9.55**	**9.37**	**9.39**	**9.62**	**8.89**	**8.83**	**8.85**	**9.00**	**0.15**	**0.00**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

Reports suggest that the BPS-2 pipeline is now being filled, with exports scheduled to begin in December from the Baltic port of Ust Luga. However, Transneft has indicated that the BPS-2 will run at 200 kb/d throughout its first year of operation, significantly below its 600 kb/d capacity.

Product exports fell by a further 70 kb/d to 2.58 mb/d in September, their lowest level since end-2009. Gasoil shipments drove the decline, contracting by 80 kb/d largely due to buoyant Russian distillate demand. In contrast, fuel oil flows rose by 50 kb/d, after Russian refineries ran less vacuum gasoil as a feedstock during heavy maintenance. The 150 kb/d year-on-year fall in product exports was led by 'other products', here including naphtha and gasoline, due to the recent introduction of the 90% light product duty.

Africa

Oil production in non-OPEC African countries increased by 20 kb/d to 2.5 mb/d in 3Q11, stemming largely from small increases in **Sudan** and **Ghana**. In 2012, new oil production should come from **Equatorial Guinea**, where an FPSO arrived one month early at the 55 kb/d Aseng field and should begin production this year.

Latin America

Brazil – August actual: Brazil's production averaged 2.2 mb/d in 3Q11, which is up 20 kb/d from last year's levels. Maintenance at offshore fields led to the lowest level of Rio de Janeiro offshore production since November 2008, at 1.52 mb/d in August. Start-up at the Marlim Sul field and new wells at fields in the Campos basin mitigated ongoing field maintenance in September. In 4Q11, we expect production to rebound to 2.3 mb/d, and output should grow by 6.5% in 2012. Brazil's Senate recently approved a plan to distribute oil royalties more widely among states, which is an incremental step towards relaunching the development of Brazil's offshore reserves. Potential law suits from oil-producing states that would lose revenue and several legislative hurdles could still pose obstacles to the plan.

OECD STOCKS

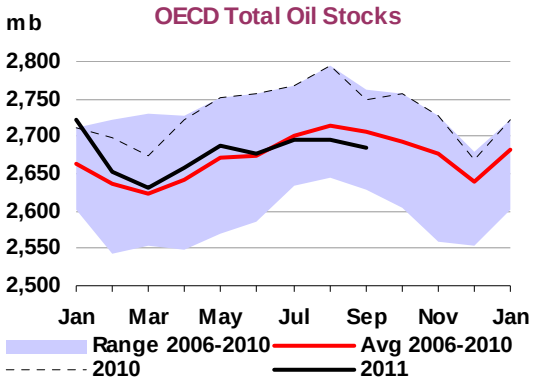
Summary

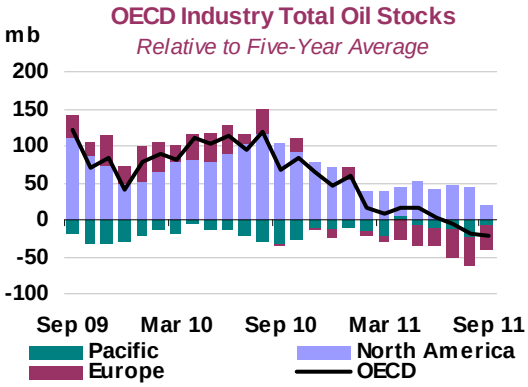
- **OECD industry oil stocks declined by 11.8 mb to 2 684 mb in September.** Inventory levels stood below the five-year average for a third consecutive month, for the first time since 2004. Declines in crude oil holdings dominated in September, but middle distillates and fuel oil also fell, while gasoline and 'other products' stocks rose.

- **OECD forward demand cover dropped to 57.9 days in September**, from 58.6 days in August, yet OECD stock cover still remains 1.5 days above the five-year average. A decline in fuel oil holdings and a moderate uptick in demand expected over the next three months brought fuel oil cover lower by 2.5 days to a still-strong 43.5 days.

- **Preliminary data suggest a sharp 34.3 mb draw in October OECD industry stocks**, with product stocks plummeting 22.2 mb after steep declines in US distillates. A strong stockdraw in Europe contributed to a counter-seasonal 13.8 mb reduction in crude holdings.

- **Short-term oil floating storage rose by 2.6 mb, from 43.4 mb in September to 46.0 mb in October.** Increases in Iranian crude oil floating storage boosted offshore crude oil inventory levels by almost 13 mb, but tight fundamentals and a backwardated market structure completely drained around 10 mb of product floating storage held off West Africa, the Mediterranean and Asia-Pacific.





OECD Inventories at End-September and Revisions to Preliminary Data

OECD industry oil inventories fell by 11.8 mb in September, to 2 684 mb or 57.9 days of forward demand cover. The monthly decline was sharper than the five-year average 8.0 mb draw. Inventory levels stood below the five-year average for a third consecutive month, the first time this has occurred since 2004. Weaker-than-seasonal builds during July and August, as well as a stronger September draw, widened the deficit versus five-year average levels to 22.5 mb.

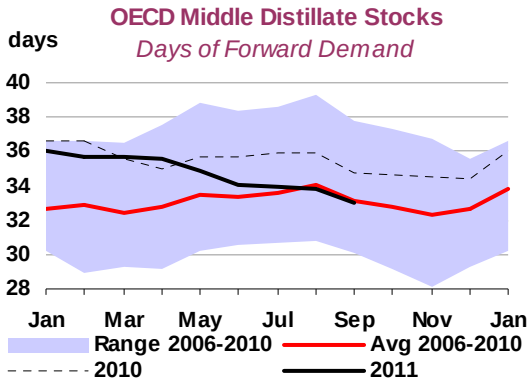
Preliminary Industry Stock Change in September 2011 and Third Quarter 2011

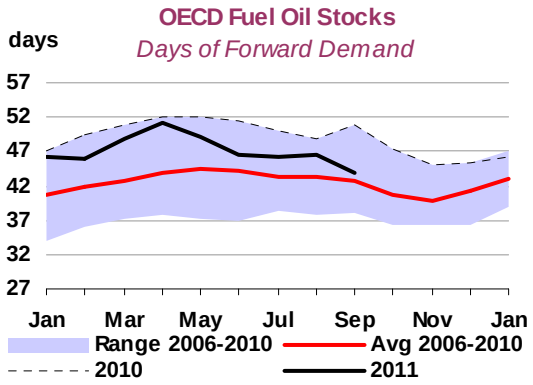
	September (preliminary) (million barrels)				September (preliminary) (million barrels per day)				Third Quarter 2011 (million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-15.3**	**-2.6**	**6.5**	**-11.4**	**-0.51**	**-0.09**	**0.22**	**-0.38**	**-0.34**	**-0.11**	**0.02**	**-0.43**
Gasoline	3.7	-0.4	3.8	7.0	0.12	-0.01	0.13	0.23	0.02	-0.02	0.04	0.04
Middle Distillates	1.4	-5.6	-0.6	-4.7	0.05	-0.19	-0.02	-0.16	0.19	-0.10	0.02	0.11
Residual Fuel Oil	-4.1	-2.6	1.0	-5.7	-0.14	-0.09	0.03	-0.19	-0.02	0.01	-0.01	-0.02
Other Products	0.6	0.9	2.4	3.8	0.02	0.03	0.08	0.13	0.15	0.07	0.11	0.33
Total Products	**1.5**	**-7.6**	**6.5**	**0.4**	**0.05**	**-0.25**	**0.22**	**0.01**	**0.34**	**-0.04**	**0.16**	**0.46**
Other Oils[1]	-0.3	-0.5	0.0	-0.8	-0.01	-0.02	0.00	-0.03	0.08	-0.02	0.00	0.05
Total Oil	**-14.1**	**-10.7**	**13.1**	**-11.8**	**-0.47**	**-0.36**	**0.44**	**-0.39**	**0.08**	**-0.17**	**0.18**	**0.08**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

In September, an 11.4 mb decline in crude holdings dominated, while products remained largely unchanged from the previous month. Middle distillates and fuel oil fell by 4.7 mb and 5.7 mb, respectively. Upward support came from stronger gains in gasoline and 'other products' (7.0 mb and 3.8 mb, respectively).

Middle distillate inventories contracted by 4.7 mb to 565 mb in September and forward demand cover dropped to 33.0 days. The stock overhang observed during the past two years has dissipated and distillates stood for the second consecutive month at a deficit versus the five-year average in both absolute and cover terms. Ahead of the winter heating season in the northern hemisphere, only North America retains a sizeable distillate buffer, but weekly data from the US suggest a further sharp decline in middle distillate holdings in October.





Fuel oil inventories declined by 5.7 mb to 128 mb in September. US and European inventories fell counter-seasonally and the deficit versus the five-year average widened to 16.8 mb. Structural decline in OECD fuel oil demand has led to consistent reduction in inventories. Nonetheless, the contraction in industry stocks has lagged declining demand, so that forward demand cover had actually risen in recent years. But counter-seasonal draws since April brought demand cover down from 7.2 days above the five-year average to 1.1 days.

OECD stocks were revised 3.7 mb higher in August, upon receipt of more complete monthly submissions from the member countries. This implies a 0.9 mb build in August inventory levels, contrasting with a previously reported 3.4 mb draw. Upward adjustments were centred on 'other oils', fuel oil and gasoline and outweighed a 6.0 mb downward revision to distillate holdings in North America.

Revisions versus 12 October 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Jul-11	Aug-11	Jul-11	Aug-11	Jul-11	Aug-11	Jul-11	Aug-11
Crude Oil	**-1.0**	**-1.7**	**0.1**	**1.5**	**0.0**	**-0.3**	**-0.9**	**-0.5**
Gasoline	0.0	2.6	-0.3	-0.4	0.0	-0.2	-0.3	2.0
Middle Distillates	0.0	-6.0	1.2	0.2	0.0	-0.2	1.2	-6.0
Residual Fuel Oil	0.0	-0.3	1.8	4.7	0.0	0.0	1.8	4.3
Other Products	0.0	-5.5	1.6	4.2	0.0	0.5	1.6	-0.8
Total Products	**0.0**	**-9.2**	**4.3**	**8.7**	**0.0**	**0.1**	**4.3**	**-0.4**
Other Oils[1]	-0.1	8.5	-3.9	-4.4	0.0	0.5	-4.0	4.6
Total Oil	**-1.1**	**-2.5**	**0.5**	**5.8**	**0.0**	**0.4**	**-0.6**	**3.7**

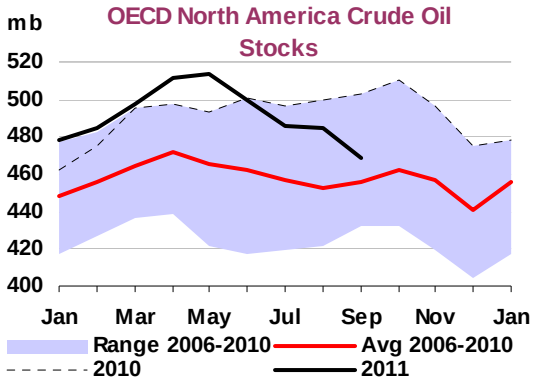
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

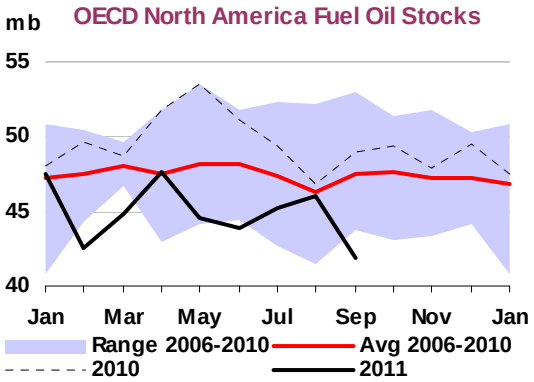
Preliminary data suggest OECD industry stocks plummeted by 34.3 mb in October, more than double the five-year average 14.4 mb. Product inventories fell by 22.2 mb, with the majority of the decline stemming from distillates in the US (largely diesel). A sharp draw in Europe contributed to a counter-seasonal 13.8 mb reduction in crude holdings. Meanwhile, short-term oil floating storage rose by 2.6 mb to 46.0 mb in October.

Analysis of Recent OECD Industry Stock Changes

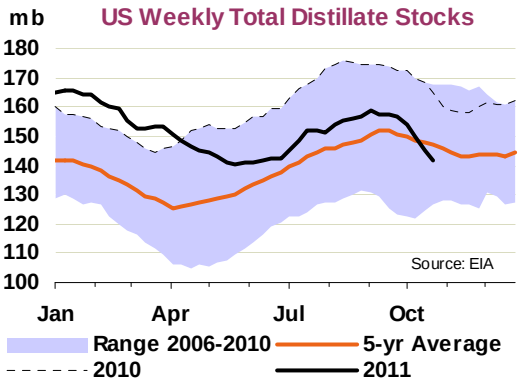
OECD North America

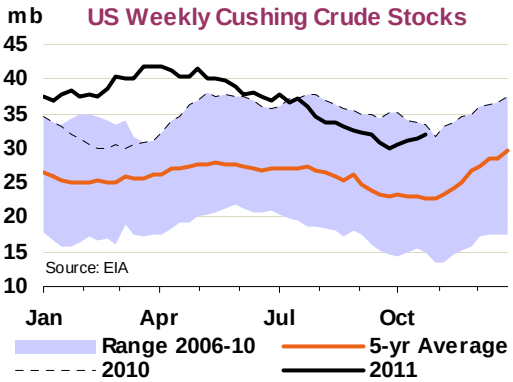
North American industry oil stocks declined by 14.1 mb to 1 346 mb in September, in strong contrast with a five-year average build of 10.4 mb. Crude oil inventories plummeted by 15.3 mb, driven by draws in the US. A final crude cargo from the US Strategic Petroleum Reserve (SPR) deriving from the IEA's Libya Collective Action was delivered at the beginning of September, but a combination of healthy crude runs and low imports drained US crude stocks by 17.2 mb and reduced the stock overhang to 3.0 mb. Yet, 4.4 mb of crude brought ashore from floating storage near the US Gulf cushioned the September draw. North American refined product inventories rose by 1.5 mb, as gains in gasoline and distillates outweighed a counter-seasonal decline in fuel oil.





US EIA weekly data up to 28 October point to a seasonal 9.8 mb draw in US commercial stocks in October. US refineries entered maintenance season and, consequently, crude and 'other oils' rose by 7.7 mb, while refined products fell by 17.5 mb. Middle distillates contracted by a sharp 15.7 mb, as inventories of diesel plummeted on strong industry demand and exports, while heating oil and jet kerosene stocks declined modestly. As such, distillate inventories fell below the five-year average. October fuel oil holdings gained 2.7 mb and regained their five-year range after a sharp drop the previous month.

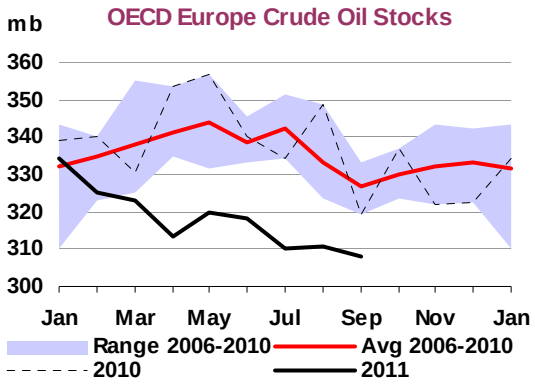


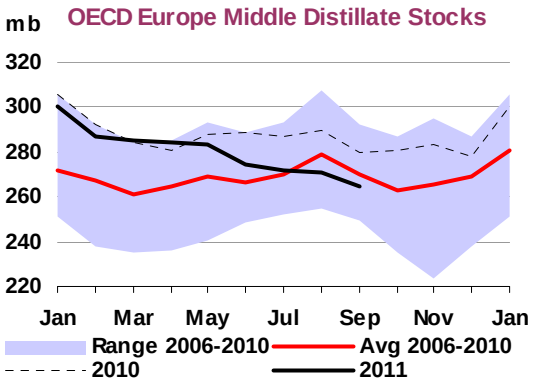


After declines totalling nearly 10 mb during the past six months, crude levels at Cushing, Oklahoma rose by 2.0 mb to 32.1 mb in October. However, persistent WTI backwardation may lead to further Cushing stockdraws. The October build coincided with an estimated 10 mb increase in working storage capacity at Cushing following the completion of new storage tanks. The US EIA's semi-annual survey put working storage capacity at 48 mb in March and September capacity levels will be published in November.

OECD Europe

Industry oil inventories in Europe fell by 10.7 mb to 916 mb in September, the lowest level since November 2007. However, a milder-than-seasonal monthly draw narrowed the deficit versus the five-year average to 33.2 mb. Crude holdings declined by 2.6 mb and remained at their lowest since 2003. The restart of Libyan exports may provide relief to a European crude market that looks constrained in absolute terms, although forward cover for refinery runs remained near average levels at 25.3 days in September. European product holdings dropped by 7.6 mb. Gasoline declined modestly, but distillates fell by 5.6 mb and fuel oil stocks contracted by 2.6 mb.

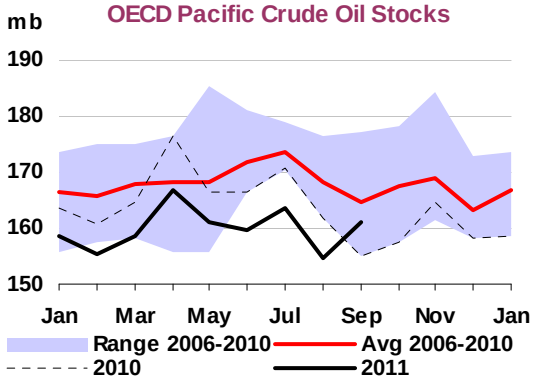


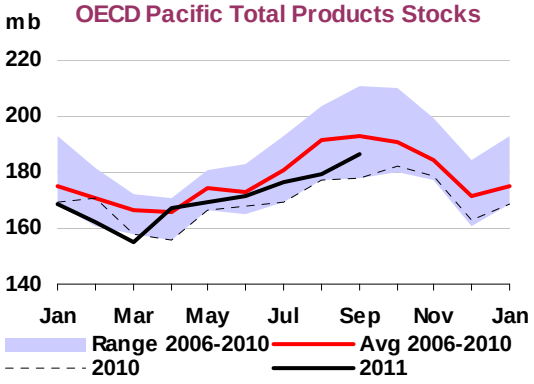


Preliminary data from Euroilstock suggest a further 16.2 mb stockdraw in EU-15 and Norway in October. Crude inventories led the decline by falling 12.3 mb, in contrast with a five-year average build of 3.4 mb. Product holdings dropped by 3.8 mb driven by a 3.0 mb decrease in middle distillates. Refined product stocks held in independent storage in northwest Europe fell on strong draws in gasoil. This might signal that winter restocking of consumer reserves is underway and latest reports indicate German end-user heating oil stocks rose to 59% at end-September, up steadily from July's 53% and August's 56% reading.

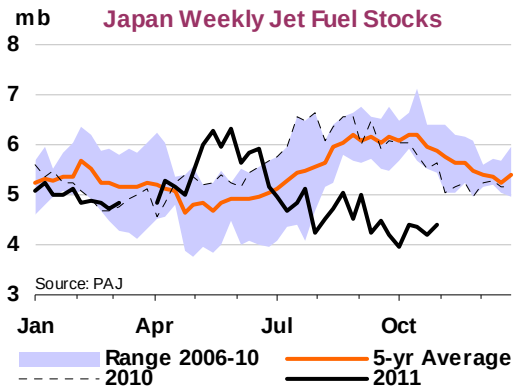
OECD Pacific

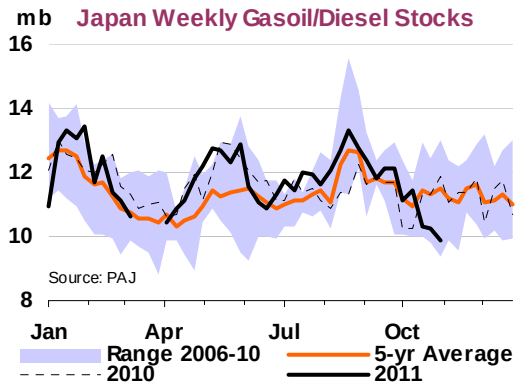
Commercial oil inventories in the OECD Pacific rose by 13.1 mb to 421 mb in September. Crude stocks increased by 6.5 mb, in contrast to a five-year average 3.4 mb decline. Lower refinery throughputs boosted crude stocks in Japan by 2.4 mb, while higher imports led a 3.9 mb gain in crude holdings in Korea. OECD Pacific crude oil stocks came back within the five-year range in September, after having been well below the range for the past three months.





Product stocks gained 6.5 mb in September, with the majority of the increase stemming from a 4.0 mb surge in Japanese gasoline inventories reported by the Ministry of Economy, Trade and Industry (METI). However, this gain is not visible in the weekly data from the Petroleum Association of Japan (PAJ) and thus it remains to be seen whether the data point will be revised later.

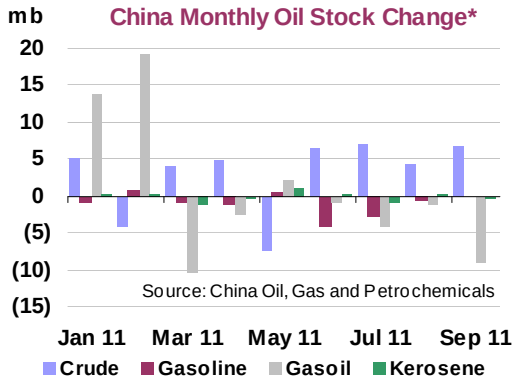




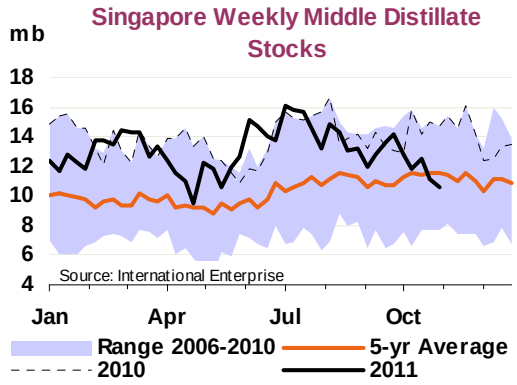
Weekly data from the PAJ suggest a counter-seasonal decline of 8.3 mb in Japanese industry oil inventories in October. Crude oil stocks fell by 4.6 mb, likely on lower imports. Product stocks dropped 0.9 mb, led by a 1.3 mb decrease in gasoil. Jet/kerosene stocks gained 0.9 mb, but jet fuel inventories remained below the five-year range amid kerosene restocking ahead of winter heating season. Meanwhile, PAJ revised weekly inventory data for several product categories from July to October. Product stocks were adjusted on average 2.7% lower at end-September, with the largest revisions in gasoline (-5.8%) and distillates (-3.5%).

Recent Developments in China and Singapore Stocks

According to *China Oil, Gas and Petrochemicals (OGP)*, Chinese commercial oil inventories fell by the equivalent of 2.9 mb in September (data are reported in terms of percentage stock change). Crude oil holdings rose by 3.0% (6.6 mb) on reduced refinery runs because of scheduled maintenance and refiners' reluctance to boost production amid dismal margins. Product stocks dropped for the fourth consecutive month, led by a sharp decline in diesel (12.7% or 8.9 mb). In addition, both gasoline and kerosene stocks fell by 0.3% (0.2 mb) and 3.8% (0.5 mb), respectively.



*Since August 2010, COGP only reports percentage stock change

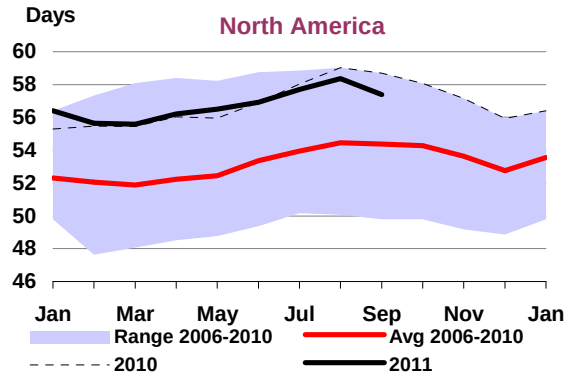


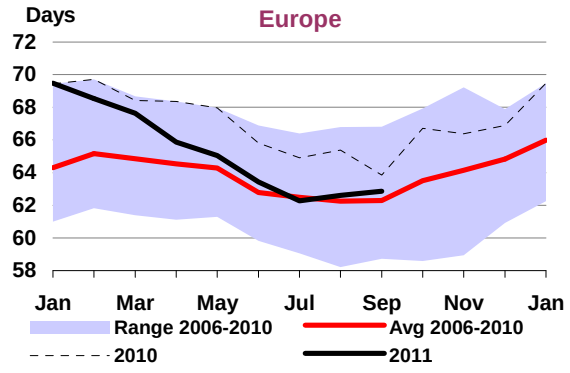
Singapore onshore inventories fell by 2.2 mb in October, driven by a draw in middle distillate holdings. Middle distillate stocks declined by 3.0 mb following a recent outage at Shell's refinery, which is still operating at reduced rates, and higher regional demand for gasoil. Moreover, fuel oil inventories edged down by 0.6 mb, while light distillate stocks rose by 1.5 mb, as seasonal peak demand has ended.

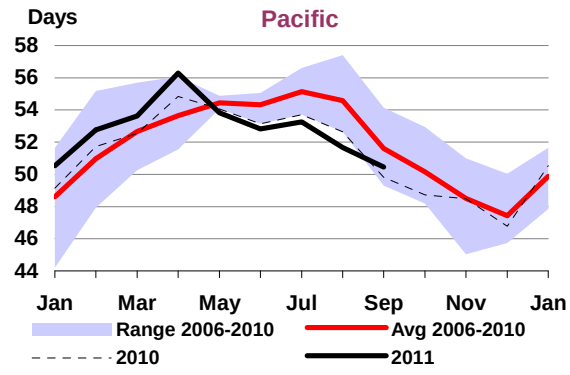
Regional OECD End-of-Month Industry Stocks

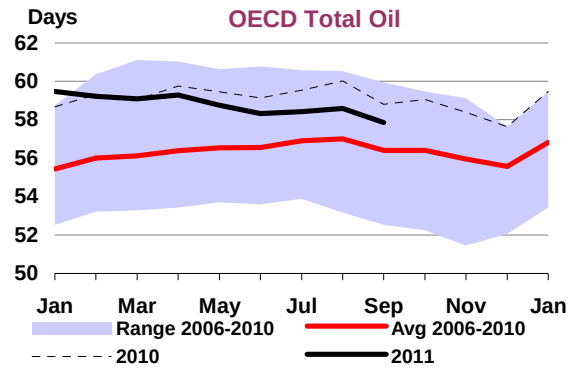
(in days of forward demand and millions barrels of total oil)

Days[1]

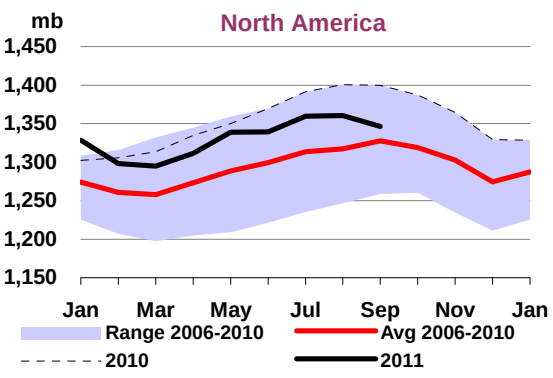


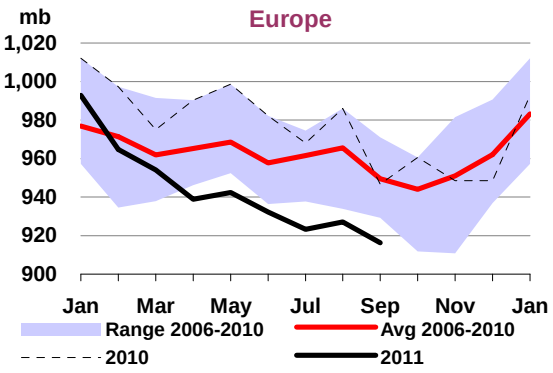


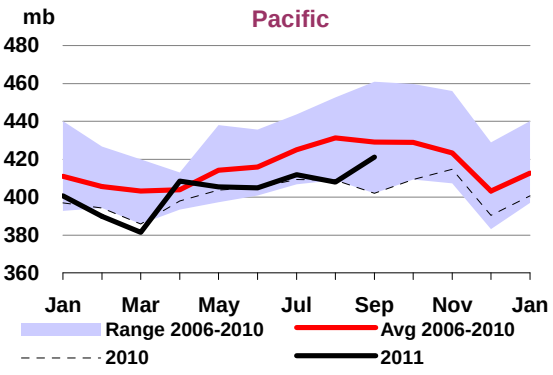


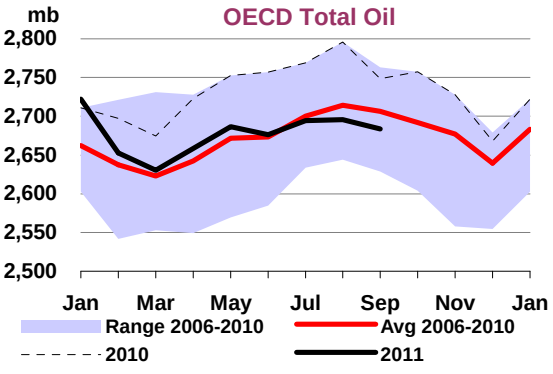


Million Barrels









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

PRICES

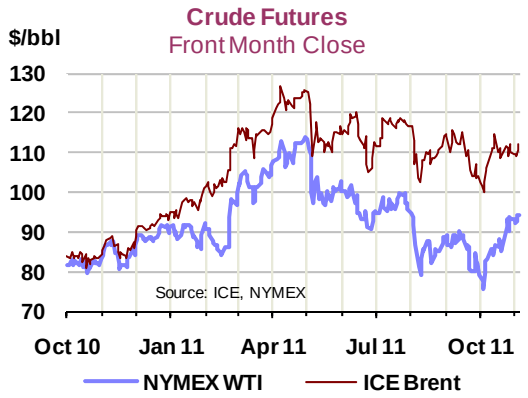
Summary

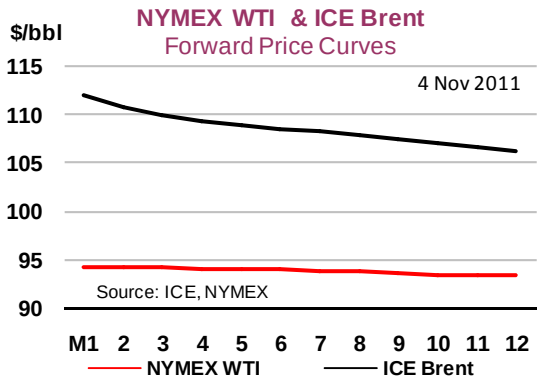
- **The Euro zone debt crisis hung over the market for most of October and early November** but, ultimately, supply and demand fundamentals appeared to be the main drivers of price direction. Futures prices for benchmark crudes were on divergent paths in October, with WTI on a solid upward trend while Brent traded in a lower range. At writing, Brent was trading around $114/bbl and WTI at $96/bbl.

- **In a contentious 3-2 vote on 18 October, CFTC Commissioners voted in favour of establishing federal speculative positions limits on 28 commodities**, including NYMEX natural gas, crude oil, gasoline and heating oil. Part of the Dodd-Frank financial legislation passed by the US Congress, position limits are aimed at curbing excessive speculation in commodity derivatives markets. However, critics point to the risks of lower market liquidity, higher hedging costs and increased market volatility.

- **Refining margins generally improved in all regions in October, largely supported by a strong increase in middle distillate crack spreads.** Moving into November, margins continued to seesaw in line with volatile crude markets, declining towards the end of the first week as product prices failed to keep track with a renewed increase in crude prices.

- **Crude tanker freight rates posted a recovery during October, with benchmark rates firming for the first time since early summer.** The picture for product tanker markets was mixed.





Market Overview

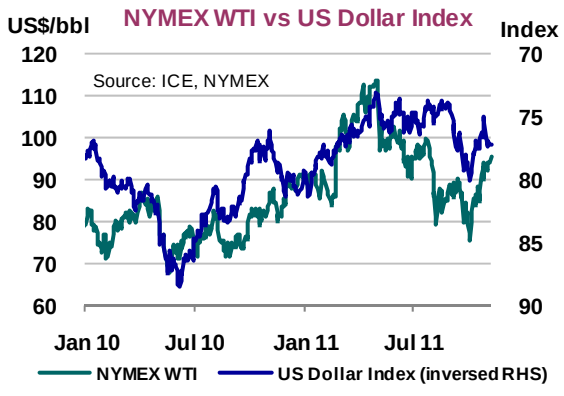
The Euro zone sovereign debt crisis hung over the market like the sword of Damocles for most of October and early November but, ultimately, supply and demand fundamentals appeared to be the main drivers of price direction. Futures prices for benchmark crudes were on divergent paths in October, with WTI on a solid upward trend in line with stronger regional fundamentals. By contrast, Brent crude traded in a lower range, pressured in part by the Euro zone crisis as well as from rising Libyan output and a recovery in North Sea supplies.

In October, WTI rose by around $0.80/bbl to an average $86.43/bbl while Brent was down by over $1/bbl at $108.79/bbl. By early November, benchmark crudes had strengthened relative to October average levels. WTI was last trading at $96/bbl, or about $10/bbl plus above October levels. Brent rebounded by a smaller $5.20/bbl over the same period, last trading around $114/bbl.

The ever-present threat of a far-reaching financial collapse from the worsening economic quagmire in Greece and Italy generated a raft of daily headlines that injected a high level of trading volatility in

October and early November. Expectations that the G20 ministers meeting in Cannes would agree viable rescue packages proved overly optimistic. While G20 leaders managed to placate markets, the very public disagreements over strategy among member countries laid bare some starkly divergent views. Greece's Prime Minister George Papandreou threw a spanner in the works before the gathering by announcing that the country would hold a referendum on the proposed bail-out plan, seen as likely to have been rejected by the populace. Following a sharp downturn in markets, and under pressure from G20 leaders, the prime minister back-tracked but the ill-advised referendum proposal cost him his job.



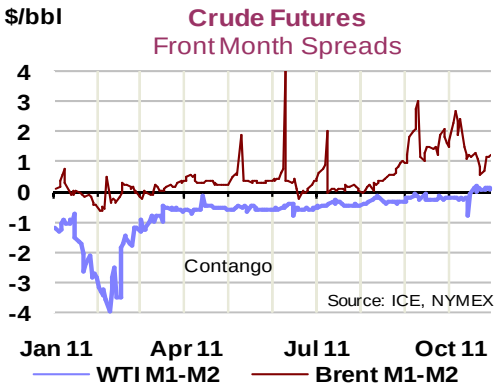


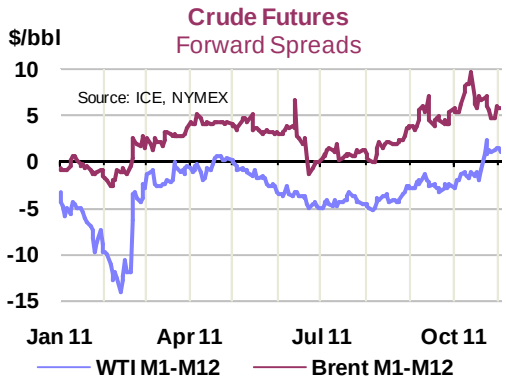
With the crisis in Greece averted for now, market attention has shifted to Italy where a weak financial reform package has triggered a dangerous rise in 10-year government bonds. Oil markets are inextricably linked to the deterioration in the European debt situation given the impact on financial markets, the heightened risk of global recession, and the corresponding potential loss of oil demand. Amid all the economic uncertainty, for now, however, prices are finding something of a floor ahead of the winter demand season, amid a tighter inventory situation and from ongoing political turmoil affecting Libya, Iran, Iraq, Syria and Yemen.

Upward price momentum in recent days has centred on the tense situation over Iran's nuclear programme, triggering a $2-3/bbl rise in oil prices in early November. The much-publicised release of a new IAEA report on Iran's nuclear programme, following on the heels of earlier accusations of Iranian involvement in an attempt on the life of a Saudi diplomat in Washington, set-off a series of verbal exchanges between Tehran and the West as well as triggering alarm bells within the Middle East region. While at writing heightened tensions are still generating bullish market pressure, many analysts believe the situation will be contained.

Libyan oil production recovered at a faster-than-expected pace in October despite the escalation in violence as the end-game neared after eight months of civil war. However, the effect of higher production on absolute prices has been marginal to date, with the larger impact being felt on sweet and sour price spreads. The formal end to hostilities was announced on 23 October following the capture of the last stronghold of Sirte and subsequent death of Colonel Gaddafi. Against this daunting backdrop, officials were able to ramp up output from an average 75 kb/d in September to 350 kb/d in October. By early November, output was above 500 kb/d *(see OPEC Supply, 'Libyan Production Outpaces Forecast')*.

The return of Libyan crude to the market has been partially countered by continued supply disruptions in Nigeria and reduced output over the past two months from Saudi Arabia. For most of October a tighter supply situation prevailed in Europe and Asia, leading to strong premiums for physical crude prices. Even the restoration of North Sea supplies following an unplanned shut-in of output from the key Buzzard field over the past six months has failed to knock Brent off its loftier perch. While ICE Brent futures were marginally lower on average in October, prices in early November were still trading above levels seen over the past three months.





Underscoring current strong fundamentals, forward prices for regional benchmarks Brent, WTI and Dubai are all in backwardation, so-called because prompt prices are higher than outer months. While Brent has been in backwardation for much of this year, significantly, WTI ended its long contango streak in late October, flipping into backwardation for the first time since late 2008. The shift in price structure reflects a growing consensus of tighter prompt market fundamentals. The WTI M1-M2 futures contracts was averaging around $0.13/bbl in early November compared with an average -$0.13/bbl in October and -$0.20/bbl in September. The WTI M1-M12 contract showed an even deeper backwardation, averaging around $1.30/bbl in early November compared with - $0.88/bbl in October and -$2.55/bbl in September.



As a result of relatively softer Brent prices and stronger WTI, the spread between the two grades saw an unprecedented narrowing starting on 25 October. WTI's discount to Brent narrowed by around $2/bbl on average for the month, to -$22.36/bbl, in October. But the modest monthly change masks the steady erosion over the month, which at one point reached -$15/bbl. By early November, the WTI-Brent discount was running about $16-18/bbl.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

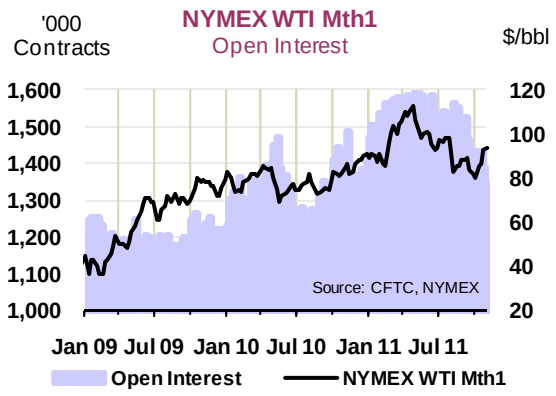
	Aug	Sep	Oct	Oct-Sep Avg Chg	% Chg	Week Commencing: 03 Oct	10 Oct	17 Oct	24 Oct	31 Oct
NYMEX										
Light Sweet Crude Oil	86.34	85.61	86.43	0.82	0.9	79.71	85.56	86.71	92.38	93.24
RBOB	120.53	114.46	112.61	-1.86	-1.6	108.38	115.70	113.58	113.10	110.88
No.2 Heating Oil	123.92	123.22	124.27	1.04	0.8	117.37	124.07	126.59	128.34	127.60
No.2 Heating Oil ($/mmbtu)	21.27	21.15	21.33	0.18	0.8	20.15	21.30	21.73	22.03	21.91
Henry Hub Natural Gas ($/mmbtu)	3.98	3.85	3.62	-0.23	-6.2	3.58	3.58	3.62	3.66	3.81
ICE										
Brent	109.93	109.91	108.79	-1.12	-1.0	103.17	111.37	109.80	110.65	110.25
Gasoil	125.27	124.89	123.84	-1.05	-0.8	117.49	123.60	125.94	127.76	127.11
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-23.59	-24.30	-22.36	1.94		-23.46	-25.80	-23.10	-18.27	-17.00
NYMEX No.2 Heating Oil - WTI	37.58	37.61	37.84	0.23		37.67	38.50	39.88	35.95	34.35
NYMEX RBOB - WTI	34.19	28.85	26.18	-2.67		28.67	30.14	26.87	20.72	17.63
NYMEX 3-2-1 Crack (RBOB)	35.32	31.77	30.07	-1.71		31.67	32.93	31.21	25.80	23.21
NYMEX No.2 - Natural Gas ($/mmbtu)	17.29	17.31	17.71	0.40		16.57	17.72	18.11	18.37	18.10
ICE Gasoil - ICE Brent	15.35	14.98	15.05	0.07		14.33	12.23	16.14	17.11	16.86

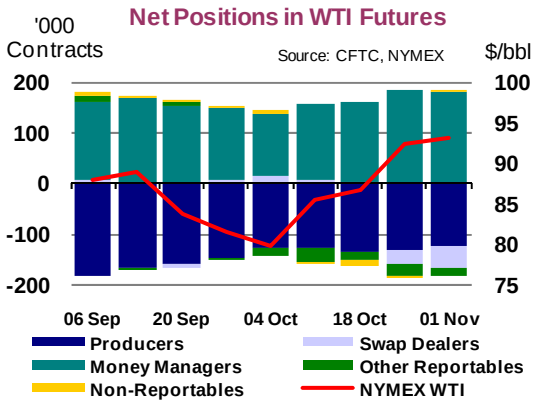
Source: ICE, NYMEX

Futures Markets

Activity Levels

Open interest in WTI contracts in New York plunged in October to a one-year low as traders limited their exposures in risky assets. Open interest in futures-only contracts decreased in October from 1.43 million to 1.35 million. Meanwhile, open interest in futures and options contracts decreased by 8.5% to 2.56 million contracts. During the same period, open interest in London ICE WTI contracts increased in futures-only contracts to 0.44 million and decreased in combined contracts to 0.50 million.





Money managers increased their bets on rising crude oil prices for four straight weeks, sending the number of net futures long holdings to their highest since June in the week ending 25 October as a response to better than expected economic growth in the US and optimism over EU agreement on a debt deal. However, money managers' net long position declined in the week ending 1 November due to concerns over the future of a European debt deal after the Greek Prime Minister George Papandreou announced a referendum on the country's bailout package. Overall, in October, net futures long positions of managed money traders increased from 126 093 to 179 845 contracts in New York. Similarly, money managers increased their Brent futures net long positions by 106.7% from 24 776 to 51 212 contracts.

Producers increased their net futures short positions in October; they held 22.3% of the short and 13.1% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 33.8% and 36.9% of the open interest on the long side and short side, respectively, switched to hold 42 192 net short positions by reducing their gross long position to a seven-month low of 454 231 contracts in the week ending 1 November 2011.

However, producers' trading activity in London WTI contracts showed an opposite pattern from CME WTI contracts. Producers decreased their net short positions in London ICE WTI contracts by 70% from 28 313 to 8 446 contracts over the same period. Swap dealers, on the other hand, switched to hold a net short position (8 412) in the week ending 1 November 2011.

MF Global, one of the most active brokers by volume at CME's metals and energy exchanges in New York, filed for bankruptcy protection on 31 October 2011 after a series of credit rating downgrades due to its $6.3 billion proprietary trade on euro zone sovereign debt. The CFTC revealed that MF Global's commodity customer funds have a $633 million shortfall, or about 11.6 percent, out of a segregated fund requirement of about $5.4 billion. Following the bankruptcy protection, MF Global customer accounts were also frozen due to inability to transfer customer accounts to other brokerage firms. On the day bankruptcy was announced, the volume in CME WTI contracts more than halved. However, the impact of this trade disruption on prices was very limited. Although trading volume in later days rebounded somewhat, the volume was at 518 394 contracts on 4 November 2011, less than half of its October high of 1.088 million contracts.

NYMEX RBOB futures and combined open interest declined by more than 1.45% in October. Open interest in NYMEX heating oil decreased by 9.9% to 296 818 contracts while open interest in natural gas markets increased by 2.3% to 960 199 contracts.

Index investors reduced their long exposure in commodities in September 2011 by more than $50 billion. They withdrew $7.2 billion from Light Sweet Crude Oil, both on and off-exchange traded derivatives contracts, in September to a nine-month low of 646 000 contracts, equivalent to $51.6 billion in notional value.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

01 November 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	176.2	300.3	-124.1	*Short*	↑ 7.0	↑ 3.5
Swap Dealers' Positions	203.3	245.5	-42.2	*Short*	↓ -15.9	↓ -55.4
Money Managers' Positions	229.3	49.4	179.8	*Long*	↓ -4.3	↑ 53.8
Others' Positions	94.4	112.6	-18.2	*Short*	↑ 6.2	↓ -0.3
Non-Reportable Positions	69.5	64.9	4.7	*Long*	↑ 7.0	↓ -1.6
Open Interest			**1345.0**		↓ -43.9	↓ -86.8

Source: CFTC

Market Regulation

In a contentious 3-2 vote on 18 October, CFTC Commissioners voted in favour of establishing federal speculative positions limits on 28 commodities, including NYMEX natural gas, crude oil, gasoline and heating oil, along with a number of metals and grains contracts. Position limits form part of the Dodd-Frank financial legislation passed by the US Congress and are aimed at curbing excessive speculation in commodity derivatives markets. However, critics point to the risks of lower market liquidity, higher hedging costs and increased market volatility (*see 'Rescuing Commodities from Speculators?').*

At the same meeting, the CFTC also passed a final rule on the operation of derivatives clearing organisations (DCOs). The final rule brings together five previous proposals into a single rule-making with a few revisions. The rule covers requirements for risk and information management, requirements for financial resources as well as requirements for processing, clearing and transfer of customer positions; in addition to general regulations on DCOs.

The CFTC also proposed another extension to the effective date for the provisions in the swap regulatory regime that would have gone into effect on 16 July 2011 as established by the Dodd-Frank Act. The proposed amendment extends CFTC's temporary relief order, initially issued on 14 July 2011, until 16 July 2012 from 31 December 2011.

As noted in a previous *OMR*, the European Commission released its extensive revision to Markets in Financial Instruments Directive (MiFID) on 20 October 2011. The new proposal increases the role of the European Securities and Market Authority (ESMA). In order to prevent regulatory arbitrage and distortion from competition, MiFID increased the ESMA's role in the implementation of the new legal proposals. According to MiFID, all trading of derivatives which are eligible for clearing and which are sufficiently liquid, as assessed and determined by ESMA, will move to either regulated markets, Multilateral Trading Facilities (MTFs) or Organised Trading Facilities (OTFs). MiFID is also seeking to introduce a position reporting obligation by category of trader, similar to the Large Trader Reporting System in the US. Furthermore, MiFID will seek to curb speculative trading in commodity derivatives by giving harmonised and comprehensive powers to financial regulators to monitor and intervene at any stage in the trading activity, including hard position limits, if there are concerns in terms of market integrity or orderly functioning of markets. Trading venues will also be required to adopt appropriate limits on traders' position to maintain market integrity and efficiency.

Rescuing Commodities from Speculators?

In a contentious 3-2 vote on 18 October, the US CFTC Commissioners approved final rules on federal speculative positions limits on commodity futures, options and swaps positions of speculators for 28 commodities. These include NYMEX natural gas, crude oil, gasoline and heating oil, along with a number of metals and grains contracts.

In seeking to prohibit excessive speculation and its possible effect on price volatility in futures markets, the Commission adopted a two-stage approach for hard position limits as preventive medicine for excessive speculation. The main features of the final rulemaking include:

- Spot month limits, effective sixty days after the term "swap" is defined by the Commission, which is expected in December 2011. In the first stage, the Commission will take over the existing spot-month limits set by exchanges. In the second stage, the Commission will make its own determination on the spot-month limit based on the 25% of estimated deliverable supply. The spot-month limit will be adjusted biennially for agricultural contracts and annually for energy and metal contracts. That is to say, the earliest adjustment to energy contracts spot month limits based on estimated deliverable supply can be made in the first quarter of 2013.
- Non-spot-month and all-months-combined position limits for legacy agricultural contracts will go into effect sixty days after the Commission defines the term "swap". For non-legacy agricultural, energy and metal contracts, the position limits will be effective after the Commission receives one year of open interest on swaps data. Thereafter, non-spot month and all months combined position limits will be adjusted every two years based on the previous two years' open interest. The rules call for limits on non-spot month and all-months-combined positions up to 10% of the sum of futures, cleared and uncleared swaps open interest for the first 25 000 contracts owned by a trader and 2.5% thereafter.
- The cash-settled natural gas contract will be subject to spot month and non-spot month position limits set at five-times the limit that applies to the physical delivery natural gas contract.
- *Bona fide* hedging positions will not count towards the limits. Exemptions for *bona fide* hedging transactions have been broadened to include certain anticipated merchandising transactions, royalties, and service contracts in the final rulemaking. Hedge exemptions need to be approved by the Commission, rather than the exchanges. Also, if a swap dealer's counter-party is a hedger, or a swap dealer completes a trade on behalf of a bona fide hedger, then the swap dealer might use *bona fide* exemption for this specific trade and it will not be counted towards position limits.
- The final rule requires quarterly position visibility reporting requirements for traders exceeding a non-spot month position visibility level in energy and metal contracts.

Proponents argue that hard position limits on speculative activity ensure the effective functioning of the market by minimising price disruption that could be caused by excessive speculation. They further argue that a hard position limit is necessary to reduce concentration of market share in commodity markets. This will ensure that markets would be made up of a broad group of market participants with a diversity of views, thereby preventing distortion in market prices. The limit on the concentration of market share is also deemed necessary to cut systemic risk. Finally, they argue that rule-based hard position limits are preferable to position accountability levels, in that they provide much more certainty as well as preventing arbitrary intervention in the market.

Opponents have made the point that nine agricultural contracts subject to position limits were not spared record price increases and have noted that substantive comments received by the CFTC were overlooked during rule-making. They further expressed concerns over the inadequacy of cost benefit analysis, restrictive interpretation of bona fide hedging, lack of clarity on how the Commission reached its proposed position limit formula, the possibility of reduced trading activity which would lead to increased, rather than reduced, volatility, and the possibility of international or physical/cash settled regulatory arbitrage.

Moreover, the rule was passed by the seemingly reluctant vote of Commissioner Dunn, who expressed concerns that position limits are "at best, a cure for a disease that does not exist or a placebo for one that does. At worst, position limits may harm the very markets they are intended to protect." His decision to vote in favour as the decision is required by the law was challenged by the two dissenting Commissioners. They

Rescuing Commodities from Speculators? (continued)

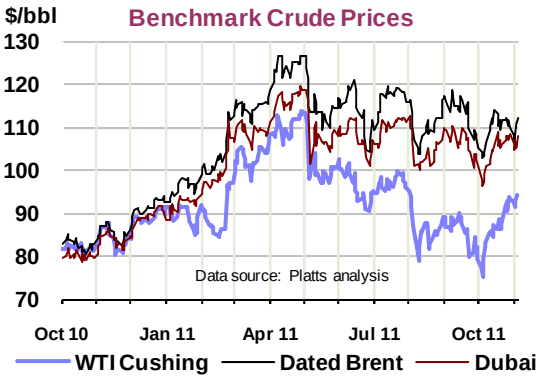
argue that the Commission overreached its mandate since the Act clearly states that the Commission should adopt position limits only if it finds that they are "necessary to diminish, eliminate or prevent" the burden on interstate commerce caused by excessive speculation. They further argued that the Commission still did not have qualitative or quantitative criteria for what is meant by excessive speculation.

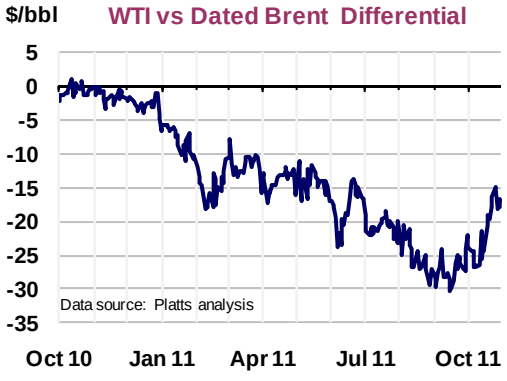
The debate over the position limit rule may continue further. Market participants might challenge the final rule based on whether the Commission overreached its mandate by pre-emptively setting a position limit on commodity derivatives contracts, on the almost non-existing cost-benefit analysis in the final rulemaking as well as insufficient consideration of some of the comments letters which the Commission was obliged to take into account.

Spot Crude Oil Prices

Spot crude prices were down on average in all major markets in October, with the increasingly regionally-focused WTI the exception. The weaker monthly average, however, masks the strong rebound in spot prices throughout the month. The steady increase in spot prices since the exceptionally weak early-October levels has been underpinned by stepped-up buying ahead of the winter demand period as well as low crude stocks levels in all major consuming regions.

Dated Brent prices were down by around $3.70/bbl to about $109.45/bbl in October. Prices fell off the cliff in early October on mounting concerns over the Euro zone debt issues but quickly recovered on strong refiner demand. Middle East marker Dubai was down a smaller $2.35/bbl, to an average $103.95/bbl in October, though by end-month prices had rebounded to a higher band of $106-107/bbl. By contrast, WTI rose to a four-month high in October, up by an average $0.90/bbl, to $86.45/bbl and by early November was trading $10/bbl-plus higher at around $96/bbl.



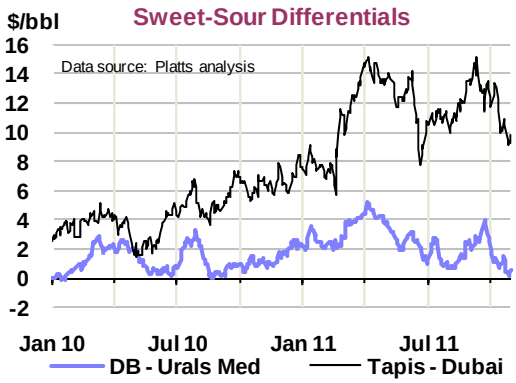


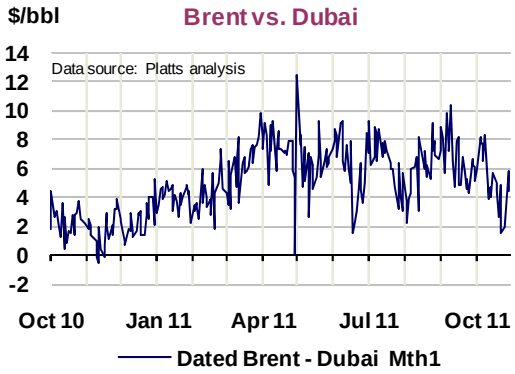
WTI posted a near 18% gain month-on-month in October. As a result of WTI's relative strength, the price spread with Brent plummeted at end-October. WTI's discount to Dated Brent narrowed by around $4.60/bbl in October, to just under $23/bbl on average for the month, and flirted with lows around $15/bbl at end-October.

Trading the price differential between WTI and Brent has been a major play for physical traders, money managers and investment funds for the past year as the Brent premium over WTI steadily increased due to the latter's price weakness on rising inflows of Canadian crude and transportation bottlenecks at the landlocked Cushing, Oklahoma terminal. In addition, sharply reduced supplies of North Sea crudes between April and September, to record 30-year lows, have exceptionally elevated the premium for Brent but prices have eased now as supplies slowly return to more normal levels. A number of players were reportedly caught on the wrong side of the trade when WTI posted its sharp rebound. Many

market participants feel that 2011 highs and lows for the spread may now have passed, and that it could settle into a high-teens to low-twenties range in the near-term.

Storage levels were brimming over at times during the past year, but more recently, crude oil stocks held in Cushing tanks have steadily declined since April, from 41.9 mb to 30.1 mb at end-September. End-October levels at 32.1 mb were slightly higher on the month but still near the bottom of the recent range. Profitable rail and trucking economics to move crude to the US Gulf coast refining region have provided an unexpected relief valve for oversupply that was weighing on prices. While domestic demand has been lacklustre, there has been exceptionally strong export demand for refined products from neighbouring South America.





Increased exports of light, sweet Libyan crude has added downward pressure on sweet-sour spreads in Asia and the Mediterranean. The premium for light, sweet Malaysian Tapis over Dubai has narrowed over the past two months, to around $9.50/bbl in early November compared with about $11.50/bbl in October and $13.40/bbl in September. Meanwhile, the Brent-Dubai price differential, an indicator of the premium for light, sweet crudes over heavier grades, narrowed in October, to around $5.50/bbl from $6.80/bbl in September. By early November the spread was around $4/bbl.

After raising price premiums for Arab Light, Extra Light and Super Light , to record levels for November to Asian customers, Saudi Aramco lowered them again for December liftings. The price cuts for the region are reportedly in line with the seasonal downturn in demand for naphtha and other light-end products.

Spot Crude Oil Prices and Differentials

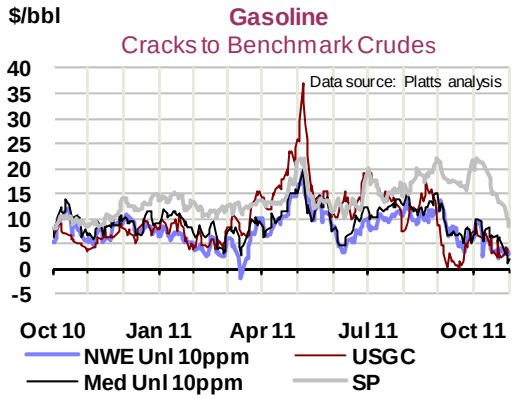
(monthly and weekly averages, $/bbl)

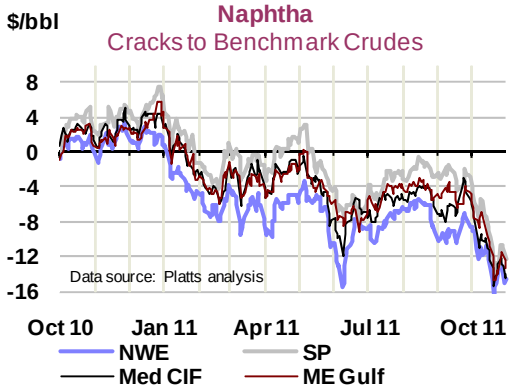
	Aug	Sep	Oct	Oct-Sep		Week Commencing:				
				Avg Chg	%	03 Oct	10 Oct	17 Oct	24 Oct	31 Oct
Crudes										
Dated Brent	110.37	113.12	109.43	-3.69	-3.3	104.32	111.41	111.15	111.17	109.70
Brent (Asia) Mth1 adjusted	110.46	111.93	109.07	-2.86	-2.6	102.85	109.95	111.82	112.11	109.57
WTI (Cushing) Mth1 adjusted	86.30	85.55	86.45	0.90	1.0	79.46	85.67	86.92	92.45	93.12
Urals (Mediterranean)	109.17	110.38	108.10	-2.28	-2.1	102.32	110.05	109.76	110.28	109.71
Dubai Mth1 adjusted	105.02	106.30	103.95	-2.35	-2.2	98.33	103.74	106.61	107.44	106.04
Tapis (Dated)	116.36	119.73	115.56	-4.17	-3.5	110.84	116.59	117.50	117.82	115.46
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-24.07	-27.57	-22.99	4.59		-24.86	-25.74	-24.23	-18.72	-16.58
Urals (Mediterranean)	-1.20	-2.74	-1.33	1.41		-2.01	-1.36	-1.39	-0.89	0.01
Dubai Mth1 adjusted - Dated Brent	-5.35	-6.82	-5.48	1.34		-6.00	-7.67	-4.54	-3.72	-3.66
Tapis (Dated)	5.99	6.60	6.13	-0.48		6.52	5.18	6.35	6.66	5.76
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.45	2.21	1.44	-0.77		1.82	2.16	1.23	0.74	1.10
Forward WTI Cushing Mth1-Mth2 adj.	-0.29	-0.20	-0.14	0.06		-0.19	-0.20	-0.18	-0.03	0.12

Data source: Platts analysis

Spot Product Prices

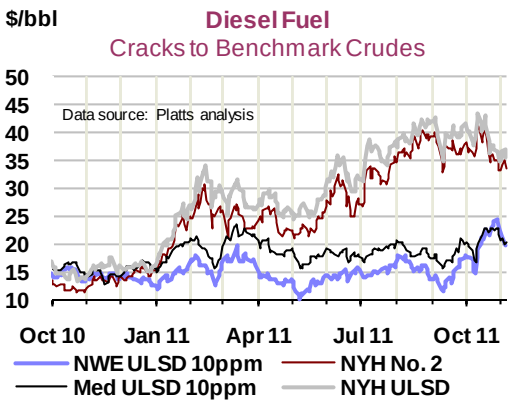
October saw middle distillate crack spreads strengthening, and European diesel crack spreads increased to a robust $19.80/bbl to Brent in an unusually tight market. Stock levels are around or below the five-year average in all major markets as increasing demand and below-average refinery runs in both Europe and Asia have resulted in counter-seasonal stock draws. Light distillates markets on the other hand were weak in October, with crack spreads falling further from last month. Asian naphtha crack spreads fell almost $5/bbl to Dubai month-on-month, and gasoline crack spreads were only $4/bbl to Brent and at a discount to LLS in the US Gulf at month-end. Fuel oil discounts narrowed in October and both high- and low-sulphur fuel oil were trading at premium to Dubai at month-end.

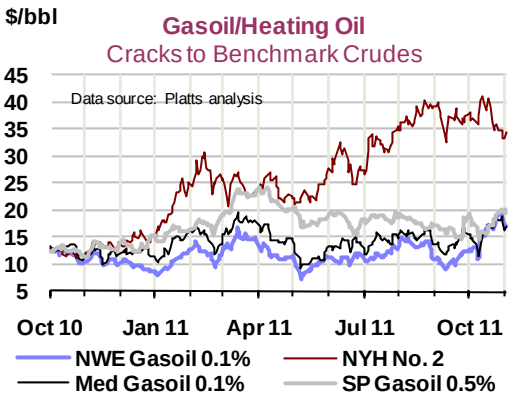




Gasoline crack spreads showed diverging trends in October. In Europe, crack spreads fell slightly partly due to stronger crude prices and a narrow arbitrage to the US East Coast, but demand from West Africa and Middle East was strong, and supplies were especially tight in the Mediterranean. At the US East Coast, gasoline crack spreads also fell, driven by a negative sentiment as demand readings continue to be poor as well as the end-October shift to lower-priced winter grade gasoline. A strengthening of WTI also contributed to the weaker crack spreads. At the Gulf Coast, crack spreads improved slightly, but this was mainly related to benchmark crude prices LLS and Mars falling more than gasoline. In Asia, crack spreads fell throughout October with the gradual restart of the Bukom refinery in Singapore. The tight market conditions of the first half of October saw gasoline crack spreads improve month-on-month from September.

Naphtha markets continued to perform poorly in October, with Asian prices at a $7.80/bbl discount to Dubai in October. Low demand from the petrochemical sector (Korean strength aside), and the competitiveness of propane feedstock contributed in pressuring naphtha markets together with the weakness in gasoline markets.





Middle distillate crack spreads improved in October in all regions. In Europe crack spreads were supported by higher demand and stock draws, partly due to still low exports from Russia. US markets were supported by both increasing domestic demand as well as strong export demand to Latin America and Europe. Asian markets were tight due to lower regional production and high export demand.

Fuel oil discounts remained narrow in October. Asian markets were tight on strong demand especially from Japan and low stock levels, which also supported European markets.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Aug	Sep	Oct	Oct-Sep		Week Commencing:					Aug	Sep	Oct
				Chg	%	03 Oct	10 Oct	17 Oct	24 Oct	31 Oct			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	121.78	120.72	115.61	-5.11	-4.2	111.75	119.39	115.81	116.13	114.14	11.41	7.59	6.17
Naphtha	103.94	103.94	97.53	-6.41	-6.2	95.62	99.82	99.13	96.04	95.80	-6.43	-9.19	-11.90
Jet/Kerosene	126.93	126.19	126.93	0.74	0.6	121.46	126.31	128.78	130.62	129.73	16.56	13.07	17.50
ULSD 10ppm	126.69	127.30	129.26	1.96	1.5	121.93	128.16	132.53	133.86	132.60	16.32	14.18	19.83
Gasoil 0.1%	124.17	123.86	124.60	0.74	0.6	117.00	124.37	127.70	128.76	127.84	13.80	10.74	15.16
LSFO 1%	101.59	100.91	100.91	0.00	0.0	96.27	102.04	102.65	102.62	103.12	-8.78	-12.21	-8.52
HSFO 3.5%	98.06	98.48	98.52	0.03	0.0	94.11	99.45	99.80	100.56	99.95	-12.31	-14.64	-10.92
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	121.85	119.13	114.98	-4.16	-3.5	110.10	117.74	116.72	116.09	112.19	12.68	8.75	6.88
Naphtha	104.40	104.36	97.64	-6.72	-6.4	95.70	100.01	99.23	96.12	95.95	-4.77	-6.03	-10.46
Jet Aviation fuel	125.72	124.78	124.98	0.20	0.2	119.24	124.19	127.02	128.93	127.88	16.55	14.40	16.88
ULSD 10ppm	128.15	128.17	128.89	0.71	0.6	122.11	128.44	131.79	132.79	131.51	18.98	17.79	20.79
Gasoil 0.1%	124.73	124.17	123.80	-0.37	-0.3	117.03	123.27	126.77	127.78	126.92	15.56	13.79	15.70
LSFO 1%	101.75	100.97	100.70	-0.27	-0.3	95.77	102.09	102.43	102.43	102.33	-7.42	-9.41	-7.40
HSFO 3.5%	96.92	98.11	98.51	0.39	0.4	93.68	99.38	99.59	101.20	100.17	-12.25	-12.27	-9.59
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	127.70	126.15	122.78	-3.37	-2.7	120.23	126.30	123.51	121.78	120.63	41.39	40.60	36.33
Unleaded	119.58	116.67	115.80	-0.87	-0.7	113.23	120.21	115.37	114.99	113.56	33.27	31.12	29.35
Jet/Kerosene	127.78	125.65	126.01	0.36	0.3	120.01	125.59	127.75	129.93	129.13	41.47	40.10	39.56
No. 2 (Heating Oil)	123.56	122.63	123.94	1.31	1.1	116.77	123.87	126.34	128.00	127.25	37.26	37.07	37.49
LSFO 1%†	98.84	98.85	99.65	0.79	0.8	96.43	101.94	99.74	100.37	100.98	12.54	13.30	13.20
No. 6 3%†	97.75	98.20	99.25	1.05	1.1	94.86	100.14	100.30	101.38	100.49	11.44	12.65	12.80
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	122.85	124.36	122.18	-2.19	-1.8	119.52	124.63	123.40	121.17	116.52	17.83	18.06	18.22
Naphtha	103.00	103.49	96.19	-7.30	-7.1	94.27	97.52	98.18	94.70	94.74	-2.02	-2.82	-7.76
Jet/Kerosene	124.89	123.53	123.25	-0.28	-0.2	118.23	121.57	125.62	127.67	126.47	19.87	17.22	19.30
Gasoil 0.5%	122.99	122.71	121.31	-1.40	-1.1	116.66	119.73	122.93	125.96	125.98	17.98	16.40	17.36
LSWR Cracked	109.90	107.94	109.06	1.12	1.0	103.86	108.56	110.70	113.14	114.59	4.89	1.64	5.11
HSFO 180 CST	100.57	100.90	101.45	0.55	0.5	96.46	101.45	103.16	104.94	105.06	-4.45	-5.40	-2.51
HSFO 380 CST 4%	102.41	102.56	103.42	0.86	0.8	98.35	103.39	105.22	106.96	106.91	-2.60	-3.75	-0.53

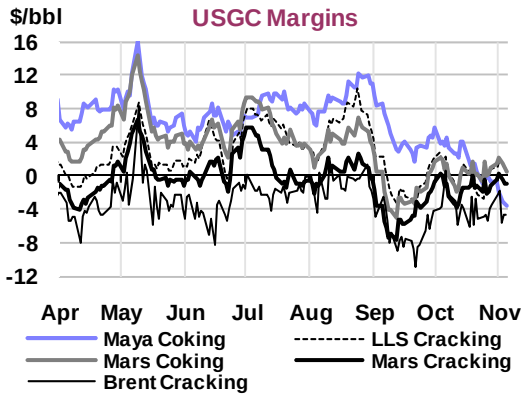
Data source: Platts analysis * CIF † Cargoes

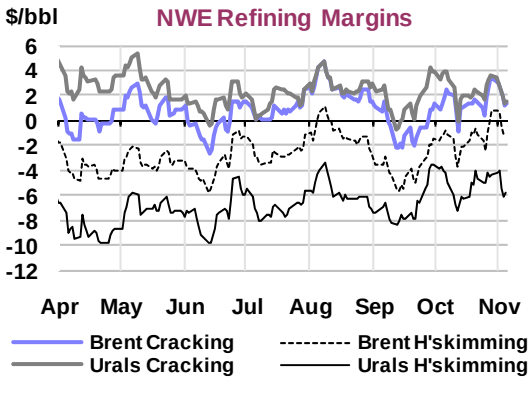
Refining Margins

Refining margins largely improved in October but volatility throughout the month was high. Margins were generally supported by a strong increase in middle distillate crack spreads, with the exception of high-priced Maya crude, which led to depressed coking margins for the grade in the US Gulf. Moving into November, margins continued to seesaw in line with volatile crude markets, declining towards the end of the first week as product prices failed to keep track with increasing crude prices.

European refining margins showed a slight improvement in October, especially for simple refineries although absolute levels continue to be very weak. The strength seen for middle distillates and narrowing discounts for fuel oil supported the margins.

On the US Gulf Coast, margins continue to be weak, although both Mars coking and LLS cracking margins moved into positive territory again after showing calculated losses last month. The strength in the middle distillates segment gave support, but LLS margins weakened in the second half of the month as LLS was relatively stronger. After showing strength over the summer, Maya coking margins fell by $3/bbl month-on-month in October on strong Maya prices.





Tightness in Asian product markets due to ongoing capacity outages at the Bukom refinery in Singapore gave support to Singapore Dubai margins. Tapis margins also improved in October as its value eased alongside that for light-sweet grades generally. Meanwhile, Chinese margins improved in October mainly due to stronger middle distillate crack spreads and narrowing fuel oil crack spreads.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:			
		Aug 11	Sep 11	Oct 11		Oct 11-Sep 11	07 Oct	14 Oct	21 Oct	28 Oct	04 Nov
NW Europe	Brent (Cracking)	2.53	-0.38	1.53	↑	1.91	1.74	0.74	1.47	1.87	2.14
	Urals (Cracking)	2.93	1.66	2.49	↑	0.83	3.60	1.42	2.12	2.66	2.22
	Brent (Hydroskimming)	-0.98	-3.81	-1.29	↑	2.52	-1.18	-2.47	-1.10	-0.85	-0.23
	Urals (Hydroskimming)	-3.79	-4.76	-2.99	↑	1.78	-1.80	-4.58	-3.21	-2.67	-2.72
Mediterranean	Es Sider (Cracking)	2.56	0.26	0.40	↑	0.15	0.88	-1.04	0.80	0.92	-0.14
	Urals (Cracking)	2.06	0.12	0.94	↑	0.83	1.60	-0.18	1.14	1.23	0.00
	Es Sider (Hydroskimming)	-3.13	-5.21	-4.51	↑	0.70	-3.89	-6.16	-4.10	-4.06	-4.25
	Urals (Hydroskimming)	-5.63	-6.77	-5.00	↑	1.77	-4.13	-6.46	-4.99	-4.58	-5.09
US Gulf Coast	Brent (Cracking)	-0.96	-6.68	-3.81	↑	2.87	-2.36	-4.07	-4.55	-4.55	-3.90
	LLS (Cracking)	6.01	-0.73	0.06	↑	0.79	1.66	-0.56	-0.68	-0.38	1.20
	Mars (Cracking)	0.51	-4.40	-1.56	↑	2.85	-0.90	-2.85	-1.07	-1.63	-0.55
	Mars (Coking)	4.24	-1.73	0.42	↑	2.15	1.25	-0.68	0.49	0.41	1.28
	Maya (Coking)	9.47	4.88	1.88	↓	-3.01	3.96	3.14	1.28	-0.36	-2.51
US West Coast	ANS (Cracking)	1.46	-5.26	-0.42	↑	4.83	0.19	2.47	-1.10	-3.26	1.24
	Kern (Cracking)	10.77	-3.05	-2.14	↑	0.91	-1.02	0.52	-2.18	-5.40	-3.37
	Oman (Cracking)	0.29	-0.98	2.41	↑	3.39	3.67	5.57	-0.18	-0.03	5.85
	Kern (Coking)	11.32	2.03	4.02	↑	1.99	4.58	6.68	4.34	0.84	2.64
Singapore	Dubai (Hydroskimming)	0.39	-1.03	0.41	↑	1.44	1.95	0.34	-0.54	-0.19	0.88
	Tapis (Hydroskimming)	-6.84	-10.60	-8.19	↑	2.41	-7.15	-9.34	-8.51	-8.20	-6.27
	Dubai (Hydrocracking)	2.93	1.57	2.32	↑	0.75	4.27	2.38	1.30	1.33	2.00
	Tapis (Hydrocracking)	-6.29	-9.79	-8.00	↑	1.79	-6.62	-9.06	-8.37	-8.31	-6.79
China	Cabinda (Hydroskimming)	-1.77	-3.57	-2.62	↑	0.95	-1.08	-4.61	-3.28	-2.09	-0.53
	Daqing (Hydroskimming)	-2.74	-1.53	0.70	↑	2.23	-0.03	0.64	0.80	1.28	0.91
	Dubai (Hydroskimming)	0.32	-1.11	0.34	↑	1.45	1.89	0.30	-0.61	-0.30	0.83
	Daqing (Hydrocracking)	-0.18	1.56	2.86	↑	1.30	2.77	3.35	2.92	2.53	1.08
	Dubai (Hydrocracking)	3.11	1.71	2.50	↑	0.79	4.45	2.58	1.48	1.48	2.20

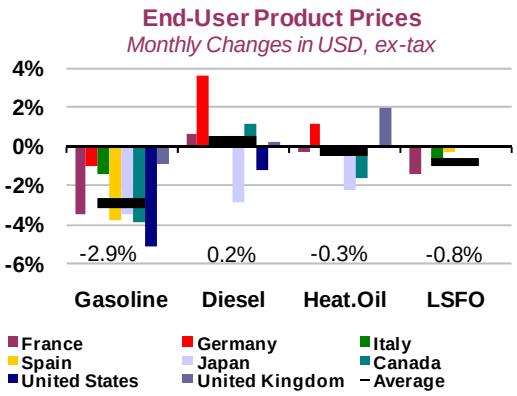
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability 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.

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in October

Average IEA end-user prices in US dollars (ex-tax) fell by a lean 0.94% in October. On this basis, prices retreated across all surveyed products, bar diesel, which reported a marginal 0.2% increase. Gasoline decreased by a significant 2.9% driven by weak prices in the US (-5.1%), Canada (-3.9%) and Spain (-3.8%). Diesel dropped in Japan and the US by 2.9% and 1.2%, respectively; but showed a sizeable increase in Germany (+3.5%). Heating oil showed mixed movements across surveyed countries but on average decreased by a minor 0.3%. LSFO dropped by a more sizeable 0.8% driven by a fall of 1.4% in France.

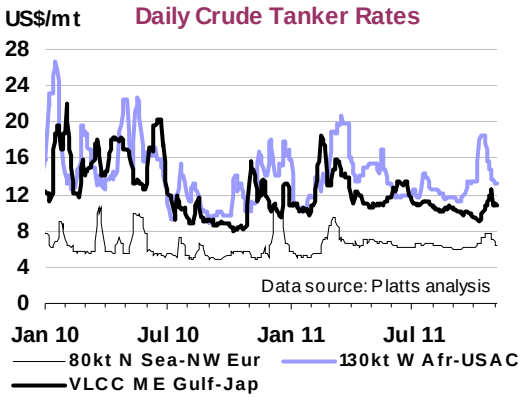


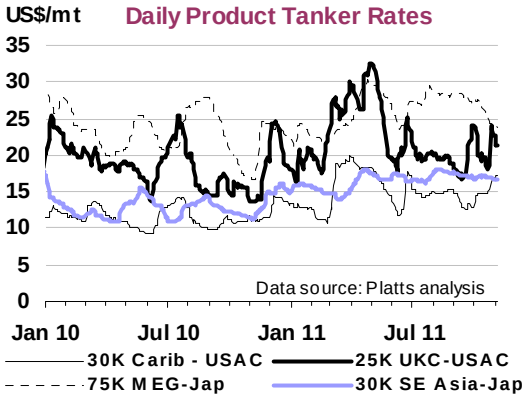
On a year-on-year basis, fuel prices continue to recede on the back of weaker demand and ambivalent consumer confidence. On a country-by-country basis, average end-user prices range between 23% and 33% higher than a year ago. UK prices posted the heftiest annual increase driven by heating oil and diesel. On a fuel-by-fuel basis, gasoline and diesel are 25% and 27% higher than year-ago levels, respectively.

Freight

Crude tanker freight rates experienced a recovery of sorts during October, with all benchmark rates firming for the first time since early summer. The upward momentum resulted from severe delays in the Bosphorus Straits where the implementation of new regulations on hazardous cargoes contrived to increase journey times by up to 10 days. In the West African market, the delays combined with high demand to tighten Suezmax tonnage, forcing the benchmark West Africa – US Atlantic Coast rate to a peak of $18.50/mt on 17 October.

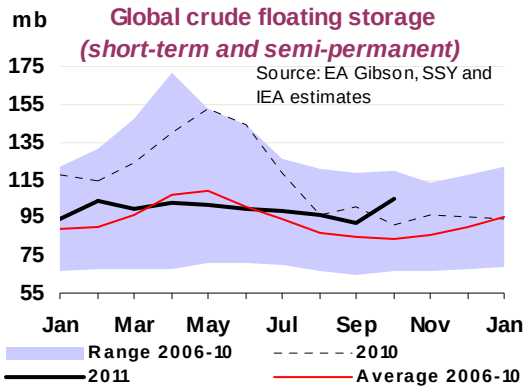
In the Middle East, steady demand provided some respite for owners as rates on the benchmark Middle East Gulf – Japan voyage recovered to $12.50/mt by end-October. Even the North Sea Aframax market got a piggyback from the delays affecting their Mediterranean counterparts as tightening tonnage pushed the North Sea – Northwest Europe rate over $7.70/mt by end-month. However, the firming on all trades proved fleeting as once again vessels repositioned themselves to take advantage of firming markets thereby forcing rates downwards. This was most pronounced in the West African Suezmax market, which plummeted from mid-month as demand waned and tonnage lists lengthened after tankers based East of Suez 'offered up' for forward Nigerian and Angolan cargoes.





In product tanker markets, the picture was mixed. The volatility of the UK – US Atlantic Coast trade was once again underlined as a bust, boom and then bust again scenario played out. After a lacklustre early-

month, fundamentals firmed in mid-October with the rate resurging to over $24/mt, but by the time of writing, the rate had receded sharply on the back of a lengthy tonnage list. In the east, the Middle East Gulf – Japan route, which had remained healthy all summer, fell below $24/mt by early-November after declining demand and a plethora of available vessels softened fundamentals.



Oil in short-term floating storage increased by 2.6 mb at end-October. However, this masked the fact that crude climbed sharply by 12.8 mb to 46 mb whilst all product floating storage (10.2 mb) came ashore. The rise in crude inventories was driven by a 12.9 mb build in Iranian storage either in the Middle East Gulf or being shuttled unsold to the SUMED pipeline at Ain Sukhna. Additionally, storage in the US Gulf rose by 2.1 mb to 6.5 mb whilst Asia Pacific storage drew by 1.2 mb. The surprise fall in products was led by West Africa which drew by 6.6 mb with inventories in Asia Pacific and the Mediterranean declining by 3.1 mb and 0.5 mb, respectively. Consistent with the offloading of products, the storage fleet is now composed of 20 VLCCs and 2 Suezmaxes after 11 smaller vessels were released.

REFINING

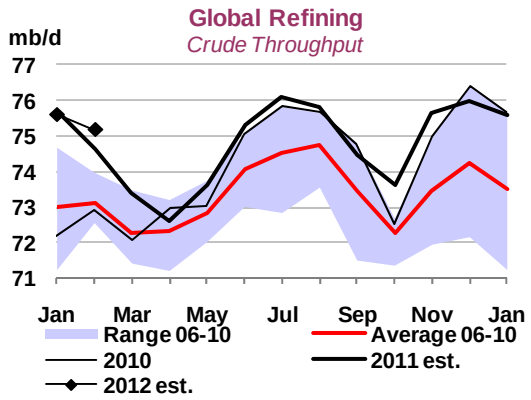
Summary

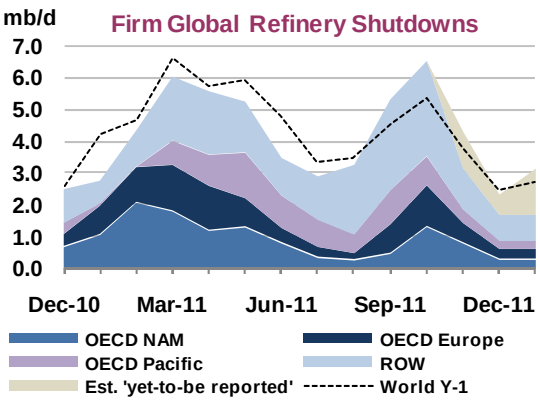
- **Global refinery crude throughputs fell sharply in September,** as planned and unplanned shutdowns amplified the normal seasonal downturn. Asian refinery runs were lower than expected following unscheduled and prolonged outages in Taiwan and Singapore, and extensive maintenance and delays in the commissioning of new capacity in India. Russian runs also fell more than expected despite recent tax changes, and earlier talk of postponed turnarounds, while higher OECD rates provided a partial offset. In all, 3Q11 global crude runs have been lowered by 30 kb/d, to 75.5 mb/d.

- **4Q11 refinery crude run estimates have been lowered by 260 kb/d since last month's report**, to average 75.1 mb/d, following significant refinery outages and apparent delays in starting up new capacity in Asia. While mega-refineries in both Singapore and Taiwan have restarted after extended unplanned shutdowns, reduced runs are likely to persist through to the end of the year. New capacity in India is now only expected to be fully operational in 2Q12.

- **OECD crude runs fell by 0.9 mb/d in September to 36.8 mb/d,** on the back of lower runs in all regions. European and North American runs were both down 390 kb/d from a month earlier, while the Pacific contracted by less than 100 kb/d. The seasonal decline was nevertheless smaller than expected, resulting in an upward revision to 3Q11 OECD estimates of 100 kb/d in total, to 37.2 mb/d. 4Q11 estimates are unchanged since last month's report, averaging 36.4 mb/d, on par with 4Q10.

- **OECD refinery yields were relatively unchanged in August,** showing only a small decrease in yields for naphtha and 'other products' and a minor increase in fuel oil and distillate yields compared to the previous month. Unchanged OECD gasoline yields masked a further decline in Europe and higher Pacific yields. OECD gross output increased further in August by 485 kb/d from July, to 44.7 mb/d.





Global Refinery Throughput

Global refinery crude runs have been revised down by 30 kb/d for 3Q11 as weaker-than expected non-OECD runs more than offset higher runs in all OECD regions. September throughputs were particularly hard-hit in 'Other Asia' (260 kb/d lower than expected) following a series of planned and unscheduled outages and delays to the commissioning of new capacity in India. The shutdown of Essar's Vadinar refinery for 45 days led to a 200 kb/d monthly decline in Indian runs, while apparent delays continued to impede the ramping up of operations at the recently commissioned Bina (120 kb/d) and Bathinda (180 kb/d) refineries. These plants and the expanded Vadinar refinery are now only expected to be fully operational sometime in 2Q12. Significant refinery outages in Taiwan and Singapore also restricted regional product supplies. Elsewhere, Russian refinery runs fell more sharply than forecast in

September, despite talk of postponing maintenance as a result of new export tax changes taking effect on 1 October (See *Supply Section*). Russian crude processing fell by almost 400 kb/d from August, 100 kb/d above forecast. Higher-than-expected runs in all OECD regions in September provided a partial offset however. While total OECD runs fell 0.9 mb/d in September, the drop was 290 kb/d lower in than last month's report, spread across the three regions.

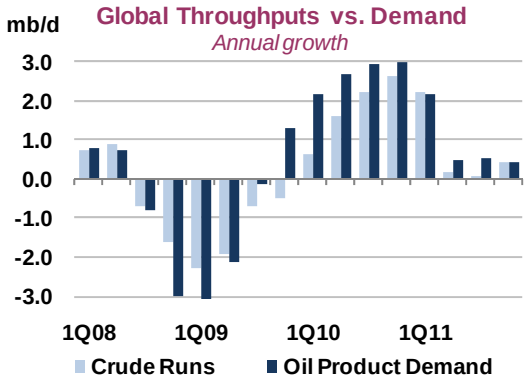
Global Refinery Crude Throughput[1]

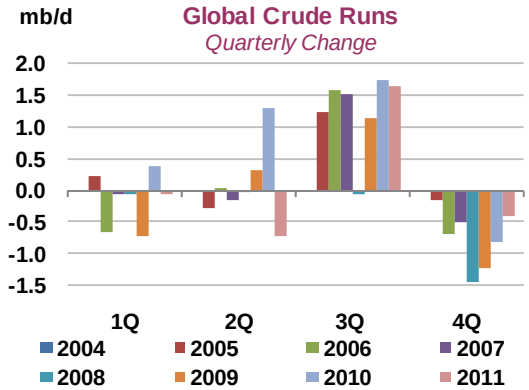
(million barrels per day)

	2Q2011	Jul 11	Aug 11	Sep 11	3Q2011	Oct 11	Nov 11	Dec 11	4Q2011	Jan 12	Feb 12
North America	**17.5**	18.4	18.5	18.1	**18.3**	17.5	17.8	17.5	**17.6**	17.2	17.0
Europe	**11.9**	12.4	12.6	12.2	**12.4**	12.1	12.1	12.4	**12.2**	12.4	12.3
Pacific	**6.2**	6.4	6.5	6.5	**6.5**	6.1	6.7	7.0	**6.6**	7.0	7.0
Total OECD	**35.7**	**37.2**	**37.6**	**36.8**	**37.2**	**35.7**	**36.6**	**36.8**	**36.4**	**36.6**	**36.3**
FSU	**6.5**	6.7	6.7	6.2	**6.5**	6.1	6.5	6.7	**6.4**	6.6	6.5
Non-OECD Europe	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.6	0.6	**0.5**	0.6	0.6
China	**8.9**	8.8	8.7	8.8	**8.8**	9.1	9.3	9.4	**9.3**	9.3	9.2
Other Asia	**8.9**	9.2	8.7	8.7	**8.8**	8.7	9.0	9.1	**8.9**	9.2	9.2
Latin America	**5.3**	5.3	5.3	5.3	**5.3**	5.2	5.2	5.1	**5.2**	5.1	5.1
Middle East	**5.8**	6.2	6.3	6.2	**6.3**	6.2	6.2	6.0	**6.1**	5.9	5.9
Africa	**2.1**	2.2	2.1	2.0	**2.1**	2.1	2.2	2.3	**2.2**	2.3	2.4
Total Non-OECD	**38.1**	**38.9**	**38.2**	**37.7**	**38.3**	**37.9**	**39.1**	**39.1**	**38.7**	**39.0**	**38.9**
Total	**73.8**	**76.1**	**75.8**	**74.5**	**75.5**	**73.6**	**75.6**	**76.0**	**75.1**	**75.6**	**75.2**

1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

4Q11 global estimates have been revised lower by 260 kb/d from last month's report, in large part due to the changes outlined above. While capacity in both Taiwan and Singapore had been restored by end-October, reduced runs are likely to persist through to the end of the year. Shell announced it plans to fully restore production at the 500 kb/d Pulau Bukom refinery in Singapore during November and December. In Taiwan safety checks and staged shutdowns will persist at the 540 kb/d Mailiao refinery until August 2012, with the first such shutdown scheduled for December. We now see 4Q11 runs averaging 75.1 mb/d, down 420 kb/d from the previous quarter, but 450 kb/d higher year-on-year.

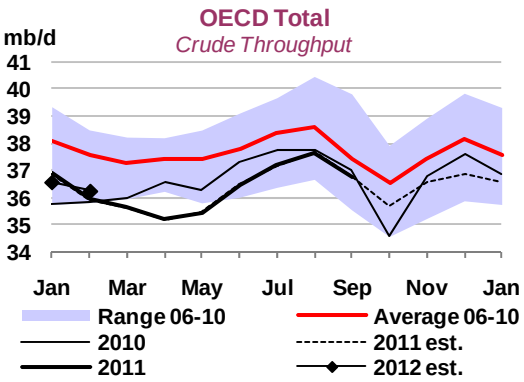


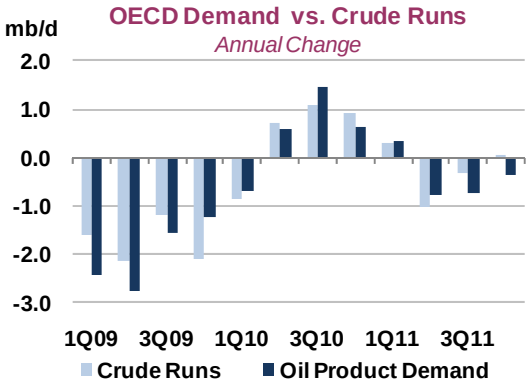


OECD Refinery Throughput

OECD crude runs fell by close to 900 kb/d in September, as all regions recorded declines. Both European and North American runs were down by 390 kb/d from a month earlier, while the Pacific contracted by less than 100 kb/d. Only North America sustained runs above a year earlier (+370 kb/d), with total OECD runs trailing some 240 kb/d below last year's average. However, the seasonal decline was somewhat

weaker than expected, leading to a 290 kb/d upward revision in total. In particular, South Korean runs rebounded from August's dip, back to 2.5 mb/d, supported by robust domestic demand and strong exports. Total OECD 3Q11 runs are now pegged at 37.2 mb/d, 315 kb/d below 3Q10. OECD runs are expected to hit their seasonal low in October, as scheduled shutdowns peak, before rebounding towards year-end. 4Q11 OECD estimates are unchanged since last month's report, averaging 36.4 mb/d.





Refinery Crude Throughput and Utilisation in OECD Countries

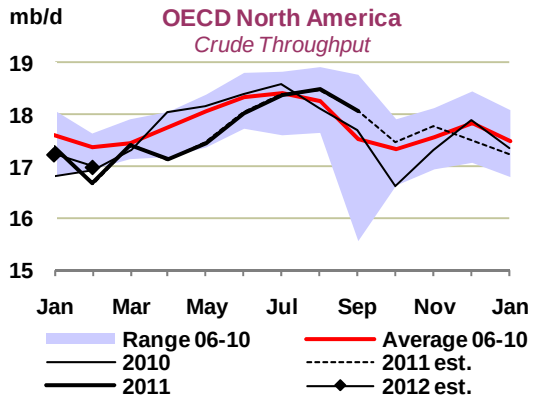
(million barrels per day)

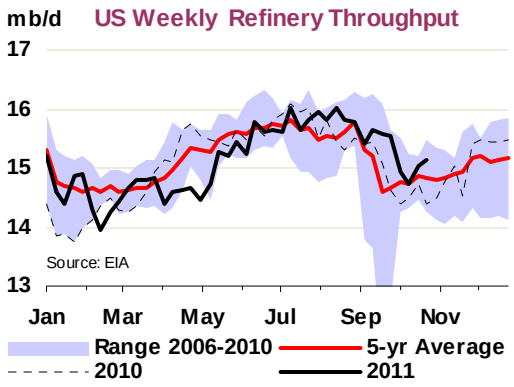
							Change from		Utilisation rate[1]	
	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	*Aug 11*	*Sep 10*	Sep 11	Sep 10
US[2]	14.30	14.78	15.37	15.62	15.59	15.31	-0.29	0.57	87.1%	84.2%
Canada	1.57	1.54	1.54	1.61	1.65	1.68	0.03	-0.11	91.3%	90.9%
Mexico	1.26	1.15	1.14	1.16	1.24	1.10	-0.13	-0.09	71.6%	77.7%
OECD North America	**17.14**	**17.46**	**18.05**	**18.39**	**18.48**	**18.08**	**-0.39**	**0.37**	**86.4%**	**84.3%**
France	1.18	1.33	1.35	1.34	1.37	1.33	-0.04	-0.17	81.1%	82.7%
Germany	1.85	1.84	1.78	2.02	2.03	1.92	-0.11	-0.13	80.3%	85.7%
Italy	1.52	1.56	1.62	1.55	1.66	1.57	-0.09	-0.16	72.1%	75.9%
Netherlands	0.80	1.00	1.04	1.04	1.04	1.11	0.07	0.11	85.9%	77.4%
Spain	1.09	1.01	1.06	1.01	1.07	1.09	0.02	-0.02	77.3%	78.9%
United Kingdom	1.51	1.50	1.45	1.50	1.51	1.47	-0.04	0.04	81.3%	79.2%
Other OECD Europe	3.65	3.72	3.92	3.93	3.95	3.75	-0.20	-0.10	76.0%	78.6%
OECD Europe	**11.61**	**11.95**	**12.23**	**12.39**	**12.63**	**12.24**	**-0.39**	**-0.44**	**78.2%**	**79.8%**
Japan	3.10	2.78	2.93	3.17	3.37	3.21	-0.16	-0.14	69.8%	70.4%
South Korea	2.58	2.51	2.52	2.52	2.43	2.50	0.07	-0.03	91.3%	92.4%
Other OECD Pacific	0.78	0.75	0.77	0.70	0.74	0.75	0.01	0.00	81.9%	81.9%
OECD Pacific	**6.46**	**6.04**	**6.21**	**6.38**	**6.54**	**6.45**	**-0.09**	**-0.17**	**78.3%**	**78.9%**
OECD Total	**35.20**	**35.45**	**36.49**	**37.16**	**37.65**	**36.78**	**-0.87**	**-0.24**	**82.0%**	**81.7%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

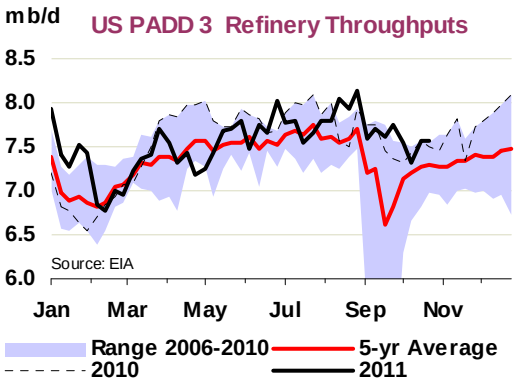
2 US50

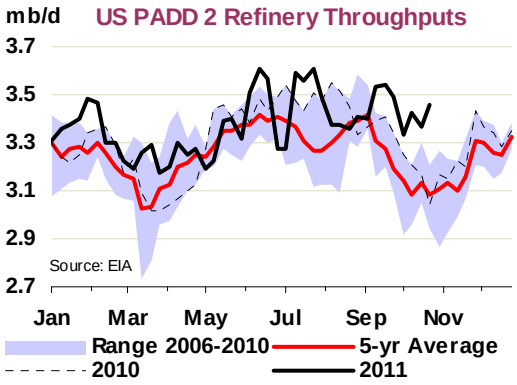
Refinery crude throughputs in **North America** fell by 390 kb/d in September following lower runs in both the US and Mexico. However, driven by relatively healthy operations in the US, regional throughputs stood some 370 kb/d above the same month last year. The absence of any hurricane shutdowns on the Gulf Coast and persistently high product exports supported runs. US product exports hit yet another record high, above 3.0 mb/d, in August, the latest month for which consolidated data are available. Net product exports totalled 915 kb/d, up from 490 kb/d in July and 440 kb/d last year, led by record-high shipments of distillates. Distillate exports averaged 895 kb/d while finished gasoline exports were at a record 535 kb/d. Imports of gasoline blending components, at 590 kb/d, provided some offset.





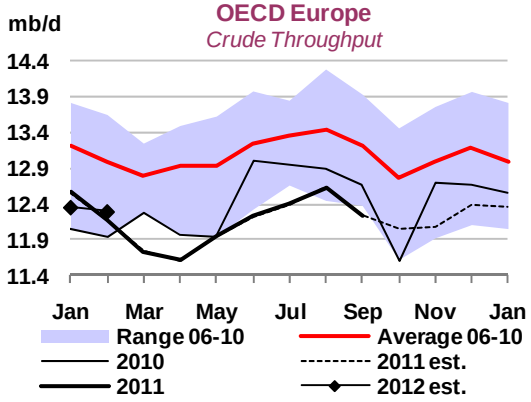
Mexico remains the largest importer of refined products, and gasoline in particular, from the US. Total product exports to Mexico averaged close to 0.5 mb/d in August. Imports of petroleum products probably remained elevated in September and October, as Mexican refinery operations were curtailed by planned and unplanned outages at Salamanca, Cadereyta, Minatitlan and Ciudad Madero during September and October, exacerbating structural product supply shortages.



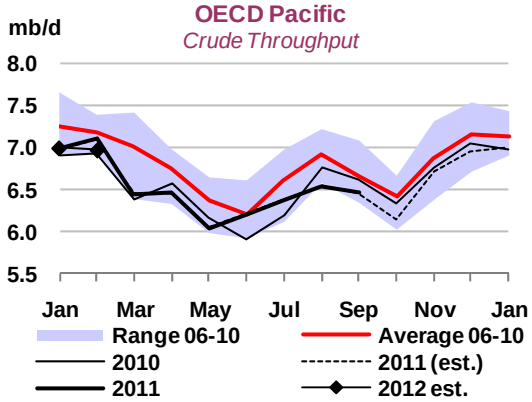


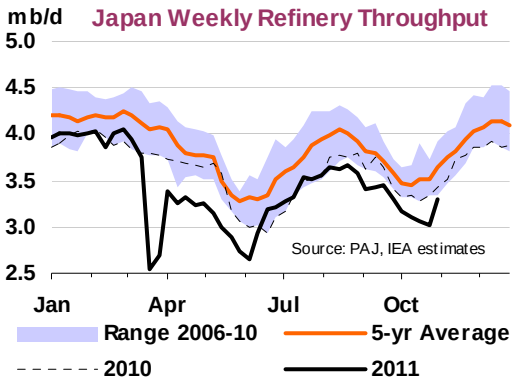
US runs fell seasonally in October, by 570 kb/d, but were slightly stronger than expected, prompting a 140 kb/d upward adjustment for 4Q11 regional runs. Refinery margins generally improved on the Gulf Coast, and the region was spared any storm shut-ins. US refinery runs were more than 700 kb/d higher than a year earlier, with annual gains recorded for PADDs 1, 2 and 3 (unadjusted weekly data show 590 kb/d annual increase). On the West Coast runs fell sharply at end-October due to maintenance at BP's Carson refinery in California, Tesoro's Wilmington plant and Chevron's Richmond refinery amongst others.

OECD European runs fell by 390 kb/d in September, in line with expectations. The monthly decline stemmed from a number of countries as the peak summer demand season came to an end and refiners started autumn turnarounds. Notable declines came from the Czech Republic, Sweden, Germany and Italy due to maintenance and reduced runs due to poor economics (notably Eni's Venice refinery). In Spain, Repsol announced mid October that the upgrades and expansions at the Cartagena refinery would be operational by mid-October and at Bilbao by 15 November. Cartagena's capacity has been doubled to around 220 kb/d, from 110 kb/d previously, and new coking, hydro-cracking and desulphurisation units have been added. At the Bilbao refinery, a 40 kb/d coking unit has been added.



OECD Pacific crude runs averaged 6.5 mb/d in September, 90 kb/d lower than in August, but almost 200 kb/d higher than our previous forecast. The largest revision came to South Korean throughputs, which rebounded from August's dip, to 2.5 mb/d, and provided some offset to seasonally declining Japanese throughputs. Japanese crude runs fell more than expected in October, to only 2.9 mb/d, 260 kb/d less than both September and October 2010. Runs rebounded by the last week of October, however, as refiners were increasing utilisation rates to replenish inventories and to meet winter heating demand. Both gasoil and kerosene stocks were well below their 5-year average levels ahead of the peak heating season.

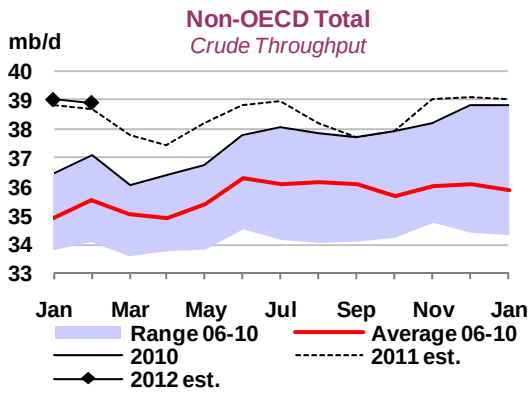


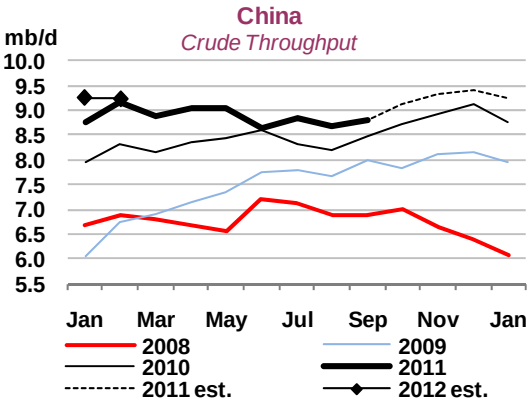


Non-OECD Refinery Throughput

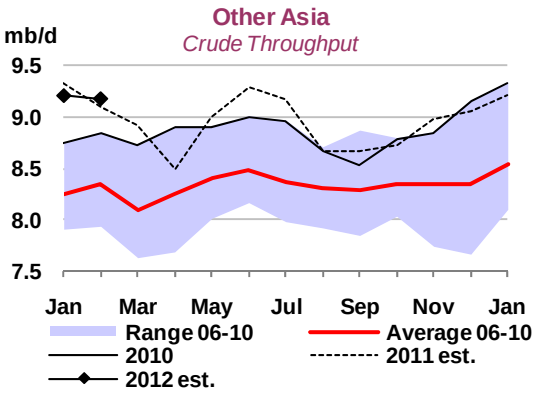
Non-OECD refinery crude runs have been revised down by 135 kb/d for 3Q11 following shortfalls in a number of countries, due to both planned and unplanned shutdowns. **Indian** runs in particular were weaker than expected in September, averaging 3.8 mb/d, following heavy maintenance at several plants, including Essar's Vadinar refinery and delays in ramping up runs at HPCL's Bathinda and BPCL's Bina plants. Talk of delaying scheduled maintenance in **Russia**, due to recent export tax changes, does not seem to have materialised and Russian runs fell by close to 400 kb/d in September, some 100 kb/d more than forecast. Russian runs were also likely constrained due to turnarounds in October, before rebounding in November. September operations were also lowered by slightly weaker-than-expected runs in **Brazil** and **South Africa**, the latter experiencing some fuel shortages as four out of the country's six refineries were shut. In all, total non-OECD runs are now estimated at 38.3 mb/d for 3Q11, 380 kb/d above 3Q10.

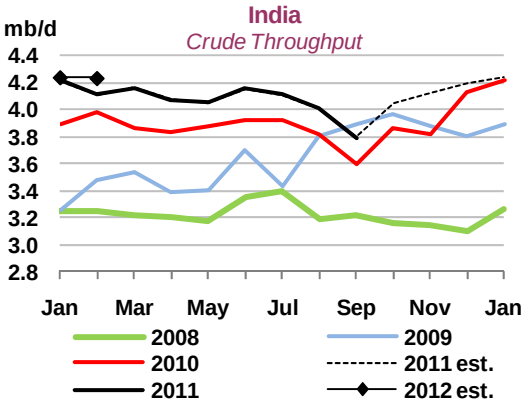
The delays and shutdowns mentioned above in large part extend into the remainder of the year. 4Q11 estimates have as a result been lowered by a more significant 275 kb/d, to 38.7 mb/d. New Indian capacity is now only expected to be fully operational by 2Q12, cutting into previously forecasted growth. While mega-refineries in both **Singapore** and **Taiwan** have restarted after being shut following fires, reduced runs are likely to persist through to the end of the year. The latest information regarding Shell's 500 kb/d Singapore refinery is that all crude units have restarted, but full rates will likely only be regained by end-year. Also in Taiwan, Formosa's 540 kb/d Mailiao refinery will likely run at reduced rates through August 2012, as the plant undertakes safety checks and stages shutdowns. One such shutdown has been announced for December. Despite the outages and delays, non-OECD runs are expected to increase by 0.4 mb/d in 4Q11 on both a quarterly and an annual basis.





Chinese refinery crude throughputs averaged 8.8 mb/d in September, some 120 kb/d higher than in August and 290 kb/d above a year earlier, but in line with our previous forecast. Runs are expected to rise from October, as maintenance is completed at most plants and refiners restock depleted inventories. Sinopec announced it was planning to run its refineries at close to full capacity in November to "ensure adequate supplies of product to meet domestic demand". PetroChina's refineries have reportedly been running at full capacity since October, (+5.7% y-o-y), CNPC said on 28 October. Turnarounds at CNOOC's 240 kb/d Huizhou refinery for 40 days from October will provide some offset. A decrease in ex-refinery prices of gasoline and diesel, effective from 9 October, lowered domestic refining margins, however, and could discourage increases in runs and product imports, leading to continued stock draws or shortages.



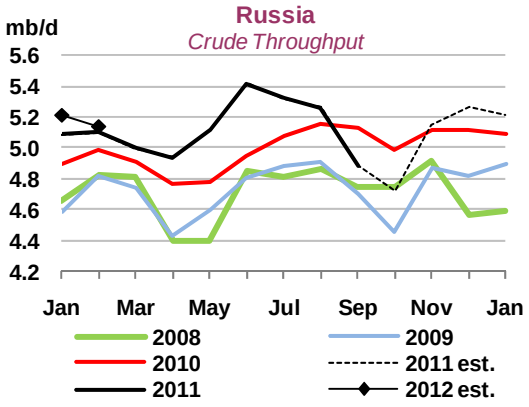


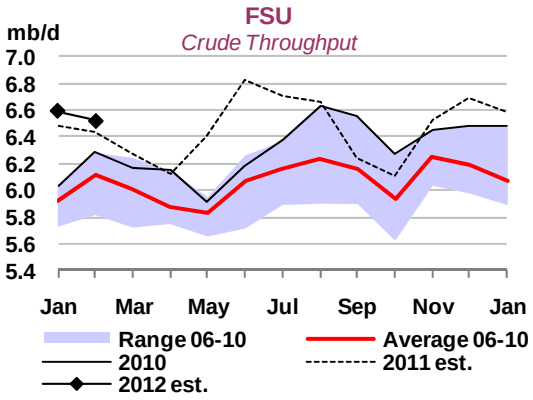
Indian refinery crude runs fell to 3.8 mb/d in September, down 200 kb/d from August and 200 kb/d less that expected. The drop in runs follows maintenance shutdowns of Essar's Vadinar refinery from mid-September as capacity was boosted to 375 kb/d. The plant resumed operations on 24 October, although operations at the 75 kb/d expanded unit will not begin until end-1Q12. Indian state company IOC reportedly reduced runs at its Mathura plant due to weaker demand for industrial fuels during the monsoon and at its Koyali plant due to high naphtha inventories. Total runs were nevertheless 4.4% higher than a year earlier. It is uncertain whether the new 180 kb/d Bathinda refinery is currently operating. The latest news, around 1 November is that HPCL plans to commission the plant by 31 March 2012, though the crude and vacuum distillation units have already been commissioned and crude processing trials started in August.

Elsewhere in the region, refinery throughputs in Singapore and Taiwan were hampered by shutdowns following fires. **Taiwan's** refinery runs dropped to 40% utilisation in August, or 504 kb/d, but in line with our estimates. Formosa was forced to shut the 540 kb/d Mailiao refinery at the end of July following a fire. The plant's three CDUs had all restarted by mid-September, but runs will likely be reduced until the end of August 2012 as the company undertakes safety checks and staged shutdowns. The first such shutdown has been announced for December, when a 180 kb/d CDU will be taken offline for 40 days.

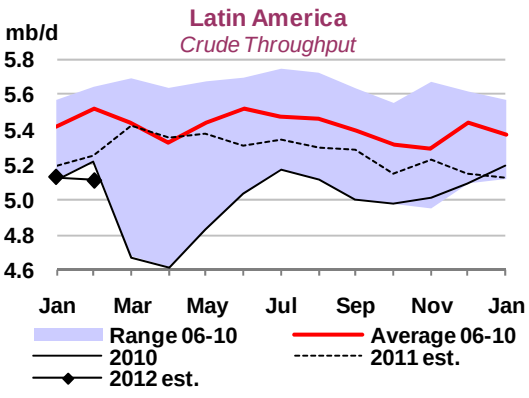
In **Singapore**, Shell restarted the final crude unit at its refinery at the end of October, one month after the entire 500 kb/d plant had to be shut following a fire. The company said the plant would be running at 52% utilisation following the restart, or 259 kb/d, before returning to normal operation by December.

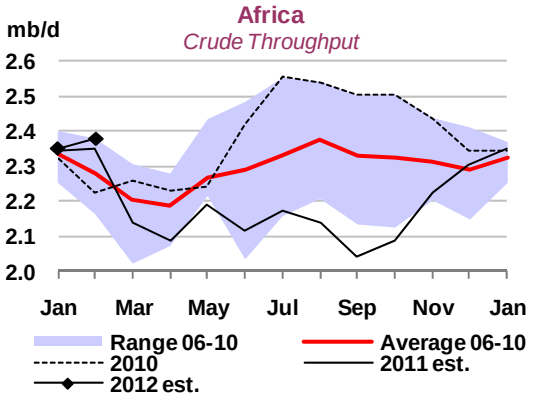
Russian refinery runs fell by almost 400 kb/d in September, due to extensive maintenance outages. The fall was almost 100 kb/d more than expected in last month's report. Talks of postponing scheduled shutdowns until after the 1 October introduction of the 60-66 export tax changes seem to have had a limited impact on actual runs. It was argued that since product export duties would rise after the duty change while crude export duties would decrease as a result, refiners would maximise product output and exports ahead of the change, and crude exports thereafter. In reality, changes to maintenance schedules are not so easy to implement, as a lot of planning and staff are involved. That said, October maintenance is expected to increase further, and runs are likely to rebound in November following the completion of most maintenance. Providing a partial offset, Kazakhstani refinery runs averaged 324 kb/d in September, the second highest since our monthly time series started in January 2004, ahead of planned maintenance. Kazakhstani runs are forecast to dip in October and November as the Shymkent refinery close for a 30-day turnaround from 20 October.





In **Latin America**, Brazil's refinery runs came in at 1.8 mb/d for September, 40 kb/d lower than expected. Argentinean throughputs fell by 50 kb/d in August, to 470 kb/d. Hovensa is planning maintenance work on its 350 kb/d refinery in the US Virgin Islands in the fourth quarter (here accounted for in Latin America). The company permanently reduced crude capacity by 150 kb/d in 1Q11 due to poor economics. In **Trinidad and Tobago**, state-run oil company Petrotrin shut its 160 kb/d Pointe-a-Pierre refinery in October due to industrial action over salaries.



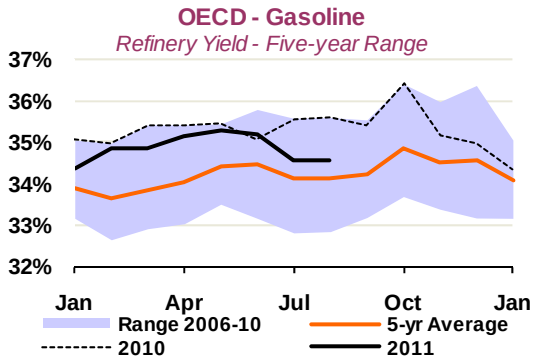


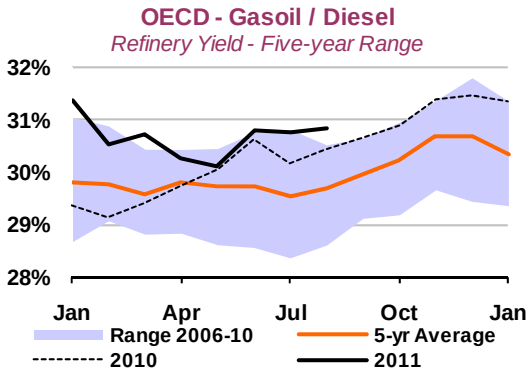
In **Africa**, according to statements from the National Oil Company, initial **Libyan** crude production is being supplied to domestic refineries as a priority over exports. Currently, both the smaller Sarir

(10 kb/d) and Tobruk (20 kb/d) refineries are reportedly operating while the larger Zawiya (120 kb/d) is running at reduced rates. The 220 kb/d Ras Lanuf plant is expected to resume runs in late November or early December, before ramping up runs over the coming months. We assume that refinery production could be restored to pre-war levels by February. Four out of **South Africa's** six refineries were shut for planned and unplanned repairs during September and October causing LPG and bitumen shortages. Capacity is expected to be back on line by the end of November, as repair work is completed. In **Chad**, CNPC restarted it's newly commissioned refinery after 40 days' shutdown from 25 September as the government raised the price of locally produced and refined fuel products. In October, CNPC's new 20 kb/d refinery in **Niger** reportedly started operations as the Agedam oil pipeline came on stream.

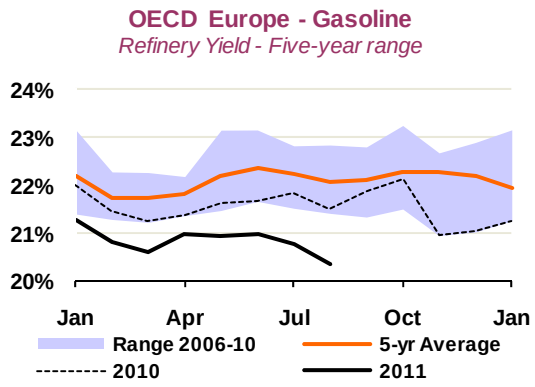
OECD Refinery Yields

OECD refinery yields did not change much in August. There was a small decrease in yields for naphtha and 'other products', and a minor increase in fuel oil and distillates yields compared to last month. OECD gasoline yields as a whole were unchanged versus July at 34.6 %, although this masks a further decrease in OECD European yields by 0.4 percentage points (pp) and an increase in Pacific yields by 0.7 pp. OECD gasoil/diesel yields increased 0.1 pp, to 30.8 %, as a rise by 0.6 pp in European yields was offset by lower yields in North America and the Pacific. OECD gross output increased further in August to 44.7 mb/d, a rise of 485 kb/d from July, with output for the month higher than last year in both North America and Europe.





Refineries in OECD Europe increased the production of gasoil/diesel at the expense of gasoline in August due to continued low gasoline demand and increasing product crack spreads for middle distillates. In OECD North America, yields were practically unchanged versus last month. There was a slight increase in fuel oil yields, leaving them in line with last year's level of 4.7 %. Fuel oil yields have been trending around 0.5 pp below last year's level earlier this year. In OECD Pacific, gasoline yields increased 0.7 pp on stronger gasoline crack spreads as Asian markets were tight due to refinery maintenance and unplanned shutdowns. Both gasoil/diesel and fuel oil yields decreased as crack spreads for both product categories narrowed in August.



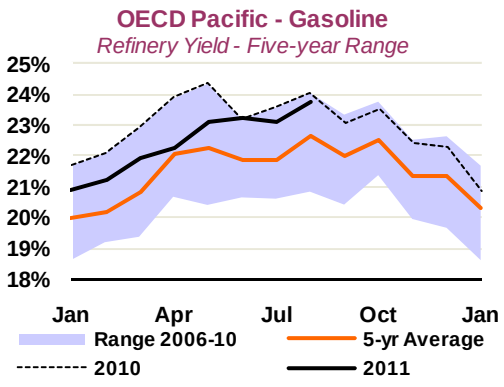


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.4	23.7	24.1	23.9	23.8	23.8	23.3	23.5	23.5	23.5	23.5	23.1	23.5	23.5	23.4
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.7	14.6	14.4	14.0	13.9	14.6	14.5	14.3
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.7	8.3	7.9	8.6	7.4	7.5	8.1	7.9
Total OECD	47.6	45.6	45.9	45.3	46.6	46.7	46.2	46.3	44.5	45.9	46.4	45.8	46.1	44.4	45.6	46.0	45.5
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.9	4.7	4.7	4.6	4.6	4.9	4.8	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.5	9.3	9.8	9.5	9.9	10.1	9.9	10.2	10.0
Other Asia	9.7	10.1	10.3	10.5	10.1	10.5	10.4	10.7	10.8	10.5	10.9	10.7	11.0	11.1	10.8	11.2	11.0
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.6	6.6	6.5	6.5	6.7	6.8	6.8	6.7
Middle East	7.3	7.5	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.3	7.8	7.9	7.8	8.2	8.6	8.0	8.2
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Total Non-OECD	39.0	39.9	40.8	42.2	42.4	43.0	42.1	42.6	43.4	43.7	43.8	43.4	44.1	45.0	45.3	45.3	44.9
Total Demand[1]	86.6	85.6	86.8	87.4	89.0	89.8	88.3	88.9	87.9	89.6	90.2	89.2	90.2	89.4	90.9	91.4	90.5
OECD SUPPLY																	
North America[4]	13.3	13.6	14.0	14.0	14.1	14.4	14.1	14.4	14.3	14.5	14.5	14.4	14.7	14.5	14.5	14.6	14.6
Europe	4.8	4.5	4.5	4.2	3.8	4.2	4.2	4.1	3.8	3.7	4.2	3.9	4.1	3.8	3.8	4.0	3.9
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.7	0.7	0.7	0.7	0.7
Total OECD	18.7	18.8	19.1	18.8	18.4	19.1	18.9	19.0	18.6	18.7	19.3	18.9	19.5	19.0	18.9	19.3	19.2
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.6	13.7	13.6	13.8	13.8	13.7	13.8	13.8
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.4	3.4	3.5
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.4	4.2	4.4	4.4	4.5	4.5	4.5
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.5	1.6	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.0	29.8	30.1	29.7	29.6	30.0	29.8	30.3	30.4	30.3	30.5	30.4
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.2	1.9	1.9	1.6	2.0	2.3	2.1	2.0
Total Non-OPEC[2]	50.6	51.5	52.1	52.5	52.6	53.1	52.6	52.7	52.3	52.6	53.4	52.7	53.7	53.6	53.8	54.1	53.8
Non-OPEC: Historical Composition[2]	49.6	51.5	52.1	52.5	52.6	53.1	52.6	52.7	52.3	52.6	53.4	52.7	53.7	53.6	53.8	54.1	53.8
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.4	30.0							
NGLs	4.5	4.9	5.2	5.2	5.5	5.6	5.3	5.8	5.8	5.9	6.0	5.9	6.2	6.2	6.4	6.4	6.3
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	35.9							
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	35.9							
Total Supply[6]	86.8	85.6	86.6	87.0	87.7	88.3	87.4	88.5	87.5	88.5							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.4	0.9	-0.1	-0.9	0.1	-0.4	0.5	0.1							
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0	-0.4							
Total	0.3	0.0	0.4	0.9	-0.2	-0.8	0.1	-0.4	0.5	-0.3							
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.1	-0.2	-0.3	-0.2	0.2	-0.2	-0.2							
Miscellaneous to balance[7]	-0.2	-0.3	-0.3	-1.3	-0.8	-0.4	-0.7	-0.2	-0.7	-0.5							
Total Stock Ch. & Misc	0.2	0.0	-0.1	-0.4	-1.3	-1.4	-0.8	-0.5	-0.4	-1.1							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.4	29.7	31.0	31.1	30.3	30.4	29.9	31.1	30.8	30.5	30.3	29.6	30.7	30.8	30.4
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.1	28.4	30.1	30.7	29.6	30.2	29.1	30.5	30.3	30.1	29.9	29.1	30.2	30.3	29.9

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-	-0.1	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Demand	0.1	-	-	-	-	-	-	-	-0.1	-0.2	-	-0.1	-	-	-0.1	-	-
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	0.1	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	0.1	0.1	0.1	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-0.1	-	-	0.1	0.2	0.2	0.1	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.1	-	-	0.1	0.2	0.2	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-0.1							
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-0.1							
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.1							
Total Supply	-	-	-	-	-	-	-	-	-	-0.2							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-0.1	-0.1	-	-	-	-	-	-	-								
Total Stock Ch. & Misc	-0.1	-0.1	-	-	-	-	-	-	-	-							
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.1	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.2	-0.2	-0.1	-0.2
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.3	-0.2	-0.1	-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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.41	23.69	24.07	23.85	23.76	23.76	23.29	23.52	23.46	23.51	23.47	23.11	23.49	23.49	23.39
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.18	14.11	14.70	14.58	14.39	14.05	13.91	14.60	14.47	14.26
Pacific	7.69	8.23	7.34	7.62	8.07	7.82	8.35	7.11	7.67	8.35	7.87	8.59	7.41	7.52	8.05	7.89
Total OECD	45.64	45.95	45.29	46.62	46.74	46.15	46.29	44.52	45.89	46.38	45.77	46.11	44.43	45.62	46.02	45.55
Asia	18.19	18.97	19.59	19.05	20.20	19.46	20.22	20.31	19.86	20.65	20.26	20.97	21.20	20.76	21.45	21.10
Middle East	7.53	7.42	7.83	8.29	7.72	7.81	7.61	7.96	8.35	7.80	7.93	7.82	8.22	8.61	8.03	8.17
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.27	6.48	6.63	6.56	6.49	6.48	6.68	6.85	6.78	6.70
FSU	4.18	4.38	4.33	4.57	4.58	4.47	4.46	4.63	4.85	4.70	4.66	4.60	4.61	4.86	4.79	4.72
Africa	3.33	3.33	3.43	3.37	3.42	3.39	3.40	3.32	3.28	3.41	3.35	3.50	3.53	3.51	3.56	3.53
Europe	0.71	0.67	0.68	0.68	0.70	0.68	0.67	0.69	0.71	0.71	0.70	0.69	0.71	0.72	0.73	0.71
Total Non-OECD	39.93	40.82	42.15	42.42	43.01	42.11	42.64	43.40	43.69	43.82	43.39	44.05	44.96	45.31	45.35	44.92
World	85.57	86.77	87.44	89.04	89.76	88.26	88.92	87.92	89.58	90.21	89.16	90.16	89.39	90.93	91.37	90.47
of which: US50	18.77	18.87	19.15	19.47	19.23	19.18	19.17	18.82	18.90	18.83	18.93	18.92	18.67	18.91	18.90	18.85
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.70	8.57	8.91	8.83	8.75	8.62	8.44	8.85	8.75	8.66
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.52	9.34	9.78	9.54	9.95	10.08	9.93	10.23	10.05
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.92	4.31	4.82	4.48	5.10	4.17	4.23	4.54	4.51
India	3.26	3.38	3.45	3.14	3.38	3.34	3.50	3.57	3.27	3.51	3.46	3.65	3.70	3.39	3.63	3.59
Russia	3.03	3.16	3.17	3.41	3.36	3.28	3.20	3.43	3.66	3.46	3.44	3.31	3.39	3.64	3.52	3.46
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.69	2.76	2.86	2.87	2.79	2.75	2.82	2.93	2.94	2.86
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.84	3.03	2.60	2.74	2.59	2.95	3.17	2.72	2.86
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.25	2.15	2.25	2.24	2.22	2.21	2.12	2.22	2.21	2.19
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.04	2.21	2.35	2.24	2.34	2.10	2.15	2.33	2.23
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.05	2.09	2.08	2.06	2.03	2.04	2.06	2.08	2.05
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.05	2.05	2.04	2.05	2.12	2.09	2.08	2.06	2.09
Total	60.03	61.30	61.61	62.84	63.31	62.27	62.84	61.72	62.87	63.41	62.71	63.57	62.57	63.55	63.91	63.40
% of World	70.2%	70.7%	70.5%	70.6%	70.5%	70.6%	70.7%	70.2%	70.2%	70.3%	70.3%	70.5%	70.0%	69.9%	69.9%	70.1%
Annual Change (% per annum)																
North America	-3.7	-0.1	3.3	3.4	1.3	2.0	1.5	-1.7	-2.3	-1.6	-1.0	-1.2	-0.8	-0.1	0.2	-0.5
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.9	-1.0	-1.5	-1.7	-1.3	-0.9	-1.4	-0.7	-0.7	-0.9
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.1	0.6	3.4	0.7	2.8	4.2	-1.9	-3.5	0.3
Total OECD	-4.2	-1.5	1.3	3.3	1.4	1.1	0.7	-1.7	-1.6	-0.8	-0.8	-0.4	-0.2	-0.6	-0.8	-0.5
Asia	4.3	11.9	6.8	3.2	6.5	7.0	6.6	3.7	4.3	2.2	4.1	3.7	4.4	4.6	3.9	4.1
Middle East	3.5	4.9	3.3	2.9	4.2	3.8	2.6	1.8	0.7	1.1	1.5	2.7	3.2	3.2	3.0	3.0
Latin America	0.0	4.6	5.1	6.0	4.5	5.1	3.7	2.9	2.7	2.8	3.0	3.3	3.2	3.2	3.3	3.3
FSU	-1.2	8.3	6.6	5.4	7.4	6.9	1.8	6.8	6.2	2.6	4.3	3.0	-0.4	0.2	2.0	1.2
Africa	1.6	-1.8	1.8	2.1	5.2	1.8	2.1	-3.0	-2.7	-0.5	-1.0	3.1	6.3	6.8	4.6	5.2
Europe	-6.3	-7.3	-6.7	-3.5	1.4	-4.1	0.0	2.0	4.2	1.1	1.8	2.8	2.7	1.0	2.1	2.2
Total Non-OECD	2.5	7.5	5.2	3.6	5.7	5.5	4.4	3.0	3.0	1.9	3.0	3.3	3.6	3.7	3.5	3.5
World	-1.2	2.6	3.2	3.4	3.4	3.1	2.5	0.5	0.6	0.5	1.0	1.4	1.7	1.5	1.3	1.5
Annual Change (mb/d)																
North America	-0.89	-0.01	0.75	0.80	0.31	0.46	0.35	-0.40	-0.55	-0.39	-0.25	-0.29	-0.18	-0.03	0.04	-0.11
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.13	-0.14	-0.22	-0.25	-0.19	-0.13	-0.20	-0.10	-0.10	-0.13
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.23	0.04	0.28	0.05	0.24	0.30	-0.14	-0.29	0.03
Total OECD	-1.98	-0.69	0.60	1.47	0.64	0.51	0.34	-0.77	-0.73	-0.36	-0.38	-0.18	-0.08	-0.27	-0.36	-0.22
Asia	0.75	2.03	1.25	0.58	1.24	1.27	1.25	0.72	0.81	0.45	0.80	0.74	0.88	0.90	0.81	0.84
Middle East	0.25	0.35	0.25	0.23	0.31	0.29	0.19	0.14	0.06	0.08	0.12	0.21	0.26	0.27	0.23	0.24
Latin America	0.00	0.27	0.31	0.37	0.27	0.30	0.22	0.18	0.17	0.18	0.19	0.21	0.21	0.21	0.22	0.21
FSU	-0.05	0.33	0.27	0.23	0.32	0.29	0.08	0.30	0.29	0.12	0.19	0.13	-0.02	0.01	0.09	0.05
Africa	0.05	-0.06	0.06	0.07	0.17	0.06	0.07	-0.10	-0.09	-0.02	-0.04	0.10	0.21	0.22	0.16	0.17
Europe	-0.05	-0.05	-0.05	-0.02	0.01	-0.03	0.00	0.01	0.03	0.01	0.01	0.02	0.02	0.01	0.02	0.02
Total Non-OECD	0.96	2.86	2.10	1.46	2.32	2.18	1.81	1.25	1.27	0.81	1.28	1.42	1.56	1.62	1.52	1.53
World	-1.02	2.17	2.69	2.93	2.96	2.69	2.15	0.48	0.54	0.45	0.90	1.24	1.48	1.35	1.16	1.31
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.08	-0.05	-0.03	-0.03	-0.03	-0.06	0.05	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.02	0.01	0.00	-0.01	-0.02	0.02	0.00	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.09	-0.02	-0.03	0.01	0.03	-0.02	-0.02	0.00
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.15	-0.05	-0.06	-0.03	-0.01	-0.06	0.02	-0.02
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.02	-0.02	0.00	-0.01	-0.02	-0.02	-0.01
Middle East	0.03	0.03	0.03	0.03	0.03	0.03	0.02	-0.03	-0.01	0.03	0.01	0.02	-0.01	0.00	0.03	0.01
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.02	0.02	0.01	0.01	0.03	0.02	0.02
FSU	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	-0.01	-0.02	-0.01	-0.01	-0.01	0.00	-0.02	-0.01	-0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	-0.01	0.00	0.00	0.00	-0.01	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.01	0.01	0.00
Total Non-OECD	0.03	0.02	0.02	0.02	0.02	0.02	0.02	-0.03	-0.05	0.02	-0.01	0.01	-0.02	0.00	0.02	0.00
World	0.03	0.02	0.02	0.02	0.02	0.02	0.02	-0.06	-0.20	-0.03	-0.07	-0.02	-0.04	-0.05	0.04	-0.02
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.04	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	-0.08	-0.22	-0.05	-0.09	-0.03	0.02	0.14	0.08	0.05

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	3Q10	4Q10	1Q11	2Q11	Jun 11	Jul 11	Aug 11 [2]	Latest month vs. Jul 11	Latest month vs. Aug 10
North America											
LPG&Ethane	2.83	2.95	2.76	3.12	3.31	2.71	2.68	2.67	2.74	0.07	-0.07
Naphtha	0.31	0.37	0.39	0.33	0.36	0.35	0.39	0.35	0.34	-0.01	-0.05
Motor Gasoline	10.56	10.57	10.83	10.51	10.14	10.45	10.66	10.56	10.55	-0.01	-0.32
Jet/Kerosene	1.61	1.65	1.70	1.63	1.60	1.68	1.76	1.70	1.78	0.08	0.07
Gasoil/Diesel Oil	4.61	4.82	4.76	5.01	5.04	4.77	4.96	4.47	5.06	0.59	0.20
Residual Fuel Oil	0.92	0.93	0.91	0.89	0.97	0.87	0.85	0.68	0.76	0.08	-0.11
Other Products	2.45	2.46	2.71	2.36	2.34	2.46	2.64	2.74	2.76	0.02	-0.09
Total	23.29	23.76	24.07	23.85	23.76	23.29	23.94	23.18	23.99	0.82	-0.37
Europe											
LPG&Ethane	0.96	0.96	0.89	0.96	1.04	0.96	0.98	0.92	0.95	0.02	0.04
Naphtha	1.18	1.26	1.26	1.27	1.27	1.17	1.13	1.13	1.16	0.03	-0.08
Motor Gasoline	2.31	2.21	2.35	2.14	2.02	2.18	2.20	2.17	2.24	0.07	-0.08
Jet/Kerosene	1.25	1.27	1.37	1.26	1.20	1.27	1.34	1.36	1.33	-0.02	-0.03
Gasoil/Diesel Oil	6.04	6.13	6.14	6.43	6.04	5.73	5.80	5.90	6.21	0.31	0.36
Residual Fuel Oil	1.44	1.27	1.28	1.30	1.29	1.22	1.24	1.29	1.22	-0.07	-0.03
Other Products	1.50	1.47	1.64	1.46	1.32	1.57	1.70	1.61	1.60	-0.01	0.02
Total	14.66	14.58	14.92	14.82	14.18	14.11	14.39	14.38	14.69	0.32	0.20
Pacific											
LPG&Ethane	0.86	0.84	0.80	0.83	0.88	0.81	0.75	0.80	0.81	0.01	-0.01
Naphtha	1.62	1.68	1.63	1.75	1.78	1.55	1.60	1.71	1.79	0.08	0.12
Motor Gasoline	1.55	1.57	1.65	1.59	1.51	1.47	1.49	1.61	1.69	0.09	-0.02
Jet/Kerosene	0.85	0.87	0.65	0.98	1.18	0.64	0.58	0.59	0.63	0.04	-0.01
Gasoil/Diesel Oil	1.61	1.62	1.57	1.70	1.67	1.53	1.58	1.61	1.56	-0.06	0.01
Residual Fuel Oil	0.77	0.74	0.75	0.73	0.80	0.65	0.70	0.72	0.79	0.07	0.04
Other Products	0.44	0.49	0.58	0.48	0.54	0.47	0.53	0.54	0.53	0.00	-0.05
Total	7.69	7.82	7.62	8.07	8.35	7.11	7.23	7.56	7.80	0.23	0.07
OECD											
LPG&Ethane	4.65	4.76	4.45	4.91	5.23	4.47	4.41	4.39	4.50	0.11	-0.03
Naphtha	3.11	3.31	3.28	3.36	3.41	3.07	3.11	3.19	3.29	0.10	-0.01
Motor Gasoline	14.41	14.35	14.83	14.24	13.67	14.11	14.36	14.33	14.48	0.14	-0.43
Jet/Kerosene	3.70	3.80	3.73	3.88	3.98	3.58	3.68	3.65	3.74	0.10	0.03
Gasoil/Diesel Oil	12.25	12.57	12.47	13.14	12.75	12.04	12.34	11.98	12.82	0.84	0.57
Residual Fuel Oil	3.13	2.94	2.94	2.92	3.06	2.74	2.79	2.69	2.76	0.07	-0.10
Other Products	4.39	4.42	4.92	4.30	4.19	4.50	4.87	4.88	4.89	0.01	-0.12
Total	45.64	46.15	46.62	46.74	46.29	44.52	45.55	45.12	46.48	1.37	-0.09

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2009	2010	3Q10	4Q10	1Q11	2Q11	Jun 11	Jul 11	Aug 11 [2]	Jul 11	Aug 10
United States[3]											
LPG	2.05	2.17	2.03	2.32	2.47	1.96	1.96	1.94	1.99	0.06	-0.03
Naphtha	0.25	0.26	0.27	0.22	0.27	0.27	0.29	0.27	0.25	-0.03	-0.03
Motor Gasoline	9.00	8.99	9.22	8.92	8.61	8.87	9.05	8.98	8.92	-0.06	-0.34
Jet/Kerosene	1.41	1.45	1.49	1.44	1.40	1.49	1.56	1.48	1.57	0.10	0.08
Gasoil	3.63	3.80	3.75	3.94	3.95	3.75	3.90	3.45	3.97	0.51	0.14
Residual Fuel Oil	0.51	0.54	0.53	0.52	0.61	0.51	0.47	0.31	0.32	0.01	-0.16
Other Products	1.92	1.97	2.18	1.87	1.86	1.97	2.12	2.19	2.21	0.02	-0.09
Total	18.77	19.18	19.47	19.23	19.17	18.82	19.35	18.62	19.23	0.61	-0.43
Japan											
LPG	0.50	0.48	0.44	0.47	0.54	0.50	0.43	0.46	0.46	0.00	0.02
Naphtha	0.72	0.77	0.73	0.81	0.79	0.65	0.66	0.73	0.79	0.06	0.03
Motor Gasoline	0.99	1.00	1.08	1.00	0.95	0.92	0.95	1.03	1.10	0.08	-0.02
Jet/Kerosene	0.55	0.55	0.36	0.62	0.80	0.36	0.31	0.31	0.33	0.02	-0.01
Diesel	0.43	0.41	0.42	0.43	0.41	0.39	0.42	0.42	0.39	-0.02	-0.01
Other Gasoil	0.42	0.43	0.38	0.44	0.48	0.36	0.35	0.39	0.35	-0.04	-0.02
Residual Fuel Oil	0.41	0.40	0.43	0.39	0.42	0.36	0.40	0.44	0.51	0.07	0.07
Other Products	0.39	0.41	0.51	0.40	0.47	0.38	0.45	0.47	0.50	0.03	-0.03
Total	4.39	4.45	4.36	4.57	4.86	3.92	3.96	4.24	4.44	0.20	0.03
Germany											
LPG	0.10	0.10	0.11	0.09	0.10	0.10	0.10	0.10	0.11	0.01	0.00
Naphtha	0.36	0.41	0.41	0.41	0.44	0.40	0.38	0.39	0.41	0.02	0.00
Motor Gasoline	0.47	0.46	0.48	0.45	0.43	0.47	0.46	0.44	0.49	0.04	0.01
Jet/Kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.19	0.19	0.18	-0.01	-0.02
Diesel	0.64	0.67	0.71	0.69	0.63	0.67	0.64	0.67	0.73	0.06	0.05
Other Gasoil	0.42	0.43	0.45	0.47	0.37	0.23	0.25	0.36	0.48	0.11	0.04
Residual Fuel Oil	0.16	0.15	0.16	0.16	0.16	0.14	0.13	0.15	0.14	-0.01	-0.01
Other Products	0.11	0.09	0.12	0.09	0.05	0.12	0.13	0.13	0.12	0.00	0.02
Total	2.45	2.49	2.65	2.53	2.35	2.34	2.29	2.43	2.66	0.24	0.09
Italy											
LPG	0.10	0.11	0.09	0.11	0.12	0.08	0.08	0.08	0.08	0.00	-0.01
Naphtha	0.10	0.12	0.12	0.11	0.11	0.10	0.09	0.07	0.08	0.01	-0.04
Motor Gasoline	0.25	0.24	0.26	0.24	0.22	0.24	0.24	0.23	0.24	0.01	-0.01
Jet/Kerosene	0.09	0.10	0.11	0.09	0.09	0.10	0.11	0.12	0.11	-0.01	0.00
Diesel	0.49	0.49	0.50	0.50	0.47	0.51	0.53	0.51	0.46	-0.05	0.02
Other Gasoil	0.13	0.12	0.11	0.14	0.11	0.09	0.09	0.09	0.10	0.00	0.00
Residual Fuel Oil	0.18	0.13	0.13	0.12	0.10	0.11	0.13	0.15	0.13	-0.02	0.01
Other Products	0.20	0.23	0.26	0.25	0.21	0.24	0.25	0.22	0.20	-0.02	-0.06
Total	1.54	1.53	1.58	1.56	1.43	1.47	1.51	1.48	1.40	-0.08	-0.09
France											
LPG	0.12	0.15	0.13	0.17	0.17	0.12	0.12	0.12	0.12	0.00	-0.01
Naphtha	0.13	0.13	0.12	0.10	0.13	0.14	0.14	0.14	0.14	0.00	0.01
Motor Gasoline	0.20	0.19	0.20	0.18	0.17	0.20	0.20	0.20	0.19	0.00	0.00
Jet/Kerosene	0.15	0.15	0.16	0.14	0.14	0.15	0.15	0.16	0.16	0.00	0.00
Diesel	0.67	0.69	0.71	0.69	0.69	0.71	0.72	0.70	0.69	-0.01	0.03
Other Gasoil	0.32	0.30	0.27	0.34	0.35	0.19	0.20	0.23	0.28	0.05	0.04
Residual Fuel Oil	0.10	0.09	0.08	0.09	0.08	0.08	0.08	0.08	0.08	0.00	0.01
Other Products	0.18	0.17	0.19	0.15	0.13	0.19	0.21	0.20	0.16	-0.04	-0.01
Total	1.87	1.86	1.87	1.86	1.86	1.79	1.82	1.83	1.84	0.00	0.07
United Kingdom											
LPG	0.15	0.14	0.12	0.13	0.14	0.15	0.16	0.14	0.13	0.00	0.02
Naphtha	0.02	0.03	0.03	0.02	0.03	0.03	0.03	0.02	0.02	0.00	-0.01
Motor Gasoline	0.37	0.35	0.36	0.34	0.34	0.34	0.34	0.32	0.34	0.02	-0.02
Jet/Kerosene	0.33	0.33	0.33	0.34	0.34	0.32	0.35	0.30	0.33	0.02	0.00
Diesel	0.43	0.45	0.45	0.44	0.45	0.45	0.46	0.43	0.45	0.02	0.00
Other Gasoil	0.12	0.12	0.14	0.12	0.11	0.11	0.12	0.11	0.14	0.02	0.00
Residual Fuel Oil	0.08	0.06	0.06	0.07	0.07	0.06	0.05	0.07	0.06	-0.01	-0.01
Other Products	0.14	0.14	0.15	0.15	0.15	0.16	0.17	0.16	0.15	-0.01	-0.01
Total	1.65	1.62	1.63	1.60	1.62	1.61	1.68	1.56	1.61	0.05	-0.02
Canada											
LPG	0.35	0.35	0.33	0.36	0.39	0.35	0.32	0.32	0.34	0.02	-0.04
Naphtha	0.05	0.08	0.09	0.08	0.09	0.08	0.09	0.08	0.09	0.01	0.00
Motor Gasoline	0.73	0.73	0.77	0.73	0.69	0.74	0.76	0.77	0.77	0.01	0.00
Jet/Kerosene	0.11	0.11	0.12	0.11	0.11	0.10	0.12	0.13	0.11	-0.02	-0.01
Diesel	0.23	0.22	0.22	0.23	0.22	0.23	0.24	0.21	0.23	0.02	0.01
Other Gasoil	0.28	0.31	0.31	0.34	0.36	0.28	0.27	0.30	0.31	0.01	0.00
Residual Fuel Oil	0.10	0.10	0.09	0.11	0.11	0.09	0.09	0.07	0.10	0.03	0.01
Other Products	0.31	0.30	0.34	0.30	0.28	0.29	0.32	0.33	0.34	0.00	0.00
Total	2.16	2.21	2.26	2.25	2.25	2.15	2.21	2.21	2.31	0.09	-0.03

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.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	2Q11	3Q11	4Q11	1Q12	2Q12	Aug 11	Sep 11	Oct 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.90	9.34				9.50	9.10	9.15
Iran	3.70			3.65	3.53				3.51	3.54	3.53
Iraq	2.36			2.67	2.67				2.68	2.70	2.69
UAE	2.31			2.48	2.53				2.53	2.55	2.51
Kuwait	2.03			2.15	2.26				2.23	2.35	2.35
Neutral Zone	0.53			0.59	0.60				0.60	0.60	0.60
Qatar	0.80			0.82	0.82				0.82	0.82	0.81
Angola	1.73			1.55	1.69				1.69	1.70	1.72
Nigeria	2.08			2.25	2.26				2.28	2.18	2.02
Libya	1.55			0.12	0.04				0.00	0.08	0.35
Algeria	1.25			1.26	1.28				1.28	1.29	1.29
Ecuador	0.47			0.50	0.49				0.49	0.50	0.50
Venezuela	2.53			2.52	2.48				2.51	2.51	2.49
Total Crude Oil[6]	29.49			29.45	29.99				30.11	29.91	30.01
Total NGLs[1,6]	5.35	5.87	6.30	5.80	5.91	5.99	6.15	6.19	5.91	5.91	5.99
Total OPEC[6]	34.83			35.24	35.90				36.02	35.82	36.00
OPEC: Historical Composition[6]	34.83			35.24	35.90				36.02	35.82	36.00
NON-OPEC[2]											
OECD											
North America	14.10	14.39	14.58	14.26	14.45	14.48	14.72	14.47	14.73	14.20	14.47
United States[5]	7.77	7.99	8.10	8.04	8.04	8.02	8.08	8.20	8.20	7.89	8.08
Mexico	2.96	2.93	2.85	2.96	2.92	2.89	2.89	2.88	2.94	2.87	2.90
Canada	3.37	3.47	3.63	3.26	3.49	3.58	3.75	3.39	3.59	3.44	3.49
Europe	4.15	3.93	3.91	3.80	3.70	4.16	4.10	3.82	3.56	3.78	4.08
UK	1.37	1.20	1.24	1.16	1.04	1.36	1.33	1.23	0.87	1.22	1.30
Norway	2.14	2.06	2.03	1.98	1.99	2.12	2.11	1.95	2.00	1.90	2.09
Others	0.65	0.67	0.65	0.66	0.67	0.68	0.67	0.65	0.69	0.66	0.69
Pacific	0.61	0.54	0.68	0.50	0.54	0.62	0.66	0.68	0.53	0.59	0.60
Australia	0.51	0.46	0.59	0.42	0.45	0.53	0.57	0.59	0.44	0.50	0.51
Others	0.10	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total OECD	18.87	18.87	19.17	18.57	18.69	19.26	19.49	18.97	18.82	18.57	19.15
NON-OECD											
Former USSR	13.55	13.63	13.78	13.58	13.57	13.74	13.75	13.83	13.56	13.68	13.76
Russia	10.45	10.57	10.67	10.55	10.58	10.63	10.61	10.67	10.52	10.65	10.67
Others	3.10	3.06	3.11	3.03	2.99	3.10	3.14	3.16	3.04	3.03	3.10
Asia	7.80	7.69	7.74	7.66	7.56	7.69	7.77	7.76	7.59	7.48	7.64
China	4.10	4.16	4.28	4.17	4.06	4.18	4.27	4.30	4.07	4.00	4.14
Malaysia	0.72	0.63	0.58	0.61	0.63	0.57	0.58	0.58	0.67	0.59	0.58
India	0.86	0.90	0.92	0.89	0.89	0.92	0.92	0.92	0.88	0.88	0.91
Indonesia	0.97	0.91	0.86	0.91	0.91	0.90	0.88	0.86	0.92	0.91	0.91
Others	1.14	1.09	1.10	1.07	1.07	1.10	1.11	1.09	1.05	1.09	1.10
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.07	4.22	4.46	4.16	4.18	4.36	4.41	4.44	4.22	4.17	4.29
Brazil[5]	2.14	2.20	2.34	2.18	2.15	2.28	2.30	2.33	2.14	2.16	2.22
Argentina	0.69	0.67	0.68	0.61	0.67	0.68	0.68	0.68	0.68	0.69	0.69
Colombia	0.79	0.92	1.02	0.93	0.92	0.97	0.99	1.01	0.96	0.89	0.96
Others	0.45	0.44	0.42	0.44	0.44	0.43	0.43	0.43	0.44	0.43	0.42
Middle East[3]	1.74	1.64	1.69	1.62	1.65	1.55	1.69	1.69	1.71	1.59	1.51
Oman	0.87	0.90	0.93	0.88	0.90	0.91	0.92	0.92	0.91	0.91	0.91
Syria	0.39	0.34	0.32	0.38	0.34	0.26	0.32	0.32	0.37	0.28	0.24
Yemen	0.29	0.21	0.24	0.16	0.21	0.18	0.25	0.25	0.23	0.20	0.15
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.52	2.56	2.51	2.52	2.52	2.55	2.57	2.52	2.52	2.53
Egypt	0.70	0.69	0.68	0.69	0.69	0.68	0.68	0.68	0.69	0.69	0.69
Gabon	0.25	0.24	0.25	0.23	0.24	0.25	0.24	0.24	0.24	0.25	0.25
Others	1.58	1.59	1.64	1.58	1.59	1.59	1.62	1.64	1.60	1.59	1.60
Total Non-OECD	29.82	29.85	30.37	29.66	29.62	30.00	30.30	30.42	29.73	29.59	29.87
Processing Gains[4]	2.10	2.17	2.26	2.14	2.14	2.23	2.28	2.23	2.14	2.14	2.23
Global Biofuels[5]	1.82	1.86	2.00	1.89	2.16	1.92	1.60	1.99	2.15	2.19	2.10
TOTAL NON-OPEC[6]	52.61	52.74	53.80	52.26	52.60	53.42	53.67	53.61	52.84	52.48	53.35
Non-OPEC: Historical Composition[6]	52.61	52.74	53.80	52.26	52.60	53.42	53.67	53.61	52.84	52.48	53.35
TOTAL SUPPLY	87.44			87.51	88.50				88.86	88.30	89.35

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	May2011	Jun2011	Jul2011	Aug2011	Sep2011*	Sep2008	Sep2009	Sep2010	4Q2010	1Q2011	2Q2011	3Q2011
North America												
Crude	513.6	499.7	485.8	484.2	468.8	434.1	461.0	502.4	-0.30	0.27	0.03	-0.34
Motor Gasoline	247.5	248.4	249.8	246.2	249.8	218.1	243.0	250.9	0.02	-0.03	-0.01	0.02
Middle Distillate	214.0	213.4	230.8	229.5	230.9	196.8	250.4	245.0	-0.07	-0.24	-0.04	0.19
Residual Fuel Oil	44.5	43.9	45.2	46.1	41.9	47.5	43.8	49.0	0.01	-0.05	-0.01	-0.02
Total Products[3]	670.2	679.2	710.6	708.6	710.1	654.2	745.6	734.2	-0.32	-0.58	0.29	0.34
Total[4]	1338.8	1339.1	1359.4	1360.5	1346.3	1258.7	1372.9	1399.9	-0.77	-0.38	0.49	0.08
Europe												
Crude	319.6	318.1	310.1	310.6	308.0	333.1	330.1	319.0	0.04	0.01	-0.05	-0.11
Motor Gasoline	92.2	92.3	92.5	90.8	90.4	94.6	96.1	94.9	0.02	0.04	-0.09	-0.02
Middle Distillate	283.3	274.1	272.0	270.5	264.9	266.3	292.6	279.4	-0.02	0.09	-0.13	-0.10
Residual Fuel Oil	67.6	64.3	63.3	67.9	65.4	74.7	69.4	76.6	-0.09	-0.01	-0.03	0.01
Total Products[3]	556.1	545.6	545.9	549.7	542.1	547.4	571.1	561.9	-0.07	0.11	-0.22	-0.04
Total[4]	942.4	932.3	923.2	927.0	916.3	952.0	971.0	946.6	0.02	0.06	-0.24	-0.17
Pacific												
Crude	161.2	159.5	163.7	154.5	161.0	162.1	165.9	155.1	0.03	0.00	0.01	0.02
Motor Gasoline	24.8	25.0	25.2	25.1	28.9	22.7	25.1	23.9	-0.01	0.01	0.01	0.04
Middle Distillate	63.8	66.8	66.5	69.3	68.7	74.3	72.4	66.4	-0.07	-0.06	0.14	0.02
Residual Fuel Oil	21.3	21.3	21.2	19.4	20.4	22.3	21.4	21.9	-0.03	0.02	0.01	-0.01
Total Products[3]	169.6	171.4	176.7	179.6	186.2	192.9	185.1	177.7	-0.16	-0.09	0.18	0.16
Total[4]	405.5	404.9	411.9	408.0	421.1	430.7	419.2	402.1	-0.13	-0.10	0.26	0.18
Total OECD												
Crude	994.3	977.4	959.6	949.2	937.9	929.3	957.0	976.6	-0.23	0.28	-0.01	-0.43
Motor Gasoline	364.5	365.6	367.5	362.0	369.0	335.4	364.2	369.6	0.03	0.02	-0.09	0.04
Middle Distillate	561.1	554.2	569.3	569.3	564.6	537.4	615.5	590.8	-0.16	-0.21	-0.03	0.11
Residual Fuel Oil	133.4	129.5	129.7	133.4	127.7	144.5	134.6	147.5	-0.12	-0.04	-0.03	-0.02
Total Products[3]	1395.9	1396.2	1433.2	1437.9	1438.3	1394.5	1501.8	1473.9	-0.55	-0.56	0.25	0.46
Total[4]	2686.6	2676.2	2694.5	2695.4	2683.7	2641.4	2763.1	2748.6	-0.88	-0.41	0.51	0.08

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	May2011	Jun2011	Jul2011	Aug2011	Sep2011*	Sep2008	Sep2009	Sep2010	4Q2010	1Q2011	2Q2011	3Q2011
North America												
Crude	726.5	726.5	718.2	696.5	694.9	702.4	725.1	726.5	0.00	0.00	0.00	-0.34
Products	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	-0.02	0.00	0.00
Europe												
Crude	185.6	184.9	183.4	183.2	183.2	180.4	186.3	182.0	0.05	-0.01	-0.01	-0.02
Products	234.7	237.1	237.0	236.5	236.5	233.1	241.4	235.4	-0.01	-0.03	0.05	-0.01
Pacific												
Crude	391.1	391.1	389.1	390.6	390.6	384.3	388.4	381.9	0.08	0.02	0.00	0.00
Products	20.0	20.0	18.5	18.7	18.7	19.2	19.2	20.0	0.00	0.00	0.00	-0.01
Total OECD												
Crude	1303.3	1302.5	1290.8	1270.3	1268.7	1267.0	1299.7	1290.5	0.13	0.01	-0.01	-0.37
Products	254.7	257.1	255.5	255.2	255.2	254.2	262.5	257.4	-0.01	-0.05	0.05	-0.02
Total[4]	1559.4	1560.9	1547.7	1526.9	1525.3	1522.2	1564.0	1549.3	0.12	-0.03	0.04	-0.39

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2010		End December 2010		End March 2011		End June 2011		End September 2011 [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	194.1	85	194.9	86	184.6	84	189.4	-	-	-
Mexico	49.0	24	44.5	22	45.0	22	46.5	-	-	-
United States[4]	1863.2	97	1796.1	94	1769.5	94	1807.6	-	-	-
Total[4]	2128.4	89	2057.6	87	2021.2	87	2065.6	88	2041.2	87
Pacific										
Australia	40.5	41	38.1	39	39.1	39	39.5	-	-	-
Japan	581.8	127	588.3	121	575.4	147	593.2	-	-	-
Korea	173.5	74	165.4	70	170.2	83	175.2	-	-	-
New Zealand	8.2	53	8.2	51	8.0	53	8.2	-	-	-
Total	804.0	100	800.0	96	792.7	111	816.0	106	830.4	99
Europe[5]										
Austria	18.9	65	19.7	77	19.4	77	19.6	-	-	-
Belgium	34.3	51	33.6	50	37.0	59	38.1	-	-	-
Czech Republic	21.1	105	21.2	117	21.5	106	21.7	-	-	-
Denmark	26.9	159	26.8	171	21.4	132	21.5	-	-	-
Finland	28.5	121	27.8	127	26.9	133	27.0	-	-	-
France	163.4	88	168.2	91	167.4	94	166.7	-	-	-
Germany	285.6	113	286.8	122	289.4	124	290.8	-	-	-
Greece	36.3	95	34.3	92	33.9	106	32.6	-	-	-
Hungary	15.9	103	15.9	119	17.4	124	17.3	-	-	-
Ireland	11.4	68	9.8	63	10.8	79	10.2	-	-	-
Italy	126.6	81	133.3	93	131.8	90	130.0	-	-	-
Luxembourg	0.7	12	0.6	10	0.5	9	0.6	-	-	-
Netherlands	121.2	122	125.8	129	125.7	124	117.8	-	-	-
Norway	20.8	77	20.8	81	21.1	96	23.5	-	-	-
Poland	64.2	108	65.5	123	62.8	109	64.6	-	-	-
Portugal	22.8	84	22.9	89	23.5	87	23.3	-	-	-
Slovak Republic	8.6	101	8.3	109	9.0	111	8.9	-	-	-
Spain	133.0	92	133.2	93	132.9	97	130.1	-	-	-
Sweden	34.4	94	32.4	94	33.7	101	32.6	-	-	-
Switzerland	37.7	146	36.8	156	36.6	168	37.2	-	-	-
Turkey	58.5	90	58.5	101	58.3	85	56.6	-	-	-
United Kingdom	94.5	59	88.8	55	92.8	57	84.9	-	-	-
Total	1365.5	92	1371.1	97	1374.0	98	1355.6	92	1337.3	92
Total OECD	4297.9	92	4228.7	91	4187.9	94	4237.1	92	4208.9	91
DAYS OF IEA Net Imports[6]	-	145	-	146	-	146	-	147	-	-

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	57
1Q2010	4241	1567	2675	94	35	59
2Q2010	4319	1562	2757	93	34	59
3Q2010	4298	1549	2749	92	33	59
4Q2010	4229	1561	2668	91	34	58
1Q2011	4188	1558	2630	94	35	59
2Q2011	4237	1561	2676	92	34	58
3Q2011	4209	1525	2684	91	33	58

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 3Q2011 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	Jun 11	Jul 11	Aug 11	Year Earlier Aug 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.73	0.75	0.71	0.72	0.73	0.53	0.55	0.85	-0.30
Europe	0.70	0.59	0.66	0.74	0.69	0.70	0.79	0.80	0.96	1.00	0.75	0.25
Pacific	1.22	1.28	1.21	1.15	1.26	1.33	1.14	1.08	1.25	1.12	1.14	-0.02
Saudi Medium												
North America	0.64	0.40	0.36	0.33	0.36	0.33	0.36	0.37	0.43	0.33	0.31	0.02
Europe	0.05	0.02	0.00	-	-	-	0.02	0.05	0.04	0.07	-	-
Pacific	0.39	0.34	0.34	0.30	0.37	0.39	0.38	0.40	0.38	0.47	0.33	0.14
Saudi Heavy												
North America	0.07	0.03	0.02	0.03	0.01	0.02	0.03	0.02	0.02	-	0.02	-
Europe	0.09	0.02	0.00	0.00	-	0.00	0.00	0.00	0.04	0.02	-	-
Pacific	0.24	0.15	0.22	0.23	0.21	0.20	0.21	0.22	0.25	0.19	0.24	-0.04
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.29	0.29	0.21	0.41	0.39	0.22	0.47	0.27	0.20
Europe	0.21	0.12	0.09	0.13	0.08	0.03	0.10	0.14	0.17	0.21	0.23	-0.02
Pacific	0.15	0.24	0.29	0.26	0.38	0.40	0.26	0.15	0.41	0.39	0.25	0.13
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.05	0.04	0.11	0.07	0.14	-	0.15	0.05	0.10
Europe	0.23	0.31	0.27	0.25	0.23	0.21	0.31	0.44	0.40	0.29	0.18	0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.33	0.18	0.24	0.28	0.28	0.23	0.20	0.41	-0.22
Pacific	0.08	0.07	0.04	0.04	0.01	0.06	0.03	0.02	0.03	0.07	0.02	0.04
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.70	0.43	0.34	0.59	0.83	0.80	0.68	0.64	0.03
Pacific	0.61	0.57	0.52	0.53	0.52	0.63	0.41	0.44	0.51	0.49	0.38	0.12
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.08	0.16	0.06	0.30	0.40	0.18	0.31	0.02	0.28
Europe	0.06	0.07	0.02	0.05	0.01	0.03	0.01	0.01	0.01	0.01	0.09	-0.08
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.96	0.75	0.89	0.77	0.78	0.79	0.77	1.07	-0.30
Europe	0.07	0.07	0.06	0.06	0.05	0.04	0.05	0.07	0.07	0.07	0.05	0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.94	0.92	0.82	0.80	0.79	0.82	0.93	1.18	-0.25
Europe	0.14	0.10	0.11	0.11	0.09	0.14	0.12	0.10	0.17	0.09	0.14	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.02	0.09	0.05	0.08	0.14	0.05	0.06	0.01	0.05
Europe	0.01	0.01	0.02	-	0.05	0.01	0.02	-	0.01	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.08	0.03	0.01	-	-	-	-	0.22	-
Europe	1.81	1.72	1.80	1.88	1.71	1.76	1.87	1.60	1.65	1.35	1.79	-0.44
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.64	0.58	0.62	0.60	0.58	0.59	0.48	0.69	-0.20
Europe	0.29	0.32	0.34	0.31	0.49	0.40	0.40	0.40	0.46	0.62	0.35	0.27
Pacific	-	0.00	-	-	-	0.05	0.04	0.03	0.06	0.05	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.25	0.22	0.20	0.18	0.23	0.21	0.17	0.26	-0.10
Europe	0.14	0.13	0.09	0.09	0.11	0.14	0.17	0.24	0.06	0.14	0.11	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	3Q10	4Q10	1Q11	2Q11	Jun-11	Jul-11	Aug-11	Year Earlier Aug-10	% change
Crude Oil												
North America	8076	7353	7346	7745	6625	6571	6928	7069	6992	6734	7462	-10%
Europe	9776	8893	9076	9463	9110	8901	8903	9280	9303	9583	9815	-2%
Pacific	6605	6082	6249	6160	6479	6645	6086	6105	6261	6232	6177	1%
Total OECD	24457	22329	22671	23367	22213	22117	21917	22454	22556	22550	23857	-5%
LPG												
North America	31	13	8	7	6	21	4	1	4	4	7	-50%
Europe	268	260	270	226	299	313	284	306	279	297	229	30%
Pacific	589	529	558	533	567	569	547	447	642	525	579	-9%
Total OECD	887	802	836	766	872	904	836	755	926	825	815	1%
Naphtha												
North America	56	22	36	59	35	34	51	70	41	45	61	-27%
Europe	298	352	390	345	382	292	336	339	353	218	294	-26%
Pacific	776	841	900	855	893	917	830	856	881	928	798	16%
Total OECD	1130	1215	1326	1260	1309	1243	1217	1266	1275	1191	1153	3%
Gasoline[3]												
North America	1077	878	788	926	712	668	981	947	739	779	976	-20%
Europe	215	193	174	207	127	223	221	238	213	228	190	20%
Pacific	90	96	64	44	67	71	61	51	59	87	49	77%
Total OECD	1383	1167	1025	1177	907	961	1262	1236	1011	1093	1215	-10%
Jet & Kerosene												
North America	64	62	76	86	89	62	86	85	103	71	86	-18%
Europe	401	452	417	475	396	320	367	388	449	449	507	-11%
Pacific	34	53	40	29	46	58	43	51	36	39	26	54%
Total OECD	500	567	532	590	531	440	497	525	587	559	618	-10%
Gasoil/Diesel												
North America	74	55	49	27	14	46	30	16	23	25	33	-24%
Europe	871	1035	1045	934	1235	1078	931	784	929	779	839	-7%
Pacific	119	87	97	88	92	99	153	125	121	113	64	77%
Total OECD	1064	1177	1191	1049	1340	1224	1114	924	1073	917	936	-2%
Heavy Fuel Oil												
North America	288	270	277	285	254	345	305	309	179	204	232	-12%
Europe	458	534	529	504	502	505	582	580	663	676	488	38%
Pacific	125	113	117	127	101	147	111	104	132	169	136	24%
Total OECD	871	917	923	915	857	997	997	993	974	1049	857	22%
Other Products												
North America	1078	870	805	852	906	855	896	871	994	833	900	-7%
Europe	734	770	666	699	737	683	776	759	675	865	737	17%
Pacific	298	325	335	382	352	383	252	223	317	318	373	-15%
Total OECD	2110	1964	1806	1932	1996	1921	1924	1853	1986	2016	2010	0%
Total Products												
North America	2667	2171	2038	2241	2017	2032	2355	2300	2083	1960	2296	-15%
Europe	3245	3595	3491	3390	3678	3415	3497	3394	3560	3513	3283	7%
Pacific	2032	2045	2111	2059	2118	2244	1995	1858	2188	2179	2025	8%
Total OECD	7944	7810	7639	7689	7812	7690	7848	7551	7832	7652	7604	1%
Total Oil												
North America	10743	9524	9384	9985	8641	8603	9283	9369	9075	8695	10160	-14%
Europe	13022	12488	12567	12853	12788	12316	12401	12673	12864	13096	13098	0%
Pacific	8637	8127	8360	8218	8596	8888	8081	7963	8449	8411	8202	3%
Total OECD	32401	30139	30310	31056	30025	29807	29765	30005	30388	30202	31461	-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.

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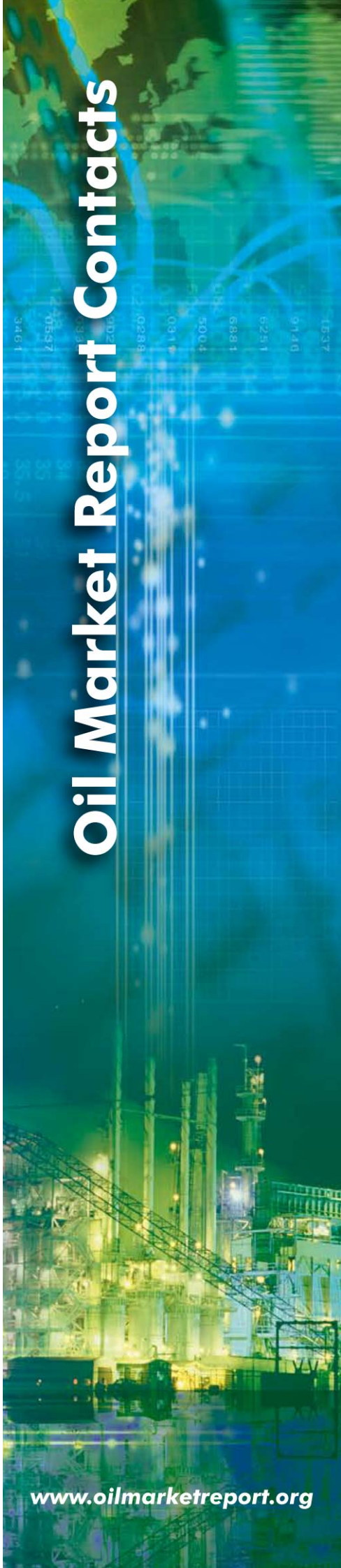
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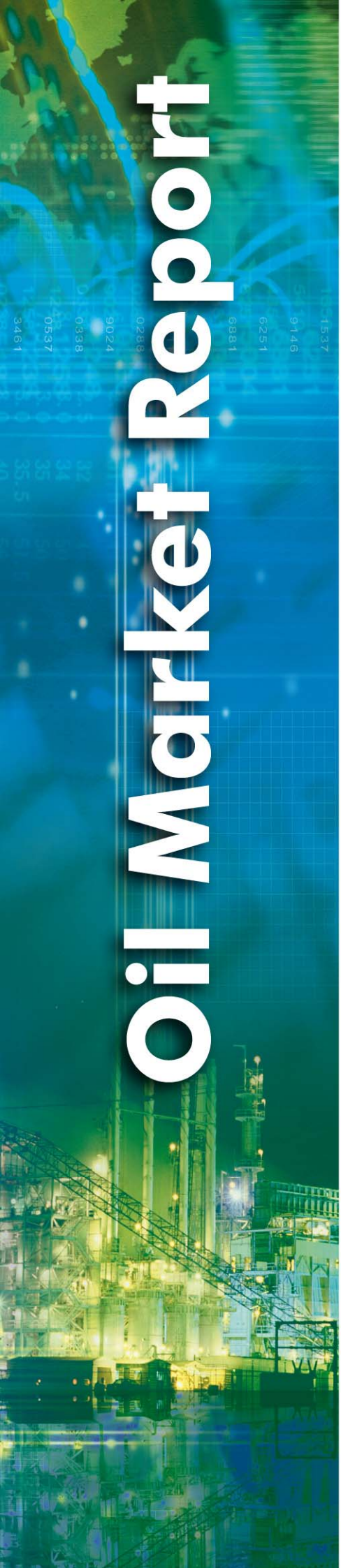
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 10 August 2011), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2011 Platts - a division of The McGraw-Hill Companies, Inc.).

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Next Issue: 13 December 2011





International Energy Agency

13 December 2011

HIGHLIGHTS

- **Crude futures prices moved higher in November and early-December on seasonal demand strength and tight supply.** Bullish impetus also came from news of a potential EU ban on Iranian crude imports. These factors outweighed escalating economic risks, but resulted in uneven price gains among the key benchmarks. At writing, Brent stood near $107/bbl, with WTI around $98/bbl.

- **A more precarious economic backdrop and weaker 4Q11 data – particularly for OECD Europe – curb oil demand projections for 2011 and 2012 by around 0.2 mb/d**. Global oil demand is expected to average 89.0 mb/d by 2011, a rise of 0.7 mb/d on 2010, before gaining a further 1.3 mb/d in 2012 to reach 90.3 mb/d.

- **Global oil supply rose by 0.9 mb/d to 90.0 mb/d in November from October,** driven by lower non-OPEC supply outages. A yearly comparison shows similar growth, with OPEC supplies standing well above year-ago levels. Non-OPEC supply growth averages 0.1 mb/d for 2011 but rebounds to 1.0 mb/d in 2012, with strong gains expected from the Americas.

- **OPEC crude oil supply in November rose to the highest level in more than three years, up by 620 kb/d to 30.68 mb/d,** with Saudi Arabia and Libya accounting for 80% of the increase. OPEC ministers will meet on 14 December in Vienna to review the market outlook. The 'call on OPEC crude and stock change' for 2012 stands at 30.2 mb/d, near recent OPEC output levels.

- **Global refinery crude throughputs fell by close to 1 mb/d in October,** as OECD autumn maintenance hit its seasonal peak and Chinese runs remained weak. Preliminary data show runs rebounding sharply in November, despite poor margins, to meet higher winter demand. 4Q11 estimates are largely unchanged at 75.1 mb/d, rising to 75.8 mb/d in 1Q12.

- **OECD industry oil stocks declined in October by a steep 36.3 mb to 2 630 mb,** or 57.2 days of forward cover. The inventory deficit versus the five-year average widened to 61.9 mb, from 40.0 mb in September, and crude and middle distillates dominated the October decline. November preliminary data show a counter-seasonal, 6.9 mb build in OECD industry stocks.

- **Updated medium-term projections show global oil demand rising from 88.3 mb/d in 2010 to 95.0 mb/d in 2016**, growth of 1.1 mb/d per year on average. A stronger global liquids supply outlook now sees upstream capacity attain 101.5 mb/d by 2016, average yearly growth of 1.3 mb/d, with the outlook for Iraq, Libya and the Americas stronger than in June. Meanwhile, global crude distillation capacity additions for 2010-2016 are trimmed by 0.9 mb/d, but remain a substantial 8.7 mb/d.

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THE LONG AND SHORT OF IT

Easier balances for the medium term...

December customarily sees an interim update of the medium term projections generated the prior June. This year is no exception, and following an eventful November also for the short-term market, this month's *OMR* has filled out to become something of a bumper, pre-holiday issue. Our preliminary medium-term update suggests a more comfortable market outlook than looked likely six months ago. The demand baseline has come in lower for 2011 and a marginally weaker economic prognosis persists into 2012, even if this is countered by slightly weaker assumed prices. Nonetheless, middle distillates, and diesel in particular, continue to drive demand growth in coming years, with significant increments in the transportation, industrial and, increasingly, the power generation sectors. Oil supply prospects look slightly stronger, with recovery from Iraq and Libya coming in at a faster pace, and a game-changer in the making in the form of US light tight oil from shale. On a net basis, potential OPEC spare capacity remains tight in 2011 and 2012, but then eases back into a range between 5-6% of global demand thereafter. This is hardly suggestive of a sloppy market, but it does hint that the supply side of the equation, barring major outages, is capable of matching trend demand growth at, or slightly above, 1 mb/d per year.

A lower GDP scenario, with economic growth 30% weaker than in the base, generates more modest annual demand growth of 0.7 mb/d which, assuming continued upstream capacity growth, leaves the world with 6-8 mb/d of spare capacity during 2013-2016. Greater supply side flexibility is welcome, although it would be a pity for it to come about largely because of suppressed economic activity.

Global Balance Summary (Base Case)
(million barrels per day)

	2010	2011	2012	2013	2014	2015	2016
GDP Growth Assumption (% per year)	**5.00**	**3.85**	**3.91**	**4.39**	**4.61**	**4.72**	**4.78**
Global Demand	**88.27**	**89.00**	**90.27**	**91.53**	**92.70**	**93.85**	**94.99**
Non-OPEC Supply	52.61	52.68	53.68	54.07	54.50	55.58	55.98
OPEC NGLs, etc.	5.35	5.80	6.35	6.69	6.88	7.22	7.37
Global Supply excluding OPEC Crude	**57.97**	**58.47**	**60.04**	**60.76**	**61.38**	**62.80**	**63.35**
OPEC Crude Capacity	**35.74**	**34.65**	**35.48**	**36.39**	**37.04**	**37.82**	**38.07**
Call on OPEC Crude + Stock Ch.	**30.31**	**30.53**	**30.23**	**30.76**	**31.32**	**31.05**	**31.64**
Implied OPEC Spare Capacity[1]	5.43	4.12	5.25	5.62	5.72	6.77	6.43
Effective OPEC Spare Capacity[2]	4.43	3.12	4.25	4.62	4.72	5.77	5.43
as percentage of global demand	*5.0%*	*3.5%*	*4.7%*	*5.1%*	*5.1%*	*6.1%*	*5.7%*
Changes since June 2011 MTOGM							
Global Demand	**0.25**	**-0.29**	**-0.36**	**-0.39**	**-0.43**	**-0.39**	**-0.27**
Non-OPEC Supply	-0.10	-0.60	-0.49	-0.15	0.17	0.47	0.62
OPEC NGLs, etc.	0.01	-0.08	0.02	0.01	-0.09	-0.09	-0.04
Global Supply excluding OPEC Crude	**-0.10**	**-0.68**	**-0.47**	**-0.14**	**0.08**	**0.39**	**0.58**
OPEC Crude Capacity	**0.02**	**0.36**	**1.04**	**0.49**	**0.11**	**0.14**	**0.23**
Call on OPEC Crude + Stock Ch.	**0.35**	**0.39**	**0.11**	**-0.25**	**-0.51**	**-0.78**	**-0.85**
Effective OPEC Spare Capacity[1]	-0.33	-0.03	0.93	0.75	0.62	0.92	1.07

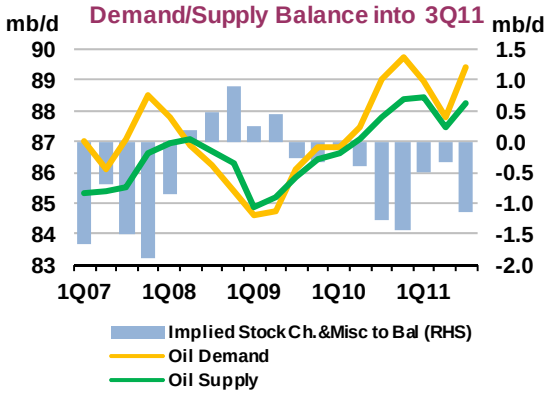
1 OPEC Capacity minus 'Call on Opec + Stock Ch.' 2 Historically effective OPEC spare capacity averages 1 mb/d below notional spare capacity.

Weaker demand prospects have also led to a slight scaling back of expected refining capacity growth. However, this still amounts to 8.7 mb/d during 2010-2016 for primary distillation, fully 2 mb/d higher than expected demand growth. All of this net capacity growth derives from the non-OECD, and notably Asia. With increasing quantities of the demand barrel being met from liquids sourced outside the refining system (biofuels, NGLs), this suggests that competitive pressures on OECD European operators in particular will remain intense.

All told, the intense tightening in market fundamentals evident during 2009-2011 could ease over the next five years, the more so if 2012 economic growth takes a sharper downturn than our base case suggests. That doesn't detract, however, from the imperative to sustain investment for the future. Developments in the Chinese and Japanese power sectors in the last year have illustrated that oil demand can at times surprise to the upside too. With an upstream sector grappling to replace 2-3 mb/d of mature field decline each year over the longer term, there is scant room for complacency just because mid-term balances now look slightly more benign.

...after a year of supply disappointments in 2011

Indeed the magnitude of supply side challenges has been amply demonstrated in 2011. The loss of 1.6 mb/d of Libyan supply for more than half the year (which to date has cost the market nearly 400 mb) has been exacerbated by the worst level of unplanned non-OPEC stoppages since 2005. Anticipated non-OPEC supply growth for 2011 has been wiped out as a result. Global oil demand has been running ahead of supply since economic recovery began in 2009, but has been doing so in a more pronounced fashion since mid-2010. There may therefore be a way to go before the sunny uplands of comfortable medium term supply are reached. Any sign of the mechanical outages which have bedevilled OECD supply in 2011 persisting could lead to further downgrades to our 2012 outlook. A deteriorating geopolitical and supply-side backdrop hangs over Syria, Yemen and Sudan, even if ultimately supply disruptions there might prove short-lived. The spectre of an embargo on Iranian oil exports has also emerged, and although precise market reaction is difficult to predict, added tensions on the supply side are likely to have a bullish impact, notably on inter-regional and sweet-sour price spreads. As ever, policy choices can involve unintended consequences.



This applies just as much to moves to regulate commodity derivatives markets as it does in the physical sphere. The IEA, IEF and OPEC held the second of their joint workshops on physical/financial market linkages and regulation in Vienna during November. Opinions remain diverse on the role of the relative contributors to oil price formation, but there was heartening agreement on the need to coordinate regulatory efforts internationally to ensure markets continue to function seamlessly and that physical price risks can continue to be hedged economically.

In the shorter term, we note the convergence of our own expectations for the 2011/2012 market balance with those generated by colleagues at the OPEC Secretariat. Month-to-month fluctuations aside, both reports point towards an average underlying 'call on OPEC crude and stock change' that lies above 30 mb/d for 2012. With OECD company inventory having trended below the five-year average since July, our own estimation is that stocks would oscillate in a fairly narrow range around the five-year 'norm' if OPEC output were sustained at November levels over the course of 2012. There is always plenty of money to be lost indulging in punditry ahead of an OPEC Ministerial meeting. Nonetheless, there seem to be growing analyst expectations that ministers might converge around expected 2012 crude demand as an aggregate production target for the year ahead. For our part, we will wait and see.

DEMAND

Summary

- **A combination of the worsening global economic backdrop and persistently heightened oil prices has resulted in lower forecasts for global oil demand in 2011 and 2012**, with projections trimmed by 0.16 mb/d and 0.20 mb/d respectively. Uncertain prospects for the single European currency continue to provide added downside risk to current economic growth estimates.

- **Emerging markets will continue to outperform their OECD counterparts** – a consequence of more robust economic prospects and lower underlying price elasticity. Having risen by 1.18 mb/d in 2011, non-OECD demand growth will accelerate to 1.58 mb/d in 2012, outweighing OECD declines of 0.45 mb/d in 2011 and 0.31 mb/d in 2012. Global oil product demand now averages 89.0 mb/d in 2011 (+0.73 mb/d versus 2010), rising to 90.3 mb/d in 2012 (growth of 1.26 mb/d).

- **A low GDP sensitivity, one third weaker than the base case,** generates growth of a more modest 0.6 mb/d in 2011 and just 0.2 mb/d for 2012, with the bulk of the downgrade accruing in the non-OECD markets.

Global Oil Demand (2010-2012)

(million barrels per day)

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Africa	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.2	3.4	3.3	3.5	3.5	3.5	3.5	3.5
Americas	29.5	30.0	30.5	30.2	30.1	30.0	29.8	30.2	30.0	30.0	29.9	29.8	30.3	30.2	30.1
Asia/Pacific	27.2	26.9	26.7	28.3	27.3	28.6	27.3	27.3	28.7	28.0	29.5	28.5	28.2	29.3	28.9
Europe	15.0	14.9	15.6	15.5	15.3	14.9	14.8	15.4	15.1	15.0	14.6	14.5	15.2	15.0	14.8
FSU	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.8	4.8	4.7	4.6	4.6	4.9	4.9	4.7
Middle East	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.4	7.8	8.0	7.9	8.3	8.7	8.1	8.2
World	**86.8**	**87.5**	**89.0**	**89.8**	**88.3**	**88.9**	**87.8**	**89.4**	**89.8**	**89.0**	**90.0**	**89.2**	**90.8**	**91.1**	**90.3**
Annual Chg (%)	2.6	3.2	3.4	3.4	3.2	2.5	0.4	0.4	0.1	0.8	1.2	1.6	1.5	1.4	1.4
Annual Chg (mb/d)	2.2	2.7	2.9	3.0	2.7	2.1	0.4	0.4	0.1	0.7	1.0	1.4	1.3	1.3	1.3
Changes from last OMR (mb/d)	0.01	0.01	0.01	0.01	0.01	0.01	-0.10	-0.17	-0.37	-0.16	-0.19	-0.17	-0.17	-0.25	-0.20

- **Final monthly data submissions indicate that 3Q11 global growth slipped back to 0.36 mb/d** (+0.4% year-on-year), largely driven by the weakening non-OECD demand trajectory (+2.5% y/y) – although this still far outweighed the strongly declining OECD region (-1.5% y/y). Non-OECD growth is now at its weakest since the depths of the global credit crunch, specifically 2Q09. Gasoil dominates 3Q11 growth, offsetting declines from gasoline and residual fuel oil.

- **Medium-term global oil product demand is now expected to be some 0.3 mb/d lower over 2010-2016** when compared with the June *Medium-Term Oil & Gas Markets* report, with the changes related to a combination of baseline revisions and the now lower near-term economic underpinnings (through to 2013). Overall, global oil product demand rises from 88.3 mb/d in 2010 to 95.0 mb/d in 2016, equivalent to +1.2% or +1.1 mb/d per year on average. Growth will derive solely from non-OECD economies, which will account for more than half of global demand as soon as 2013, with the gap broadening sharply by 2016 (50.6 mb/d versus 44.4 mb/d for the OECD). Given the heightened state of concern regarding the global economy at present, the 'lower GDP' scenario warrants additional attention, whereby demand would rise by a more modest 0.8% per annum or 0.7 mb/d annually, through to 2016, generating a difference of 2.4 mb/d for 2016 demand versus the base case.

One Minute to Midnight & the Clock Ticks

Recent months have seen a definite deterioration in the economic outlook for Europe, and accordingly the world. Not only has the prospect of a break-up of the European single currency become a very real possibility but also the realisation has increased that heightened debt problems in many countries are unsustainable. Rarely has a week gone by without one of the big three credit rating agencies downgrading a country; the past month's culprits include Hungary, Portugal and Belgium. How events unfold remains clouded in uncertainty, although what is clear is that the indebted economies of the developed world are in for a sustained period of slow growth. The evolution of this report's demand projections reflects, to a degree at least, the worsening economic backdrop evident over recent months.

Projections vary greatly between macroeconomic forecasters, with the OECD currently amongst the most bearish, predicting real GDP growth for the combined OECD region of only 1.6% in 2012, while the IMF maintains a more optimistic 1.9% track. Looking at developed world aggregates, however, hides particularly stark concerns regarding Europe, with the OECD for example projecting an anaemic 0.2% growth rate for Europe in 2012. Not only does such a poor growth estimate almost certainly entail a double-dip recession in many European economies, but it also conceals particularly severe downgrades in many individual nations, particularly those around the Mediterranean.

An example of just one country, the UK, outlines the wide degree of variance that exists between economic forecasters. The OECD has just lowered its forecast for UK GDP growth to 0.5% for 2012, dramatically reducing its projection of 1.8% made just six months earlier. Looking through the estimates of 25 of the world's leading macroeconomists, projections vary from Schroder's at -0.4% to Beacon Economics' +2.3%. Such discrepancies highlight the degree of mystery that clouds even the very near future, hence the OMR's adoption of both a 'low' and 'base case' GDP and oil scenario within its forecasting methodology.

One further caveat worth noting here is that although a degradation in the economic backdrop would clearly dampen demand prospects, it would also force down prices, counter-acting to some extent the downside pressures on demand. Furthermore, the complexities of the demand equation are heightened by the self-enforcing nature of the current economic malaise, as companies and individuals alike delay investment/purchasing decisions based upon the relentless wave of bad European economic news. This re-enforcing mechanism could yet offer a glimmer of hope to the region, as robust co-operative action equally has the potential to reverse such confidence swings (late November's stock market rallies are an example). The total European public sector debt burden as a percentage of economic output still stands below that of both the US and Japan, it is just that at the time of writing a coherent strategy had yet to be agreed upon to deal with such debts.

Oil Demand Sensitivity

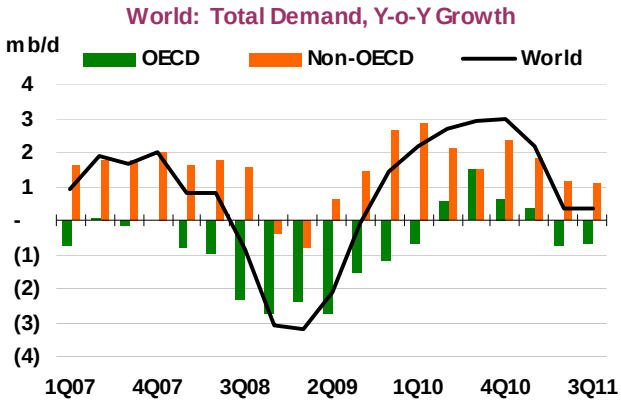
(million barrels per day)

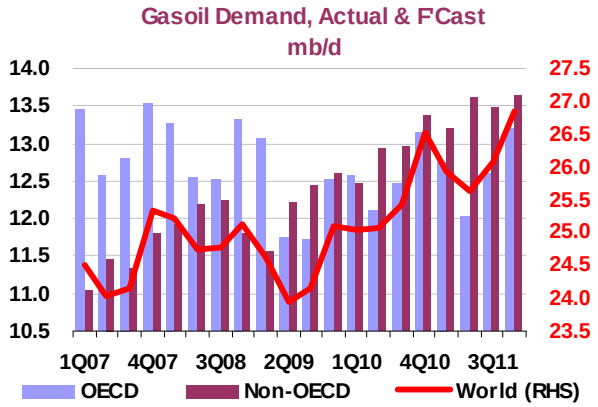
	2010	2011	2012	2011 vs. 2010		2012 vs. 2011	
				%	mb/d	%	mb/d
Base GDP & 0% Avg. Yearly Efficiency Gains							
Global GDP (y-o-y chg)	5.0%	3.8%	3.9%				
OECD	46.2	45.7	45.4	-1.0%	-0.45	-0.7%	-0.31
Non-OECD	42.1	43.3	44.9	2.8%	1.18	3.6%	1.58
World	88.3	89.0	90.3	0.8%	0.73	1.4%	1.26
Lower GDP & 0% Avg. Yearly Efficiency Gains							
Global GDP (y-o-y chg)	5.0%	2.6%	2.6%				
OECD	46.2	45.7	45.1	-1.0%	-0.48	-1.3%	-0.60
Non-OECD	42.1	43.2	44.0	2.5%	1.03	1.9%	0.82
World	88.3	88.8	89.1	0.6%	0.56	0.2%	0.22

Even with the 'base case' scenario, which assumes a relatively benign economic backdrop, OECD Europe sees a demand reduction of 0.2 mb/d (or -1.4%) in 2012, whilst global growth attains 1.26 mb/d (or 1.4%). A significant deterioration in the macroeconomic environment, akin to that carried in the 'low-case' scenario, could see OECD European demand fall by as much as 0.3 mb/d (or -2.0%) in 2012, whilst global demand would then only inch up by 0.2 mb/d (or 0.2%). The true evolution of events will likely be an unpredictable hybrid of the 'base' and 'low' case scenarios. It is by no means inconceivable for the global economy, and hence oil demand prospects, to slow in 2012 akin to the 'low case' scenario, before returning to a more 'normal' growth trend, as outlined in the 'base case' over the medium term.

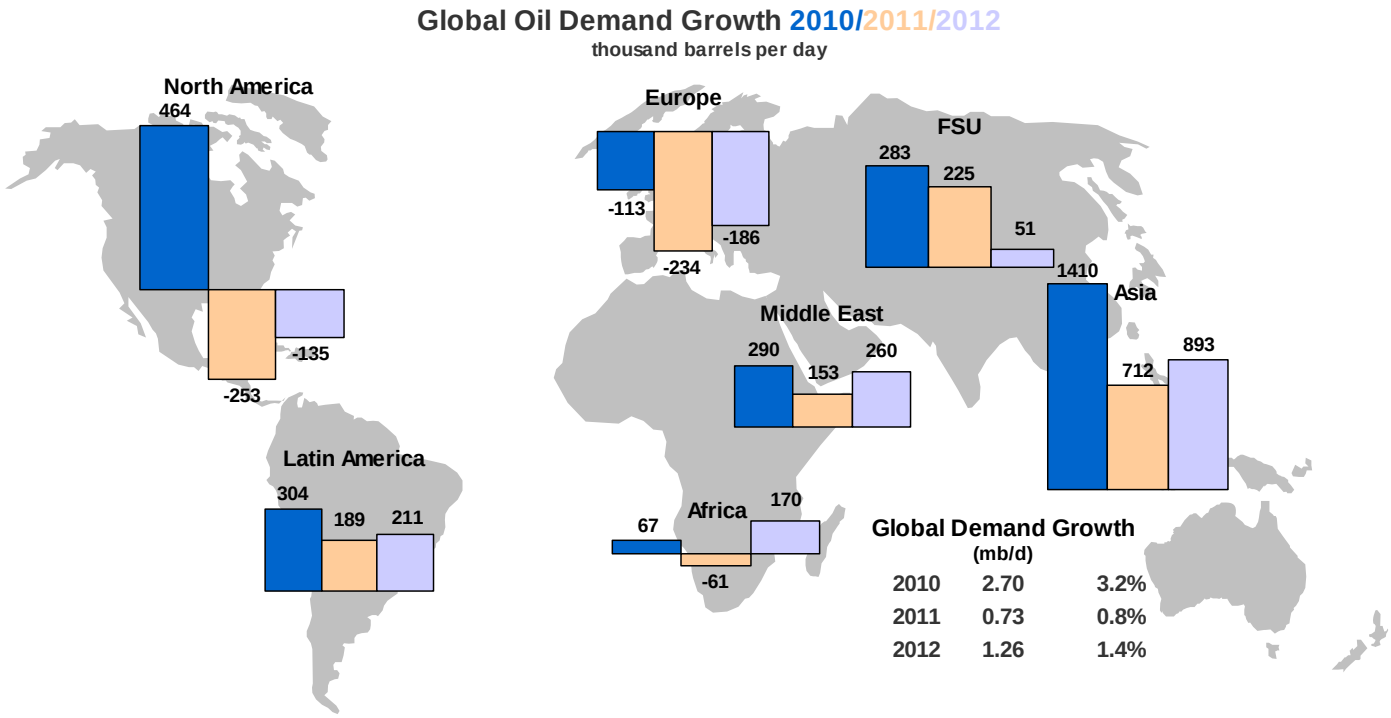
Global Overview

Following official data submissions for September, the 3Q11 demand picture has become clearer. Global oil product demand increased by 360 kb/d on a year-on-year basis, some 180 kb/d less than the prior assumption. This is the slowest pace of expansion since the dog days of 2009, when the global credit crunch was still in full swing, as a combination of persistently heightened prices and the clearly decelerating global economic backdrop have taken their toll.



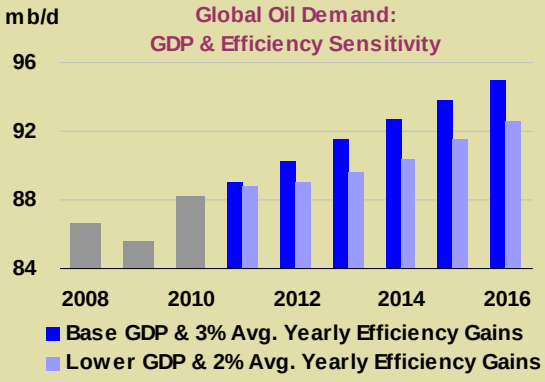


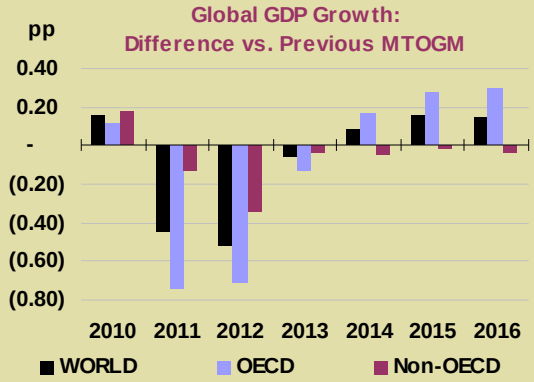
Gasoil is the dominant global growth product, as preliminary estimates for October show it to be the only strongly rising major product category. Not only is industrial gasoil demand maintaining a modest pace of growth globally, despite clear signs of an economic pullback (a factor that will increasingly come into play over the next six months), but the continued dieselisation of the vehicle fleet remains overwhelmingly supportive. So, at the margin, does diesel use in back-up power generators when non-oil capacity falls short. Moreover, the non-OECD economies are generating 80% of the total global gasoil demand growth.



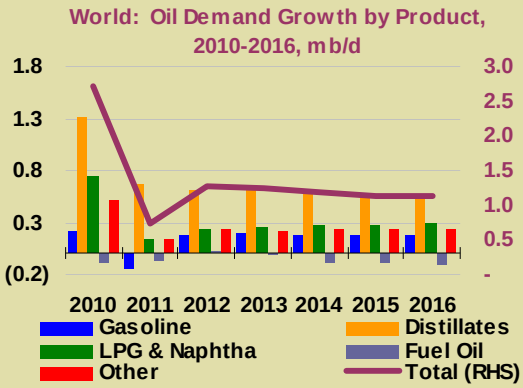
Lower Global Demand Profile Seen Over the Medium Term

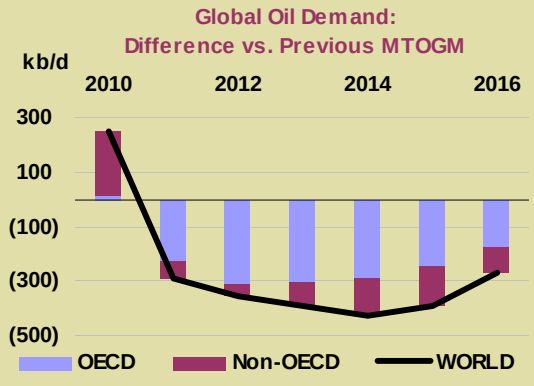
The December report customarily updates our medium-term demand outlook, last released mid-2011 (*Medium Term Oil & Gas Markets*, June 2011). Overall, compared with June's *MTOGM*, the global oil demand outlook for 2010-2016 has been reduced by 0.3 mb/d on average and is now seen rising from 88.3 mb/d in 2010 to 95.0 mb/d in 2016. Growth has also been trimmed, with global demand rising on average by 1.2% (+1.1 mb/d) per year, led by the non-OECD (+3.1% or +1.4 mb/d) while the OECD region continues to decline (-0.6% or -0.3 mb/d). In terms of products, middle distillates (gasoil + jet fuel/kerosene) account for over half of total global demand growth, while LPG and naphtha combined provide 20% of the total growth and gasoline constitutes only 10% of growth.





Ostensibly, this forecast change seems mild in light of recent downward adjustments to economic growth and lower-than-expected short-term oil demand. However, the headline downward revision is mitigated by three principal factors. First, this update incorporates a 2010 baseline that is some 250 kb/d higher than the *MTOGM* in June. Second, based on the IMF's September 2011 outlook, the pattern of global economic growth shows slower output in the short-term (3.9% in 2011/2012) before giving way to relatively stronger performance for the global economy through the remainder of the forecast period (growing by an average of 4.6% annually during 2013-2016). Finally, this update employs a crude oil price assumption that is some $10 per barrel lower for 2016 than that assumed in our previous outlook, with nominal Brent crude falling from $112/bbl in 2011 through to $93/bbl in 2016, based on the futures strip.

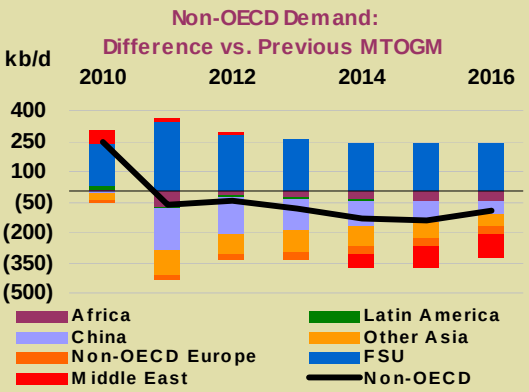


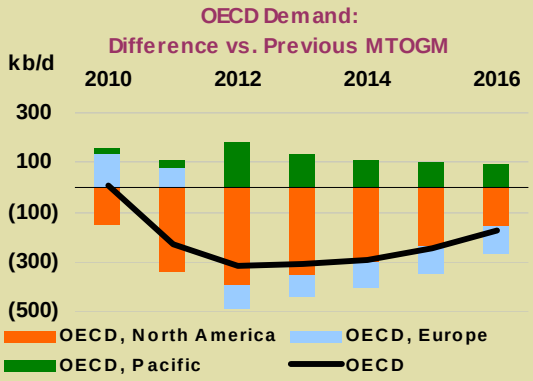


Nevertheless, the downside risks to the global economy have expanded since the *MTOGM* in June and, indeed, since the IMF's last forecast was published in September. Prospects for growth have slowed particularly in Europe, while North America and emerging markets have shown signs of further moderation. For this reason, we continue to employ an alternative demand case, based on lower underlying economic growth assumptions and slower efficiency gains; where economic growth averages some 3% on average from 2011-2016, versus 4.4% in the base case, and oil intensity diminishes by 2% per year instead of 3% in the base case. Under the illustrative lower case, global oil demand would increase by only 0.8% or 0.7 mb/d per annum on average, rising to 92.6 mb/d by 2016, 2.4 mb/d lower than generated by the base case.

Lower Global Demand Profile Seen Over the Medium Term (continued)

The changes to our base case vary according to region. In the OECD, North America and Europe will lead the downward revisions, as these two regions contain assumptions of slower economic growth and weaker-than-expected demand data in 2011-2012. In the case of North America, however, these revisions diminish over time with stronger expectations of economic growth for 2014-2016. Upward revisions to OECD Pacific demand stem largely from higher fuel oil and 'other products' (which includes direct crude burn) demand in Japan due to nuclear power shortfalls. While we still envisage the return of a significant portion of Japan's nuclear power in 2012, the long-term loss of plants damaged in March as well as uncertainty surrounding the policy environment suggests that oil-fired generation may remain structurally higher over the medium-term.

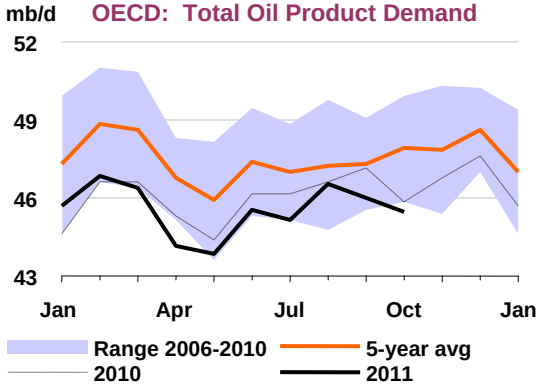


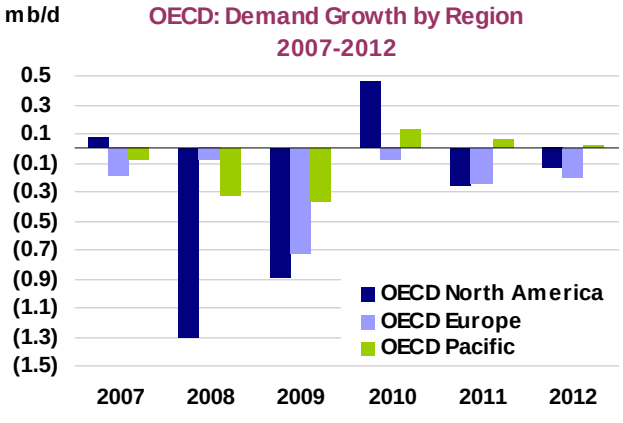


In the non-OECD, downward revisions to China and Other Asia nearly offset the upward revisions to the former Soviet Union, resulting in modestly negative adjustments for the non-OECD in the early years. However, slower-than-expected economic growth in the Middle East saps the non-OECD outlook from 2014-2016. Many of the revisions stem from baseline changes detailed elsewhere in this issue or previously. To wit, stronger 2010/2011 Russian demand, weaker-than-expected 2011 Chinese apparent demand, and downward 2011 adjustments to Thailand and Taiwan based on a reassessment of JODI data. Despite the China downgrade, caused by slower economic activity in 2011/2012, medium-term annual growth there remains robust at +4.8% (+490 kb/d).

OECD

The OECD will continue to lead the pace of any demand declines over the coming years. Sharp economic headwinds have hit Europe hard, and although they will likely filter across the globe, the degree to which they slow consumption will be most pronounced in the OECD. European demand will likely fare worst in 2012, down by 1.4%, while the OECD overall declines by a more modest 0.7%. The OECD drop has been intensified by 90 kb/d for 2012, taking the projected OECD decline to 310 kb/d (220 kb/d previously), and OECD demand averaging 45.4 mb/d next year as a result.





Preliminary data for October point towards OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) down by 0.8% on October 2010 (-370 kb/d), as concerns about the economy deepened whilst relatively mild early winter weather had little in the way of supportive impact. OECD Europe saw preliminary October demand down by 3.2% year-on-year, or -480 kb/d.

OECD Demand based on Adjusted Preliminary Submissions - October 2011
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.12**	**-4.5**	**1.65**	**1.4**	**4.37**	**11.9**	**1.03**	**11.1**	**0.67**	**-20.8**	**5.46**	**-3.52**	**23.29**	**-1.1**
US50	8.56	-5.1	1.45	0.7	3.76	13.1	0.54	20.2	0.30	-38.7	4.08	-4.0	18.69	-1.5
Canada	0.73	-1.6	0.10	2.7	0.23	3.7	0.32	1.1	0.09	-3.8	0.74	1.4	2.22	0.4
Mexico	0.76	-0.4	0.05	23.1	0.32	6.3	0.14	6.3	0.18	8.6	0.57	-6.9	2.02	0.3
OECD Europe	**2.09**	**-4.7**	**1.32**	**0.4**	**4.43**	**-1.3**	**1.83**	**-6.1**	**1.21**	**-6.7**	**3.54**	**-3.2**	**14.42**	**-3.2**
Germany	0.48	0.4	0.19	-6.0	0.70	-1.9	0.48	-3.1	0.15	-10.2	0.55	-7.0	2.55	-3.7
United Kingdom	0.34	-5.7	0.34	0.9	0.43	-5.3	0.11	-3.0	0.08	-2.6	0.33	6.9	1.63	-1.6
France	0.17	-3.7	0.16	17.5	0.70	-1.6	0.31	0.0	0.06	-15.0	0.38	-0.7	1.78	-0.4
Italy	0.20	-5.4	0.10	1.9	0.49	-1.3	0.13	-9.7	0.09	-19.7	0.42	-7.7	1.43	-5.7
Spain	0.12	-6.2	0.12	1.1	0.45	-4.8	0.15	-24.2	0.19	0.0	0.30	-5.2	1.33	-6.6
OECD Pacific	**1.51**	**-1.3**	**0.76**	**-1.0**	**1.15**	**5.7**	**0.50**	**-3.3**	**0.81**	**19.0**	**3.03**	**7.8**	**7.76**	**5.0**
Japan	0.94	-1.5	0.44	3.8	0.42	4.7	0.38	-0.9	0.55	49.6	1.67	9.7	4.41	8.5
Korea	0.19	-1.4	0.17	-13.4	0.29	0.7	0.12	-10.5	0.24	-13.8	1.20	7.7	2.21	0.2
Australia	0.33	0.0	0.12	2.8	0.39	11.3	0.00	0.0	0.02	10.7	0.15	-4.7	1.01	3.8
OECD Total	**13.71**	**-4.2**	**3.73**	**0.5**	**9.94**	**5.0**	**3.36**	**-1.0**	**2.70**	**-4.7**	**12.02**	**-0.8**	**45.47**	**-0.8**

* Including US territories

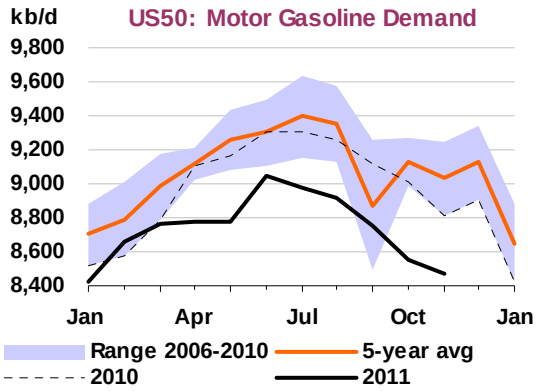
North America

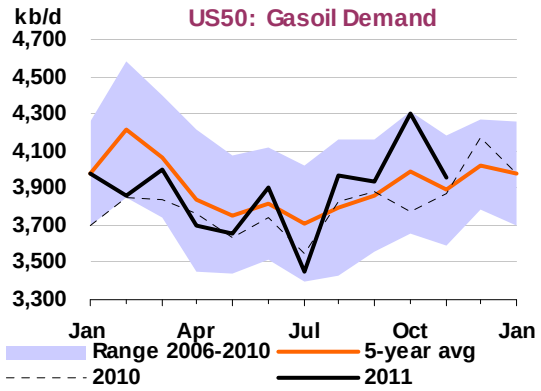
Preliminary data show North American demand declining at a slower pace of 1.1% year-on-year in October, following a 2.7% decrease in September. If maintained, the fragile October readings – which stemmed from LPG, motor gasoline and residual fuel oil demand in the US – would signal a notable slowdown through to the end of the year. Diesel bucked the general trend, with a particularly strong 11.9% gain seen in October amid supportive industrial indicators in the US, though the strength partially stems from comparisons to an unseasonably low prior-year reading. The economic outlook remains tenuous, with the regional recovery plodding along, though thus far largely avoiding knock-on effects from the slowdown in Europe. All the while, outside of a late October snowstorm in the US Northeast, autumn temperatures have remained mild.

Revisions to September data were light, averaging -40 kb/d, and were driven by 'other products' (-90 kb/d) and residual fuel oil (-70 kb/d), which outweighed an upward adjustment to LPG (+90 kb/d). Weekly-to-monthly revisions in the US were negative for the third consecutive month, led by gasoline and partially offset by an upward adjustment to gasoil. Revisions to gasoil continue to be difficult to anticipate given elevated export levels, which reached an all-time high of 930 kb/d in September.

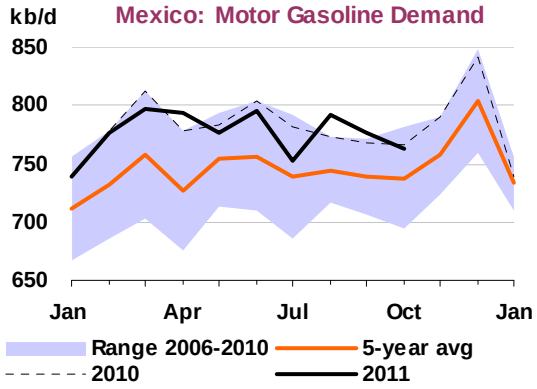
Adjusted preliminary weekly data for the **US** (excluding territories), up to 25 November, indicate that inland deliveries – a proxy of oil product demand – decreased by 1.8% year-on-year in November. The data featured a sharp year-on-year decline in residual fuel oil (-37.0%), encouraged by lower prices of substitutes like natural gas, while gasoline declined by 3.9%, as nominal gasoline prices 16% higher than last year provided a strong disincentive to US drivers. Gasoil demand growth retrenched to a still positive 2.2% year-on-year gain, versus October's 14.0% gain. All the while, indicators show that diesel demand remains supported by slowly rising truck tonnage and rail freight. In October, total US rail freight, published by the Association of American Railroads, rose 1.7% year-on-year. The American Trucking Association published its October truck tonnage index, showing a 4.9% year-on-year gain. Part of the haulage increases, and indeed localised diesel shortages, have stemmed from the transport of shale oil,

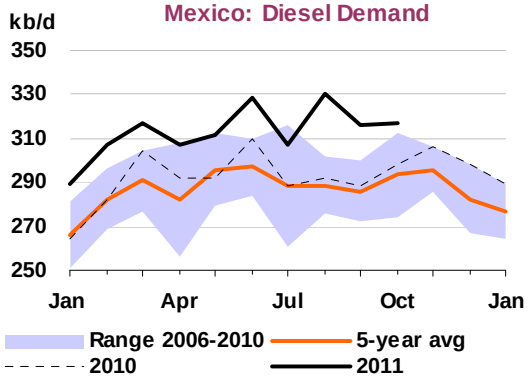
whose production is booming in parts of the US Midcontinent lacking sufficient pipeline takeaway capacity.





Mexican oil demand grew marginally, up 0.3% year-on-year, in October, according to preliminary data, as strong readings for residual fuel oil (+8.6%), diesel (+6.3%) and jet/kerosene (+23.1%), offset weaknesses in LPG (-1.9%) and motor gasoline (-0.4%). The residual fuel oil market benefited from higher demand from the power sector, with some switching of feedstock due to lower natural gas deliveries. Jet/kerosene demand has excelled, following on from September's 14.3% gain, as the airline industry continues to recover from the bankruptcy of a major airline in August 2010. Diesel demand growth remains strong on the back of economic activity in the industrial and transport sectors.





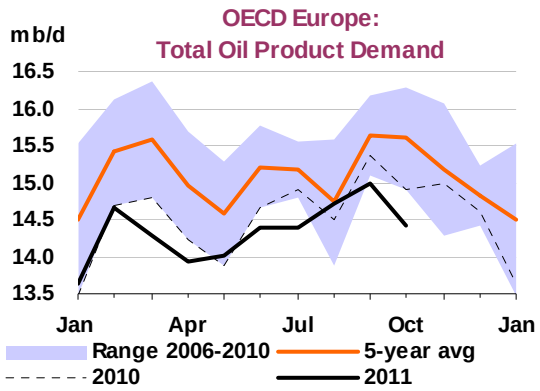
Europe

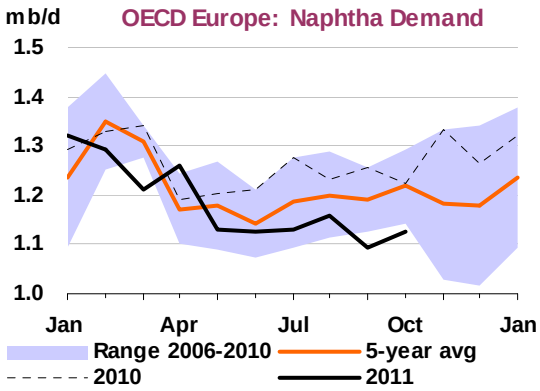
Teetering on the verge of recession, the deteriorating economic backdrop has filtered through into weaker oil product demand in Europe. Preliminary data for October point towards a 3.2% year-on-year decline, as European demand averages out at 14.4 mb/d – 340 kb/d less than in last month's report. This follows on from updated estimates of September demand, falling by 2.5%, to 15.0 mb/d, a more modest revision of -50 kb/d.

The bellwether industrial indicator products of naphtha and diesel saw downward revisions of 100 kb/d and 90 kb/d respectively for October. On a year-on-year basis, naphtha demand fell by 8.0% in October, followed by residual fuel oil (-6.7%) and motor gasoline (-4.7%). All of the major European product categories bar LPG (+2.9%) and jet/kerosene (+0.4%) saw demand fall in October.

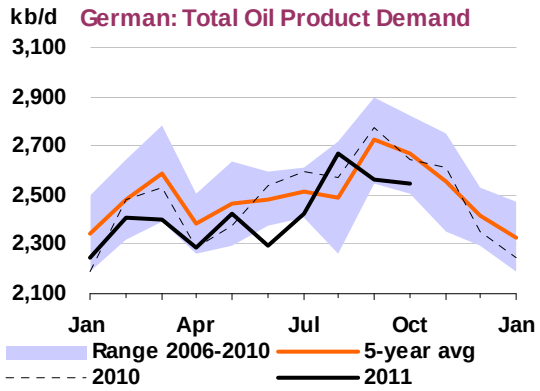
Spanish demand fell by a weighty 7% in October versus last year. All of the major Spanish product categories bar jet/kerosene and naphtha declined. Major products motor gasoline and diesel fell by 6.2% and 4.8% on a year-on-year basis respectively. Demand in **Italy** similarly nose-dived, as preliminary

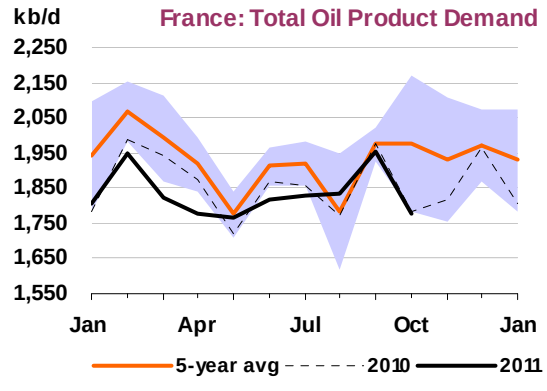
estimates imply a near-6% year-on-year contraction, reflecting the perilous state of its domestic economy. Indeed both Spain and Italy have seen recent economic woes force a change in government.





Germany saw a sharp October reversal, as preliminary data implied a contraction of more than 3% on the corresponding period a year earlier. Naphtha (-12.9%), fuel oil (-10.2%) and jet/kerosene (-6.0%) fared worst, while only LPG offered any serious compensation (+7.6%). The volte-face in German fortunes, as year-on-year gains were seen as recently as August (+3.7%), arose as the Purchasing Managers' Index (PMI) for October depicted the previously strong manufacturing sector contracting. October's reading of 49.1 broke below the key 50 threshold, which differentiates between contraction and expansion, the first time in more than two years that the Germany economy has suffered such a fate.





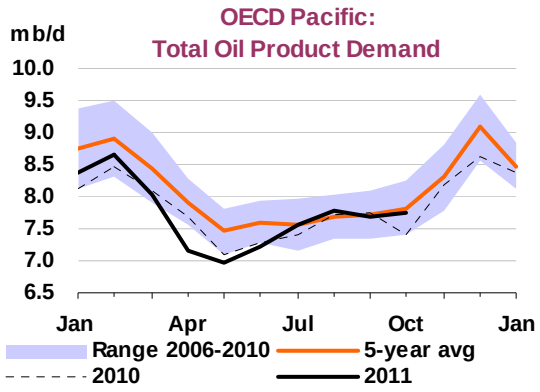
Preliminary October estimates for **French** demand imply that it held up relatively well – essentially remaining unchanged on a year-on-year basis – although this was largely just a consequence of last October's refining strikes. On the positive front the jet/kerosene (+17.5%) and other products (+3.5%) categories performed well, essentially cancelling out the poor performances that were seen in the fuel oil (-15.0%), LPG (-5.9%) and gasoline (-3.7%) markets. This overall flat lining in the French demand series is unlikely to be little more than a temporary aberration, as not only does France face an exceptionally testing macroeconomic environment but also the positive influence from last year's strike-hit low should dissipate through the remainder of the year. October's reprieve emerging on the back of an unexpected rise in the French manufacturing PMI – to 49.0 from 48.2 in September (note: still below the key 50 reading) – a trend that is likely to reverse looking ahead.

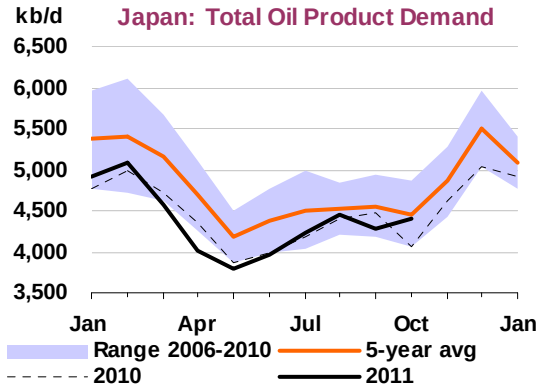
Although still only having submissions for September, both the **UK** and the **Netherlands** showed surprising strength, with respective year-on-year September gains of 2.0% and 2.3%. The relatively durable performance of both of these markets is a surprise as these economies are clearly depicting signs of fatigue. Resilient gasoil demand supported both of these markets – up by 4.5% in the

Netherlands and 2.6% in the UK – trends that looks certain to abate as the economic screws are tightened towards the end of the year and into the early months of 2012.

Pacific

Preliminary data for October for the OECD Pacific region show 5% growth, augmented by the nuclear-related performance of **Japan** (as Japanese demand growth staged a dramatic 8.5% year-on-year gain in October). Ongoing Japanese nuclear closures following mid-March's tsunami/earthquake are stimulating demand from both the residual fuel oil (+49.6%) and 'other products' categories (+58.9% – largely through direct crude burn), as Japan uses fuel-fired power plants as an alternative to nuclear. The LPG (+21.9%), diesel (+4.7%) and jet/kerosene (+3.8%) sectors posted significant gains in October, as Japanese industrial output entered positive year-on-year territory for the first time in two months (up by 0.4% after falling by 3.3% in September).

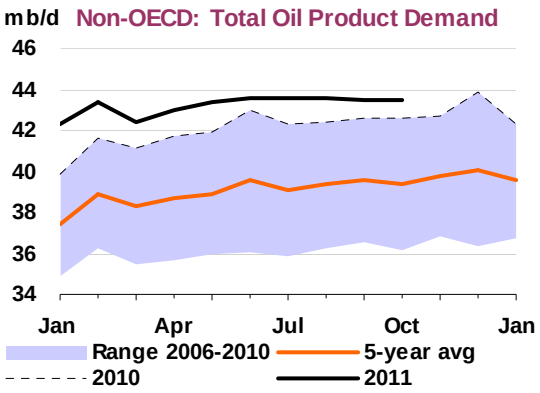


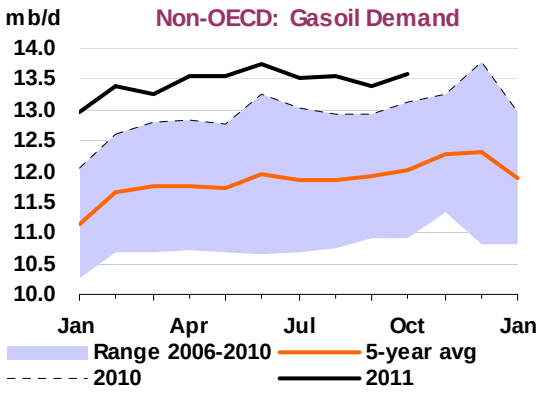


South Korean demand was largely flat versus October 2010, with growth dissipating to 0.2%, its weakest year-on-year trajectory since June 2011. Sharp reversals in the fuel oil (-13.8%), jet/kerosene (-13.4%) and heating oil (-10.5%) markets led the overall deceleration. October saw growth maintained in the South Korean naphtha (+5.3%), LPG (+2.7%) and diesel (+0.7%) markets. Although complete October statistics are not available, **Australian** demand should remain in positive territory, after rising by nearly 5% year-on-year in September. The diesel (+14.6%) and fuel oil (+13.5%) markets performed particularly strongly, reflecting reports that the Australian economy exceeded initial expectations in 3Q11, GDP gaining +1.0% on a quarter-on-quarter basis, ahead of consensus expectations for a 0.8% rise.

Non-OECD

Amid economic storm clouds, the voracious appetite of the non-OECD consumer has kept overall demand from falling into a declining trend. According to preliminary data for October, non-OECD oil product demand rose by 2.1% on a year-on-year basis – an improvement on September's 1.9% gain – equivalent to 0.9 mb/d of additional consumption. Despite the darkening economic backdrop, October's non-OECD demand estimate has endured only around a 40 kb/d curtailment on last month's report, as economic prospects in the non-OECD remain relatively resilient thus far. Major negative data revisions to China, flood-hit Thailand, South Africa and Taiwan just outweigh big upside revisions in Russia and Saudi Arabia. Although most of these revisions derive from reassessments of JODI data, the weaker Chinese number has come about on the surprisingly flat recent demand trend, whilst Russian consumption estimates are up on higher than anticipated refinery throughput numbers.





Underpinning the persistent strength in the non-OECD region have been the particularly robust performances of LPG/ethane and gasoil/diesel, with respective year-on-year October increases of 5.3% and 3.5%. Although demand growth will likely ease towards the end of the year, the persistent strength in non-OECD diesel demand should underpin a relatively strong growth trend across the non-OECD region in general.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Aug-11	Sep-11	Oct-11	Sep-11	Oct-11	Sep-11	Oct-11
LPG & Ethane	4,971	5,028	4,936	223	250	4.7	5.3
Naphtha	2,479	2,492	2,634	-158	-2	-6.0	-0.1
Motor Gasoline	8,488	8,447	8,436	257	259	3.1	3.2
Jet Fuel & Kerosene	2,773	2,784	2,761	74	53	2.7	1.9
Gas/Diesel Oil	13,552	13,378	13,567	447	455	3.5	3.5
Residual Fuel Oil	5,486	5,416	5,455	-108	-57	-2.0	-1.0
Other Products	5,779	5,906	5,666	84	-46	1.4	-0.8
Total Products	**43,528**	**43,451**	**43,456**	**820**	**911**	**1.9**	**2.1**

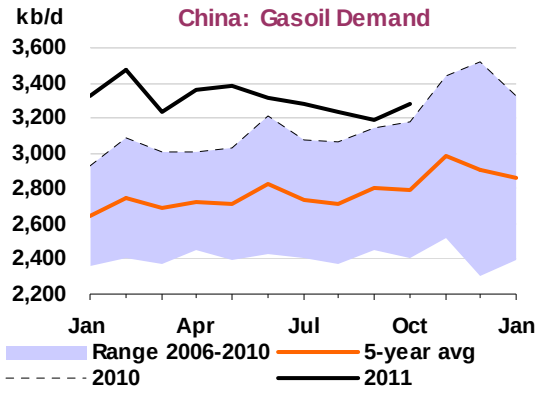
China

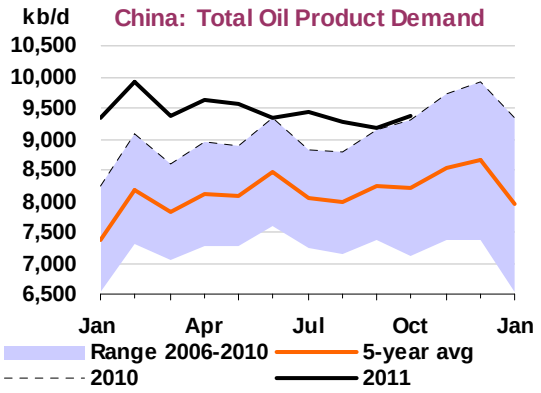
China's monthly apparent demand (calculated as refinery output plus net product imports) rose by only 0.7% in October, as refinery runs were marginally higher than a year ago. Apparent demand in September was revised down by 150 kb/d, putting growth for that month at only 0.3%. China's economy has continued to slow – November's PMI moving into contraction territory for the first time in almost three years – prompting the government to reverse its previous course of monetary tightening.

China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2010	2011	2012	2011	2012	2011	2012
LPG & Ethane	668	685	705	18	19	2.7	2.8
Naphtha	1,129	1,161	1,217	33	56	2.9	4.8
Motor Gasoline	1,546	1,655	1,730	109	76	7.1	4.6
Jet Fuel & Kerosene	368	398	417	29	19	8.0	4.8
Gas/Diesel Oil	3,142	3,318	3,483	176	165	5.6	5.0
Residual Fuel Oil	531	542	548	10	6	2.0	1.1
Other Products	1,685	1,738	1,895	53	157	3.2	9.1
Total Products	**9,069**	**9,497**	**9,996**	**429**	**498**	**4.7**	**5.2**

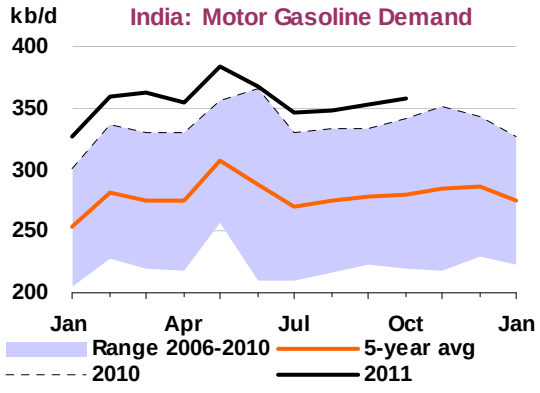


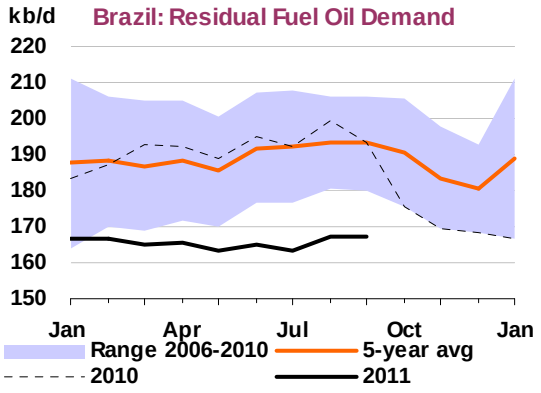


China still faces potential power shortages this winter, which may provide an upside boost to gasoil demand, though authorities recently raised industrial power and thermal coal prices in an effort to ease any electricity crunch. All the while, oil product stocks, particularly gasoil, continued to draw in November (the fifth consecutive month), suggesting that underlying diesel consumption may be stronger than our apparent demand calculation (which implicitly includes stock changes) indicates.

Other Non-OECD

Preliminary October estimates show **Indian** demand grew by 3.3% year-on-year, as stronger growth in gasoil (+7.9%) and naphtha (+39.2%) outweighed heavy losses in residual fuel oil (-20.7%) and jet/kerosene (-4.0%). Rapid growth in the diesel market was encouraged by several factors, chiefly its subsidy-supported price advantage over gasoline. Additional support arose as disruptions to coal supplies boosted diesel demand in the power sector. Naphtha grew strongly, due to 2010's low base when Panipat Petrochemical's plant was shutdown. Downside risks to transport demand have emerged as vehicle sales have lingered since March's peak, while the economic backdrop looks precarious.





In **Brazil**, demand growth decelerated to 2.4% year-on-year in September (3.4% in August), as strong gains in jet/kerosene (+11.4%), gasoil (+8.3%) and LPG (+2.0%) chipped away at losses in fuel oil (-13.5%) and gasoline (-0.8%). Fuel oil is struggling as it suffered from displacement in the power sector, with heavy switching over to natural gas and hydro. Brazil's economic health is starting to shows signs of fatigue, as industrial production collapsed in October (-2.2%) whilst persistent inflationary pressures weaken the central bank's ability to reduce interest rates should conditions deteriorate.

OECD Ethylene Producers Enjoy Temporary Respite

During 1H11, ethylene and propylene producers enjoyed good margins, supported by strong demand, but weakened in 2H11. In North America and Europe, margins remained high on low feedstock prices and stable demand, while OECD Pacific margins turned negative on expensive naphtha and lower Chinese demand.

In the short term, US gas crackers (ethane-based) are enjoying cheap feedstock prices, while naphtha crackers have benefited from surplus naphtha from gasoline blenders. In the medium term, the US shale gas bonanza is revitalising interest in new ethane-based crackers, particularly near the Gulf Coast and the Marcellus/Utica basin. At present, three US Gulf Coast ethylene producers are tweaking their units to take more ethane and increase capacity by a cumulative 590 metric tonnes per year by 2014. In addition, ambitious plans are afoot to take advantage of expected abundant ethane, extracted from shale gas, with a couple of new world-scale gas crackers planned for 2015. Plans exist to lock-in almost 200 kb/d of ethane from the Marcellus/Utica producers to an Ontario cracker, while a major pipeline company is pushing a competing project to transport 125 kb/d of feedstock to the Gulf Coast. North American ethylene producers have the prospect of relatively cheap, gas-based feedstock persisting through the medium term horizon.

In Europe, healthy margins in the summer were more a consequence of relatively inexpensive naphtha than strong end-user demand. As 2011 draws to a close, the weight of weak underlying petrochemical demand, exacerbated by the debt crisis, is injecting a harsh dose of reality into the sector. The short-term breathing space afforded to European producers by cheap feedstock may dissipate in the longer term. Fundamentally, as is the case for the refining sector, OECD operators will come under increasing pressure from world-scale capacity expansions underway in the non-OECD. A combination of weak end-user demand and more expensive oil-related feedstock will likely leave OECD European capacity vulnerable to closure.

Global Naphtha Cracking Capacity:
Cracker Size and Feedstock Vulnerability

	2011			2016		
	Crackers < World Avg.	Agg. Capacity < Avg. (kMT/y)	Vulnerable Capacity	Crackers < World Avg.	Agg. Capacity < Avg. (kMT/y)	Vulnerable Capacity
OECD	**37**	**13,315**	**60%**	**46**	**18,392**	**66%**
North America	2	365	1%	2	365	1%
Europe	22	7,515	28%	30	12,039	45%
Pacific	13	5,435	35%	14	5,988	38%
Non-OECD	**37**	**9,037**	**40%**	**38**	**9,270**	**34%**
Latin America	4	1,021	20%	4	1,021	14%
China	8	1,738	9%	8	1,738	7%
Asia	4	1,165	6%	4	1,245	5%
Non-OECD Europe	3	624	50%	3	624	50%
Former Yugoslavia	1	200	69%	1	200	69%
FSU	15	3,463	70%	15	3,463	70%
Middle East	2	826	3%	3	979	3%

** The world average ethylene cracker size is 523 thousand mt/y in 2011 and 593 mt/y in 2016.*

We have constructed a table showing which regions are more inclined, or *vulnerable*, to see shutdowns, making the assumption that with all else being held equal smaller than average naphtha crackers are the least economical or vulnerable (see '*The Ethylene Market: A Tale of Two Feedstocks*' in June's *Medium Term Oil and Gas Markets*). Therefore, we looked into our databases for crackers being smaller than the world average (i.e. 523 Kmt/y of ethylene production in 2011) and cracking the most expensive feed, naphtha. This exercise allowed us to detect the most *vulnerable* crackers, in case of facing a scenario of expensive feedstock and/or weaker demand. In 2011, for example, our analysis shows that 60% of the most *vulnerable* crackers in the world are located in the OECD and it is expected, 'ceteris paribus', that in five years the region will hold 66% of the least competitive crackers. Going into the future, if capacity additions continue as scheduled, OECD Europe could see 45% of its ethylene capacity as vulnerable by 2016. Something has to give in the face of a tidal wave of new and more competitive capacity in the emerging markets: either expansions will fail to materialise, or there will be compensatory closures. Considering that, on the one hand, the feedstock cost advantage is in North America and the Middle East, while the strongest demand growth prospects are in Asia, Europe's vulnerability makes it the likeliest place to see rapid shutdowns in the foreseeable future.

SUPPLY

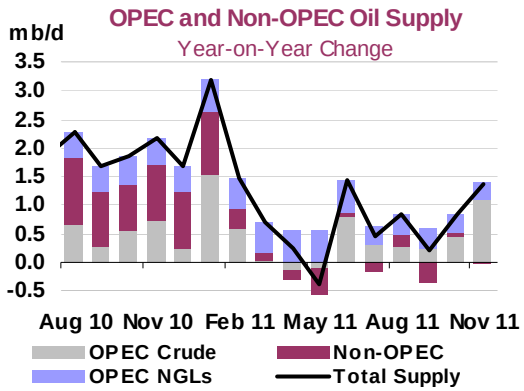
Summary

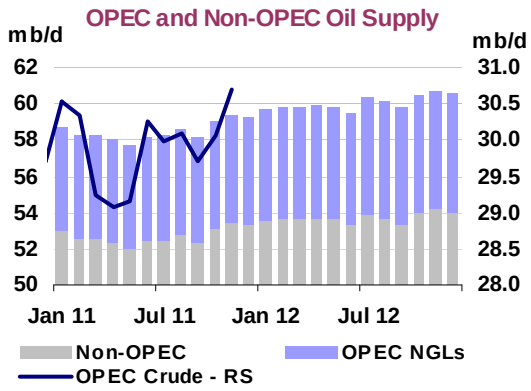
- **Global oil supply rose by 0.9 mb/d to 90.0 mb/d in November from October, driven higher by rebounding output from Saudi Arabia, Libya, and non-OPEC countries.** Compared to a year ago, global oil production stood 1.3 mb/d higher, all of which stemmed from increasing output of OPEC crude and NGLs.

- **Non-OPEC supply rose by 0.3 mb/d to 53.4 mb/d in November, largely due to the completion of maintenance in the North Sea, plus increased production in North America.** Unrest in the Middle East, unplanned shut-ins in the North Sea and Brazil, a transit revenue dispute in Sudan, and other unplanned outages reduce overall 4Q11 output by almost 700 kb/d. Compared to last year, 4Q11 production should grow by around 140 kb/d to 53.2 mb/d. Annual non-OPEC supply growth now averages less than 0.1 mb/d for 2011 but should post a 1.0 mb/d gain in 2012.

- **OPEC crude oil supply in November rose to the highest level in more than three years, up by 620 kb/d to 30.68 mb/d,** with Saudi Arabia and Libya accounting for 80% of the monthly increase. OPEC ministers will meet 14 December in Vienna to review the market outlook. The 'call on OPEC crude and stock change' for 2012 is pegged at 30.2 mb/d, broadly in line with current OPEC output but down 500 kb/d from 30.7 mb/d in 2011 due to now higher expectations for non-OPEC supplies.

- **An updated medium-term outlook sees global liquids supply capacity rising by 7.8 mb/d from 93.7 mb/d in 2010 to 101.5 mb/d by 2016.** The 6-year net increment is 0.9 mb/d higher than in the June *MTOGM,* largely due to improved non-OPEC supply prospects, while lower OPEC NGL capacity estimates offset now slightly higher OPEC crude capacity projections. Light tight oil production growth in the US accounts for almost 40% of non-OPEC growth during this time period.





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

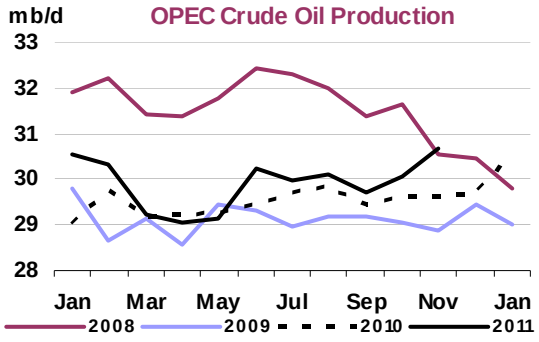
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –200 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

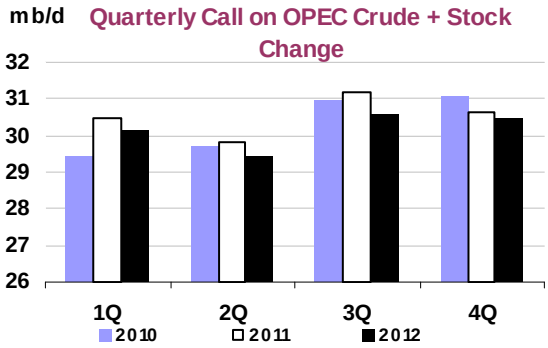
OPEC crude oil supply in November rose to the highest level in more than three years, up by 620 kb/d to 30.68 mb/d, with Saudi Arabia and Libya accounting for 80% of the monthly increase. Smaller increases were posted by Nigeria, Iraq , Kuwait, Iran, Qatar and the UAE.

OPEC-11 output, which excludes Iraq, increased by 595 kb/d to 27.97 mb/d in November At writing, reports emerged that OPEC may consider raising its currently disregarded output target of 24.8 mb/d closer to current production levels of around 30 mb/d at its 14 December ministerial meeting in Vienna. Iran, which holds the group's rotating presidency, earlier said the current target should be maintained but now appears to also be endorsing the new higher level, reportedly joining the majority in a bid to avoid a repeat of the rancorous June meeting. Whether price hawks Venezuela and Algeria will also go along with replacing the existing obsolete target is unclear.

Latest OMR data peg the 'call on OPEC crude and stock change' for 2012 at 30.2 mb/d, down 300 kb/d from an average 30.5 mb/d in 2011 due to now higher expectations for non-OPEC supplies.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC's 'effective' spare capacity is pegged at 3.16 mb/d compared with 3.58 mb/d in October. The lower estimate reflects higher OPEC supplies in November. However, this month we also adjusted spare capacity estimates for eight member countries resulting from a detailed review of production levels attainable within our definition of output that can be reached within 30 days and maintained for 90 days. Modest downgrades were posted for Algeria, Angola, Ecuador, Nigeria, and Qatar, collectively totalling 330 kb/d. By contrast, Kuwaiti and Iraqi capacity levels were raised a combined 390 kb/d, to 2.87 mb/d and 3 mb/d, respectively.

Saudi Arabia lifted output to 9.75 mb/d in November, up 300 kb/d over October levels. Tanker data indicate that the bulk of increased supplies are heading to Asia, in part due to higher winter demand needs. There have been reports that China may have also increased Saudi purchases in November to fill its newly constructed strategic storage reserves. Indeed, Saudi Arabia's Oil Minister Ali al-Naimi reported to the press production in November was an even higher 10 mb/d.

Iraqi supply rose by 25 kb/d to 2.72 mb/d in November, with higher output in the southern region offsetting reduced supplies from the north. Total exports averaged 2.14 mb/d last month, up around 45 kb/d over October levels. Exports of Basrah crude rose by around 85 kb/d to 1.71 mb/d while Kirkuk shipments from the Turkish port of Ceyhan on the Mediterranean fell by around 35 kb/d, to 425 kb/d.

Iranian production in November was also marginally higher, up 20 kb/d to 3.55 mb/d. Gibson's shipbrokers show Iranian floating storage fell from 34.3 mb to 28 mb at end-November. An escalation in tensions between Iran and the international community has focused market attention on the

increasingly likely potential for more far-reaching oil sanctions. (see '*Intensified International Sanctions Target Iranian Oil Industry*'.)

Fellow Gulf members **UAE** and **Qatar** each raised output by 10 kb/d, to 2.52 mb/d and 820 kb/d, respectively. **Kuwaiti** production rose for the seventh month in a row to 2.67 mb/d, which is up 250 kb/d since last April due to debottlenecking (*see 'Medium-Term Update: Iraq Propels OPEC Crude Oil Production Capacity Higher').*

OPEC Crude Production

(million barrels per day)

	Sep 2011 Supply	Oct 2011 Supply	Nov 2011 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Nov 2011 Supply	1Q12 Sustainable Production Capacity	OPEC Targets Effective Jan 2009
Algeria	1.29	1.29	1.29	1.31	0.02	1.29	1.203
Angola	1.70	1.72	1.69	1.90	0.21	1.91	1.517
Ecuador	0.50	0.50	0.50	0.51	0.01	0.51	0.434
Iran	3.54	3.53	3.55	3.68	0.13	3.51	3.336
Kuwait[2]	2.65	2.65	2.67	2.87	0.20	2.84	2.222
Libya	0.08	0.35	0.55	0.55	0.00	0.99	1.469
Nigeria[3]	2.18	2.02	2.10	2.49	0.39	2.45	1.673
Qatar	0.82	0.81	0.82	0.90	0.08	0.90	0.731
Saudi Arabia[2]	9.40	9.45	9.75	12.04	2.29	11.88	8.051
UAE	2.55	2.51	2.52	2.74	0.22	2.74	2.223
Venezuela[4]	2.29	2.55	2.53	2.64	0.11	2.54	1.986
OPEC-11	**27.00**	**27.38**	**27.97**	**31.63**	**3.66**	**31.55**	**24.845**
Iraq	2.70	2.69	2.72	3.00	0.29	3.21	
Total OPEC	**29.70**	**30.07**	**30.68**	**34.63**	**3.95**	**34.76**	
(excluding Iraq, Nigeria, Venezuela and Libya					*3.16)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 200 kb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in November.

Libyan production in November continued to rise, up a further 200 kb/d to 550 kb/d, or about one-third of its pre-war levels. By early December Libyan officials reported output had reached 900 kb/d, with almost all major fields now back online. Ramp-up of production from the 150 kb/d Elephant and 200 kb/d El Sharara fields is largely behind the steady increase in output. Modest production of 16 kb/d started up from the Waha fields but attaining 400 kb/d capacity will be delayed because of critical repairs needed at the Es Sider oil terminal. The 40 kb/d offshore Bouri field also started up at 10 kb/d.

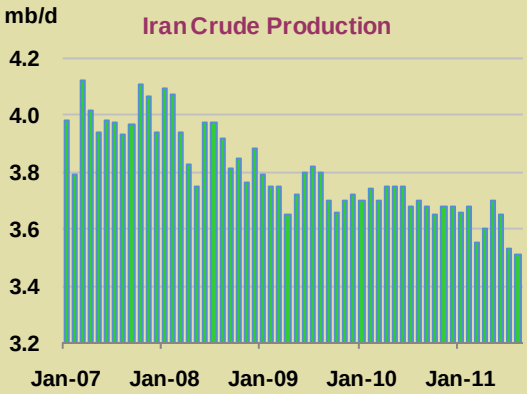
Libya's National Oil Corporation (NOC) is set to award 2012 oil term contracts in early December, with about 80% of crude exports expected to be sold via term deals and the remaining 20% via spot sales. NOC expects exports to reach pre-war levels of about 1.3 mb/d by the end of 2012, in line with our latest projections for the medium term.

Angolan production eased again in November, down 30 kb/d to 1.69 mb/d. As a result, planned exports fell below scheduled volumes, though supplies are expected to rebound again in December, largely due to a steady climb in new output from the 220 kb/d Pazflor field.

Nigerian crude output rebounded in November, up 80 kb/d to 2.1 mb/d. Shell lifted a *force majeure* on loadings of Forcados crude early in the month. However, production was curtailed by the planned shutdown for maintenance work for several weeks in November of the 115 kb/d EA field. The steady increase in sabotage to the country's expansive pipeline network is also taking a financial toll on the country, with new government estimates pegging the cost of repairs from attacks in 2011 alone at $2 bn.

Intensified International Sanctions Target Iranian Oil Industry

The EU is considering an embargo on nearly 600 kb/d of Iranian crude oil imports. Inclusion of other OECD sales would raise the total to 1.3 mb/d. It is considered unlikely that a further 1.2 mb/d of Iranian exports, largely to China and India, would be affected. The latest proposals also strengthen US and EU sanctions already in place that target Iran's upstream oil and gas sector by closing a loophole that will bar exports of oil-related equipment, drilling rigs or engineering services. As a result of tighter sanctions, Iranian production capacity is now forecast to decline by 890 kb/d to just under 3 mb/d by 2016.



There have also been market discussions about the potential for more far-reaching oil sanctions, including Japan and South Korea, while the US Senate has also voted in favour of sanctions against foreign and commercial banks that undertake business with the Central Bank of Iran (CBI). However, EU or broader measures may not be agreed until end-January, thus allowing operators time to source alternative supplies and coinciding with a seasonal fall in European refiner crude demand in the spring. A partial ban would nonetheless likely leave Mediterranean refiners confronting higher prices for replacement crude from producers such as Saudi Arabia, Iraq and Russia. Moreover, Saudi spare capacity may not be a precise match for the significant volumes of Iranian Heavy crude involved. Mediterranean refiners are believed to have already approached Saudi Aramco to enquire about extra cargoes of Arab Light, the closest quality match for Iranian Heavy, although much of current Saudi spare capacity may instead be held in the form of less suitable Arab Medium or Arab Heavy.

Further competitive pressure may come to bear on European refiners if Asian buyers obtain incremental Iranian cargoes at discounted prices. European operators already confront negative margins nearing end-2011 as a rising tide of new-build refining capacity in Asia and the Middle East intensifies competitive pressures. A partial embargo is considered likely to affect sweet-sour and inter-regional price differentials more than prompt crude prices as a whole. A broader global embargo or wider-ranging restrictions on dealings with Iran's Central Bank might lead to a more significant rise in crude prices, but arguably might more effectively limit Iranian revenues.

Logistical and storage considerations may also make an abrupt cut in supplies from Iran more or less problematic for individual refiners. A late-January EU decision to impose an embargo would effectively begin to bite into March/April Iranian liftings, the typical low point for European seasonal crude demand. However, European crude demand then tends to increase again during the April to August period. In contrast, OECD Pacific crude demand tends to be on a declining trend between January and June, before habitually rising through end-year. Seasonality is less evident for refiner crude throughputs for China and India. Either way, given already very low European crude inventories, a spate of precautionary buying and escalating tensions surrounding the Iranian issue could sustain prompt prices at levels higher than otherwise, amid the growing concerns about the euro zone and weaker global economic activity for 2012.

Estimated Jan-Sep 2011 Imports of Iranian Crude

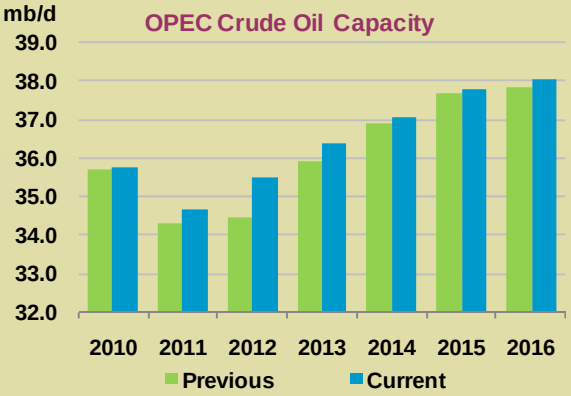
IEA	kb/d	% Total 2011 Oil Demand	% Total Exports
Belgium	36	5%	1%
Czech Republic	5	3%	0%
France	58	3%	2%
Germany	15	1%	1%
Greece	103	30%	4%
Italy	185	13%	7%
Japan	327	7%	13%
South Korea	228	10%	9%
Netherlands	19	2%	1%
Poland	3	1%	0%
Spain	161	12%	6%
Turkey	196	29%	8%
UK	11	1%	0%
IEA Pacific	**555**	**8%**	**22%**
IEA Europe	**792**	**7%**	**31%**
IEA Total	**1347**	**7%**	**53%**
Others			
China	550	6%	22%
India	310	9%	12%
Other Asia	240	3%	9%
Non-OECD Asia	**1100**	**5%**	**44%**
Total Asia	**1655**		**65%**
South Africa	80	14%	3%
Total	**2527**		**100%**

Source: IEA databases, Lloyds/Apex

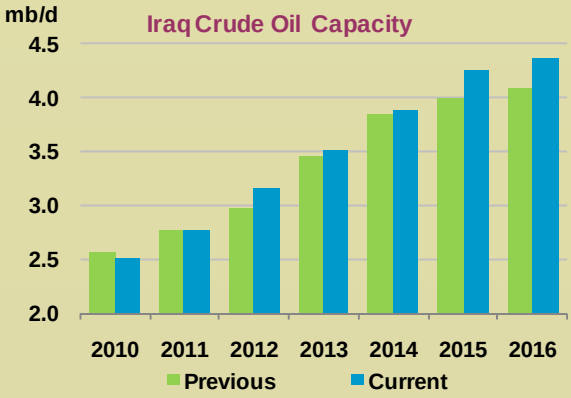
Medium-Term Update: Iraq Propels OPEC Crude Oil Production Capacity Higher

Crude oil expansion plans in the medium-term are moving apace, with capacity now forecast to increase by 2.33 mb/d to 38.1 mb/d by 2016. Iraq accounts for 80% of the increased capacity, followed by the UAE and Angola. Capacity growth is 200 kb/d higher than our previous forecast for the 2010-16 period, with upward revisions to Iraq partially offset by delays to Iranian projects.

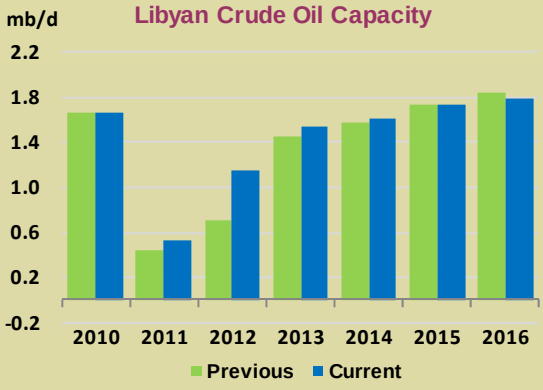
Iraq's crude oil production capacity is forecast to increase by a sharp 1.87 mb/d, to 4.36 mb/d on average by 2016. The outlook has been revised higher by 335 kb/d since our June report, largely due to steady progress at the country's 12 joint venture projects. Downside risks remain, with the end-2011 withdrawal of US troops uppermost on the list and fears of escalating instability as insurgency bombing increases. IOCs also report that continued bureaucratic, logistical and operational constraints are posing significant challenges and delays to project work, which we have already largely built into our forecast.



ExxonMobil's controversial inking of a production contract with the Kurdish regional government has led some analysts to conclude that the company sees the northern region as holding more long-term promise than the south, given the more attractive investment contract terms. The move by ExxonMobil sparked anger in Baghdad and put at risk the JV it already holds for the West Qurnah field. At the core is the lack of a broader legal framework for all IOCs signing contracts with Iraq, with government officials in Baghdad now reporting that a redrafting of the country's oil and gas law, which should include the disputed Kurdish region, will be finalised in 2012.



The recovery in **Libyan** output has exceeded expectations so far in 2011, with a faster-than-expected rebuilding of capacity seen for 2012. Overall, Libyan output is forecast to rise to pre-war levels of around 1.6 mb/d by 2014.



Aside from Iraq, the only other countries set to contribute significant growth are the UAE, Angola and Nigeria, which combined will add a further net 1.3 mb/d by 2016. Kuwait and Venezuela add smaller increments.

- The **UAE** has fast-tracked a number of projects, with capacity revised higher by 180 kb/d since our previous report. Total UAE capacity is now forecast to rise by 710 kb/d, to 3.41 mb/d by 2016.
- **Angola** is forecast to increase capacity by 360 kb/d to 2.4 mb/d by 2016. Despite the growth, the outlook for Angola has been trimmed by 340 kb/d for 2010-2016, largely due to steeper decline rates at the country's deep-water fields.
- **Nigerian** production capacity is expected to increase by a net 240 kb/d to 2.93 mb/d by 2016. More than a half a dozen mega projects plus several smaller ones are planned for the forecast period.
- **Kuwaiti** production has surprised to the upside, with capacity boosted 300 kb/d over the 2010-2011 period, though longer term there is a lack of new projects on the books. Kuwaiti capacity is forecast to rise just 100 kb/d over the 2010-2016 period, to 2.72 mb/d. Indeed, the latest rise in capacity levels reflects a marked increased in active drilling rigs and debottlenecking at the Mina al-Ahmadi oil terminal, which has enabled increased production from its giant Burgan oil field.

Medium-Term Update: Iraq Propels OPEC Crude Oil Production Capacity Higher (continued)

Baker Hughes' data show Kuwaiti rig activity up 65% year-on-year in November, to 28 versus 17 rigs. Kuwait Oil Company (KOC) reported that 418 new wells had been drilled in 2010-2011 compared with an initial target of 255 wells. Better management of underperforming assets has proved a windfall for a country that otherwise has few new project developments in the pipeline, boosting the country's estimated crude oil capacity to 2.85 mb/d.

Estimated OPEC Sustainable Crude Production Capacity

(In million barrels per day)

	2010	2011	2012	2013	2014	2015	2016	2010-16
Algeria	1.35	1.33	1.34	1.40	1.41	1.36	1.32	*-0.03*
Angola	2.04	1.95	2.02	2.12	2.28	2.42	2.40	*0.36*
Ecuador	0.50	0.52	0.53	0.53	0.51	0.48	0.46	*-0.04*
Iran	3.87	3.70	3.53	3.46	3.30	3.12	2.98	*-0.89*
Iraq	2.50	2.76	3.16	3.51	3.88	4.25	4.36	*1.87*
Kuwait	2.62	2.86	2.84	2.80	2.77	2.75	2.72	*0.10*
Libya	1.67	0.44	1.15	1.54	1.61	1.74	1.79	*0.12*
Nigeria	2.69	2.71	2.69	2.65	2.62	2.67	2.93	*0.24*
Qatar	1.01	1.02	1.01	0.99	0.98	0.97	0.96	*-0.05*
Saudi Arabia	12.07	12.04	11.88	11.73	11.59	11.82	11.90	*-0.18*
UAE	2.70	2.72	2.78	3.02	3.22	3.32	3.41	*0.71*
Venezuela	2.71	2.61	2.57	2.63	2.89	2.92	2.84	*0.14*
OPEC-11*	**33.24**	**31.89**	**32.33**	**32.88**	**33.16**	**33.57**	**33.71**	***0.47***
Total OPEC	**35.74**	**34.65**	**35.48**	**36.39**	**37.04**	**37.82**	**38.07**	***2.33***
Increment	*0.52*	*-1.09*	*0.84*	*0.91*	*0.66*	*0.77*	*0.26*	

** Excludes Iraq*

OPEC NGL Growth Slows Again

OPEC NGLs capacity is forecast to increase by 2.0 mb/d to 7.37 mb/d by 2016 from 2010. The outlook has been trimmed by 60 kb/d, largely due to a weaker outlook for Iran on stiffer sanctions since our last report. As expected, the Middle East will provide the bulk of the increase.

The UAE is forecast to raise NGL capacity by around 480 kb/d to 1.03 mb/d by 2016 as the 240 kb/d Habshan NGL and condensate project steadily ramps up from the 2010 start-up, followed by the 140 kb/d Integrated Gas Development (IGD) launch in 2013. Qatari NGLs are on course to rise by around 350 kb/d to 1.8 mb/d following the start-up this year of all its planned LNG trains.

Meanwhile, Saudi Arabia, the largest Middle East NGL producer, will add a further 250 kb/d to capacity, bringing 2016 production to 1.8 mb/d.

Estimated OPEC Sustainable Condensate & NGL Production Capacity

(In thousand barrels per day)

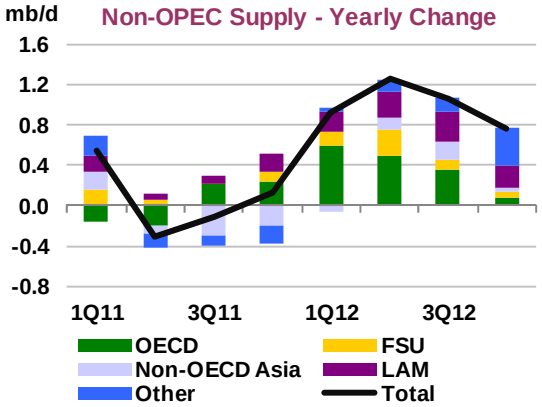
	2010	2011	2012	2013	2014	2015	2016	2010-16
Algeria	610	616	674	718	721	738	733	*123*
Angola	90	90	125	132	128	130	126	*36*
Ecuador	2	1	1	1	0	0	0	*...*
Iran	549	556	567	628	722	786	836	*287*
Iraq	56	70	79	83	88	94	94	*38*
Kuwait	200	210	238	328	345	350	345	*145*
Libya	111	27	49	82	94	152	196	*84*
Nigeria	412	414	447	461	443	441	451	*39*
Qatar	892	1,069	1,192	1,210	1,207	1,240	1,246	*354*
Saudi Arabia	1,550	1,599	1,655	1,665	1,683	1,789	1,801	*251*
UAE	555	809	886	918	979	992	1,031	*476*
Venezuela	211	213	213	214	215	216	216	*5*
Total OPEC NGLs	**5,238**	**5,674**	**6,126**	**6,438**	**6,625**	**6,929**	**7,075**	***1,837***
Non-Conventional*	**117**	**122**	**228**	**255**	**258**	**292**	**292**	***175***
Total OPEC	**5,355**	**5,797**	**6,354**	**6,694**	**6,884**	**7,221**	**7,367**	***2,012***
Increment	*428*	*442*	*557*	*340*	*190*	*338*	*146*	

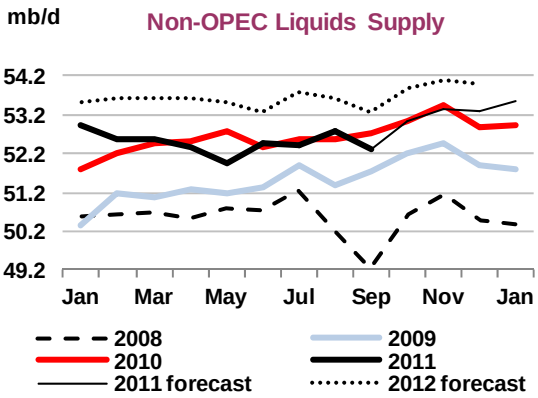
** Includes gas-to-liguids (GTLs).*

Non-OPEC Overview

Non-OPEC oil production is estimated to have risen by 0.3 mb/d to 53.4 mb/d in November, largely due to rising supply from North America and the completion of maintenance in the North Sea. Preliminary data show North Sea volumes increased by 0.2 mb/d from October levels. Unplanned outages in Yemen, Syria, and the North Sea partially reduced overall output by almost 0.7 mb/d in November. Non-OPEC supply in 4Q11 is expected to rise by 0.7 mb/d from the third quarter and is forecast to grow by 140 kb/d year-on-year.

The major source of a 160 kb/d downward revision to our estimate for 4Q11 non-OPEC supply is centred in lower output expectations in Yemen, Syria, Sudan, Brazilian biofuels, and the North Sea. Light tight oil production expectations in the Eagle Ford play in the US in the latter part of this year mitigates the downward revision. On balance, non-OPEC supply grows on an annual basis by only 70 kb/d in 2011, the third-lowest performance in the last decade (see '*Planned and Unplanned Outages Dent 2011 Non-OPEC Supply*' for a more detailed explanation of downward revisions for 2011).





For 2012, we have tempered supply growth expectations by around 120 kb/d to 1.0 mb/d in large part due to continued unrest in the Middle East and a downward revision to Global Biofuels (see '*With Dimmer Brazilian Prospects, Medium Term Biofuels Growth to Slow'*). We have also carried forward the upward revision to US Eagle Ford light tight oil production to 2012 and the medium term, which results in a 110 kb/d upwards revision to North American liquids production next year. As always, there are downside risks to the 2012 outlook, most especially with unplanned outages in the North Sea and with continued unrest in the Middle East. While it is impossible to forecast all of these contingencies, our 2012 outlook nonetheless includes a 200 kb/d field reliability allowance to reflect a historical tendency for unexpected outages to affect mature production facilities. However, shortfalls in 2011 have been of a higher order, something we assume is not repeated for 2012.

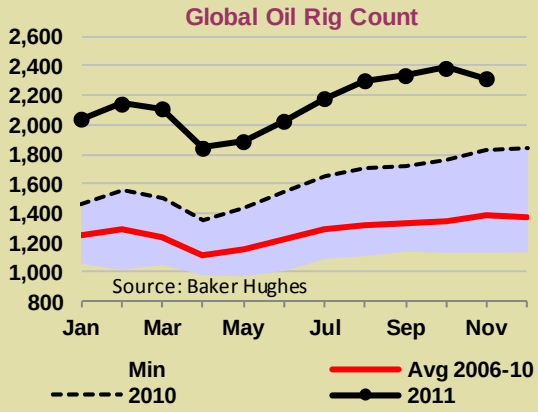
OECD

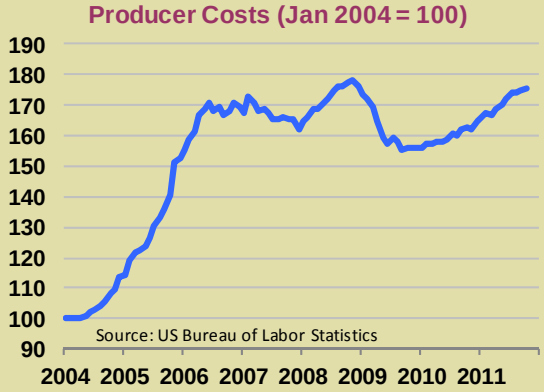
North America

US – November, Alaska actual, other states estimated: Gulf of Mexico production rebounded in October to 1.4 mb/d, bringing total US liquids production to around 8.2 mb/d. Preliminary data for November suggest that US liquids supplies continued to grow to around 8.3 mb/d on rising output from light tight oil deposits and rebounding production from Prudhoe Bay in Alaska. We expect that a cold front in Texas and the onset of winter in North Dakota could dent light tight oil production in December and in 1Q12. As discussed below, supply from the Eagle Ford shale has exceeded our prior expectations, leading to a drop in demand for light sweet crude imports in the US Gulf Coast, and we have therefore upped the outlook for 2012 by around 120 kb/d in Texas to 1.4 mb/d. Production growth in these plays should continue despite ample pipeline takeaway capacity with the reversal of Shell's 360-kb/d Ho-Ho pipeline by early 2013 that gives Gulf Coast refiners easier access to the Eagle Ford crude, and the reversal of the Seaway pipeline that will allow refiners to access supplies from Cushing.

Medium-Term Update: US Leads the Way

After several years of record prices and barring unforeseen outages, non-OPEC supply should post strong gains in upcoming years, rising by 3.4 mb/d, or around 500 kb/d per year, from 2010 to 2016. Almost 3 mb/d of growth comes from Canada and the US, 1.4 mb/d from Brazil and Colombia, while processing gains and biofuels add around 0.9 mb/d. North Sea production decline reduces robust non-OPEC growth by 0.8 kb/d, while continued investment uncertainty and mature field decline will curb output by almost 0.5 mb/d in non-OPEC Middle East.

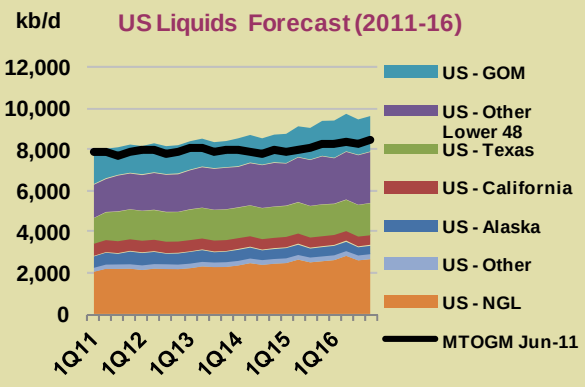


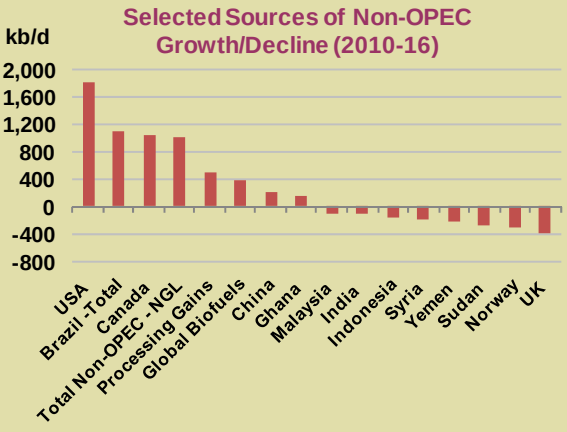


Higher exploration and production spending have augmented rig counts, and companies have employed new technologies to boost recovery rates. JP Morgan estimates that exploration and production spending in 2011 will rise by 22% to a record $408 billion. In 2012 in a separate survey, Barclays Capital expects E&P spending to increase by 10% to around $600 billion. Rig counts show that oil-focused drilling has increased and they are at substantially higher levels than last year.

Since the June *MTOGM* was released, non-OPEC supply has been revised up by 130 kb/d on average for 2011-2016, discounting a 100 kb/d downward revision to the 2010 baseline estimate (see chart on next page). On balance, although non-OPEC supply is revised downwards for 2011-2013, new project announcements, especially in the Western Hemisphere are behind the upwards revisions for 2014-2016. Nonetheless, the spectre of rising producer costs has returned and has resulted in project slippage in some instances, especially in the North Sea, Brazil, and the deepwater Gulf of Mexico. For that reason, some delays to North Sea and Brazilian projects otherwise scheduled for 2012/2013 start-up are expected. However, most of these delays are offset by an annual average 600 kb/d upwards revision to North American supply.

US: US liquids production is expected to increase by 20% to reach 9.6 mb/d in 2016, on average 0.7 mb/d higher than our June estimate. First, **Natural Gas Plant Liquids (NGPL)** production forecasts in the June MTOMR were based on an assumption of mostly static liquids content of natural gas and only a moderate increase in natural gas production in the US. We now expect gas production, and thus NGPLs, to increase , in part as oil/gas price ratios continue to encourage producers to target liquids-rich prospects, increasing the liquids content of natural gas. Shale oil and gas development is also expected to increase field condensate production, which will be used in gas processing plants and fractionation capacity to meet petrochemical demand (rising strongly beginning in 2014) and for use as diluent in Canadian oil sands projects. In sum, NGPL and condensate production is forecast to grow by around 600 kb/d, reaching 2.7 mb/d in 2016.





Medium-Term Update: US Leads the Way (continued)

US Light Tight Oil Production

(thousand barrels per day)

	2010	2011	2012	2013	2014	2015	2016
Williston Basin (including Bakken)	270	400	580	730	800	840	880
Barnett	20	20	30	40	50	50	50
Eagle Ford	30	100	140	200	260	340	390
Monterey	10	10	10	20	30	40	50
Niobrara	30	40	60	70	90	100	120
Utica	0	0	0	0	10	50	90
Other Light Tight Oil	20	50	50	80	80	110	120
Total Light Tight Oil	**380**	**620**	**870**	**1,140**	**1,320**	**1,530**	**1,700**
Other Crude and Condensate	5,090	5,040	4,910	4,750	4,630	4,750	4,920
Total US Crude and Condensate	**5,470**	**5,660**	**5,780**	**5,890**	**5,950**	**6,280**	**6,620**

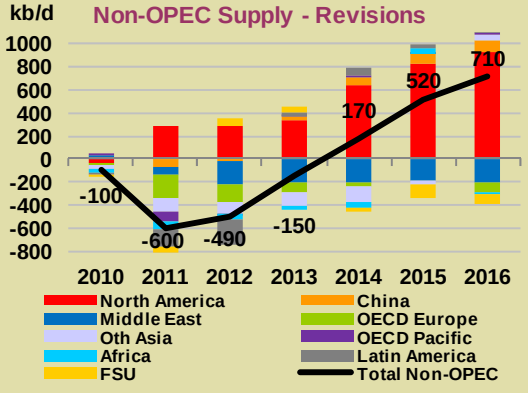
Second, **light tight oil** production in the US comprises almost a quarter of US crude supply by 2016, adding around 1.3 mb/d from 2010, roughly 300 kb/d higher than our June forecast. Increased drilling activity in the Bakken and Eagle Ford plays is the main reason for the more optimistic expectations in these regions. See '*Eagle Ford and Bakken Bonanza to Transform US Oil Production Outlook'* in last month's outlook.

Finally, for the **Gulf of Mexico**, our projections have evolved as more information has become available since the drilling moratorium that followed the Macondo disaster. Production for 2010 and 2011 at 1.6 mb/d and 1.4 mb/d respectively is around 0.1 mb/d lower than we estimated a year ago. However, with drilling activity now increasing, and incorporating what now looks like stronger growth from new projects, 2016 production reaches 1.8 mb/d, around 70 kb/d higher than our expectation a year ago.

North Sea: In **Norway**, we have revised our estimates downwards by around 40 kb/d excluding the baseline revisions that were discussed in last month's report. Based on last year's performance, we assume a slightly steeper decline rate (ranging from 10-19%), which is only offset in part by increasing recovery rates at Norway's Ekofisk, Eldfisk, Gjøa, Gullfaks, and Kvitebjørn. Appraisal drilling is underway at Avaldsnes and Aldous Major South discoveries, which combined could be the third largest discovery ever in Norway, but these fields are not expected to contribute materially to Norway's output by 2016. In sum, Norway's liquids production should decline by around 14% (around 3% annually) to 1.8 mb/d. In the **UK**, a steeper decline rate and project slippage at the Bacchus and Rochelle fields has resulted in a 60 kb/d lower outlook than in June. UK producers are also extending field production with new wells at Alma, Callanish, Burghley, Schiehallion, and Franklin, among others. New field developments in the West of Shetlands area will mitigate steep decline rates in the UK, but production is still projected to fall by 30% from 2010 to reach levels of 990 kb/d in 2016.

Brazil: A leak at the Chevron-operated Frade concession has resulted in a shut in well, but it will likely have longer-term implications. Petrobras was reported to have leaked during 2010 twice the amount that Chevron did, so the government is likely to ensure that all companies invest more in environmental safety measures. Rising costs, logistics constraints, and local content restrictions are likely to slow Petrobras' ambitious oil expansion plans. Nor is the success from the pre-salt Tupi/Lula field necessarily transferable to other pre-salt acreage, especially after the Frade leak. Despite these caveats, our outlook still expects projects targeting the pre-salt to grow by almost 900 kb/d from 2010-2016 at the Guará, Lula, Parque des Baleias, and Baleia Azul fields, supporting an increase of over 1 mb/d in crude and condensate output from Brazil.

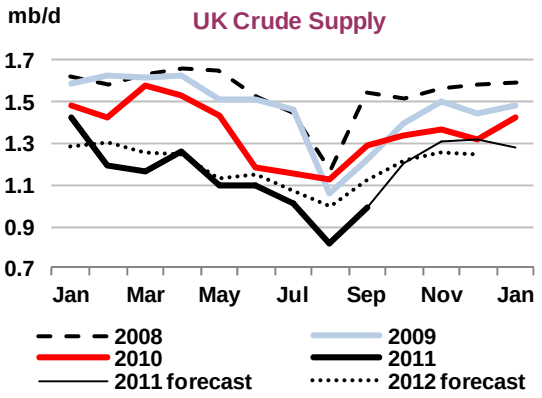
Canada: Strong growth from Canadian oil sands projects increases liquids output by 1.1 mb/d to reach 4.4 mb/d by 2016, of which 1.3 mb/d are mined synthetics. Tight oil projects, while in their early stages, will also marginally add to output by 2016. Fires at oil sands facilities (Syncrude and Horizon) and other unplanned maintenance dented production in 2011. Rising costs and project slippage have tempered expectations especially during 2014-2016 for multi-stage projects like Christina Lake, as well as mining projects at Fort Hills, and Joslyn. This is offset by incorporating Cenovus' fast-tracked Narrows Lake project and CNRL's Horizon project.

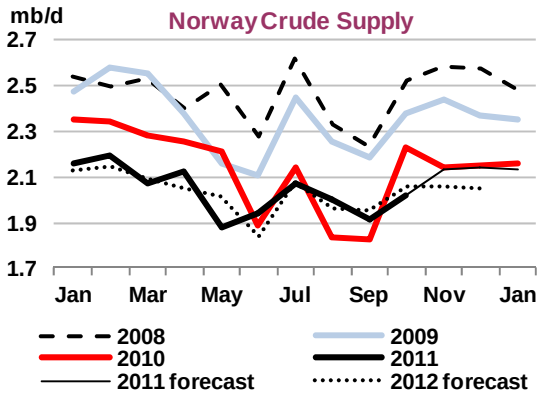


Canada – September actual: Rising output from the oil sands brought Canadian oil production to 3.5 mb/d, a slight decrease from August. In October planned maintenance at Terra Nova's FPSO, declining production at Hibernia (both offshore Newfoundland/Labrador), and planned maintenance at Canadian Oil Sands' Syncrude project kept Canada's output relatively level. A coker fire at the latter project has kept production at rates below 75% during 22 November to 6 December, and the operator has warned that it may bring the unit down for a turnaround if full production rates cannot be achieved. The Canadian outlook for 2012 is largely unchanged from last month and total output should grow by around 200 kb/d to average 3.6 mb/d.

North Sea

Crude and condensate production in the North Sea[1] is expected to rebound by almost 400 kb/d to 3.2 mb/d in 4Q11. On a monthly basis, production should increase by around 20 kb/d to 3.3 mb/d in December based on preliminary loading schedules. Loadings of Brent, Forties, Oseberg, and Ekofisk blends are expected to increase by around 2% this month, but the potential for delayed loadings from field problems remains. Specifically in **Norway,** total liquids production fell by around 80 kb/d from August to September. Crude production dropped to 1.5 mb/d in September, its lowest level in over a year due to heavy maintenance in the Statfjord area and at the Grane fields. Supplies rallied by 110 kb/d in October and liquids output should continue to increase to 2.1 mb/d in December, despite maintenance-derived reductions in Snøhvit NGLs during October and November. In the **UK**, fields returning from maintenance, plus the restart of the 80 kb/d Schiehallion field in November after a five-month outage, should lead to increased production in upcoming months. Traders however reported continued problems with the Buzzard field, which could impede the field's recovery to normal 200 kb/d output levels. As a result, we expect next year's UK output decline to be 30 kb/d more than last month's estimate, taking the 2012 total to 1.2 mb/d.





Non-OECD

Latin America

Brazil – August actual: Brazilian crude oil production fell by 20 kb/d in August to 2.1 mb/d on field maintenance. Output is expected to remain between 2.1-2.2 mb/d for the next several months as new field production from Marlim Sul is mitigated by maintenance and shut-ins. Specifically, a gas leak in late November at the P-40 platform has cut production by around 75%. As discussed in *Planned and Unplanned Outages Dent 2011 Non-OPEC Supply,* we also expect Chevron's output at the 70 kb/d Frade field to be around 10-15 kb/d lower in 4Q11 and in 2012. Revisions to our outlook for 2012 now take into account around 50 kb/d of planned maintenance in the summer of 2012, and the postponement of the Waimea project to 2013. Therefore, robust 2012 annual growth has been trimmed by 30 kb/d to 140 kb/d.

[1] North Sea is defined as offshore crude and field condensate production from Norway, UK, Germany, Denmark, and the Netherlands.

Former Soviet Union

Russia: Russian liquids output posted an annual gain of 1.3% in November to total 10.7 mb/d, slightly lower than October levels. Increasing production from Rosneft's Yuganskneftegas unit, at the Vankor and Verkhnechonskoye oil fields, at Talakan in E. Siberia, and from Gazpromneft have supported Russian supply over the last several months. Russian supply expectations have been raised by 30 kb/d for 2012 based on a higher baseline production rate, increasing production at Sakhalin-1, and a slightly lower decline rate assumption at TNK-BP's mature fields. In our outlook for the latter part of 2012, fewer large-scale project additions are scheduled, and therefore overall output growth levels off. News that Total's Kharyaga project has fallen behind its original timeframe has caused a one-year delay to further increases in production. In sum, we expect Russian liquids production (including condensate) to grow by 1.1% next year to total 10.7 mb/d.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2009	2010	4Q2010	1Q2011	2Q2011	3Q2011	Aug 11	Sep 11	Oct 11	Latest month vs. Aug 11	Latest month vs. Sep 10
Crude											
Black Sea	2.28	2.10	2.02	2.06	1.87	1.87	1.95	1.97	1.85	-0.12	-0.11
Baltic	1.60	1.60	1.60	1.48	1.57	1.37	1.33	1.45	1.52	0.07	-0.16
Arctic/FarEast	0.46	0.74	0.78	0.70	0.69	0.65	0.65	0.65	0.72	0.07	-0.07
BTC	0.80	0.77	0.80	0.72	0.76	0.69	0.70	0.69	0.68	-0.01	-0.14
Crude Seaborne	**5.15**	**5.22**	**5.19**	**4.96**	**4.89**	**4.58**	**4.63**	**4.76**	**4.77**	**0.02**	**-0.48**
Druzhba Pipeline	1.11	1.13	1.14	1.14	1.12	1.18	1.14	1.22	1.20	-0.01	0.08
Other Routes	0.40	0.42	0.43	0.53	0.54	0.54	0.52	0.54	0.48	-0.06	0.10
Total Crude Exports	**6.66**	**6.76**	**6.76**	**6.63**	**6.55**	**6.30**	**6.29**	**6.51**	**6.45**	**-0.06**	**-0.29**
Of Which: Transneft[1]	3.93	4.00	4.02	4.15	4.16	4.09	3.98	4.22	4.22	-0.01	0.16
Products											
Fuel oil[2]	1.41	1.54	1.51	1.43	1.82	1.59	1.54	1.54	1.45	-0.09	-0.13
Gasoil	0.95	0.88	0.81	0.90	0.79	0.72	0.76	0.67	0.70	0.02	-0.13
Other Products	0.53	0.43	0.37	0.48	0.53	0.36	0.36	0.32	0.36	0.04	0.02
Total Product	**2.89**	**2.85**	**2.69**	**2.81**	**3.14**	**2.66**	**2.65**	**2.53**	**2.51**	**-0.02**	**-0.24**
Total Exports	**9.54**	**9.61**	**9.45**	**9.44**	**9.68**	**8.96**	**8.94**	**9.04**	**8.96**	**-0.08**	**-0.54**
Imports	0.06	0.06	0.08	0.06	0.06	0.08	0.10	0.08	0.08	0.00	0.00
Net Exports	**9.49**	**9.55**	**9.37**	**9.39**	**9.62**	**8.88**	**8.85**	**8.96**	**8.88**	**-0.08**	**-0.54**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

Azerbaijan: BP recently published third quarter estimates of its production from the Azeri Chirag Guneshli (ACG) group of fields that showed lacklustre performance from the Deepwater Guneshli (DWG). We have incorporated lower output expectations for DWG in 4Q11 and in 2012, which has lowered overall output by 20 kb/d to 970 kb/d and by 60 kb/d to 1 mb/d, respectively. Work is continuing at the West Chirag project, which should increase production by as much as 180 kb/d beginning in 2013. Increasing condensate volumes from the Full Field Development of Shah Deniz (formerly called Phase 2) could also offset declining Azerbaijani output in the medium term when the project is finally sanctioned.

Azeri Chirag Guneshli (ACG) Production

(thousand barrels per day)

	1Q2011	2Q2011	3Q2011	*4Q2011**
Chirag	82	76	63	*73*
Central Azeri	216	216	195	*201*
West Azeri	225	212	204	*213*
East Azeri	131	133	139	*155*
Deepwater Guneshli	132	129	120	*124*
Total ACG	**786**	**766**	**721**	***766***
Shah Deniz Condensate	34	37	33	*37*

*IEA Forecast.

Source: IEA Analysis of BP Caspian Quarterly Reports

Africa

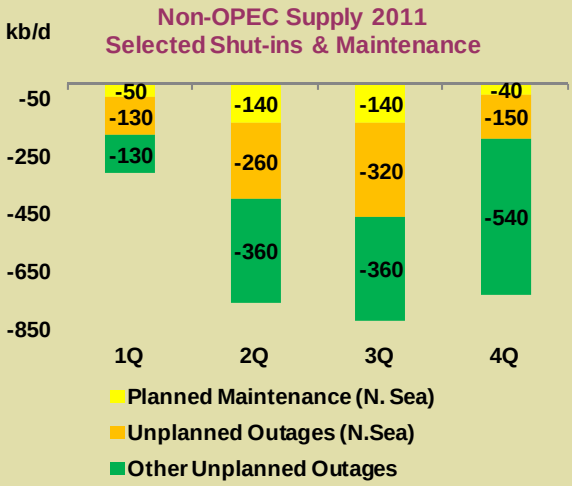
Niger: First oil production of 20 kb/d from the CNPC-operated Agadem block has come online in October at the Goumeri and Sokor fields. The country's first oil production is of 31°API and will be sent to a new refinery in Zinder, the southern part of the country. The government expects incremental production from the Adadi, Tenere, and Bilma fields over the next several years.

Planned and Unplanned Outages Dent 2011 Non-OPEC Supply

Unplanned outages have reduced non-OPEC supply over the past year and have offset otherwise expected growth from producers taking advantage of record-high oil prices. The charts below, while not exhaustive, show that outages over the last year reached as high as 850 kb/d in 3Q11, including heavier-than-normal routine North Sea maintenance. Several months ago we had forecast that fourth quarter non-OPEC supply would rebound. Although 4Q11 production should still post a strong rebound of 700 kb/d from 3Q11, recent data and news reports suggest that unplanned shut-ins will continue to dent non-OPEC supply growth in 4Q11 and in 2012.

North Sea: Shut-ins at Nexen's 200 kb/d Buzzard field in the **UK** were one of the largest contributors to the non-OPEC outages in volume terms, but its haphazard contribution to the Forties blend amplified Brent price swings during 2011. A faulty cooling system hampered output this year, bringing field production to a 74 kb/d low in May, and Nexen reduced field output in the summer to install a new platform. Although production seemed to stabilise in October, unexplained outages and a Forties pumping station failure continued to keep the field below normal levels. **Norway's** output also suffered from a gas leak at the 25 kb/d Visund field, a fire at the 25 kb/d Valhall field, and problems at the injection compressor of the 130 kb/d Grane field after it completed planned maintenance.

Syria: Syria produced an average of 380 kb/d of crude and NGLs in the first eight months of this year, but US and EU economic sanctions have reduced oil exports and shut-in production. The EU recently added several Syrian companies to the sanctions list including Sytrol, Al Furat Petroleum Company (in which Shell Oil's US subsidiary Pecten had a 31.25% stake), and GPC (primary government holding company for hydrocarbon investments). There are eight production ventures with foreign companies producing mainly Syrian light oil for export, and GPC has at least a 50% interest in all of them. Consequently, some foreign companies such as the UK's Gulfsands, Total, Sinochem, Shell, and Canada's Suncor have either announced an exit or noted that they have significantly scaled back operations.



Recent sabotage to a pipeline supplying the 120 kb/d Homs refinery is a grim sign that further shut ins to production are possible in late 2011 and 2012 if there is not even a domestic market for heavy Souedie production. A worst-case scenario is that violence escalates to such a degree that refineries cannot process any domestic supply, which would mean that almost all of the country's crude oil production would be shut in. While we do not assume this possibility, we cannot also discount it completely. The latest data available suggests that export levels in the first half of 2011 totalled around 150 kb/d. For 4Q11, we assume that Syria's production will be reduced by 145 kb/d to 220 kb/d and by 75 kb/d to 270 kb/d in 2012.

Planned and Unplanned Outages Dent 2011 Non-OPEC Supply (continued)

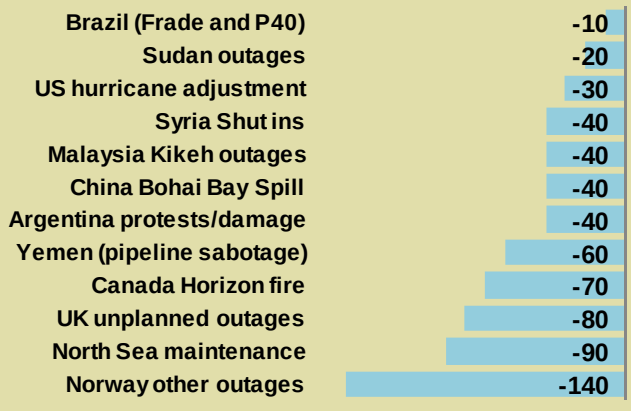
***Yemen*:** Despite a Gulf Cooperation Council-brokered transition of responsibility from Yemeni President Ali Abdullah Saleh to his Deputy on 23 November, fighting continues between government forces and opposition. Tribal attacks on internal crude pipelines and labour disputes have reduced production from the Marib basin, shutting in about 120 kb/d for up to two months at various times over the last year. Government officials estimate that Yemen's oil output has declined to around 154 kb/d, from 270 kb/d before the Marib oil pipeline was attacked, and tribes continue to hamper repair efforts. Now, reports indicate that fuel shortages from lack of crude supply and transport constraints are emerging too. Regardless of whether President Saleh and his allies remain in control, Yemen already faces problems with water shortages, high unemployment, and poverty that create an uncertain operating environment for foreign producers. It is probable that energy facilities will continue to be targeted for the foreseeable future and as a result, we have further reduced our production estimate by 30 kb/d in 4Q11 and by 80 kb/d in 2012, leaving supply to average 200 kb/d in 2011 and 160 kb/d in 2012.

China: Field shut ins after a leak at the Peng Lai field in China's offshore Bohai Bay in June eventually curbed China's output by over 120 kb/d in September and likely even more in October as other wells in the area reduced output. The leak spilled 700 barrels of crude and 2,600 barrels of drilling fluid into Bohai Bay. News reports indicate the Peng Lai leaks were plugged in late October/early November, but ConocoPhillips has still not indicated a possible restart date to the field which had been producing at around 122 kb/d before the spill. In October, there were also reports that CNOOC found and quickly fixed another spill from a ruptured pipeline at its 20 kb/d Jinzhou 9-3 field. We estimate that the Peng Lai field will remain offline at least through the end of the year, but likely into the first quarter of 2012.

Latin America: In the aftermath of an oil leak at the Frade field in **Brazil,** Chevron was forced to shut one of its wells due to the presence of previously unreported hydrogen sulphide. Production from the 70 kb/d field is likely reduced by around a quarter. Because of Chevron's interests in some of Brazil's highly-prospective pre-salt areas, the spill could delay the implementation of the company's Papa Terra development as well as other pre-salt prospects. Protests at Petrominerales' 170 kb/d Rubiales and 30 kb/d Corcel and Guiatiquia fields in **Colombia** also reduced output growth in August and September.

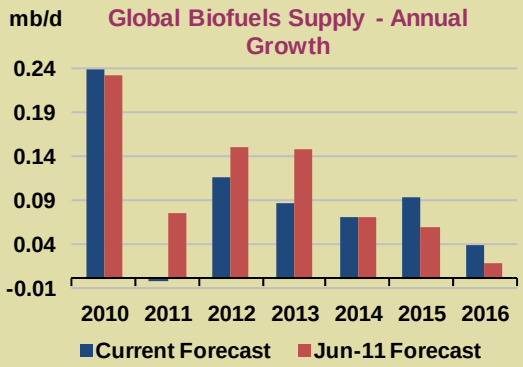
In **Argentina**, strikes that had been hitting oil production in the Santa Cruz region reportedly fizzled out in late June, but production from April-June was reduced by around 100 kb/d.

Africa: A dispute over Sudanese oil revenues has caused **Sudan** to block around 200 kb/d of South Sudanese crude exports as of 17 November until it is compensated for unpaid transit fees. It is in the interest of both sides to come to an agreement on fees as soon as possible, since much of each country's economic well-being depends on production and transit revenues. China has also dispatched diplomats to help resolve the dispute as it imported around 270 kb/d on average from Sudan over the last ten months. The lack of domestic storage capacity in South Sudan means that the extent of shut-ins will increase over time. Production is already reported to have declined by 20-30 kb/d since South Sudan declared independence in July.



With Dimmer Brazilian Prospects, Medium-Term Biofuels Growth to Slow

The global biofuels production outlook continues to slow. For 2010-2016, supply has been revised down on average by 130 kb/d annually since the June 2011 MTOGM. Moreover, global growth is seen at only 0.4 mb/d from 2010-2016, versus 0.5 mb/d previously. Weak near-term growth has laid the foundation for the more tepid profile ahead. Global biofuels production in 2011 is seen at 1.8 mb/d, which is largely unchanged versus 2010 and the slowest year-on-year growth rate over the past decade. Worsening Brazilian prospects and an increasingly saturated US market are expected to account for the weaker outlook – though these two countries still satisfy over half of global growth going forward. Meanwhile, the outlook for Europe looks sluggish.



Brazilian ethanol production in 2011 is set to decline by 75 kb/d to 375 kb/d due to a poor sugar cane harvest and high sugar prices. The government is trying to smooth short-term supply-demand imbalances with new stockholding obligations and increased regulation of the sector. Nevertheless, challenging production economics and underinvestment (in cane production and ethanol distillery capacity) looks likely to persist over the medium term, prompting us to reduce our outlook on average by 100 kb/d from 2012-2016. Output is now seen reaching only 530 kb/d in 2016, with risks lying to the downside given uncertainty over future investments.

US ethanol output, at 900 kb/d for 2011, is largely in line with our previous assessment. Production growth is likely to slow over the medium-term, however, with the year-end expiry of a 45 cent/gallon blenders' tax credit, sapping distillery investment amid increasing saturation in the US market. Ethanol output is still likely to reach 980 kb/d in 2016, in line with the Renewable Fuels Standard, but the supply picture has been revised down on average by 20 kb/d from 2012-2014. US biodiesel production has also been revised down, by 10 kb/d on average from 2012-2016. While the 2011 blenders' tax credit renewal boosted annual production to 50 kb/d from 20 kb/d in 2010, its year-end expiry casts uncertainty over future economics.

World Biofuels Production

(thousand barrels per day)

	2010	2011	2012	2013	2014	2015	2016
OECD North America	909	983	988	997	1,019	1,059	1,065
United States	884	952	955	963	985	1,023	1,030
OECD Europe	249	218	254	278	288	295	296
OECD Pacific	15	14	15	16	17	17	17
Total OECD	**1,174**	**1,216**	**1,257**	**1,291**	**1,325**	**1,371**	**1,379**
FSU	4	5	6	6	6	6	6
Non-OECD Europe	4	4	4	4	4	4	4
China	43	46	51	53	55	58	58
Other Asia	45	56	72	85	93	95	97
Latin America	549	490	540	573	598	638	668
Brazil	492	420	461	491	512	553	583
Middle East	0	0	0	0	0	0	0
Africa	3	3	5	6	9	9	9
Total Non-OECD	**648**	**603**	**677**	**728**	**765**	**811**	**843**
Total World	**1,822**	**1,819**	**1,934**	**2,019**	**2,089**	**2,183**	**2,221**
World - Revision vs June 2011	2	-77	-111	-173	-173	-139	-118

Meanwhile, in **Europe**, biofuels production is revised down by 10 kb/d for 2010-2016, largely due to lower biodiesel output. Economics have become precarious for some producers. Faced with high vegetable oil prices and an influx of cheaper imports from Argentina and Indonesia, 2011 biodiesel production is expected to decline in both Italy and Spain. Still, others, such as Poland and the Netherlands (where Neste recently commissioned a 15 kb/d renewable diesel plant), are growing, if only slowly. Ethanol output prospects are little changed, with modest growth still expected over the medium term. Forecast changes in Asia are relatively light**. Chinese** biodiesel production is trimmed due to a lower 2010 baseline, **Thailand's** biofuel production is reduced in 2011-2012 due to widespread flooding and **Indonesia's** biodiesel output is raised due to a stronger-than-expected 2011.

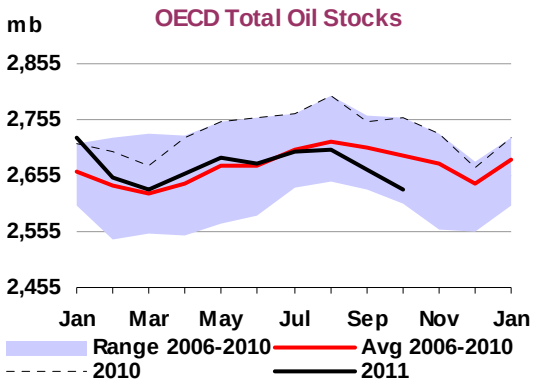
OECD STOCKS

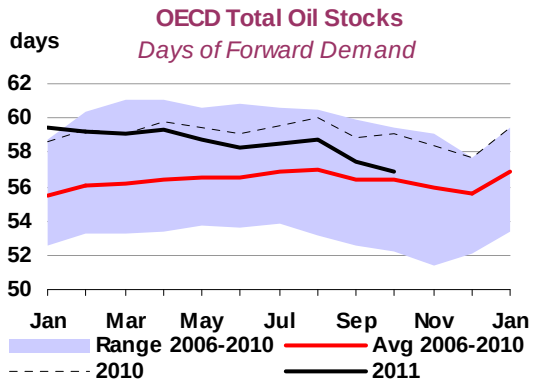
Summary

- **OECD industry oil stocks declined by a steep 36.3 mb in October, to 2 630 mb or 57.2 days of forward demand cover.** Inventory levels stood below the five-year average for a fourth consecutive month, with the deficit of inventories versus the five-year range widening to 61.9 mb. Declines in crude oil and middle distillate holdings dominated in October.

- **Preliminary data suggest a counter seasonal 6.9 mb build in November OECD industry stocks,** in contrast with the five-year average 14.9 mb draw. Motor gasoline and fuel oil inventories took the lead while 'other oils' and 'other products' stocks fell. In the meantime, crude oil holdings edged down, for the sixth consecutive month.

- **Short-term oil floating storage fell by 6.3 mb, from 46.0 mb in October to 39.7 mb in November.** A reduction in Iranian crude oil floating storage in the Middle East accounted for all of the change, declining from 34.3 mb to 28.0 mb. Elsewhere, floating storage remains minimal in the face of persistent market backwardation.





OECD Inventories at End-October and Revisions to Preliminary Data

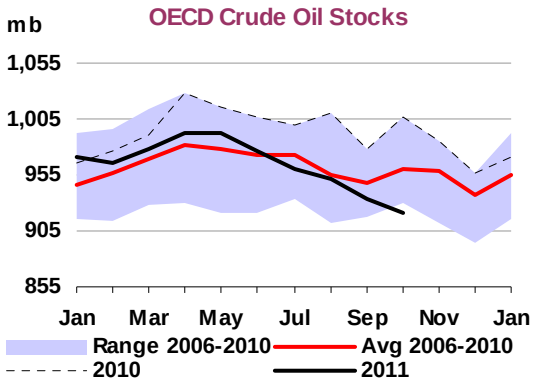
OECD industry oil holdings fell by 36.3 mb in October, to 2 630 mb, with both crude and product stocks, especially middle distillates, declining significantly. The monthly drop was much steeper than the five-year average 14.4 mb draw. Stock levels stood below the five-year average for a fourth consecutive month, with the deficit of inventories versus the five-year average widening to 61.9 mb from 40.0 mb in September. Forward demand cover dropped to 57.2 days from 57.8 days in September, but nonetheless remained above the five-year average of 56.4 days.

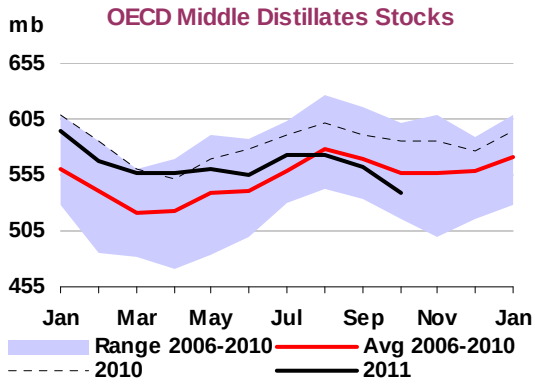
Preliminary Industry Stock Change in October 2011 and Third Quarter 2011

	October (preliminary)								Third Quarter 2011			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**0.2**	**-10.9**	**-1.0**	**-11.7**	**0.01**	**-0.35**	**-0.03**	**-0.38**	**-0.34**	**-0.11**	**-0.03**	**-0.47**
Gasoline	-7.4	0.3	0.5	-6.6	-0.24	0.01	0.02	-0.21	0.03	-0.03	-0.01	-0.01
Middle Distillates	-18.0	-4.0	-1.1	-23.1	-0.58	-0.13	-0.03	-0.75	0.17	-0.10	0.01	0.08
Residual Fuel Oil	2.6	-0.8	-0.6	1.3	0.08	-0.03	-0.02	0.04	-0.02	0.00	-0.01	-0.03
Other Products	0.2	-1.2	1.1	0.1	0.01	-0.04	0.04	0.00	0.14	0.06	0.11	0.31
Total Products	**-22.6**	**-5.7**	**0.0**	**-28.3**	**-0.73**	**-0.18**	**0.00**	**-0.91**	**0.32**	**-0.08**	**0.10**	**0.35**
Other Oils[1]	4.0	1.2	-1.5	3.7	0.13	0.04	-0.05	0.12	0.08	-0.05	-0.01	0.02
Total Oil	**-18.4**	**-15.3**	**-2.6**	**-36.3**	**-0.59**	**-0.49**	**-0.08**	**-1.17**	**0.06**	**-0.24**	**0.07**	**-0.11**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Crude inventories declined by 11.7 mb to 922 mb in contrast with a five-year average October build of 13.0 mb. This was the first time OECD crude holdings stood below the five-year range since February 2003. Most of the draw came from Europe, declining by 10.9 mb, while the Pacific saw a small drop of 1.0 mb. Product stocks fell by 28.3 mb in October, driven by sharp falls in middle distillates and motor gasoline. Distillates declined by 23.1 mb, mostly due to tightening diesel fundamentals (see '*Diesel Tightness; Will This Continue?*'). Not only has the distillate stock overhang observed during the past two years dissipated, but stocks have now fallen to a three-year low. North America led the distillates decline, with stocks plummeting by 18.0 mb. Meanwhile, OECD gasoline stocks also dropped by 6.6 mb on lower refinery runs.





Diesel Tightness; Will This Continue?

Among the middle distillates – heating oil, diesel, jet and kerosene - diesel is the one that accounts for most of the recent distillates draw in the OECD region. Continuation of firm demand and shortfalls in supply have gradually tightened diesel fundamentals. Despite the slowdown in the global economy, (See *Demand* section) diesel demand has kept growing this year. Diesel demand rose by 2.6% in the first nine months of this year and by an even stronger 2.8% in the third quarter, while demand for all other products fell. In the meantime, refiners have struggled to supply enough diesel to meet growing demand. Unexpected crude supply disruptions, not least of which the sudden loss of Libyan exports, have limited refinery throughputs, as strong crude prices pressured refining margins. Moreover catastrophic events like the earthquake in Japan and a fire at Shell's 500 kb/d Pulau Bukom refinery in Singapore have further tightened diesel supplies.

On the demand side, last year's power sector boost for diesel use in China has been augmented in 2011 by, among other factors, incremental demand due to rapidly expanding shale oil development in North America. A sharp increase in drilling activity and haulage consumption to transport the oils boosted diesel demand. Indeed OECD North American distillates stocks have looked particularly tight in recent months. A slowing global economy, and recovering upstream and refinery supplies should, *ceteris paribus,* ease some of the recent diesel tightness in months to come. However, over the longer term diesel fundamentals seem likely to remain strong due to robust non-OECD transport, industrial and power generation demand.

OECD stocks were revised 17.1 mb lower in September, upon receipt of more complete monthly submissions from the member countries. This implies a 33.5 mb draw in September inventory levels, a sharper decline than a previously reported drop of 11.8 mb. Downward adjustments were centred on crude oil, gasoline, and middle distillate stocks, which were revised lower by 4.2 mb, 4.4 mb and 3.1 mb, respectively. Notably, and as suggested in the last OMR, Japanese gasoline holdings were adjusted down significantly by 4.3 mb, more than erasing an abrupt jump of 4.0 mb seen in the preliminary submission.

Revisions versus 10 November 2011 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Aug-11	Sep-11	Aug-11	Sep-11	Aug-11	Sep-11	Aug-11	Sep-11
Crude Oil	**0.8**	**-0.3**	**0.0**	**-0.1**	**0.7**	**-3.8**	**1.4**	**-4.2**
Gasoline	0.0	1.4	0.1	-1.2	0.0	-4.5	0.1	-4.4
Middle Distillates	0.0	-2.0	3.2	-0.1	0.7	-0.9	3.9	-3.1
Residual Fuel Oil	0.0	0.5	-0.2	-1.2	0.0	-0.2	-0.2	-0.8
Other Products	0.5	-0.7	0.1	-1.2	0.4	0.4	1.0	-1.5
Total Products	**0.5**	**-0.9**	**3.1**	**-3.7**	**1.0**	**-5.2**	**4.7**	**-9.8**
Other Oils[1]	-1.0	-0.4	-0.6	-2.3	0.0	-0.5	-1.6	-3.1
Total Oil	**0.4**	**-1.6**	**2.5**	**-6.1**	**1.7**	**-9.5**	**4.6**	**-17.1**

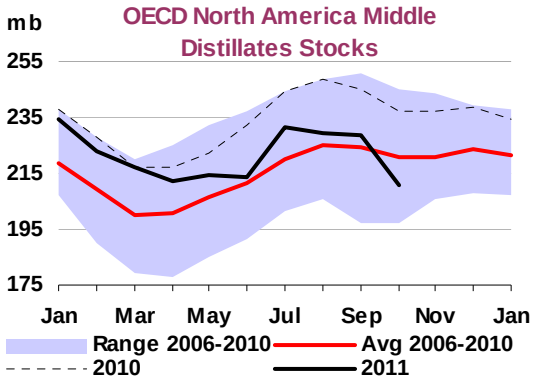
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

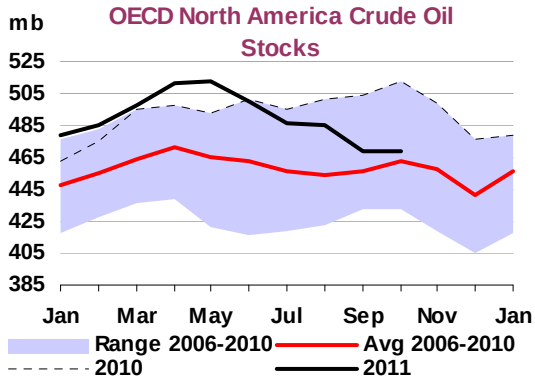
Preliminary data indicate a 6.9 mb build in November OECD industry inventories, in contrast with the five-year average 14.9 mb draw. Motor gasoline and fuel oil stocks took the lead by gaining 11.4 mb and 4.3 mb, respectively while 'other products' and 'other oils' fell by 6.7 mb and 4.3 mb. In the meantime, crude oil holdings edged down by 0.8 mb, marking a sixth consecutive monthly drop.

Analysis of Recent OECD Industry Stock Changes

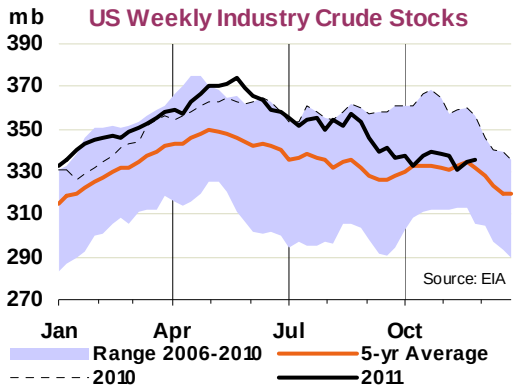
OECD North America

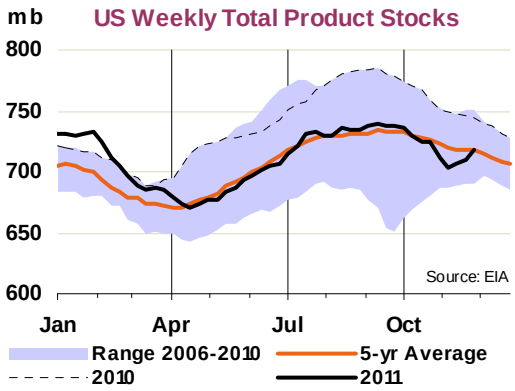
North American industry oil inventories fell seasonally by 18.4 mb to 1 326 mb in October, nonetheless a sharper drop than the five-year average decrease of 8.6 mb. Middle distillate and gasoline stocks led the decline, lower by 18.0 mb and 7.4 mb, respectively. In the US, middle distillates plummeted by 19.4 mb on strong domestic diesel demand and exports. An increase in trucking demand boosted US distillate demand to a three year high and diesel shipments to Europe and Latin America helped lift US distillate exports to a record high. Meanwhile, crude holdings edged up by 0.2 mb, as a rise in the US outweighed a fall in Mexico. US crude stocks showed a 2.2 mb gain on higher imports and lower refinery runs in October.





Weekly data from the US EIA point to a seasonal 3.4 mb draw in US commercial stocks in November. Crude inventories fell by 2.8 mb, likely affected by last-in-first-out tax system, which encourages refiners to destock when prices are higher at the end of the year than in previous months. NYMEX WTI futures have risen significantly over the past two months. 'Other oils' stocks, including feedstocks, declined by 4.8 mb as refiners completed seasonal maintenance, and throughputs rose accordingly.

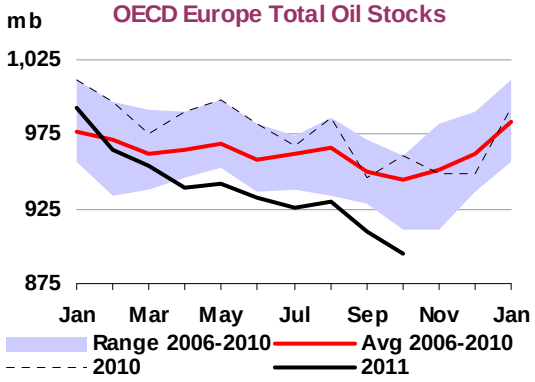


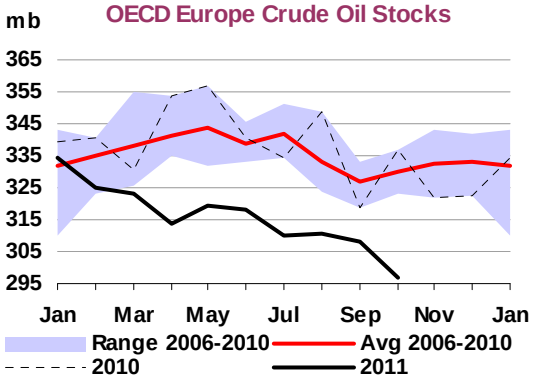


US refined product inventories rose by 4.2 mb in November driven by gains in gasoline and fuel oil stocks. Motor gasoline holdings rose by 9.2 mb, with higher production and imports more than satisfying sluggish demand. In spite of low seasonal gasoline demand, output has been boosted by refiners raising runs to meet strong domestic diesel demand. In the meantime, 'other products' and middle distillates holdings fell by 6.4 mb and 0.8 mb respectively. Middle distillate inventories dropped as jet fuel/kerosene holdings fell by 3.0 mb while diesel stocks rose by 1.7 mb.

OECD Europe

Industry oil inventories in Europe declined by 15.3 mb to 895 mb in October, the lowest level since February 2003. This stronger-than-seasonal monthly draw widened the deficit versus the five-year average to 49.1 mb, from 39.3 mb in September. Crude stocks fell by 10.9 mb and remained at their lowest since January 2000. Although Libyan exports increased faster than expected and North Sea production recovered gradually, supply shortfalls have persisted. European refiners are also likely inclined to keep their crude oil stocks low, not only because of a backwardated Brent price structure, but also possibly at the margin since it is becoming harder for refiners to get credit amid a worsening European sovereign debt crisis. In the meantime, European refined product holdings also fell seasonally by 5.7 mb on weaker refinery runs, leaving them at their lowest since November 2007. Middle distillates drove the decline, dropping by 4.0 mb, likely on cuts in imports from Asia-Pacific and FSU. Meanwhile, German end-user heating oil stocks rose to 61% fill at end-October.

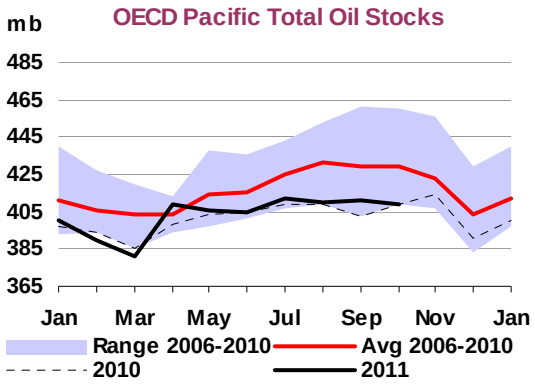


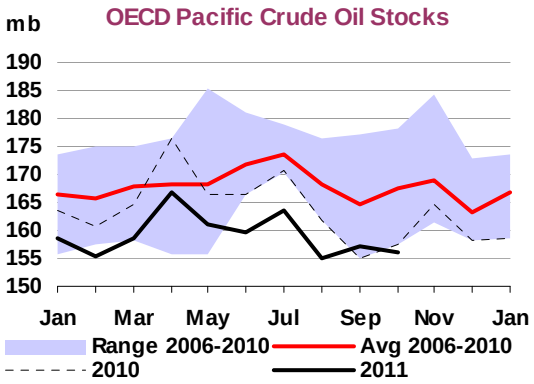


Preliminary data from Euroilstock point to a seasonal 11.1 mb gain in both crude oil and product inventories in EU-15 and Norway in November, more than the 7.0 mb five-year average build. Crude and product stocks increased by 5.6 mb, respectively. Middle distillates led the rise by gaining 2.3 mb, putting an end to a four-month fall. Refined product stocks held in independent storage in Northwest Europe increased due to low water levels in the key distribution artery of the Rhine.

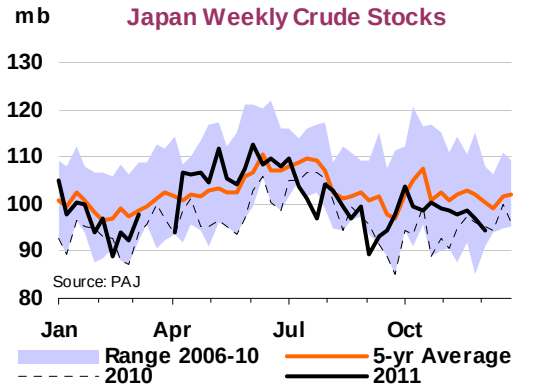
OECD Pacific

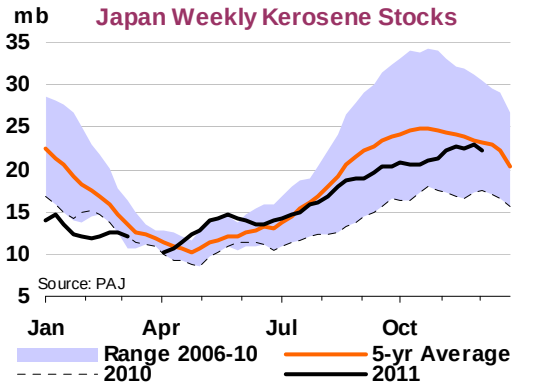
Commercial oil inventories in the OECD Pacific fell by 2.6 mb to 409 mb in October, widening the deficit versus the five-year average to 19.9 mb from 17.5 mb in September. Crude stocks again went below the five-year range after falling 1.0 mb. Crude holdings in Korea decreased by 1.8 mb on higher refinery throughputs. Product stocks were virtually unchanged, as declines in middle distillates and fuel oil were offset by gains in gasoline and 'other products'. Middle distillate and fuel oil holdings declined by 1.1 mb and 0.6 mb, respectively while gasoline and 'other products' rose by 0.5 mb and 1.1 mb each.





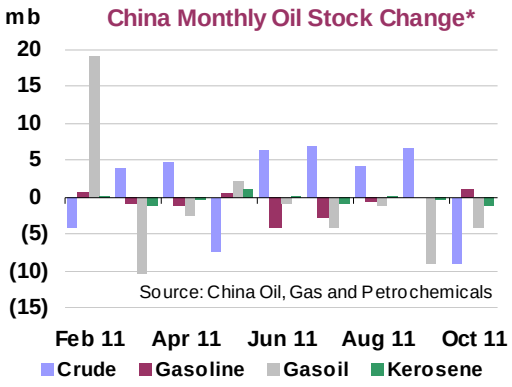
Weekly data from the PAJ suggest a seasonal draw of 0.9 mb in Japanese industry oil inventories in November. Crude oil stocks fell by 3.6 mb on higher refinery throughputs. On the product stocks side, all product holdings increased except 'other products'. Gasoline, middle distillate and fuel oil stocks rose by 0.5 mb, 1.5 mb and 0.8 mb, respectively, while 'other products' declined by 0.7 mb. Even though kerosene entered its peak demand season, stocks edged up by 0.6 mb. Kerosene holdings have recovered steadily in recent months, stocks having more than doubled since the catastrophic earthquake and tsunami in March.

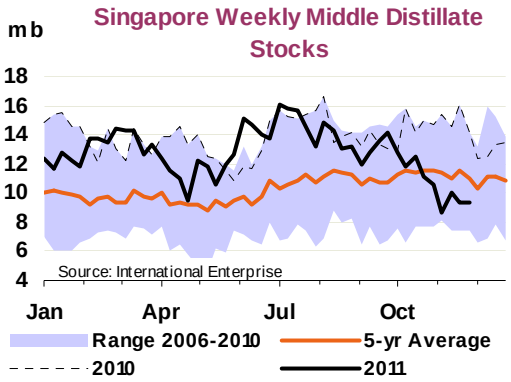




Recent Developments in Singapore and China Stocks

According to *China Oil, Gas and Petrochemicals (OGP)*, Chinese commercial oil inventories fell in October by an equivalent of 13.2 mb (data are reported in terms of percentage stock change). Despite higher crude oil output and lower refinery throughput, crude oil holdings decreased by 4.0% (9.1 mb). According to China OGP, this was due to 'wastage and invisible stocks'. Product stocks dropped for a fifth consecutive month, driven by declines in diesel (6.8% or 4.2 mb) and kerosene (9.3% or 1.1 mb). In the meantime, gasoline holdings rose by 2.2% (1.1 mb) on higher output.





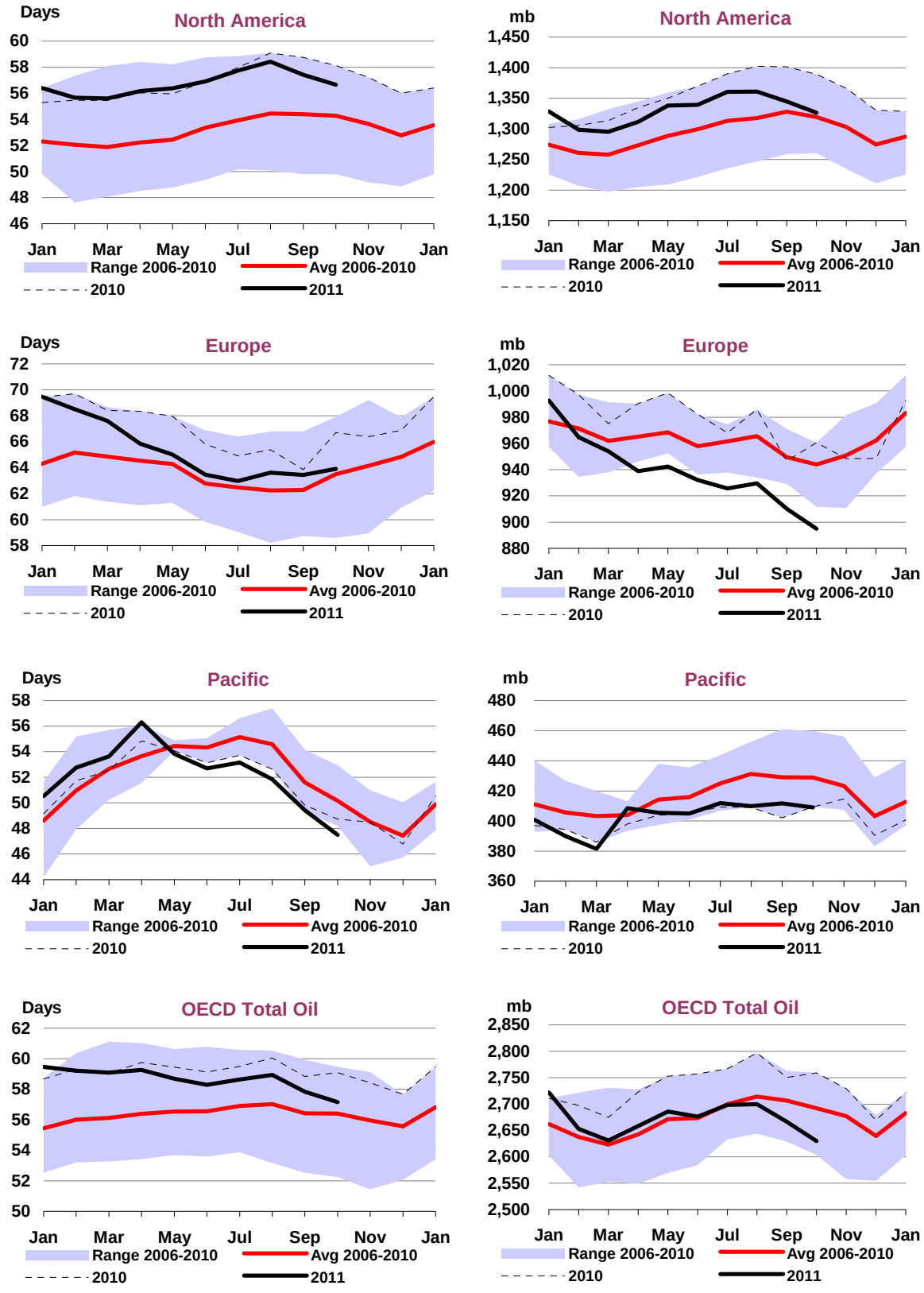
*Since August 2010, COGP only reports percentage stock change

Singapore onshore inventories fell by 1.0 mb in November, led by draws in middle distillate and fuel oil holdings. Middle distillate stocks declined by 1.3 mb with healthy Western demand diverting cargoes away from Singapore, lower imports from North Asian refiners, and the impact of lower output from Shell's 500 kb/d refinery in Singapore. Fuel oil inventories dropped by 0.7 mb on lower imports from the West. Meanwhile, light distillate stocks rose by 1.0 mb on softer regional demand.

Regional OECD End-of-Month Industry Stocks

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

Days[1] **Million Barrels**



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

PRICES

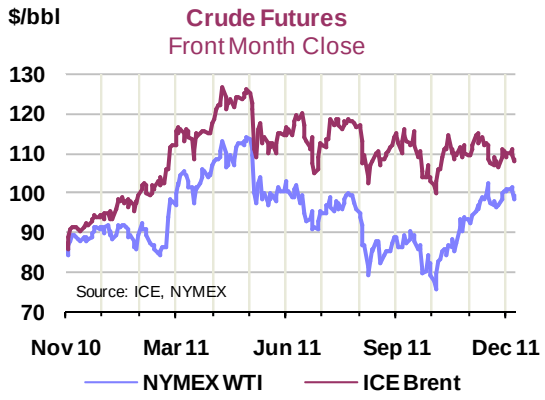
Summary

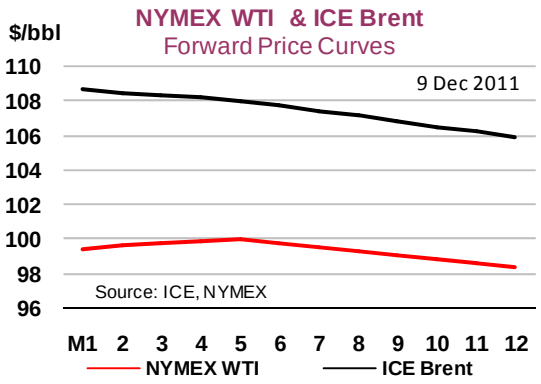
- **Oil futures markets faced counterbalancing pressures throughout November and early-December, with escalating economic risks on the one hand and growing perceptions of geopolitical risks on the other.** Financial turmoil in the Euro zone deepened, with downside risk to the global economy and resultant weakening oil demand. At the same time, a potential EU ban on imports of Iranian crude injected anxiety over the availability of alternative supplies. Futures prices for both Brent and WTI were last trading around $107/bbl and $98/bbl, respectively.

- **Spot crude oil markets strengthened in November and early December, underpinned by brisk physical demand heading into the peak winter season, continued supply disruptions** in Libya, Yemen, Syria and elsewhere, and mounting concerns over the proposed EU embargo of Iranian crude oil imports. However, gains were uneven for the major benchmark crudes, given diverging regional economic and market developments.

- **Middle distillate markets remained tight in November with gasoil/heating oil crack spreads increasing further by $1.60-4.40/bbl month-on-month** bar New York, although higher supply and mild weather pressured crack spreads lower towards the end of the month and in early December.

- **Tanker rates for larger crude vessels continued their recovery in November due to stronger seasonal demand from East of Suez markets for Middle Eastern grades.** Completion of maintenance work at Asian refineries and a seasonal increase in the use of crude, especially in the earthquake-affected Japanese power sector, helped to sustain the recovery on the VLCC Middle East Gulf – Japan route.





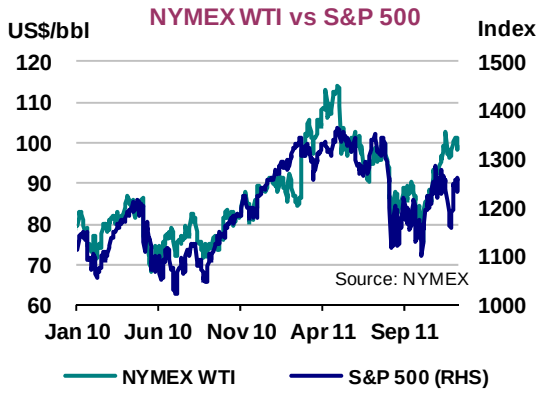
Market Overview

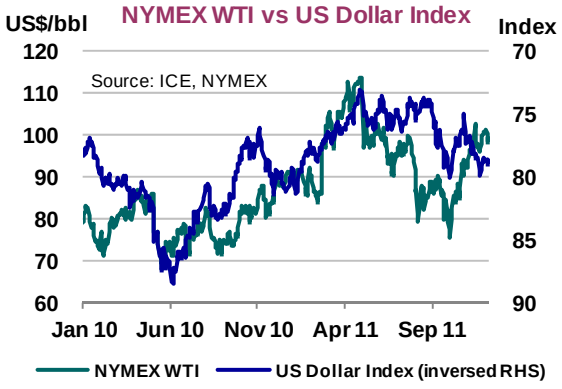
Escalating economic and political risks throughout November and early December tempered futures market activity but prices still moved higher on stronger seasonal demand and persistent supply tightness, amplified by a potential EU ban on imports of Iranian crude. Against this risk-laden backdrop, oil futures posted uneven increases. In November, WTI prices posted the largest month-on-month increase, up by around $10.75/bbl to $97.15/bbl. By contrast, Brent futures were up a more modest $1.70/bbl to about $110.50/bbl. At writing, prices for Brent were trading at a lower $107/bbl while WTI was slightly higher at $98/bbl.

The Euro zone crisis remained acute, as EU leaders struggled to find common ground to resolve deepening debt issues, with the heightened macroeconomic risks adding downward pressure on oil prices. Moves by EU member countries, with the exception of the UK, to strengthen the body's fiscal

union at a summit on 9 December failed to reassure markets. Expectations that the major credit agencies may downgrade ratings of key EU members in coming weeks is also weighing on markets.

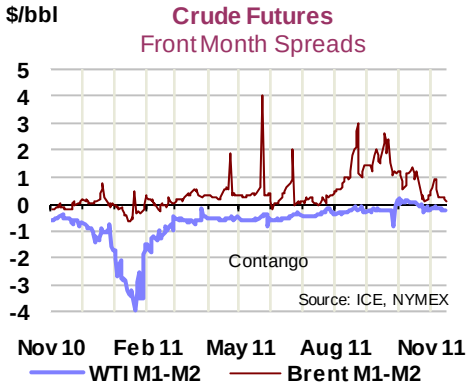
Indeed, the tenuous economic outlook is behind downward revisions in this month's projections for global oil demand in 2011 and 2012, off by 0.16 mb/d and 0.2 mb/d respectively. Global oil demand is nonetheless expected to rise by 1.26 mb/d, to 90.3 mb/d, in 2012, and seasonally strong demand, especially in Asia, is helping to put a floor under prices.

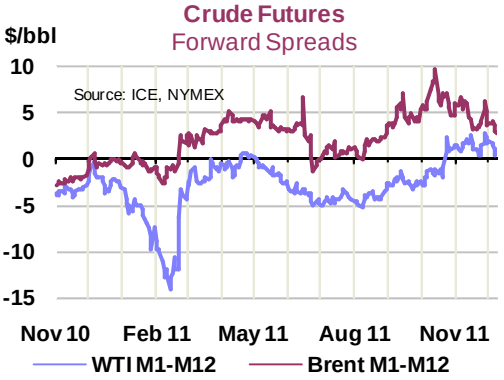




Tighter physical markets in the wake of supply disruptions in Libya, Yemen, Syria, Sudan, the North Sea and elsewhere are buttressing crude markets. Unplanned non-OPEC supply outages are pegged at around 700 kb/d in 4Q11 *(see Supply, 'Planned and Unplanned Outages Dent 2011 Non-OPEC Supply').* The outages come at a time when OECD industry crude stocks, and especially in Europe, are at historically low levels, with refiners opting to drawdown inventories given high crude prices. In particular, European refiners, plagued by poor profit margins, are reportedly finding it more difficult to secure letters of credit for crude purchases.

The prospect of an EU import ban on Iranian crude as well as other broader sanctions, and possible political or military retaliation by Iran, is also supporting crude oil markets (*see Supply, 'Intensified International Sanctions Target Iranian Oil Industry').* No concrete actions have yet been agreed at a political level and, in the case of the EU, it is expected that a decision on a ban will be deferred until foreign ministers next meet on 30 January 2012. Mediterranean refiners, already struggling with supply shortfalls from Libya and Syria and poor margins, would likely see the biggest impact from an EU ban on Iranian oil. Refiners could seek alternative barrels from Saudi Arabia, Russia and Iraq but the crude quality will not be an exact match. Arguably, a selective EU or OECD embargo would have a greater impact on inter-regional crude price differentials, and in narrowing heavy/sour crude discounts than on the absolute price of crude benchmarks in general. Current market discussions are also focused on the possibility of a widespread ban on dealings with the Central Bank of Iran, which would effectively halt all payments for oil, unless barter arrangements were set up in their stead.





The current conflicting market dynamics are evident in the forward curves for benchmark crudes. Current backwardated markets for 12 months forward signal market expectations of continued tight

markets, though the spreads have narrowed over the month under the weight of economic worries. The Brent M1-M12 remains backwardated but narrowed in early December to around $3.50/bbl compared with $4.90/bbl in November and around $6.50/bbl in October. The WTI M1-12 contract moved back into contango in early December, to -$1.25/bbl versus $1.45/bbl in November and $0.88/bbl in October.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

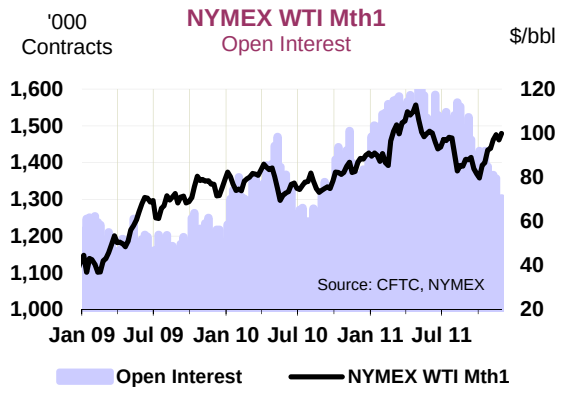
	Sep	Oct	Nov	Nov-Oct Avg Chg	% Chg	Week Commencing: 07 Nov	14 Nov	21 Nov	28 Nov	05 Dec
NYMEX										
Light Sweet Crude Oil	85.61	86.43	97.16	10.73	11.0	96.97	99.27	96.97	99.90	100.10
RBOB	114.46	112.61	108.50	-4.10	-3.8	111.88	106.96	105.18	107.51	109.27
No.2 Heating Oil	123.22	124.27	128.63	4.36	3.4	131.52	130.90	125.11	125.76	124.65
No.2 Heating Oil ($/mmbtu)	21.15	21.33	22.08	0.75	3.4	22.58	22.47	21.48	21.59	21.40
Henry Hub Natural Gas ($/mmbtu)	3.85	3.62	3.56	-0.07	-1.9	3.67	3.39	3.45	3.56	3.43
ICE										
Brent	109.91	108.79	110.49	1.70	1.5	113.95	110.39	107.42	109.85	109.38
Gasoil	124.89	123.84	129.27	5.43	4.2	132.08	131.61	126.52	127.50	127.14
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-24.30	-22.36	-13.33	9.03		-16.98	-11.12	-10.45	-9.95	-9.27
NYMEX No.2 Heating Oil - WTI	37.61	37.84	31.47	-6.37		34.55	31.64	28.14	25.86	24.54
NYMEX RBOB - WTI	28.85	26.18	11.34	-14.84		14.92	7.70	8.22	7.61	9.17
NYMEX 3-2-1 Crack (RBOB)	31.77	30.07	18.05	-12.02		21.46	15.68	14.86	13.69	14.30
NYMEX No.2 - Natural Gas ($/mmbt	17.31	17.71	18.53	0.82		18.91	19.09	18.02	18.03	17.97
ICE Gasoil - ICE Brent	14.98	15.05	18.78	3.73		18.13	21.22	19.09	17.65	17.76

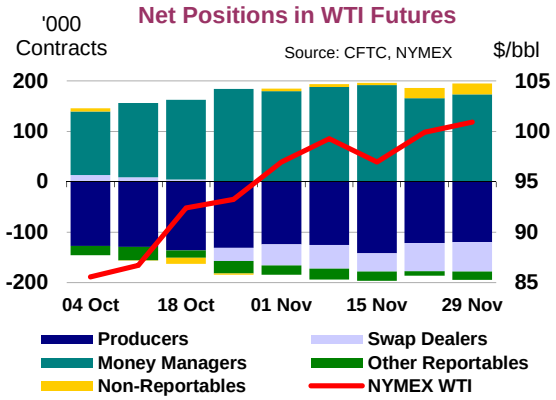
Source: ICE, NYMEX

Futures Markets

Activity Levels

Crude oil positions were liquidated in November by CME and ICE traders, as they limited their exposures to risky assets due to growing fear about the health of the global economy, particularly concerns about the European debt crisis. The loss of faith in the concept of customer segregated funds after the collapse of MF Global may have also contributed to the decline in open interest across commodities, at least temporarily. Open interest in New York CME WTI futures and options contracts plunged by 11.8% to 2.3 million contracts in November, reaching its lowest level in four years. Meanwhile, open interest in futures-only contracts also sank to a four-month low in November from 1.37 million to 1.33 million. During the same period, open interest in London ICE WTI contracts dropped to 0.43 million and 0.48 million in futures-only and combined contracts, respectively. Open interest in ICE Brent contracts also declined to 0.92 and 1.04 million contracts in futures-only and combined contracts, respectively.





Money managers reduced their bets on rising WTI crude oil prices in New York in recent weeks, shrinking the number of net futures long holdings to 174 323 contracts from the high of 191 796 contracts in the

week ending 15 November, as a response to renewed concerns over the health of the Euro-area economy. Overall, in November, net futures long positions of managed money traders fell from 188 881 to 174 323 contracts in New York, while increasing from 9 926 to 12 127 contracts in London. Over the same period, money managers increased their Brent futures net long position by 39% from 61 559 to 85 516 contracts, partly due to concerns over Iranian and Syrian oil supply.

Producers also reduced their net futures short positions in November; they held 20.15% of the short and 11.28% of the long contracts in CME WTI futures-only contracts. Swap dealers, who accounted for 31.72% and 36.65% of the open interest on the long side and short side, respectively, increased their net short position by 18 476 contract to hold 65 689 net short in November. In the meantime, producers' trading activity in the London WTI contracts showed a similar pattern with CME WTI contracts. Producers switched to a net long position in London ICE WTI contracts after reducing net short position by 6 069 contracts from last month's net short position of 4 943 contracts. Swap dealers, on the other hand, increased net short positions to 22 413 from 13 632 contracts in the week ending 6 December 2011.

Index investors increased their long exposure in commodities in October by $21 billion. They added $7.9 billion to WTI Light Sweet Crude Oil, both on and off futures contracts in November; however, the number of futures equivalent contracts declined to a ten-month low of 641 000 contracts, equivalent to $59.50 billion in notional value due to the increase in oil prices from end-September price of $79.20/bbl to end-October price of $93.19/bbl .

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

06 December 2011	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	150.4	268.5	-118.2	*Short*	↑ 1.9	↑ 7.1
Swap Dealers' Positions	206.5	272.1	-65.7	*Short*	↓ -7.9	↓ -18.5
Money Managers' Positions	210.8	36.4	174.3	*Long*	↑ 0.9	↓ -13.9
Others' Positions	97.4	116.0	-18.5	*Short*	↓ -1.6	↑ 2.6
Non-Reportable Positions	86.3	58.2	28.0	*Long*	↑ 6.7	↑ 22.6
Open Interest			**1332.5**		↑ 30.0	↓ -33.7

Source: CFTC

The debate over MF Global, the top broker by volume at CME's metals and energy exchanges in New York before its collapse, still continues. It has been revealed by the trustee liquidating the company that the initial estimate of a $633 million shortfall in commodity customer funds by the CFTC was overly optimistic. The actual shortfall could be as much as $1.2 billion.

Market Regulation

On 5 December 2011, the CFTC approved the final rule on how brokerage firms can use customer funds. The rule has been delayed since July after being lobbied against by brokerage firms, such as MF Global. In order to restore confidence in customer-segregated accounts, the final rule restricts the investment of customer funds to money markets funds, US Treasures and municipal debts. The rule bans investment in 'in-house' transactions, where brokerage firms use customers' funds to make proprietary trades for their own accounts and investments in foreign sovereign debt.

As noted in the previous OMR, the debate over position limits turned to its second stage. On 2 December 2011, less than two weeks after the CFTC Commissioners voted in favour of establishing federal speculative positions limits on 28 commodities in a contentious 3-2 vote, the International Swaps and Derivatives Association (ISDA) and the Securities Industry and Financial Markets Association (SIFAM) filed a lawsuit in the federal court challenging the CFTC's position limits rule. As predicted, they have challenged the final rule based on whether the Commission overreached its mandate by pre-emptively

setting a position limit on derivatives contracts, on the almost non-existent cost-benefit analysis in the final rulemaking, as well as insufficient review of some of the comments letters, which the Commission was obliged to take into account. They specifically used substantive comments letters, as well as Commissioners Sommers, O'Malia and Dunn's statements to challenge the final rule on position limits.

Seeking Common Ground on Oil Market Drivers

As part of their remit covering joint activities set out in the Cancun Ministerial declaration of March 2010, the IEA, IEF and OPEC jointly hosted their second annual workshop on linkages between physical and financial oil markets in Vienna on 29 November 2011. Over 100 participants attended from across the spectrum of research institutions, major oil producers and consumers, the financial sector, regulators and policy makers. Participants reviewed recent studies on commodity price formation, the role of price reporting agencies, developments in regulatory reform in the energy derivatives markets, and emerging issues and key challenges. A full joint report on the workshop will be provided to IEF Ministers ahead of their next meeting in Kuwait in March 2012. The following represents the IEA's version of key take-aways from the Vienna event.

The debate on linkages between financial and physical oil markets has evolved over time. Opinion remains polarised between those seeing the majority of recent price move being due to oil market fundamentals and those who see speculative activity and the financialisation of commodities as amplifying price shifts in the short run. However, participants have different views on the concept of financialisation and what is meant by 'short run', making it difficult to agree on the true impact of speculative activity, on oil prices.

Some participants dated financialisation back to the rapid growth of commodity index investment around 2004, while others argued that the emergence of hedge funds, index funds, electronic trading and exchange traded funds (ETFs) and exchange traded notes (ETNs) were part of the process and therefore started around 2002. Furthermore, there was no consensus on what constitutes the 'short-run'. Most market participants consider short-term to mean an intra-daily, or at most weekly, time horizon. However, some argued that prices might overshoot equilibrium levels for prolonged periods of time and that the extent of overshoot can be extreme.

The Impact of Speculation on Prices

While entrenched views on the role of speculation and fundamentals were evident, a majority of experts tended to view speculators as playing a more limited role than fundamentals, at least over longer periods of time. Market participants emphasised the important role of commodity derivatives markets in providing price discovery and transfer of risks, while acknowledging the strong linkages between financial and physical markets. They argued that physical and derivatives markets work in an integrated fashion. If futures prices did not reflect the underlying cash market, these should converge during the delivery period unless the delivery mechanism is itself broken. It was stressed that futures prices are not a particularly good predictor of long-run commodity demand and supply and therefore should not be used for price forecasting purposes, but instead for the transfer of risk. Physical market players extensively use derivatives markets to hedge price risks that arise in the period between production and delivery to consumers. As prices can be highly volatile, it is important that derivatives markets are highly liquid so that hedging can be matched to physical pricing. Therefore, the presence of speculators is necessary for derivatives markets to function properly. The natural question is, of course, whether speculators can affect commodity prices.

Before attempting to answer this question, market participants recognised that the distinction between hedging and speculation in futures markets is less than clear-cut. Traditionally, traders with physical commodity exposure have been called hedgers, while those without a physical position to offset have been called speculators. In practice, however, commercial traders may ''take a view" on the price of a commodity or may not hedge in the futures market, despite having an exposure to the commodity, positions that could be considered speculative. Therefore, it is difficult to separate hedging from speculation. Keeping this fact in mind, alongside the limitations of the data employed by academic research, the weight of evidence shows no short run relationship between changes in commodity prices and changes in speculative positions. However, a few studies found a significant impact from investment flows by non-user participants on prices and volatility of commodities.

Participants agreed that the physical oil market is highly competitive, with physical prices determined by supply and demand. No oil firm can pass on any losses or gains from hedging or speculation on the financial

Seeking Common Ground on Oil Market Drivers *(continued)*

markets in the form of higher or lower physical prices. To affect physical prices, futures prices must impact upon physical supply and demand. But how can futures prices impact physical supply and demand? The majority of experts agreed that the most important mechanism is through cash and carry arbitrage. If speculators correctly foresee an upcoming shortage (a future increase in demand or reduction in supply), they will bid up futures prices. With futures prices higher than spot prices, this sets off cash and carry arbitrage. Oil is pulled off the market and put in storage at times of relative abundance, and is brought back to the market in a later period of relative scarcity. In these circumstances, price swings that would have occurred from a shift in supply and demand are moderated. That is to say, the market works and the price swing is less than it would have been otherwise. However, if speculators were wrong about their prediction of coming shortage, oil may be pulled off the market in time of relative scarcity and brought back in a time of relative plenty. In this situation, cash and carry arbitrage exacerbates the price swing. In either case the impact is on the short-term price pattern and not on the long-run level of prices. Speculators can increase the price swings only if their predictions are incorrect. However, speculators have a strong incentive to correctly forecast market shifts. In this case, cash and carry arbitrage moderates price fluctuations. There might be other channels for financial players to affect physical supply and demand. If physical market players get irrational signals from futures prices, then their actions based on irrational signals will feedback into irrational expectations.

Volatility in Oil Prices

Participants agreed that intra-daily volatility in oil prices increased over the last year. However, there was a clear disagreement on the causes and remedies for such intra-daily volatility. As expected, those who saw speculative activity and the financialisation of commodities as amplifying price moves in the short run argued that speculative trading as well as high frequency traders play a major role in intra-day volatility. They argued that limiting high frequency traders and speculative activity are necessary to abate volatility in oil prices. However, others argue that volatility is related to uncertainty over the health of the global economy, as oil prices naturally track any macroeconomic news, particularly news coming from euro-zone countries. The geopolitical risk premium also added to volatility in oil prices. In addition, the lack of supply chain flexibility amplifies the natural volatility in prices. They further argued that data gaps, especially on physical demand, supply, inventories and transportation, contribute to price volatility. Participants emphasised the importance of improving data transparency in both financial and physical markets to reduce price volatility. Markets participants generally noted that eliminating the geopolitical risk premium by promoting favourable conditions for investments is necessary to reduce volatility in oil prices.

Other Emerging Issues in the Oil Market

The need for dialogue between industry and price reporting agencies was emphasised by some market participants. Some argued there is a need for an oversight and appeal agency when there is disagreement between industry and price reporting agencies. However, others argued that the role of price reporting agencies is well defined, and that the current structure works, leaving no need for government regulation.

Market participants also voiced their concerns about the unexpected consequences of the credit crunch, affecting the European banking system, in the form of lack of finance for spot crude and product cargoes which can be traded only with a letter of credit opened by a bank. The European banking system which is used to finance trade no longer has access to liquidity. The absence of liquidity in the Euro-zone system suggests that oil traders cannot easily access credit, thereby limiting oil trading activity.

Participants stressed that the correlation between individual commodities and other asset classes, including equities and exchange rates, has been gradually increasing over the last few years. Some suggested that hedge funds played an important role in causing this cross market linkages. However, others argued that the increase in correlation is concentrated among indexed commodities, which suggests that this has more to do with the attractiveness of commodity index investments.

Market participants argued that the emergence of ETFs or ETNs-type investment vehicles is less likely in oil markets as opposed to metals markets. The key difference is that it is extremely easy to store metals, with the exception of aluminum, with a minimal cost of storage. However, crude oil is an entirely different commodity and the costs involved in storage are enormous because oil takes up much more physical space. Overall, there is limited storage capacity available compared to the level of daily supply.

Seeking Common Ground on Oil Market Drivers (continued)

Market participants also emphasised that as soon as assets (stocks, bonds, houses or commodities) become sophisticated enough to be transacted in the market, economy-wide speculative beliefs will emerge, which can be transmitted into asset prices. This is the cost of progress. Since the oil market is part of large financial assets markets, there is no easy way to extract the oil market from the larger financial community. Therefore, it cannot be considered in isolation and well-designed rules are needed to bring efficiency and transparency to the commodity derivatives markets.

Market Regulation

Since the US financial reform package, formally the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the CFTC has put forward 18 final rules. The CFTC have already proposed rules on regulation of dealers. There are various rules on clearing and trading mandates. The purpose of the rules on clearing and trading is to reduce risk by moving "standardised" derivatives onto clearing houses and to execute standardised swaps with more pre-trade transparency. The provision on trading oversight and market transparency includes regulation of swaps trading platforms (swap execution facilities (SEFs) and designated contract markets (DCMs)) and various post-trade transparencies. The provision on transparency to regulators includes reporting data on swap trades to regulated swap data repositories (SDRs), which are required to register with the CFTC, or reporting data directly to the Commission if there are no SDRs accepting the data. The final key element of the Act is the position limit on certain commodities.

The European Commission also issued several communications regarding commodity markets and raw materials. The first vehicle related to energy markets is the regulation of wholesale energy market integrity and transparency, so called REMIT, published in July 2011. The REMIT aims to prevent market abuse and manipulation in wholesale energy markets and to increase transparency for trading on those markets. The European Commission issued three proposals on financial markets that have an impact on commodity derivatives. The first deals with the regulation of OTC Derivatives (European Market Infrastructure Regulation (EMIR)). On 15 September 2010, the European Commission published its final proposal, which sets out to increase stability within OTC derivative markets by introducing a reporting and clearing obligation for eligible OTC derivatives as well as common rules for central counterparties (CCPs) and for trade repositories. The second proposal, published on 20 October 2011, aims to update and strengthen the existing framework to ensure market integrity and investor protection provided by the Market Abuse Directive (MAD). The third proposal deals with the transparency and oversight of the financial markets in the European Union (Markets in Financial Instruments Directive (MiFID), with final proposals also published on 20 October 2011. Specifically, proposals call for standardisation of all OTC derivative contracts traded on organised venues, narrowing of exemptions for commodity firms in line with G-20 commitments, creation of a new trading venue category ("organised trading facility – OTF"), more transparency of trading, including pre- and post-trade transparency, a position reporting obligation by type of participants, and position limits or some other type of position management.

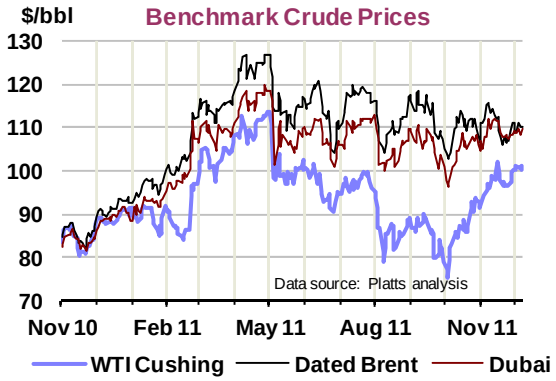
While market participants emphasised the need for more international coordination to ensure consistent and effective oversight in OTC markets, they also argued that some of the proposed regulations might have unintended consequences in the market place. These include:

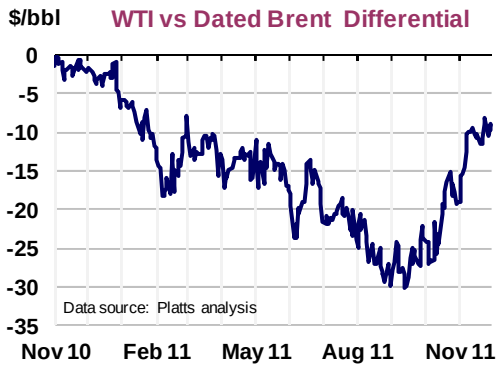
- Hard position limits will severely constrain trading activity which would lead to increased, rather than reduced, volatility. Liquidity in futures markets, and especially in swaps markets, would be unnecessarily impaired.
- Commodity trading belongs to two worlds: physical and financial, and to avoid unintended consequences, there is a need for more specific regulation on commodities than is encompassed by broad financial regulation.
- OTC markets are for professionals; not for retail investors. The role of brokers is primary in providing transparency. Transparency will disappear if trading is forced to move into platform- based trading systems with a view of pre-trade transparency. Moving swaps onto platforms may create increased volatility due to higher volume as experienced in regulated markets when electronic trading was introduced.
- Regulatory arbitrage opportunities might undermine the impact of new regulations in countries where more stringent rules are to be implemented.

Spot Crude Oil Prices

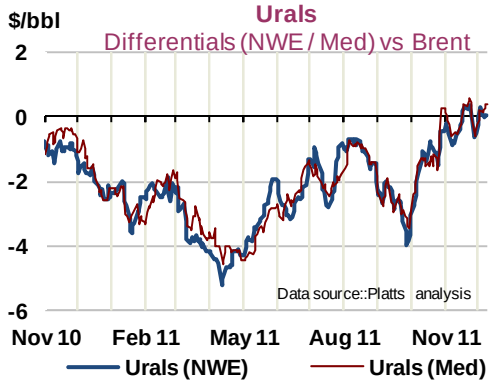
Spot crude oil markets strengthened in November and early December, underpinned by brisk physical demand heading into the winter season, ongoing extraordinary supply disruptions in Syria and Sudan, continued North Sea production problems, and mounting concerns over the proposed EU embargo on Iranian crude oil imports. However, gains were uneven for the major benchmark crudes given diverging regional economic and market developments, with Brent up a modest $1.23/bbl to an average $110.66/bbl, Dubai up by $5.05/bbl to $109/bbl and WTI up a steeper $10.72/bbl, to $97.17/bbl.

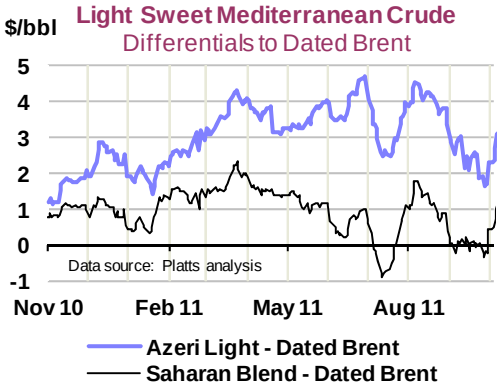
With price gains for Brent far outpaced by WTI, the differential between the two grades narrowed sharply. Brent's premium over WTI averaged about $13.50/bbl in November, compared with $23/bbl in October and $27.57/bbl in September. By early December, the Brent-WTI spread was below $10/bbl.





Dated Brent's upward price moves were tempered by the exceptional surge of bearish euro zone economic news, as well as the steady return from outages of Libyan and most North Sea crudes over the month. European crude markets were whiplashed in November, with the rise in Libyan exports countered by the prospect of an EU ban on imports of Iranian crude oil into the region. Despite increased exports of Libyan crude, light/sweet and heavy/sour crude spreads have widened again in November on relatively weaker Brent prices. The price spread for Azeri Light-Brent widened from around $2.85/bbl in October to $3.95/bbl in November, and was around $4.65/bbl in early December.

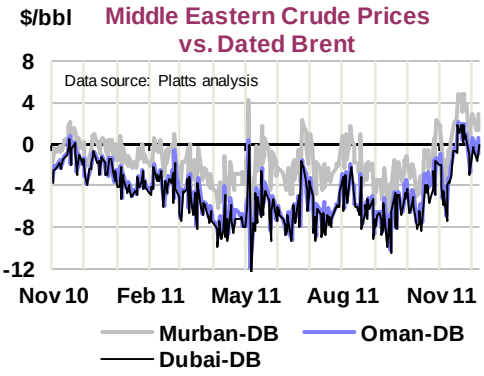


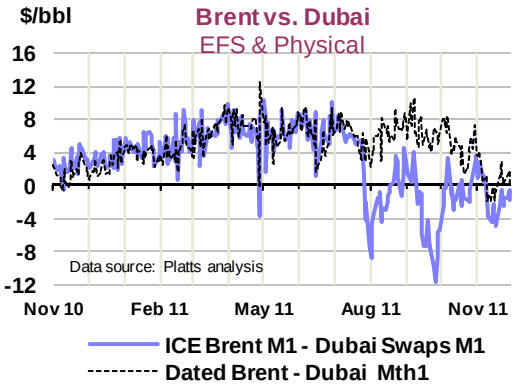


In November, Urals strengthened to a rare premium over dated Brent, due in part to relatively weaker Brent prices and in part to reduced Urals exports, as buoyant domestic demand translated into less Russian crude available on spot markets after the state fulfilled its term contractual obligations. Urals was trading above Brent by around $0.20/bbl in early December compared to a monthly average of -$0.12/bbl in November and a more normal -$1.35/bbl in October. Compared to a year ago, final October data indicate that Russian seaborne cargoes exported via Primorsk and Novorossiysk fell by a combined 250 kb/d.

In the US, WTI gained ground on stronger demand and crude stock draws for the month. An unexpected announcement that the Seaway pipeline, which currently runs from the US Gulf Coast to Cushing, would be reversed by April 2012 took pressure off landlocked WTI spot crude prices.

In Asia, Mideast sour crudes were buoyed by stronger demand for fuel oil and the seasonal shift to distillate-rich grades for winter heating. Dubai's discount to Dated Brent narrowed sharply, from an average -$5.48/bbl in October, to -$1.66/bbl in November and was last trading at -$0.68/bbl in early December. Dubai crude is heavily backwardated, with the difference between the first and second month contracts swelling to over $2/bbl in late November/early December. By contrast, exceptionally weak demand for naphtha saw spot prices for lighter crudes weaken.





Despite the relative strength of east of Suez markets, Asian buyers of Saudi crude were taken aback by the steep price increases for January liftings. Saudi Aramco raised official selling prices (OSPs) for Asian customers sharply. Asian OSPs, based on the average of Dubai and Oman grades, were increased to record levels for three of the Kingdom's five grades. Arab Light was raised by $1.65/bbl to a premium of $4.15/bbl, while Arab Heavy saw its OSP sell at a premium to the Dubai/Oman average for the first time ever. Asian refiners, which have seen their margins crumble in recent weeks, say the Saudi price increases were too steep and will look elsewhere for alternative crudes if needed in January. As expected, most other Middle East producers raised prices in line with the Saudis. This raises the prospect that Saudi Arabia may be positioning itself for a relative westbound shift in sales, even though prices into Europe also increased for January.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

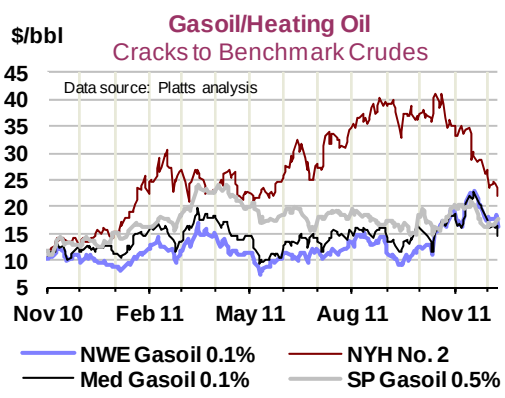
	Sep	Oct	Nov	Nov-Oct Avg Chg	%	Week Commencing: 07 Nov	14 Nov	21 Nov	28 Nov	05 Dec
Crudes										
Dated Brent	113.12	109.43	110.66	1.23	1.1	114.79	110.81	106.89	109.95	109.43
Brent (Asia) Mth1 adjusted	111.93	109.07	110.85	1.78	1.6	114.54	112.47	107.90	109.98	110.02
WTI (Cushing) Mth1 adjusted	85.55	86.45	97.17	10.72	12.4	97.14	99.33	96.82	99.81	100.04
Urals (Mediterranean)	110.38	108.10	110.54	2.44	2.3	114.25	110.78	107.25	109.69	109.70
Dubai Mth1 adjusted	106.30	103.95	109.00	5.05	4.9	111.13	110.95	107.93	108.68	108.75
Tapis (Dated)	119.73	115.56	117.26	1.69	1.5	120.95	118.84	114.31	117.07	117.17
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-27.57	-22.99	-13.49	9.49		-17.66	-11.47	-10.08	-10.14	-9.38
Urals (Mediterranean)	-2.74	-1.33	-0.12	1.21		-0.54	-0.02	0.36	-0.26	0.27
Dubai Mth1 adjusted - Dated Brent	-6.82	-5.48	-1.66	3.82		-3.66	0.14	1.04	-1.28	-0.68
Tapis (Dated)	6.60	6.13	6.60	0.47		6.16	8.03	7.42	7.12	7.75
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	2.21	1.44	0.69	-0.75		1.18	0.35	0.14	0.45	0.10
Forward WTI Cushing Mth1-Mth2 adj	-0.20	-0.14	-0.02	0.11		0.10	-0.07	-0.28	-0.11	-0.18

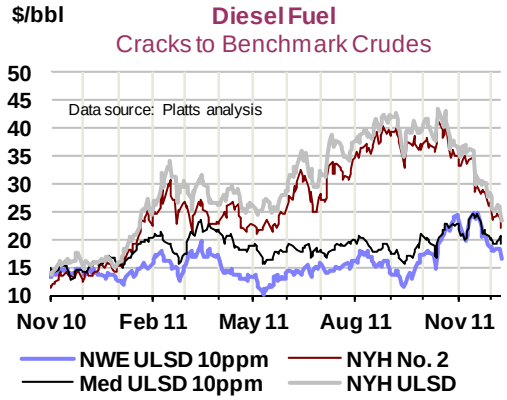
Data source: Platts analysis

Spot Product Prices

Middle distillate markets remained tight in November, with crack spreads increasing further month-on-month, although higher supply and mild weather pressured crack spreads lower towards the end of the month and in early December. Gasoline markets, on the other hand, continued to weaken in November, with monthly crack spreads negative in both the Mediterranean and the US Gulf.

Middle distillate crack spreads increased month-on-month in all regions, except for New York Harbor, where a relatively stronger WTI caused crack spreads to fall. A combination of stock levels already at or below the five-year average, low refinery runs and increasing demand, are the main factors behind the tightness. We also note elsewhere the extra marginal impetus that soaring light tight oil activity in North America may be having. The supply situation improved in the second half of the month, however, as more refinery capacity came back on stream and as mild weather limited demand.





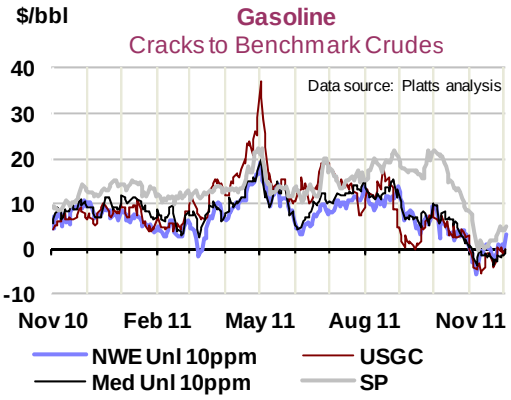
The tightness in the European middle distillate market continued in November, and diesel crack spreads reached a robust $25/bbl around mid-month, before higher refinery runs and subdued weather-related demand led to stocks building correspondingly. The observed stock build, both in ARA and according to preliminary Euroilstock data for November, was partly due to unusually low water levels on the Rhine in November, causing distribution problems for both heating oil and diesel from the ARA region to the German and Swiss inland markets. Middle distillate supplies have so far this quarter been constrained by a slower-than-usual ramp up in European refinery runs and lower exports from Russia, as well as less supplies arriving from Asia.

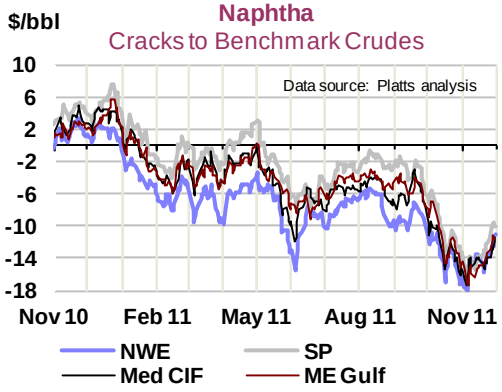
Although the arbitrage from Asia was open, less volumes have been available for export. Strong domestic demand and heavy refinery maintenance have also curtailed Russian export supplies this autumn. Limiting exports further, is the ban on domestic sales of above 500 ppm gas oil, which took effect in September, reducing ULSD volumes available for exports. On top of this, Russia has been building domestic strategic stocks, which also reduced volumes available in the market.

The US middle distillate market was also tight due to reduced supply during peak refinery maintenance season and stronger demand, both domestically and for export, leading to stock levels falling further below the five-year average. On the supply side, refinery runs have been increasing slower than usual after the autumn maintenance season. Although heating oil demand so far has been low thanks to the mild weather, latest available US demand data show that transport diesel demand continues to rise. Latin American demand for middle distillates is still strong, while high European prices also drew volumes over the Atlantic. In the US Gulf coast heating oil crack spreads to Mars increased by around $3/bbl in November to $18.60/bbl.

In Asia, the tight market situation improved somewhat throughout November, with more refinery capacity coming on stream, and data showing that stocks in Singapore were building. Nonetheless, fear

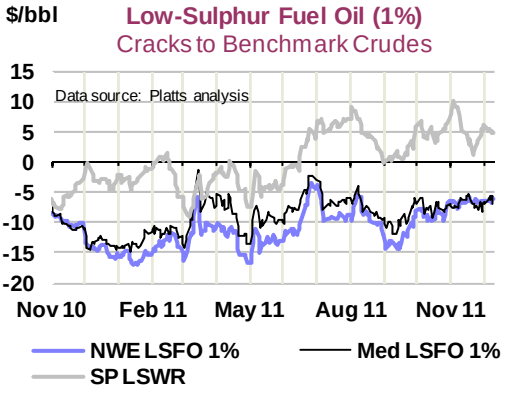
of diesel tightness was supportive to prices, as China continued to be a net importer in November. However, with increasing domestic refinery runs, import needs are expected to fall in the coming months, which also contributed to pressure prices lower in the latter half of the month.

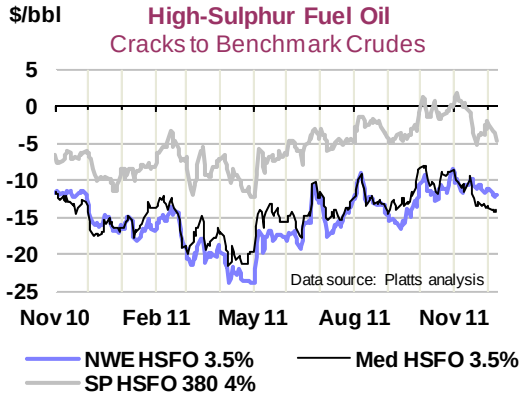




Gasoline crack spreads fell steeply in all regions in November; in Singapore gasoline spreads to Dubai fell $14.36/bbl to just $3.86/bbl. In the Mediterranean, gasoline cracks were negative on average in November, as they were for both LLS and Mars gasoline cracks at the US Gulf Coast. Even though the ramp-up in refinery runs has been slow this autumn, the additional production added to the depressed situation for gasoline, with stock levels above average in all major regions throughout November. At the same time, US weekly data showed gasoline demand falling further in November, reinforcing the negative sentiment. The trend was to some degree reversed at end-November when weekly US data showed increased gasoline demand and gasoline stocks building less than expected. This opened the arbitrage from Europe, lifting European markets as well.

November was another depressing month for **naphtha**, with prices continuing to trade at a steep discount to crude, and crack spreads falling a further $3-6/bbl month-on-month, leaving differentials negative at $14-15/bbl on average for the month in both Europe and Asia. Crack spreads rebounded somewhat at end-November on reports of lower stock levels in Europe, but fundamentals are still weak. Naphtha markets have been depressed not only by the weak gasoline markets, but also as demand for petrochemical products has been affected by the economic downturn, with ethylene margins being negative since end-October. Additional pressure has come from lower prices for the alternative feedstock propane.





For the bottom of the barrel, **HSFO** cracks weakened in November, with the exception of NW Europe. The most important drivers pressuring crack spreads lower were a partly closed arbitrage to Asia and lower demand for alternative feedstock with more supply from the North Sea and Libyan production ramping up. The market for on-spec bunker fuels in Singapore remained tight.

Spot Product Prices

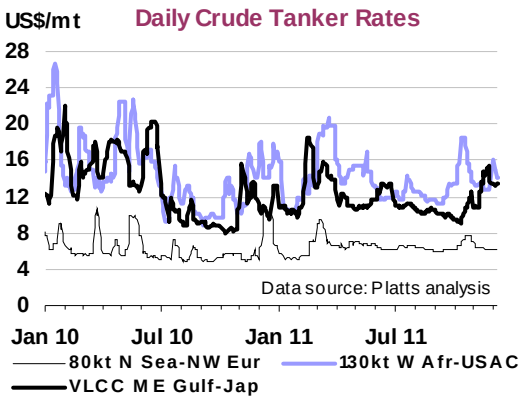
(monthly and weekly averages, $/bbl)

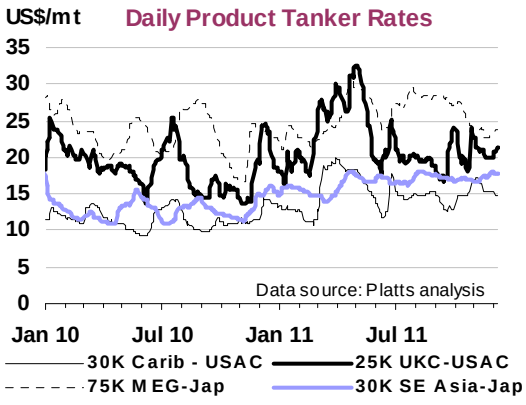
	Sep	Oct	Nov	Nov-Oct Chg	Nov-Oct %	Week Commencing: 07 Nov	14 Nov	21 Nov	28 Nov	05 Dec	Sep	Oct	Nov
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	120.72	115.61	111.22	-4.39	-3.8	115.22	108.39	108.00	109.71	110.70	7.59	6.17	0.56
Naphtha	103.94	97.53	95.56	-1.97	-2.0	98.00	95.32	93.12	95.33	97.16	-9.19	-11.90	-15.10
Jet/Kerosene	126.19	126.93	130.63	3.71	2.9	134.08	132.54	127.72	127.09	126.41	13.07	17.50	19.97
ULSD 10ppm	127.30	129.26	132.46	3.20	2.5	135.92	135.11	128.03	128.48	127.37	14.18	19.83	21.80
Gasoil 0.1%	123.86	124.60	130.19	5.60	4.5	133.16	133.14	127.15	127.74	127.14	10.74	15.16	19.53
LSFO 1%	100.91	100.91	103.99	3.07	3.0	107.74	104.35	100.26	103.42	103.16	-12.21	-8.52	-6.67
HSFO 3.5%	98.48	98.52	99.90	1.38	1.4	103.56	100.57	96.04	98.42	97.39	-14.64	-10.92	-10.76
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	119.13	114.98	109.88	-5.10	-4.4	114.04	109.23	105.97	107.09	108.65	8.75	6.88	-0.66
Naphtha	104.36	97.64	95.63	-2.01	-2.1	98.26	95.53	92.96	95.13	96.88	-6.03	-10.46	-14.91
Jet Aviation fuel	124.78	124.98	129.33	4.35	3.5	132.93	132.02	126.17	125.39	124.96	14.40	16.88	18.79
ULSD 10ppm	128.17	128.89	132.56	3.67	2.9	135.76	135.11	128.98	129.58	129.38	17.79	20.79	22.02
Gasoil 0.1%	124.17	123.80	129.69	5.89	4.8	132.00	132.54	127.66	126.85	125.44	13.79	15.70	19.16
LSFO 1%	100.97	100.70	103.67	2.97	3.0	107.60	104.92	99.87	102.62	103.53	-9.41	-7.40	-6.87
HSFO 3.5%	98.11	98.51	98.88	0.37	0.4	103.24	99.86	93.90	96.05	95.52	-12.27	-9.59	-11.66
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	126.15	122.78	118.42	-4.36	-3.6	122.19	116.57	114.88	116.46	118.52	40.60	36.33	21.25
Unleaded	116.67	115.80	110.86	-4.93	-4.3	114.67	108.61	107.17	109.13	110.76	31.12	29.35	13.70
Jet/Kerosene	125.65	126.01	130.23	4.22	3.4	133.17	132.20	126.98	126.54	125.45	40.10	39.56	33.06
No. 2 (Heating Oil)	122.63	123.94	128.56	4.62	3.7	131.34	130.64	125.41	125.11	123.75	37.07	37.49	31.39
LSFO 1%†	98.85	99.65	101.58	1.93	1.9	105.39	101.14	97.28	100.47	100.48	13.30	13.20	4.41
No. 6 3%†	98.20	99.25	100.64	1.39	1.4	103.66	100.59	96.88	99.19	96.56	12.65	12.80	3.47
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	124.36	122.18	112.86	-9.32	-7.6	117.71	111.97	108.77	111.10	113.41	18.06	18.22	3.86
Naphtha	103.49	96.19	95.25	-0.94	-1.0	97.23	95.74	93.57	95.92	98.52	-2.82	-7.76	-13.75
Jet/Kerosene	123.53	123.25	127.99	4.74	3.8	130.78	130.58	126.33	125.25	125.57	17.22	19.30	18.99
Gasoil 0.5%	122.71	121.31	127.94	6.64	5.5	130.95	131.44	125.42	125.15	126.02	16.40	17.36	18.94
LSWR Cracked	107.94	109.06	114.16	5.10	4.7	117.59	114.94	110.30	114.07	113.83	1.64	5.11	5.16
HSFO 180 CST	100.90	101.45	106.27	4.83	4.8	109.76	108.27	103.06	105.35	104.80	-5.40	-2.51	-2.72
HSFO 380 CST 4%	102.56	103.42	107.28	3.86	3.7	111.21	109.02	103.57	105.82	104.99	-3.75	-0.53	-1.72

Data source: Platts analysis * CIF † Cargoes

Freight

Crude freight rates for larger vessels continued their recovery in November. High demand east of Suez for Middle Eastern grades, notably from Asian refineries exiting maintenance and a seasonal increase in the use of crude in the still-earthquake-affected Japanese power sector, helped to sustain the recovery in the VLCC Middle East Gulf – Japan rate through November. Rates increased steadily over the month to breach the $15/mt level in the last week of November, reportedly moving Time Charter Equivalent earnings (under design speeds) out of negative territory for the first time since June. However, as has been the case for much of 2011, demand was not sustained, and the rate fell back close to $13/mt by the first week on December. In the Suezmax market, the benchmark West Africa – US Atlantic Coast route firmed over the month, although, weighed down by plentiful tonnage, it remained flat for the first three weeks before surging to over $16/mt at month-end after cargoes picked up.





2011 looks like being one of the worst years on record for the beleaguered tanker industry. Oversupply from a raft of new builds ordered pre-recession entering the market has combined with surging bunker costs to erode earnings and force many owners to the wall. Indeed, in November, General Maritime Corporation filed for bankruptcy and Frontline, one of the sector's biggest players, publically admitted that it requires significant restructuring to survive. Unless there is an unexpected surge in demand the difficult operating environment is expected to persist into 2012 with these tanker owners unlikely to be the last experiencing such tribulations.

REFINING

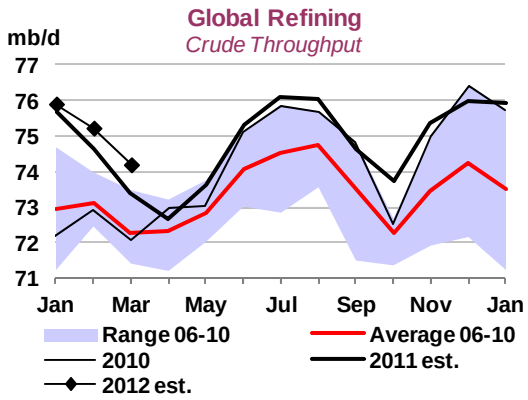
Summary

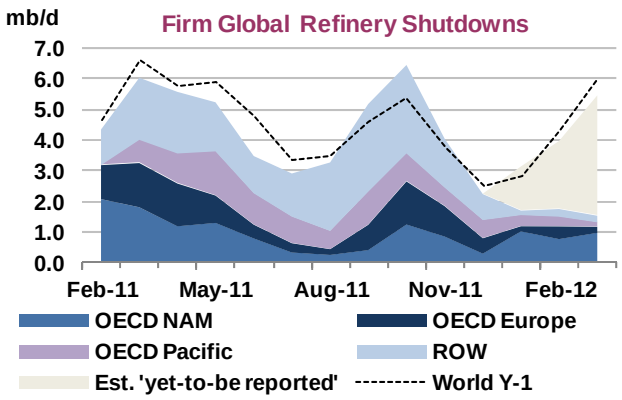
- **Global refinery crude throughputs fell by close to 1 mb/d in October,** as OECD autumn maintenance hit its seasonal peak. 4Q11 estimates are largely unchanged since last month's report, at 75.1 mb/d, as weaker-than-expected Chinese runs in October and a slightly lower profile for the OECD were offset by higher rates in Latin American and the FSU. After three quarters of relatively weak annual growth (250 kb/d on average), global runs are expected to rebound to 75.8 mb/d in 1Q12, up 1.2 mb/d versus the prior year.

- **OECD refinery crude runs fell by 920 kb/d in October,** to 35.8 mb/d, or 1.2 mb/d above the same month a year earlier. The steepest monthly decline came from North America, as autumn maintenance hit its seasonal peak, though runs were down also in Europe and Japan. Conversely, year-on-year gains came mostly from the US and France, where runs were exceptionally weak in 2010, notably in France due to industrial action.

- **Refinery margins generally fell in November** as higher distillate and fuel oil cracks failed to offset increases in crude and weaker gasoline and naphtha prices. On average, profitability for all crudes and refining centres surveyed was in negative territory in the month, except for cracking margins in Northwest Europe.

- Compared with the June 2011 *Medium-Term Oil and Gas Market Report*, **global crude distillation capacity additions for the 2010-2016 period are revised down by 0.9 mb/d, to 8.7 mb/d**. Continued rationalisation in mature OECD markets accounts for most of the change, with a further 800 kb/d of capacity announced shut since the June report. All of the net capacity growth comes from the non-OECD, and most notably Asia, which accounts for 50% of all additions.





Global Refinery Overview

Refinery margins went from bad to worse in November, and plunged into negative territory for all benchmarks surveyed, bar Northwest Europe cracking configurations. The collapse in gasoline cracks and still higher crude prices outweighed any seasonal improvement in middle distillate prices. Increased product supplies from refiners exiting turnarounds met continued weak demand, due both to economic weakness and mild weather. November crude runs are estimated to have rebounded by almost 1.8 mb/d from October's low. Increases stem from both the OECD, where autumn maintenance peaked in October, and in Asia, as refiners came back from scheduled and unscheduled outages. Chinese refinery runs rebounded and reached record-highs in November, to avoid domestic product shortages, after several months of unexpectedly weak runs. The increase came despite lower retail prices from October.

Overall, our estimate for 4Q11 runs is largely unchanged since last month's report (+20 kb/d), at 75.1 mb/d. Higher Latin American and Russian runs were offset by disappointing Chinese rates in October and a slightly weaker outlook for the OECD for the remainder of the year. Record-high Brazilian runs in October and revisions to Venezuelan throughputs lifted the Latin American total by nearly 200 kb/d for the quarter compared with last month's report. 1Q12 runs are seen rising to 75.8 mb/d, or 1.2 mb/d up on the same quarter a year earlier. This compares to growth of only 255 kb/d on average over the previous three quarters.

Global Refinery Crude Throughput[1]

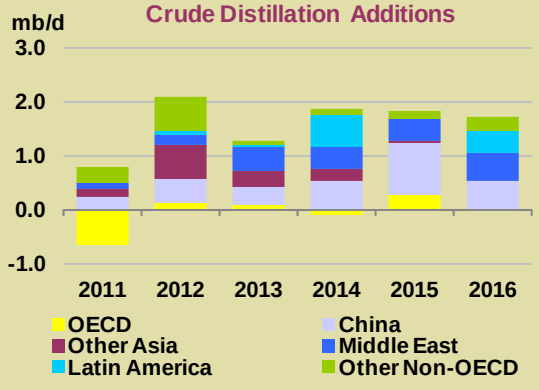
(million barrels per day)

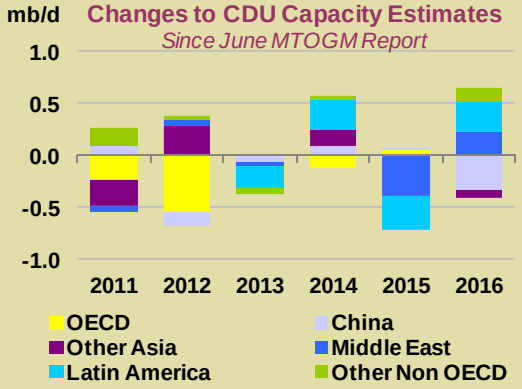
	Aug 11	Sep 11	**3Q2011**	Oct 11	Nov 11	Dec 11	**4Q2011**	Jan 12	Feb 12	Mar 12	**1Q2012**
North America	18.5	18.1	**18.3**	17.4	17.8	17.6	**17.6**	17.3	17.1	17.2	**17.6**
Europe	12.6	12.2	**12.4**	12.0	12.2	12.4	**12.2**	12.5	12.3	12.0	**12.4**
Pacific	6.5	6.4	**6.4**	6.4	6.6	6.7	**6.5**	7.0	6.9	6.5	**6.8**
Total OECD	**37.7**	**36.7**	**37.2**	**35.8**	**36.5**	**36.7**	**36.3**	**36.8**	**36.3**	**35.7**	**36.7**
FSU	6.7	6.2	**6.5**	6.4	6.5	6.7	**6.5**	6.6	6.5	6.4	**6.6**
Non-OECD Europe	0.5	0.5	**0.5**	0.4	0.6	0.6	**0.5**	0.6	0.6	0.6	**0.6**
China	8.7	8.8	**8.8**	8.7	9.2	9.3	**9.1**	9.2	9.2	9.3	**9.3**
Other Asia	8.7	8.8	**8.9**	8.7	9.0	9.1	**9.0**	9.2	9.2	9.1	**9.1**
Latin America	5.4	5.5	**5.4**	5.4	5.4	5.4	**5.4**	5.3	5.3	5.2	**5.3**
Middle East	6.3	6.3	**6.3**	6.3	6.2	6.0	**6.2**	6.0	5.9	5.8	**6.1**
Africa	2.2	1.9	**2.1**	2.1	2.1	2.2	**2.1**	2.3	2.3	2.2	**2.2**
Total Non-OECD	**38.4**	**38.0**	**38.4**	**38.0**	**39.0**	**39.3**	**38.7**	**39.1**	**39.0**	**38.5**	**39.1**
Total	**76.0**	**74.7**	**75.6**	**73.7**	**75.5**	**76.0**	**75.1**	**75.9**	**75.2**	**74.2**	**75.8**

1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

Medium-Term Capacity Update – OECD Rationalisation Picking up Speed

Since the June *Medium-Term Oil and Gas Markets* report, global crude distillation capacity additions for the 2010-2016 period have been lowered by 0.9 kb/d to 8.7 mb/d. The changes are mostly related to further closures of plants in the OECD, pressured by a combination of structurally declining demand and increased competitive pressure from sophisticated, flexible, large-scale new refineries in the non-OECD. Since June, another four refineries have been shut or committed to close, with a few more currently idle, waiting for buyers to step forward to avoid permanent closures. In the non-OECD, expansion is continuing at a fast pace. While some changes to expected completion dates and capacity have been included, the overall picture remains similar. Capacity is being built in response to buoyant emerging market demand growth, putting further pressure on already low operating rates and profitability among OECD refiners.





The global industry is now set to add 8.7 mb/d of crude distillation capacity post-2010, to reach a total of 101.5 mb/d in 2016. This compares to forecast demand growth of 6.7 mb/d in the period, of which an increasing share will be met by non-refined supplies, such as biofuels, gas and coal to liquids, and NGLs and condensates, which largely bypass the refining system.

Medium-Term Capacity Update - OECD Rationalisation Picking Up Speed (continued)

The entirety of expected capacity growth is now accounted for by the non-OECD, most notably in Asia. China alone is expected to account for a third of global capacity growth, or almost 3.0 mb/d. That is largely in line with demand growth estimates. While project uncertainty here is ever-present, the government's strategy seems to balance concerns over surplus capacity with those about increased product import requirements. Projects scheduled for the tail-end of the forecast are therefore likely to be managed in line with evolving demand prospects. The rest of Asia will see a further 1.4 mb/d added in the period, or 16% of global growth, while significant investments are also taking place in the Middle East, Latin America and the FSU. Emerging market plans seem to be driven by various objectives. Some major consumers wish for greater product self-sufficiency, while others are positioning themselves as regional hubs. At the same time, some erstwhile crude exporters are trying to shift to the export of higher value-added products. Most are driven by a mix of these goals.

Since the last capacity update, few new projects within the medium-term timeframe have been proposed. Major changes to our estimates are mostly related to revised expectations for completion dates and size. In India for example, HPCL's Bathinda refinery and the expansion of Essar's Vadinar refinery, both earlier slated for completion at the end of 2011, are now only projected to start up at the beginning of 2012. Delays are also noted for Brazil's Abreu e Lima refinery (from 2013 to 2014) and the first phase of Premium 1 (from 2015 to 2016). In the Middle East, the completion of Iran's three Bandar Abbas condensate splitters looks less likely than before, especially given tighter sanctions. We now expect only the first 120 kb/d unit to come on stream in 2016, whereas we previously included the entire 360 kb/d by end-2016. For China, total additions are 320 kb/d lower than previously, at just under 3 mb/d. Several changes have been made to expected capacities and completion dates however. Of note, we now expect CNPC/PDVSA's 400 kb/d Jieyang plant will be completed in 2015, a year earlier than previously assumed. For 2015, we have dropped Sinopec's Zhenhai project (300 kb/d) and PetroChina's Huludao project as these look less likely than before. While some progress has been made on the PetroChina/Qatar Petroleum/Shell JV 400 kb/d Taizhou project, completion is unlikely before 2017 or later.

OECD refining offers a stark contrast to the booming non-OECD picture. Since the economic downturn, a total of 2.6 mb/d of OECD crude distillation capacity has been shut (or is firmly committed to shut in the coming years), 0.8 mb/d more than expected in the June MTOGM. The picture looks particularly bleak in Europe, where nine refineries have already closed since mid-2008. Compared to our June report, we have included LyondellBasel's Berre l'Etang refinery in France from 1Q12, and ConocoPhillips' 260 kb/d Wilhelmshaven refinery in Germany, although neither of these are confirmed permanently closed. It seems that despite the recent sale of Wilhelmshaven (260 kb/d) to Hestya, the plant will not be restarted, rather operated as a terminal. While LyondellBasel remains open to restarting Berre if a buyer is found, we don't see this as a likely scenario and the plant will likely halt operations in January.

The US sector is interesting, as the country has transformed into a significant product exporter – a major turnaround from its position as a net importer of more than 2 mb/d only a few years ago. Diverging markets exist within the US, with those enjoying access to discounted crude from the US Midwest at a great advantage. In recent months, a further 0.7 mb/d of capacity has been put up for sale and in large part idled in the difficult East Coast market. Sunoco idled its 175 kb/d Marcus Hook refinery in early December, ahead of a previously announced shutdown date of July 2012. The company put its two East Coast refineries up for sale, early-2011, and intends to shut both plants if no buyers are found. Also Conoco's 185 kb/d Trainer refinery in Pennsylvania was idled due to poor market conditions in September, and has announced the closure will become permanent if no buyer is found within six months. Even though these plants are not yet permanently shut, we have included the two that are currently idle in our shutdowns list, and will re-evaluate if buyers are found. Elsewhere in the US, ConocoPhillips & Cenovus completed a 50 kb/d expansion of their JV Wood River, Illinois refinery in 4Q11 – on schedule. The expansion also included a new coker, increasing its ability to process heavy Canadian crude. Motiva's 325 kb/d expansion of Port Arthur is still on schedule for 3Q12. Across the border, the expansion of Mexico's Minatitlan refinery (110 kb/d) was finally completed in July 2011, four years delayed and at double the cost of the original estimate.

In the OECD Pacific, industry rationalisation also continues apace, with Japan bearing the brunt. Idemitsu Kosan announced in November it will permanently shut its 120 kb/d Tokuyama refinery in 2014, rather than upgrade it to comply with new regulations regarding upgrading ratios.

Selected Refining Margins in Major Refining Centres

($/bbl)

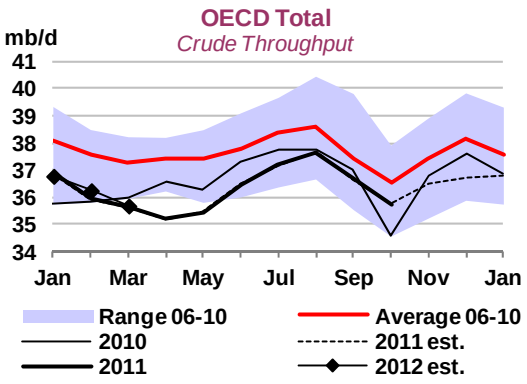
		Monthly Average				Change	Average for week ending:				
		Sep 11	Oct 11	Nov 11		Nov 11-Oct 11	11 Nov	18 Nov	25 Nov	02 Dec	09 Dec
NW Europe	Brent (Cracking)	-0.39	1.52	0.51	↓	-1.01	-0.20	0.60	0.92	-0.97	-0.30
	Urals (Cracking)	1.65	2.48	0.70	↓	-1.78	0.43	0.78	0.65	-0.73	-0.38
	Brent (Hydroskimming)	-3.82	-1.30	-1.15	↑	0.15	-2.03	-0.47	-0.68	-2.42	-1.89
	Urals (Hydroskimming)	-4.77	-2.99	-3.68	↓	-0.69	-4.11	-2.94	-3.79	-5.03	-5.10
Mediterranean	Es Sider (Cracking)	0.25	0.39	-0.64	↓	-1.04	-1.01	0.21	-0.55	-2.12	-1.93
	Urals (Cracking)	0.11	0.93	-0.98	↓	-1.91	-1.28	-0.16	-1.11	-2.73	-2.40
	Es Sider (Hydroskimming)	-5.21	-4.51	-3.91	↑	0.60	-4.40	-2.74	-3.64	-4.91	-4.82
	Urals (Hydroskimming)	-6.77	-5.01	-5.94	↓	-0.93	-6.20	-4.89	-6.29	-7.57	-7.63
US Gulf Coast	Brent (Cracking)	-6.70	-3.83	-6.07	↓	-2.24	-6.74	-6.43	-5.04	-7.67	-7.31
	LLS (Cracking)	-0.75	0.04	-0.48	↓	-0.52	-0.46	-1.28	0.39	-2.69	-2.64
	Mars (Cracking)	-4.42	-1.57	-3.02	↓	-1.45	-2.93	-3.85	-3.03	-4.83	-4.70
	Mars (Coking)	-1.74	0.41	-1.44	↓	-1.85	-1.69	-2.11	-1.41	-3.19	-2.84
	Maya (Coking)	4.87	1.86	-5.94	↓	-7.80	-5.14	-6.95	-6.62	-8.23	-7.90
US West Coast	ANS (Cracking)	-5.28	-0.45	-5.57	↓	-5.12	-5.08	-8.89	-5.85	-8.88	-5.58
	Kern (Cracking)	-3.08	-2.17	-7.38	↓	-5.21	-8.31	-12.03	-6.81	-4.90	-3.64
	Oman (Cracking)	-1.01	2.38	-3.67	↓	-6.05	-2.34	-7.75	-6.16	-8.05	-8.90
	Kern (Coking)	1.98	3.98	-4.43	↓	-8.41	-3.50	-10.09	-5.53	-4.37	-2.24
Singapore	Dubai (Hydroskimming)	-1.04	0.40	-1.57	↓	-1.97	-0.33	-1.83	-3.44	-3.09	-3.04
	Tapis (Hydroskimming)	-10.60	-8.20	-7.96	↑	0.24	-8.39	-8.22	-7.67	-9.23	-8.23
	Dubai (Hydrocracking)	1.55	2.31	-0.74	↓	-3.05	0.42	-1.19	-2.43	-2.38	-1.62
	Tapis (Hydrocracking)	-9.80	-8.01	-8.51	↓	-0.50	-9.05	-8.71	-7.96	-10.06	-8.67
China	Cabinda (Hydroskimming)	-3.57	-2.63	-1.26	↑	1.37	-2.12	-0.54	-1.06	-1.45	-1.02
	Daqing (Hydroskimming)	-1.53	0.70	-1.75	↓	-2.45	-1.18	-2.60	-3.06	-2.12	-1.66
	Dubai (Hydroskimming)	-1.12	0.33	-1.73	↓	-2.06	-0.45	-2.02	-3.67	-3.27	-3.32
	Daqing (Hydrocracking)	1.55	2.85	-2.19	↓	-5.04	-1.54	-3.42	-3.30	-2.91	-1.91
	Dubai (Hydrocracking)	1.70	2.49	-0.66	↓	-3.15	0.55	-1.15	-2.43	-2.34	-1.78

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.
Sources: IEA, Purvin & Gertz Inc.

OECD Refinery Throughput

OECD crude throughputs declined by 920 kb/d in October, as seasonal maintenance picked up in key markets. The October total of 35.8 mb/d was 75 kb/d above our month earlier forecast, with slightly higher-than-expected runs in the OECD Pacific, partly offset by smaller downward adjustments to Europe and North America. While runs fell in all regions, the steepest declines came from North America, followed by Europe and Japan. South Korean runs provided an offset as these hit record highs, amid strong domestic demand and regional tightness in product markets following outages at nearby refineries in Singapore and Taiwan. OECD September throughputs were revised down by 110 kb/d following the submission of final monthly data. Preliminary data indicate that OECD runs rose by 780 kb/d in November, despite the very weak economic backdrop.



Refinery Crude Throughput and Utilisation in OECD Countries

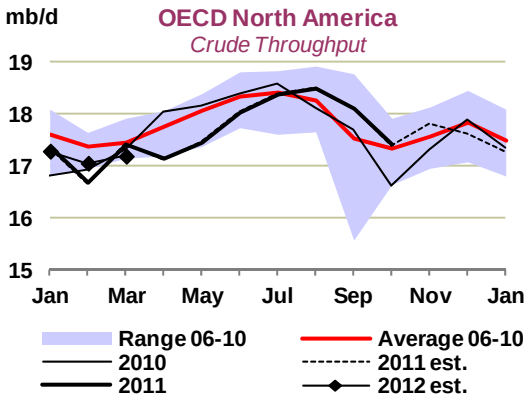
(million barrels per day)

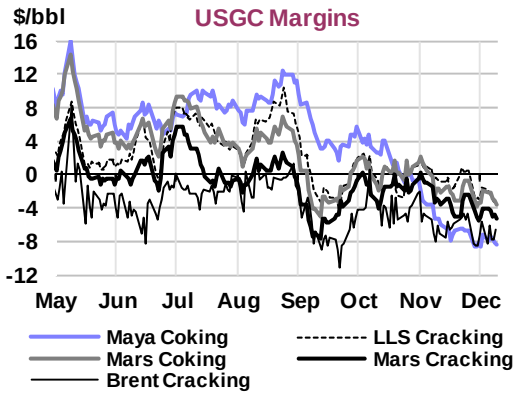
	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Change from Sep 11	Change from Oct 10	Utilisation rate[1] Oct 11	Utilisation rate[1] Oct 10
US[2]	14.78	15.37	15.62	15.59	15.27	14.71	-0.56	0.71	83.7%	79.9%
Canada	1.54	1.54	1.61	1.68	1.75	1.54	-0.20	-0.01	84.0%	84.8%
Mexico	1.15	1.14	1.16	1.24	1.10	1.15	0.05	0.07	74.7%	70.4%
OECD North America	**17.46**	**18.05**	**18.39**	**18.51**	**18.12**	**17.40**	**-0.72**	**0.76**	**83.1%**	**79.7%**
France	1.33	1.35	1.34	1.37	1.33	1.32	-0.02	0.67	80.2%	35.4%
Germany	1.84	1.79	2.02	2.02	1.91	2.03	0.11	0.03	84.7%	83.3%
Italy	1.56	1.62	1.55	1.66	1.57	1.55	-0.02	-0.11	71.0%	72.9%
Netherlands	1.00	1.04	1.04	1.04	1.04	0.92	-0.12	-0.05	71.6%	75.7%
Spain	1.01	1.06	1.01	1.07	1.09	1.00	-0.08	-0.01	66.2%	72.3%
United Kingdom	1.50	1.45	1.50	1.51	1.47	1.39	-0.08	-0.02	76.7%	77.7%
Other OECD Europe	3.72	3.92	3.93	3.94	3.77	3.79	0.02	-0.13	76.9%	80.0%
OECD Europe	**11.95**	**12.23**	**12.39**	**12.61**	**12.19**	**12.00**	**-0.19**	**0.38**	**76.1%**	**73.1%**
Japan	2.78	2.93	3.17	3.37	3.14	3.00	-0.15	-0.20	65.2%	68.2%
South Korea	2.51	2.52	2.52	2.43	2.50	2.63	0.13	0.14	96.1%	91.1%
Other OECD Pacific	0.75	0.77	0.70	0.74	0.73	0.73	0.00	0.09	79.4%	69.9%
OECD Pacific	**6.04**	**6.21**	**6.38**	**6.54**	**6.37**	**6.35**	**-0.01**	**0.02**	**77.1%**	**75.9%**
OECD Total	**35.45**	**36.49**	**37.16**	**37.66**	**36.67**	**35.75**	**-0.92**	**1.17**	**79.5%**	**76.6%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

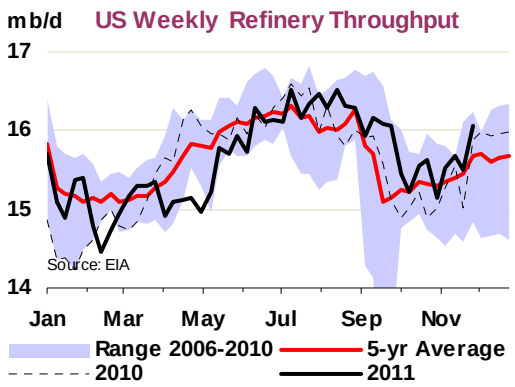
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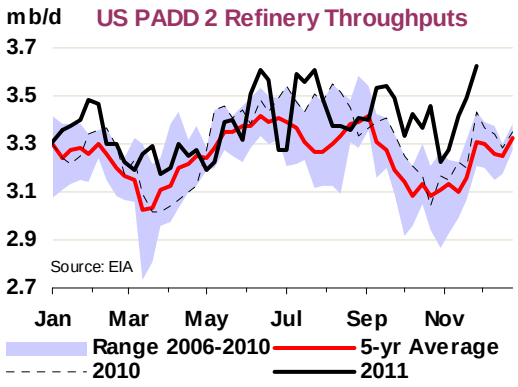
North American runs fell sharply in October but were in line with previous forecasts and seasonal trends. In all, throughputs were down by 720 kb/d from September coinciding with the peak of the autumn turnarounds. US runs were down by 560 kb/d, as utilisation rates fell in all regions except for PADD 4 (Rocky Mountain Region). West Coast runs declined sharply at end-October due to maintenance at BP's Carson refinery in California, Tesoro's Wilmington plant and Chevron's Richmond refinery, amongst others. Regional throughputs were nevertheless 760 kb/d above October 2010, in part due to strong export demand (as discussed in previous reports) and the absence of any hurricane shut-ins.





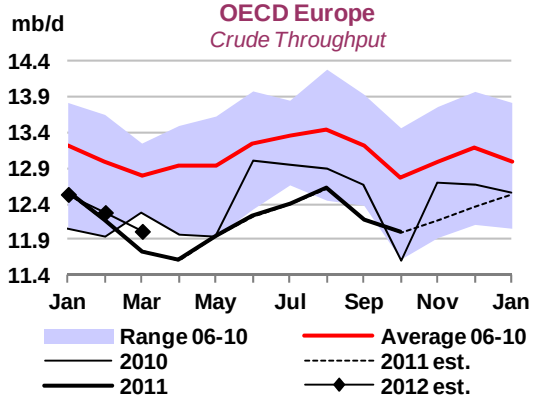
US refinery margins took a turn for the worse in November, with all benchmarks surveyed plunging into negative territory following the recent dramatic deterioration in gasoline cracks. West Coast margins fell the most, by as much as $8.40/bbl for Kern Coking and around $5-6/bbl for other grades. Also US Gulf Coast margins weakened as the gasoline-LLS crack dropped to a discount for the first time since December 2008. Despite the sharp narrowing of the WTI-Brent discounts, Midwest refinery runs surged to record highs in late November. In all, preliminary weekly data show US refiners added 200 kb/d in November, to 14.9 mb/d on average.

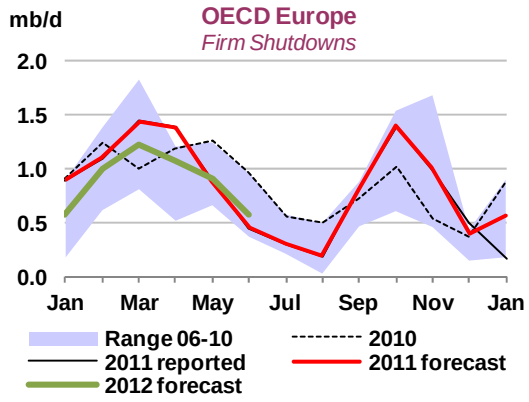




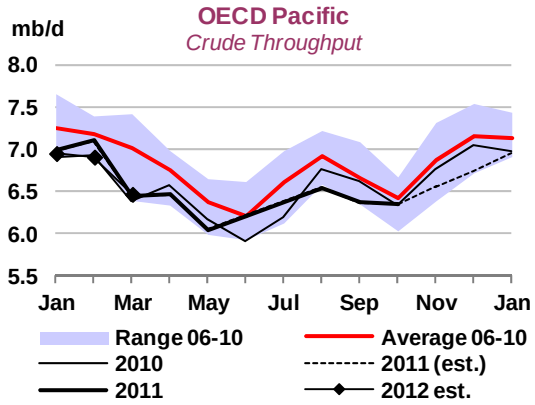
European runs also ran ahead of year-earlier levels in October (+380 kb/d), though almost entirely due to higher year-on-year French runs. The French refinery industry was almost entirely paralysed last October by industrial action, as workers protested against the closure of Total's 140 kb/d Dunkirk refinery. In most other countries, runs remained weak, despite slightly improving refining economics. While margins improved both in the north and the Mediterranean, simple plants continue to lose money (on a full-cost basis), constraining throughput.

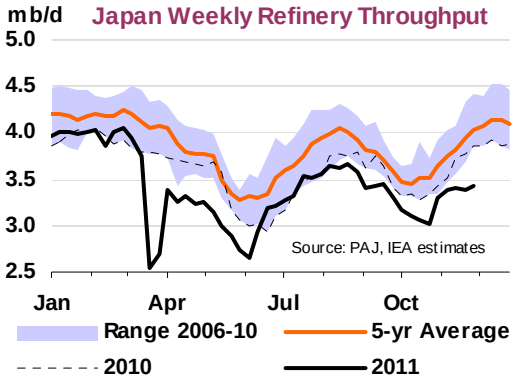
On a month-on-month comparison basis, October runs were weaker in the Netherlands due to maintenance at both BP's Rotterdam and Shell's Pernis refineries. Germany, Italy and Spain also saw throughputs lower due to scheduled work. In Spain, Cepsa's Tenerife plant was partly shut in October, while Repsol's Cartagena and Bilbao refineries started maintenance, which continued into November. In November, European refining margins were mostly lower on average, with cracking margins down more than $1/bbl for all grades. Urals took the biggest hit, as crude prices rose more sharply than other grades, and product prices failed to keep up. While distillate prices rose seasonally, this was not enough to offset the higher feedstock costs and sliding gasoline and naphtha prices. Preliminary data from Euroilstock nevertheless show EU16 + Norway crude runs 170 kb/d higher in November, as maintenance wound down and amid seasonally higher demand.





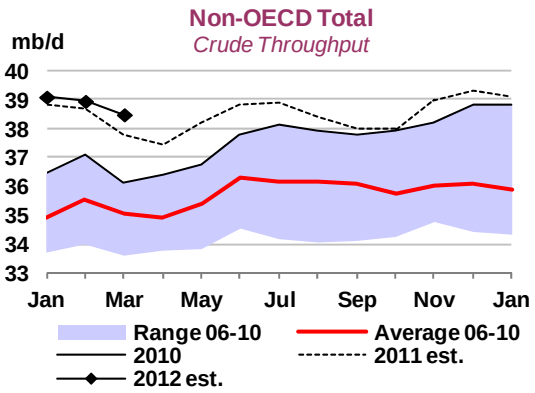
Pacific runs were largely unchanged in October, as lower Japanese runs were offset by robust South Korean throughputs. **Korean** refiners reported runs at 2.63 mb/d for the month, the highest on record. In early December, an electricity blackout caused the shutdown of SK Innovation's Ulsan refinery. The blackout reportedly halted five crude distillation units, with a combined capacity of 840 kb/d. Petrochemical operations were also affected. The blackout was not expected to last more than a few days, limiting the impact. Several Korean refiners have indicated they are planning to cut runs in December and January due to weak margins. Singapore benchmark margins were all negative in November and early December, and higher Saudi OSPs to Asia for January were expected to further dent profits. In **Japan**, weekly data from the Petroleum Association of Japan (PAJ) show that refinery runs rebounded in November, from October's maintenance reduced rates. Runs were up 230 kb/d on the month, averaging 3.2 mb/d, but were 265 kb/d less than a year earlier.

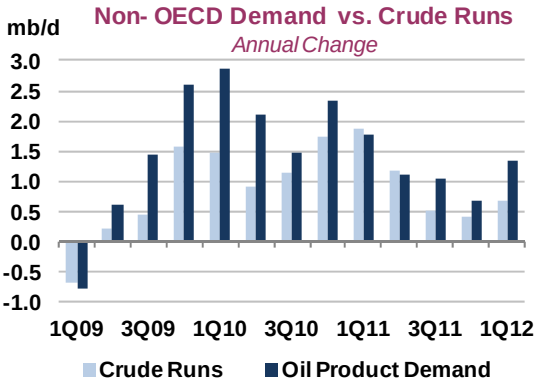




Non-OECD Refinery Throughput

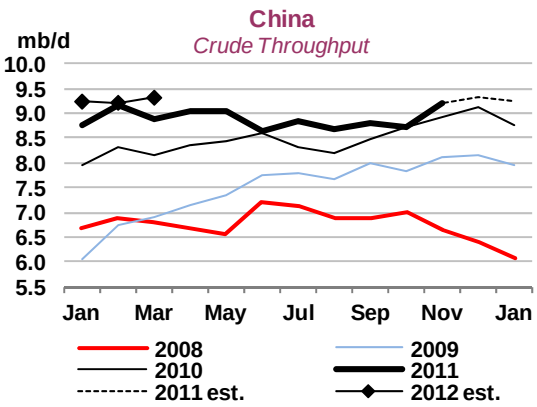
Non-OECD refinery crude throughputs are heading for another quarter of relatively modest annual growth, albeit from an exceptionally strong 4Q10. Scheduled and unscheduled outages in Asia, Africa and the Middle East add to continued (relative) weakness registered for China in October and a temporary lull in the commissioning of new capacity. In all, non-OECD throughputs are forecast to add just over 400 kb/d annually in 4Q11, to 38.7 mb/d, after having added 0.5 mb/d in 3Q11. In contrast, annual growth averaged 1.3 mb/d over the previous eight quarters. As capacity in Singapore and Taiwan comes back on line following recent accidents and outages and demand rises seasonally, runs are expected to pick up towards year-end. Into 1Q12, growth should increase slightly, to 710 kb/d on average, with increases coming mainly from China, the Middle East and the FSU. In all, non-OECD runs are seen averaging 39.1 mb/d in the quarter, with runs falling gradually from December's high as winter demand ebbs and spring maintenance begins.

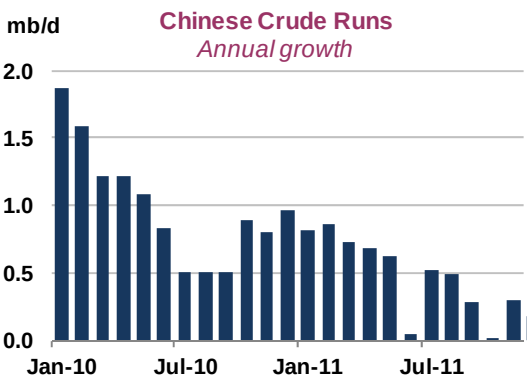




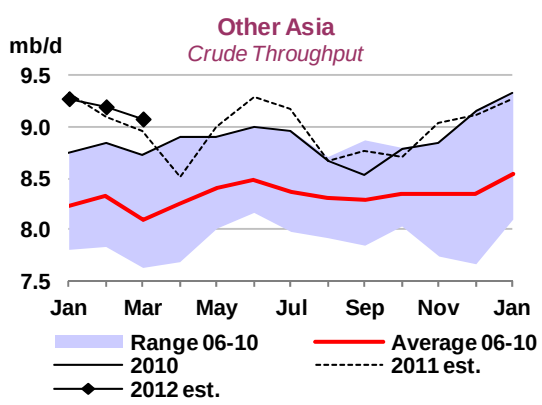
Chinese refinery runs fell unexpectedly in October as shutdowns, delays in starting up new capacity and continued poor economics hampered an earlier-expected ramp-up in operating rates. At 8.74 mb/d, throughputs were 45 kb/d less than in September, flat from a year earlier and almost 0.4 mb/d less than in our previous estimate. In addition to maintenance shutdowns, estimated at more than 700 kb/d in October (down from 850 kb/d in September), poor margins also played a part in limiting runs. Sinopec and PetroChina, the country's dominant fuel producers, reported combined losses of 64.6 billion Yuan ($10.12 billion) on refining in the first nine months of 2011 (or 23.09 and 41.54 billion Yuan, respectively) and saw their margins deteriorate further in October as retail gasoline and diesel prices were cut.

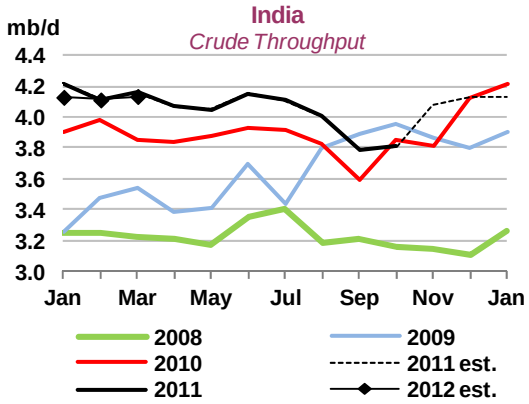
According to the latest data from the Chinese National Bureau of Statistics, runs surged to a record high of 9.2 mb/d in November. Sinopec and PetroChina had earlier stated they were planning to run plants at full capacity to avoid domestic shortages. The November reading was up 0.3 mb/d from a year earlier.





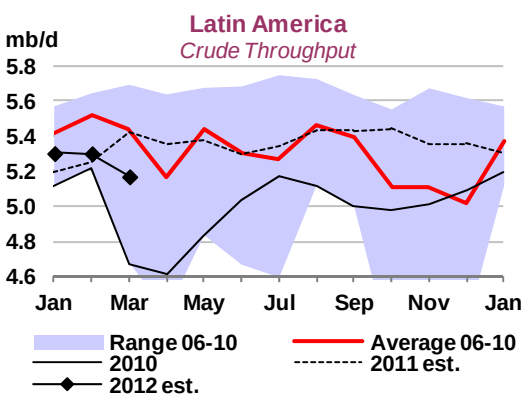
At 3.8 mb/d, **Indian** refinery runs were also slightly weaker than expected in October. Output was cut by maintenance shutdowns at IOC's Mangalore plant and Essar's Vadinar refinery. The latter had shut its plant in mid-September to increase capacity to 375 kb/d. HPCL announced in early November that it is now expecting to commission the 180 kb/d Bathinda refinery by the end of the first quarter next year, from an earlier expected start date in the second half of 2011. Trial runs started in August.

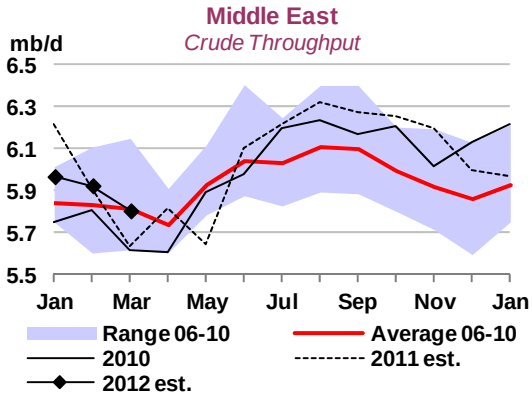




Shell's refinery in **Singapore** had largely resumed operations by end-November, after a fire shut down the complex and forced the company to declare *force majeure* on oil product deliveries in late September. Units were progressively restarted during October, with the third and final crude unit restarted at end-month. The plant was expected to be operated at 260 kb/d, or just over 50% utilisation rate, until the end of the year. According to JODI data, **Taiwan's** refinery runs rebounded in September, at a faster rate than expected. Total runs were 840 kb/d, up from only 505 kb/d in August, when another fire forced Formosa to shut its 540 kb/d Mailiao refinery. Runs are expected to dip again in December as one of the plant's three crude units is taken offline for safety inspections.

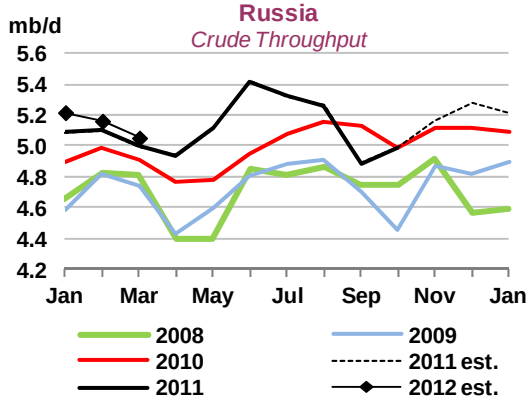
Latin American crude runs were holding up around 5.4 mb/d in October, more than 400 kb/d above a year earlier, and 220 kb/d higher than our previous expectations. Annual growth is split between **Aruba** and the **Netherlands Antilles**, whose refineries sat idle last year due to weak economics. Valero's 235 kb/d refinery in Aruba restarted operations in December last year, after being shut since mid-2009, and is currently estimated to be processing around 200 kb/d of crude. PDVSA's 330 kb/d Curaçao refinery in the Netherlands Antilles was largely offline from March 2010 until January 2011 due to power problems, but is now operating again. Latin American runs continue to be supported by strong regional demand, in particular from **Brazi**l. Brazilian runs reached record-highs in October, of 1.95 mb/d, up 75 kb/d from a month earlier. The upward regional adjustment also stemmed from **Venezuela**, which reported stronger runs for recent months, despite earlier reports of outages, and we have therefore raised the outlook for this country by an average of 140 kb/d for the remainder of the forecast, to around 1.0 mb/d (including NGLs).

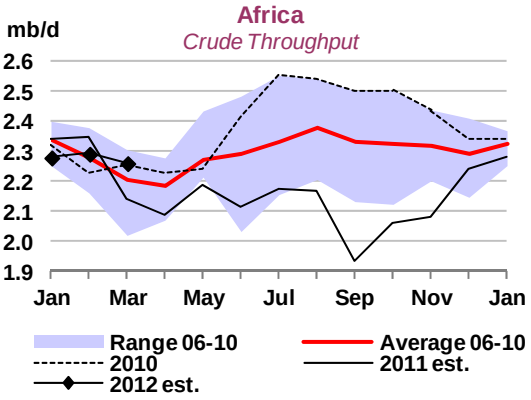




September Middle Eastern refinery runs were largely unchanged from a month earlier, averaging 6.3 mb/d. In **Kuwait**, runs were down slightly in the month as KNPC shut one crude unit at its Mina Al-Ahmadi refinery for about 30 days during September and October for maintenance. The shutdown of a 50 kb/d heavy oil unit at the Shuaiba refinery from 11 September to 2 November also contributed to the lower runs. In **Yemen**, the Aden oil refinery had to halt production in mid-November due to lack of crude supplies. The plant had previously reduced runs from 150 kb/d to 40 kb/d as a pipeline from Marib was blown up in October. In early December, the pipeline was still not repaired, causing widespread fuel shortages across the country. A September closure of Qatar's Ras Laffan condensate splitter is however excluded from our throughput estimates.

October **Russian** runs were stronger than expected based on announced maintenance plans, and have been revised higher by 260 kb/d. Maintenance estimates for November also increased, however, by 185 kb/d since last month, due to maintenance at Gazprom's Omsk and Rosneft's Kuibyshev refineries among others, and it's possible some work was postponed to the latter month. Total maintenance nevertheless fell sharply from the October peak of 670 kb/d estimated offline, to 390 kb/d in November, underpinning an expected uptick in rates towards year-end.





Libya's Zawiyah refinery reportedly returned to full capacity (120 kb/d) in early December following strikes and an initial lack of supply from Repsol's El-Sharara field, which restarted in October. The larger 220 kb/d Ras Lanuf refinery remains closed, but may start operations by end-year or early 2012. For now, we assume Libyan throughputs averaging 130 kb/d in November, rising to 150 kb/d in December before a sharper ramp-up in January with the start up of the Ras Lanuf plant. **Niger**'s new 20 kb/d refinery started operations in November after the crude pipeline from the Agedam oilfields came on-stream on 8 October. The refinery is a joint venture between CNPC and the Niger government. Outages at four out of **South Africa's** six refineries in recent months underpinned weak September runs and caused bitumen and LPG shortages. Utilisation rates were expected to recover by end-November.

OECD Refinery Yields

Henceforward, OECD refinery yields will be illustrated in the following table:

Refined Product Yields Based on Total Input (%)[1]

	Jul 11	Aug 11	**Sep 11**	Sep 10	5 year Average	Sep 11 vs Previous Month	Sep 11 vs Previous Year	Sep 11 vs 5 year Average
OECD North America								
Naphtha	1.7	1.7	**1.7**	1.7	1.7	0.0	0.0	0.0
Motor Gasoline	47.2	47.3	**48.2**	48.6	47.2	1.0	-0.4	1.0
Jet Fuel	8.1	8.0	**8.1**	7.6	8.0	0.1	0.5	0.1
Other Kerosene	0.1	0.1	**0.1**	0.2	0.2	0.0	-0.1	-0.1
Gasoil/Diesel	26.2	25.9	**26.4**	25.6	25.0	0.5	0.8	1.4
Residual Fuel Oil	4.4	4.7	**4.4**	5.1	5.3	-0.3	-0.7	-0.9
Petroleum Coke	4.3	4.4	**4.3**	4.0	4.2	-0.1	0.3	0.1
Other Products	5.0	4.9	**4.9**	4.7	5.5	0.0	0.2	-0.6
OECD Europe								
Naphtha	6.5	6.1	**6.2**	5.9	6.4	0.1	0.3	-0.2
Motor Gasoline	20.8	20.9	**21.5**	21.9	22.1	0.7	-0.4	-0.6
Jet Fuel	8.2	8.1	**7.8**	7.2	7.3	-0.3	0.6	0.5
Other Kerosene	1.5	1.4	**1.7**	1.4	1.2	0.3	0.3	0.5
Gasoil/Diesel	38.8	39.5	**39.4**	39.5	37.9	-0.1	-0.1	1.5
Residual Fuel Oil	10.2	10.5	**6.2**	10.4	11.5	-4.3	-4.2	-5.3
Petroleum Coke	1.0	1.0	**1.0**	1.0	0.9	0.0	0.0	0.1
Other Products	8.3	7.8	**8.3**	8.8	8.4	0.5	-0.5	-0.1
OECD Pacific								
Naphtha	12.3	12.3	**11.8**	11.5	11.4	-0.4	0.3	0.5
Motor Gasoline	23.1	23.8	**22.5**	23.0	22.0	-1.3	-0.5	0.5
Jet Fuel	14.4	15.3	**14.8**	15.1	14.8	-0.5	-0.2	0.1
Other Kerosene	3.2	3.5	**4.9**	4.7	4.9	1.4	0.2	0.0
Gasoil/Diesel	29.0	28.6	**28.6**	28.1	27.7	0.0	0.6	0.9
Residual Fuel Oil	10.4	10.0	**10.4**	10.7	12.5	0.4	-0.3	-2.1
Petroleum Coke	0.5	0.5	**0.4**	0.4	4.8	-0.1	0.0	-4.3
Other Products	4.4	4.5	**4.8**	4.7	4.8	0.3	0.1	0.1
OECD Total								
Naphtha	5.0	4.9	**4.9**	4.8	5.0	0.0	0.1	-0.1
Motor Gasoline	34.5	34.7	**35.2**	35.4	34.2	0.5	-0.2	1.0
Jet Fuel	9.2	9.2	**9.1**	8.7	8.9	-0.1	0.4	0.2
Other Kerosene	1.1	1.1	**1.4**	1.4	1.4	0.3	0.1	0.1
Gasoil/Diesel	30.8	30.8	**31.0**	30.7	30.0	0.2	0.4	1.1
Residual Fuel Oil	7.3	7.5	**7.2**	7.8	8.7	-0.3	-0.6	-1.5
Petroleum Coke	2.6	2.6	**2.6**	2.4	2.4	-0.1	0.2	0.2
Other Products	6.0	5.8	**6.0**	6.1	6.4	0.2	-0.1	-0.4

1) Refinery yield is calculated by dividing total net production of finished products by the sum of crude oil and net unfinished input, on a volumetric basis. Due to processing gains and losses, yields in % will not always add up to 100%.

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

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	24.2	23.3	23.4	23.7	24.1	23.9	23.8	23.8	23.3	23.5	23.4	23.5	23.4	23.1	23.5	23.5	23.4
Europe	15.4	14.7	14.3	14.3	14.9	14.8	14.6	14.2	14.1	14.7	14.3	14.3	13.9	13.8	14.5	14.3	14.1
Pacific	8.1	7.7	8.2	7.3	7.6	8.1	7.8	8.3	7.1	7.7	8.3	7.9	8.6	7.4	7.5	8.0	7.9
Total OECD	47.6	45.6	45.9	45.3	46.6	46.7	46.2	46.3	44.5	45.9	46.1	45.7	45.9	44.3	45.5	45.8	45.4
NON-OECD DEMAND																	
FSU	4.2	4.2	4.4	4.3	4.6	4.6	4.5	4.5	4.6	4.8	4.8	4.7	4.6	4.6	4.9	4.9	4.7
Europe	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.7	8.1	8.6	9.1	8.9	9.7	9.1	9.5	9.5	9.3	9.6	9.5	9.9	10.1	9.9	10.1	10.0
Other Asia	9.7	10.1	10.4	10.5	10.1	10.5	10.4	10.7	10.7	10.4	10.8	10.6	11.0	11.1	10.8	11.2	11.0
Latin America	6.0	6.0	6.0	6.3	6.5	6.4	6.3	6.3	6.5	6.6	6.6	6.5	6.5	6.7	6.8	6.8	6.7
Middle East	7.3	7.5	7.4	7.8	8.3	7.7	7.8	7.6	8.0	8.4	7.8	8.0	7.9	8.3	8.7	8.1	8.2
Africa	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.3	3.2	3.4	3.3	3.5	3.5	3.5	3.5	3.5
Total Non-OECD	38.9	39.9	40.8	42.2	42.4	43.0	42.1	42.6	43.3	43.5	43.7	43.3	44.0	44.9	45.2	45.3	44.9
Total Demand[1]	86.6	85.6	86.8	87.5	89.0	89.8	88.3	88.9	87.8	89.4	89.8	89.0	90.0	89.2	90.8	91.1	90.3
OECD SUPPLY																	
North America[4]	13.3	13.6	14.0	14.0	14.1	14.4	14.1	14.4	14.3	14.5	14.7	14.5	14.8	14.5	14.6	14.8	14.7
Europe	4.8	4.5	4.5	4.2	3.8	4.2	4.2	4.1	3.8	3.6	4.1	3.9	4.1	3.8	3.7	4.0	3.9
Pacific	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.7	0.7	0.7	0.7	0.7
Total OECD	18.7	18.8	19.1	18.8	18.5	19.1	18.9	19.0	18.6	18.7	19.4	18.9	19.5	19.1	19.0	19.4	19.3
NON-OECD SUPPLY																	
FSU	12.8	13.3	13.5	13.5	13.5	13.6	13.5	13.6	13.6	13.5	13.7	13.6	13.8	13.8	13.6	13.8	13.8
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	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[2]	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.4	3.4	3.5
Latin America[2,4]	3.7	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.3	4.2	4.4	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.8	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.5	1.6
Africa[2]	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.4	29.1	29.6	29.7	29.9	30.1	29.8	30.1	29.7	29.6	29.8	29.8	30.2	30.3	30.1	30.3	30.2
Processing Gains[3]	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2	2.3	2.3
Global Biofuels[4]	1.4	1.6	1.4	2.0	2.1	1.8	1.8	1.5	1.9	2.1	1.8	1.8	1.6	1.9	2.2	2.0	1.9
Total Non-OPEC[2]	50.6	51.5	52.2	52.6	52.6	53.1	52.6	52.7	52.3	52.5	53.3	52.7	53.6	53.5	53.6	54.0	53.7
Non-OPEC: Historical Composition[2]	49.6	51.5	52.2	52.6	52.6	53.1	52.6	52.7	52.3	52.5	53.3	52.7	53.6	53.5	53.6	54.0	53.7
OPEC																	
Crude[5]	31.6	29.1	29.3	29.3	29.7	29.6	29.5	30.0	29.5	29.9							
NGLs	4.5	4.9	5.2	5.2	5.5	5.6	5.4	5.7	5.7	5.8	5.9	5.8	6.2	6.2	6.5	6.6	6.4
Total OPEC[2]	36.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	35.7							
OPEC: Historical Composition[2]	37.2	34.1	34.5	34.5	35.1	35.2	34.8	35.8	35.2	35.7							
Total Supply[6]	86.7	85.6	86.7	87.1	87.8	88.3	87.5	88.4	87.5	88.3							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.1	0.4	0.9	-0.1	-0.9	0.1	-0.4	0.5	-0.1							
Government	0.0	0.1	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0	-0.4							
Total	0.3	0.0	0.4	0.9	-0.2	-0.8	0.1	-0.5	0.5	-0.5							
Floating Storage/Oil in Transit	0.0	0.3	-0.2	0.1	-0.2	-0.3	-0.2	0.2	-0.2	-0.2							
Miscellaneous to balance[7]	-0.2	-0.3	-0.3	-1.3	-0.8	-0.4	-0.7	-0.2	-0.7	-0.4							
Total Stock Ch. & Misc	0.2	0.0	-0.1	-0.4	-1.3	-1.4	-0.8	-0.5	-0.3	-1.2							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.4	29.1	29.4	29.7	31.0	31.1	30.3	30.5	29.8	31.1	30.7	30.5	30.2	29.5	30.7	30.6	30.2
Adjusted Call on OPEC + Stock ch.[9]	31.3	28.8	29.1	28.4	30.1	30.7	29.6	30.3	29.2	30.7	30.2	30.1	29.7	29.1	30.2	30.1	29.8

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 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

(million barrels per day)

	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-	-	-0.1	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	0.1	0.1
Africa	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-	-	-0.1	-	-
Total Demand	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.4	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.2	-0.2	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-0.1
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-	-0.1	-0.2	-0.1	-0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-	-0.1	-0.2	-0.1	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	0.1	-	-0.1							
NGLs	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	0.1	0.1	0.1
Total OPEC	-	-	-	-	-	-	-	-	-	-0.2							
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.2							
Total Supply	-	-	-	-	-	-	-	-	-	-0.2							
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-0.2							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	-0.2							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	-	-	-	-	-	-	-	-	0.1	0.1							
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	0.1	-0.1							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.1	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.3	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	0.1	-	0.1	-0.1	-	-0.1	-0.1	-	-0.2	-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

	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
Demand (mb/d)																
North America	23.29	23.41	23.69	24.07	23.85	23.76	23.76	23.29	23.54	23.42	23.50	23.44	23.10	23.48	23.45	23.37
Europe	14.66	14.31	14.25	14.92	14.82	14.58	14.18	14.11	14.69	14.35	14.33	13.92	13.81	14.52	14.28	14.14
Pacific	7.69	8.23	7.34	7.62	8.07	7.82	8.35	7.11	7.68	8.33	7.87	8.57	7.40	7.53	8.04	7.89
Total OECD	45.64	45.95	45.29	46.62	46.74	46.15	46.29	44.52	45.91	46.10	45.70	45.94	44.31	45.53	45.78	45.39
Asia	18.19	18.99	19.60	19.06	20.21	19.47	20.23	20.22	19.65	20.41	20.13	20.92	21.14	20.65	21.29	21.00
Middle East	7.53	7.42	7.83	8.29	7.72	7.82	7.62	7.97	8.43	7.85	7.97	7.87	8.25	8.69	8.11	8.23
Latin America	5.99	6.05	6.29	6.46	6.39	6.30	6.27	6.47	6.64	6.56	6.49	6.48	6.68	6.85	6.78	6.70
FSU	4.18	4.38	4.33	4.56	4.58	4.46	4.45	4.62	4.83	4.84	4.69	4.59	4.60	4.86	4.91	4.74
Africa	3.33	3.33	3.43	3.38	3.43	3.39	3.40	3.33	3.23	3.37	3.33	3.50	3.53	3.46	3.52	3.50
Europe	0.71	0.67	0.68	0.68	0.70	0.68	0.67	0.69	0.72	0.71	0.70	0.69	0.71	0.72	0.72	0.71
Total Non-OECD	39.93	40.84	42.17	42.43	43.02	42.12	42.64	43.30	43.50	43.74	43.30	44.03	44.91	45.22	45.34	44.88
World	85.57	86.79	87.45	89.05	89.77	88.27	88.93	87.82	89.41	89.84	89.00	89.97	89.22	90.76	91.12	90.27
of which: US50	18.77	18.87	19.15	19.47	19.23	19.18	19.17	18.82	18.89	18.81	18.92	18.89	18.66	18.90	18.86	18.83
Europe 5*	8.98	8.87	8.75	9.15	9.01	8.95	8.70	8.57	8.89	8.69	8.71	8.55	8.39	8.80	8.64	8.60
China	8.06	8.63	9.06	8.92	9.66	9.07	9.53	9.52	9.29	9.64	9.50	9.91	10.07	9.89	10.12	10.00
Japan	4.39	4.82	4.07	4.36	4.57	4.45	4.86	3.92	4.32	4.83	4.48	5.10	4.17	4.24	4.55	4.51
India	3.26	3.38	3.45	3.13	3.38	3.34	3.50	3.57	3.26	3.49	3.46	3.64	3.69	3.37	3.62	3.58
Russia	3.03	3.16	3.17	3.41	3.36	3.28	3.20	3.43	3.65	3.61	3.48	3.31	3.38	3.65	3.66	3.50
Brazil	2.54	2.60	2.71	2.82	2.80	2.73	2.69	2.76	2.87	2.88	2.80	2.75	2.82	2.94	2.95	2.87
Saudi Arabia	2.47	2.33	2.73	3.02	2.54	2.66	2.47	2.84	3.09	2.63	2.76	2.60	2.95	3.20	2.76	2.88
Canada	2.16	2.15	2.17	2.26	2.25	2.21	2.25	2.15	2.27	2.23	2.23	2.21	2.12	2.23	2.21	2.19
Korea	2.19	2.31	2.18	2.16	2.35	2.25	2.36	2.04	2.21	2.33	2.23	2.33	2.09	2.14	2.31	2.22
Mexico	2.07	2.07	2.10	2.05	2.07	2.07	2.03	2.05	2.09	2.08	2.06	2.03	2.04	2.06	2.07	2.05
Iran	2.11	2.10	2.08	2.08	2.09	2.09	2.09	2.05	2.05	2.04	2.05	2.12	2.09	2.08	2.06	2.09
Total	60.03	61.30	61.61	62.84	63.31	62.27	62.84	61.72	62.88	63.26	62.68	63.44	62.48	63.50	63.80	63.31
% of World	70.2%	70.6%	70.5%	70.6%	70.5%	70.5%	70.7%	70.3%	70.3%	70.4%	70.4%	70.5%	70.0%	70.0%	70.0%	70.1%
Annual Change (% per annum)																
North America	-3.7	-0.1	3.3	3.4	1.3	2.0	1.5	-1.7	-2.2	-1.8	-1.1	-1.3	-0.8	-0.3	0.1	-0.6
Europe	-4.7	-5.2	-1.3	2.2	2.0	-0.6	-0.9	-1.0	-1.6	-3.2	-1.7	-1.8	-2.1	-1.2	-0.4	-1.4
Pacific	-4.6	1.2	0.4	4.7	0.6	1.7	1.5	-3.1	0.8	3.2	0.7	2.7	4.0	-1.9	-3.4	0.3
Total OECD	-4.2	-1.5	1.3	3.3	1.4	1.1	0.7	-1.7	-1.5	-1.4	-1.0	-0.8	-0.5	-0.8	-0.7	-0.7
Asia	4.4	12.0	6.8	3.2	6.6	7.0	6.6	3.1	3.1	1.0	3.4	3.4	4.6	5.1	4.3	4.3
Middle East	3.5	5.0	3.4	2.9	4.3	3.8	2.7	1.8	1.7	1.7	2.0	3.2	3.5	3.1	3.3	3.3
Latin America	0.0	4.6	5.2	6.0	4.5	5.1	3.7	2.8	2.8	2.7	3.0	3.3	3.2	3.2	3.3	3.2
FSU	-1.2	8.1	6.5	5.3	7.3	6.8	1.7	6.7	5.9	5.8	5.0	3.0	-0.5	0.4	1.5	1.1
Africa	1.6	-1.6	2.1	2.3	5.4	2.0	2.1	-3.0	-4.4	-1.7	-1.8	2.7	6.1	7.2	4.4	5.1
Europe	-6.3	-7.5	-6.9	-3.7	1.3	-4.2	-0.2	1.8	5.2	1.2	2.0	2.5	2.4	0.2	1.7	1.7
Total Non-OECD	2.5	7.6	5.2	3.6	5.8	5.5	4.4	2.7	2.5	1.7	2.8	3.2	3.7	4.0	3.6	3.6
World	-1.2	2.6	3.2	3.4	3.4	3.2	2.5	0.4	0.4	0.1	0.8	1.2	1.6	1.5	1.4	1.4
Annual Change (mb/d)																
North America	-0.89	-0.01	0.75	0.80	0.31	0.46	0.35	-0.40	-0.53	-0.43	-0.25	-0.32	-0.19	-0.06	0.03	-0.13
Europe	-0.73	-0.78	-0.18	0.33	0.29	-0.08	-0.13	-0.14	-0.24	-0.48	-0.25	-0.26	-0.30	-0.17	-0.06	-0.20
Pacific	-0.37	0.10	0.03	0.34	0.05	0.13	0.12	-0.23	0.06	0.26	0.05	0.23	0.29	-0.15	-0.28	0.02
Total OECD	-1.98	-0.69	0.60	1.47	0.64	0.51	0.34	-0.77	-0.71	-0.65	-0.45	-0.35	-0.21	-0.38	-0.32	-0.31
Asia	0.77	2.04	1.25	0.59	1.25	1.28	1.24	0.62	0.59	0.20	0.66	0.69	0.92	1.00	0.88	0.87
Middle East	0.25	0.35	0.26	0.24	0.32	0.29	0.20	0.14	0.14	0.13	0.15	0.25	0.28	0.26	0.26	0.26
Latin America	0.00	0.27	0.31	0.36	0.27	0.30	0.22	0.17	0.18	0.18	0.19	0.21	0.21	0.21	0.22	0.21
FSU	-0.05	0.33	0.26	0.23	0.31	0.28	0.07	0.29	0.27	0.26	0.23	0.14	-0.02	0.02	0.07	0.05
Africa	0.05	-0.06	0.07	0.08	0.18	0.07	0.07	-0.10	-0.15	-0.06	-0.06	0.09	0.20	0.23	0.15	0.17
Europe	-0.05	-0.05	-0.05	-0.03	0.01	-0.03	0.00	0.01	0.04	0.01	0.01	0.02	0.02	0.00	0.01	0.01
Total Non-OECD	0.98	2.88	2.10	1.47	2.34	2.19	1.81	1.13	1.07	0.72	1.18	1.38	1.61	1.72	1.60	1.58
World	-1.00	2.18	2.70	2.94	2.99	2.70	2.15	0.37	0.36	0.07	0.73	1.03	1.40	1.34	1.28	1.26
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.03	0.00	-0.03	-0.01	-0.01	-0.04	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.23	-0.06	-0.13	-0.10	-0.08	-0.19	-0.12
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.02	0.00	-0.01	-0.01	0.01	-0.01	-0.01
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.28	-0.07	-0.17	-0.12	-0.08	-0.24	-0.15
Asia	0.00	0.01	0.01	0.01	0.01	0.01	0.01	-0.09	-0.21	-0.24	-0.13	-0.05	-0.06	-0.11	-0.16	-0.10
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.08	0.05	0.04	0.05	0.03	0.07	0.08	0.06
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSU	0.00	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	-0.01	-0.02	0.14	0.03	-0.01	-0.01	-0.01	0.12	0.02
Africa	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-0.05	-0.03	-0.02	-0.01	0.00	-0.05	-0.04	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.01	0.01	0.01	0.01	0.01	0.01	-0.10	-0.19	-0.08	-0.09	-0.02	-0.05	-0.09	-0.01	-0.04
World	0.00	0.01	0.01	0.01	0.01	0.01	0.01	-0.10	-0.17	-0.37	-0.16	-0.19	-0.17	-0.17	-0.25	-0.20
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.02	0.02	0.00	0.01	0.02	0.01	0.00	-0.11	-0.18	-0.38	-0.17	-0.20	-0.07	-0.01	0.12	-0.04

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2009	2010	4Q10	1Q11	2Q11	3Q11	Jul 11	Aug 11	Sep 11 [2]	Latest month vs. Aug 11	Latest month vs. Sep 10
North America											
LPG&Ethane	2.83	2.95	3.12	3.31	2.71	2.75	2.73	2.77	2.76	-0.01	-0.04
Naphtha	0.31	0.37	0.33	0.36	0.35	0.34	0.35	0.34	0.33	-0.02	-0.05
Motor Gasoline	10.56	10.57	10.51	10.14	10.45	10.48	10.56	10.55	10.32	-0.23	-0.38
Jet/Kerosene	1.61	1.65	1.63	1.60	1.68	1.71	1.70	1.78	1.63	-0.15	-0.03
Gasoil/Diesel Oil	4.61	4.82	5.01	5.04	4.77	4.85	4.48	5.06	5.01	-0.05	0.08
Residual Fuel Oil	0.92	0.93	0.89	0.97	0.87	0.76	0.68	0.76	0.84	0.08	-0.05
Other Products	2.45	2.46	2.36	2.34	2.46	2.66	2.74	2.76	2.47	-0.29	-0.20
Total	23.29	23.76	23.85	23.76	23.29	23.54	23.24	24.02	23.36	-0.66	-0.66
Europe											
LPG&Ethane	0.96	0.96	0.96	1.04	0.96	0.94	0.93	0.95	0.95	0.00	0.07
Naphtha	1.18	1.26	1.27	1.27	1.17	1.13	1.13	1.16	1.09	-0.07	-0.16
Motor Gasoline	2.31	2.21	2.14	2.02	2.18	2.20	2.17	2.24	2.20	-0.03	-0.13
Jet/Kerosene	1.25	1.27	1.26	1.20	1.27	1.35	1.36	1.33	1.38	0.05	0.01
Gasoil/Diesel Oil	6.04	6.13	6.43	6.04	5.73	6.17	5.90	6.21	6.41	0.20	-0.11
Residual Fuel Oil	1.44	1.27	1.30	1.29	1.22	1.25	1.29	1.21	1.25	0.04	-0.05
Other Products	1.50	1.47	1.46	1.32	1.57	1.63	1.61	1.60	1.69	0.10	-0.02
Total	14.66	14.58	14.82	14.18	14.11	14.69	14.38	14.71	14.99	0.28	-0.39
Pacific											
LPG&Ethane	0.86	0.84	0.83	0.88	0.81	0.79	0.80	0.81	0.77	-0.04	-0.08
Naphtha	1.62	1.68	1.75	1.78	1.55	1.73	1.71	1.79	1.70	-0.09	0.03
Motor Gasoline	1.55	1.57	1.59	1.51	1.47	1.61	1.61	1.69	1.54	-0.15	-0.05
Jet/Kerosene	0.85	0.87	0.98	1.18	0.64	0.63	0.59	0.63	0.69	0.06	-0.01
Gasoil/Diesel Oil	1.61	1.62	1.70	1.67	1.53	1.59	1.61	1.56	1.60	0.05	0.02
Residual Fuel Oil	0.77	0.74	0.73	0.80	0.65	0.76	0.72	0.79	0.78	0.00	0.04
Other Products	0.44	0.49	0.48	0.54	0.47	0.56	0.54	0.53	0.60	0.07	-0.01
Total	7.69	7.82	8.07	8.35	7.11	7.68	7.56	7.80	7.69	-0.11	-0.06
OECD											
LPG&Ethane	4.65	4.76	4.91	5.23	4.48	4.49	4.45	4.53	4.48	-0.05	-0.05
Naphtha	3.11	3.31	3.36	3.41	3.07	3.20	3.19	3.29	3.12	-0.17	-0.18
Motor Gasoline	14.41	14.35	14.24	13.67	14.11	14.29	14.33	14.48	14.06	-0.41	-0.56
Jet/Kerosene	3.70	3.80	3.88	3.98	3.58	3.70	3.65	3.74	3.70	-0.04	-0.03
Gasoil/Diesel Oil	12.25	12.57	13.14	12.75	12.04	12.61	11.98	12.83	13.02	0.19	-0.01
Residual Fuel Oil	3.13	2.94	2.92	3.06	2.74	2.78	2.69	2.76	2.88	0.12	-0.06
Other Products	4.39	4.42	4.30	4.19	4.50	4.85	4.88	4.89	4.77	-0.12	-0.22
Total	45.64	46.15	46.74	46.29	44.52	45.91	45.18	46.53	46.03	-0.49	-1.10

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.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2009	2010	4Q10	1Q11	2Q11	3Q11	Jul 11	Aug 11	Sep 11 [2]	Latest month vs. Aug 11	Latest month vs. Sep 10
United States[3]											
LPG	2.05	2.17	2.32	2.47	1.96	1.99	1.94	1.99	2.05	0.05	-0.04
Naphtha	0.25	0.26	0.22	0.27	0.27	0.25	0.27	0.25	0.23	-0.01	0.00
Motor Gasoline	9.00	8.99	8.92	8.61	8.87	8.89	8.98	8.92	8.75	-0.17	-0.36
Jet/Kerosene	1.41	1.45	1.44	1.40	1.49	1.50	1.48	1.57	1.43	-0.14	-0.03
Gasoil	3.63	3.80	3.94	3.95	3.75	3.78	3.45	3.97	3.94	-0.03	0.05
Residual Fuel Oil	0.51	0.54	0.52	0.61	0.51	0.36	0.31	0.32	0.47	0.15	-0.05
Other Products	1.92	1.97	1.87	1.86	1.97	2.12	2.19	2.21	1.96	-0.26	-0.18
Total	18.77	19.18	19.23	19.17	18.82	18.89	18.62	19.23	18.82	-0.40	-0.61
Japan											
LPG	0.50	0.48	0.47	0.54	0.50	0.45	0.46	0.46	0.44	-0.02	-0.02
Naphtha	0.72	0.77	0.81	0.79	0.65	0.74	0.73	0.79	0.70	-0.09	-0.03
Motor Gasoline	0.99	1.00	1.00	0.95	0.92	1.04	1.03	1.10	0.98	-0.12	-0.06
Jet/Kerosene	0.55	0.55	0.62	0.80	0.36	0.34	0.31	0.33	0.38	0.04	-0.03
Diesel	0.43	0.41	0.43	0.41	0.39	0.41	0.42	0.39	0.42	0.02	-0.03
Other Gasoil	0.42	0.43	0.44	0.48	0.36	0.36	0.39	0.35	0.35	0.00	-0.05
Residual Fuel Oil	0.41	0.40	0.39	0.42	0.36	0.48	0.44	0.51	0.48	-0.02	0.05
Other Products	0.39	0.41	0.40	0.47	0.38	0.51	0.47	0.50	0.55	0.04	0.00
Total	4.39	4.45	4.57	4.86	3.92	4.32	4.24	4.44	4.29	-0.15	-0.17
Germany											
LPG	0.10	0.10	0.09	0.10	0.10	0.11	0.10	0.11	0.10	-0.01	0.00
Naphtha	0.36	0.41	0.41	0.44	0.40	0.39	0.39	0.41	0.37	-0.04	-0.02
Motor Gasoline	0.47	0.46	0.45	0.43	0.47	0.47	0.44	0.49	0.48	-0.01	-0.01
Jet/Kerosene	0.19	0.18	0.18	0.17	0.19	0.19	0.19	0.18	0.19	0.01	-0.02
Diesel	0.64	0.67	0.69	0.63	0.67	0.71	0.67	0.73	0.74	0.01	0.00
Other Gasoil	0.42	0.43	0.47	0.37	0.23	0.42	0.36	0.48	0.43	-0.05	-0.12
Residual Fuel Oil	0.16	0.15	0.16	0.16	0.14	0.15	0.15	0.15	0.14	-0.01	-0.02
Other Products	0.11	0.09	0.09	0.05	0.12	0.12	0.13	0.12	0.12	-0.01	-0.02
Total	2.45	2.49	2.53	2.35	2.34	2.55	2.43	2.67	2.56	-0.10	-0.21
Italy											
LPG	0.10	0.11	0.11	0.12	0.08	0.08	0.08	0.08	0.09	0.01	-0.01
Naphtha	0.10	0.12	0.11	0.11	0.10	0.08	0.07	0.08	0.09	0.01	-0.03
Motor Gasoline	0.25	0.24	0.24	0.22	0.24	0.24	0.23	0.24	0.24	0.00	-0.01
Jet/Kerosene	0.09	0.10	0.09	0.09	0.10	0.12	0.12	0.11	0.12	0.00	0.01
Diesel	0.49	0.49	0.50	0.47	0.51	0.50	0.51	0.46	0.52	0.06	0.00
Other Gasoil	0.13	0.12	0.14	0.11	0.09	0.10	0.09	0.10	0.11	0.02	-0.01
Residual Fuel Oil	0.18	0.13	0.12	0.10	0.11	0.13	0.15	0.13	0.12	0.00	0.00
Other Products	0.20	0.23	0.25	0.21	0.24	0.22	0.22	0.20	0.24	0.04	-0.02
Total	1.54	1.53	1.56	1.43	1.47	1.47	1.48	1.40	1.54	0.14	-0.07
France											
LPG	0.12	0.15	0.17	0.17	0.12	0.12	0.12	0.12	0.12	0.00	-0.02
Naphtha	0.13	0.13	0.10	0.13	0.14	0.13	0.14	0.14	0.11	-0.03	0.00
Motor Gasoline	0.20	0.19	0.18	0.17	0.20	0.19	0.20	0.19	0.18	-0.01	-0.01
Jet/Kerosene	0.15	0.15	0.14	0.14	0.15	0.16	0.16	0.16	0.16	0.00	0.00
Diesel	0.67	0.69	0.69	0.69	0.71	0.71	0.70	0.69	0.73	0.04	0.00
Other Gasoil	0.32	0.30	0.34	0.35	0.19	0.28	0.23	0.28	0.32	0.04	-0.02
Residual Fuel Oil	0.10	0.09	0.09	0.08	0.08	0.08	0.08	0.08	0.09	0.01	0.01
Other Products	0.18	0.17	0.15	0.13	0.19	0.20	0.20	0.16	0.23	0.06	0.02
Total	1.87	1.86	1.86	1.86	1.79	1.87	1.83	1.84	1.95	0.12	-0.02
United Kingdom											
LPG	0.15	0.14	0.13	0.14	0.15	0.13	0.14	0.13	0.13	-0.01	0.01
Naphtha	0.02	0.03	0.02	0.03	0.03	0.02	0.02	0.02	0.02	0.00	-0.01
Motor Gasoline	0.37	0.35	0.34	0.34	0.34	0.33	0.32	0.34	0.34	0.00	-0.03
Jet/Kerosene	0.33	0.33	0.34	0.34	0.32	0.33	0.30	0.33	0.36	0.03	0.03
Diesel	0.43	0.45	0.44	0.45	0.45	0.45	0.43	0.45	0.47	0.02	0.02
Other Gasoil	0.12	0.12	0.12	0.11	0.11	0.13	0.11	0.14	0.13	0.00	0.00
Residual Fuel Oil	0.08	0.06	0.07	0.07	0.06	0.06	0.07	0.06	0.07	0.01	0.01
Other Products	0.14	0.14	0.15	0.15	0.16	0.15	0.16	0.15	0.15	0.00	0.01
Total	1.65	1.62	1.60	1.62	1.61	1.61	1.56	1.61	1.66	0.05	0.03
Canada											
LPG	0.35	0.35	0.36	0.39	0.35	0.35	0.38	0.37	0.30	-0.07	-0.01
Naphtha	0.05	0.08	0.08	0.09	0.08	0.09	0.08	0.09	0.09	0.00	0.00
Motor Gasoline	0.73	0.73	0.73	0.69	0.74	0.76	0.77	0.77	0.74	-0.03	-0.02
Jet/Kerosene	0.11	0.11	0.11	0.11	0.10	0.12	0.13	0.11	0.12	0.01	0.00
Diesel	0.23	0.22	0.23	0.22	0.22	0.23	0.23	0.24	0.23	-0.01	0.00
Other Gasoil	0.28	0.31	0.34	0.36	0.28	0.31	0.29	0.31	0.32	0.01	-0.01
Residual Fuel Oil	0.10	0.10	0.11	0.11	0.09	0.08	0.07	0.10	0.09	-0.01	0.00
Other Products	0.31	0.30	0.30	0.28	0.29	0.33	0.33	0.34	0.31	-0.02	-0.01
Total	2.16	2.21	2.25	2.25	2.15	2.27	2.28	2.34	2.21	-0.13	-0.06

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.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2010	2011	2012	2Q11	3Q11	4Q11	1Q12	2Q12	Sep 11	Oct 11	Nov 11
OPEC											
Crude Oil											
Saudi Arabia	8.13			8.90	9.34				9.10	9.15	9.45
Iran	3.70			3.65	3.53				3.54	3.53	3.55
Iraq	2.36			2.67	2.67				2.70	2.69	2.72
UAE	2.31			2.48	2.53				2.55	2.51	2.52
Kuwait	2.03			2.15	2.26				2.35	2.35	2.37
Neutral Zone	0.53			0.59	0.60				0.60	0.60	0.60
Qatar	0.80			0.82	0.82				0.82	0.81	0.82
Angola	1.73			1.55	1.69				1.70	1.72	1.69
Nigeria	2.08			2.25	2.26				2.18	2.02	2.10
Libya	1.55			0.12	0.04				0.08	0.35	0.55
Algeria	1.25			1.26	1.28				1.29	1.29	1.29
Ecuador	0.47			0.50	0.49				0.50	0.50	0.50
Venezuela	2.53			2.56	2.42				2.29	2.55	2.53
Total Crude Oil[6]	29.49			29.49	29.93				29.70	30.07	30.68
Total NGLs[1,6]	5.35	5.80	6.35	5.73	5.80	5.92	6.15	6.20	5.80	5.92	5.92
Total OPEC[6]	34.84			35.22	35.74				35.50	35.98	36.60
OPEC: Historical Composition[6]	34.84			35.22	35.74				35.50	35.98	36.60
NON-OPEC[2]											
OECD											
North America	14.10	14.46	14.68	14.26	14.51	14.68	14.79	14.55	14.34	14.63	14.73
United States[5]	7.77	8.06	8.21	8.04	8.11	8.24	8.17	8.30	8.03	8.24	8.27
Mexico	2.96	2.94	2.85	2.96	2.92	2.91	2.89	2.88	2.87	2.93	2.91
Canada	3.37	3.46	3.62	3.26	3.49	3.54	3.72	3.37	3.44	3.46	3.55
Europe	4.16	3.90	3.90	3.81	3.64	4.08	4.10	3.83	3.63	3.93	4.16
UK	1.37	1.17	1.21	1.17	0.96	1.29	1.30	1.19	1.01	1.22	1.32
Norway	2.14	2.05	2.04	1.98	1.99	2.10	2.12	1.97	1.91	2.02	2.13
Others	0.65	0.68	0.66	0.66	0.68	0.69	0.68	0.66	0.70	0.69	0.71
Pacific	0.61	0.54	0.68	0.50	0.51	0.62	0.66	0.68	0.51	0.60	0.61
Australia	0.51	0.45	0.59	0.42	0.42	0.53	0.57	0.59	0.42	0.51	0.52
Others	0.10	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total OECD	18.87	18.90	19.26	18.58	18.66	19.38	19.55	19.05	18.48	19.17	19.50
NON-OECD											
Former USSR	13.55	13.63	13.77	13.58	13.55	13.74	13.78	13.84	13.67	13.72	13.72
Russia	10.45	10.58	10.70	10.55	10.58	10.69	10.67	10.72	10.65	10.69	10.68
Others	3.10	3.04	3.07	3.03	2.96	3.05	3.11	3.12	3.03	3.03	3.04
Asia	7.80	7.69	7.76	7.65	7.58	7.70	7.79	7.78	7.55	7.64	7.74
China	4.10	4.18	4.30	4.17	4.09	4.22	4.29	4.32	4.09	4.18	4.27
Malaysia	0.72	0.63	0.59	0.61	0.63	0.58	0.59	0.58	0.59	0.58	0.57
India	0.86	0.90	0.92	0.89	0.89	0.92	0.92	0.92	0.88	0.91	0.92
Indonesia	0.97	0.91	0.86	0.91	0.91	0.89	0.88	0.86	0.91	0.89	0.87
Others	1.14	1.08	1.10	1.06	1.06	1.09	1.11	1.09	1.08	1.09	1.10
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.07	4.19	4.43	4.16	4.16	4.27	4.37	4.42	4.12	4.24	4.28
Brazil[5]	2.14	2.17	2.31	2.18	2.13	2.19	2.26	2.30	2.09	2.19	2.18
Argentina	0.69	0.67	0.68	0.61	0.67	0.69	0.68	0.68	0.69	0.69	0.68
Colombia	0.79	0.92	1.02	0.93	0.92	0.96	0.99	1.01	0.89	0.94	0.97
Others	0.45	0.44	0.43	0.44	0.44	0.43	0.43	0.43	0.44	0.42	0.44
Middle East[3]	1.74	1.63	1.56	1.63	1.64	1.49	1.57	1.56	1.53	1.46	1.47
Oman	0.87	0.90	0.93	0.88	0.90	0.91	0.92	0.92	0.91	0.91	0.91
Syria	0.39	0.33	0.27	0.38	0.32	0.22	0.28	0.27	0.21	0.19	0.22
Yemen	0.30	0.20	0.16	0.17	0.21	0.15	0.17	0.17	0.20	0.16	0.15
Others	0.19	0.20	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Africa	2.52	2.52	2.56	2.50	2.53	2.50	2.57	2.57	2.53	2.54	2.47
Egypt	0.70	0.69	0.68	0.69	0.69	0.68	0.68	0.68	0.69	0.69	0.68
Gabon	0.25	0.24	0.25	0.23	0.24	0.25	0.24	0.24	0.25	0.25	0.25
Others	1.58	1.58	1.64	1.57	1.60	1.57	1.64	1.65	1.60	1.61	1.54
Total Non-OECD	29.83	29.80	30.22	29.66	29.59	29.84	30.21	30.30	29.54	29.75	29.82
Processing Gains[4]	2.10	2.17	2.26	2.14	2.14	2.23	2.28	2.23	2.14	2.23	2.23
Global Biofuels[5]	1.83	1.82	1.93	1.88	2.14	1.80	1.58	1.93	2.18	1.92	1.83
TOTAL NON-OPEC[6]	52.62	52.68	53.68	52.25	52.52	53.25	53.62	53.52	52.34	53.07	53.39
Non-OPEC: Historical Composition[6]	52.62	52.68	53.68	52.25	52.52	53.25	53.62	53.52	52.34	53.07	53.39
TOTAL SUPPLY	87.46			87.47	88.26				87.84	89.05	89.99

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
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 and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jun2011	Jul2011	Aug2011	Sep2011	Oct2011*	Oct2008	Oct2009	Oct2010	4Q2010	1Q2011	2Q2011	3Q2011
North America												
Crude	499.6	486.8	485.0	468.5	468.7	445.1	463.3	512.4	-0.30	0.25	0.02	-0.34
Motor Gasoline	248.4	247.9	246.2	251.2	243.8	225.0	240.0	241.8	0.02	-0.03	-0.01	0.03
Middle Distillate	213.4	231.7	229.5	228.9	210.9	196.8	245.1	237.2	-0.07	-0.24	-0.04	0.17
Residual Fuel Oil	43.9	45.2	46.1	42.5	45.1	47.7	43.1	49.4	0.01	-0.05	-0.01	-0.02
Total Products[3]	679.7	710.7	709.1	709.2	686.6	655.7	723.9	711.3	-0.32	-0.58	0.29	0.32
Total[4]	1339.4	1360.5	1360.8	1344.8	1326.4	1269.8	1351.0	1389.1	-0.77	-0.39	0.49	0.06
Europe												
Crude	318.1	310.1	310.5	307.9	297.1	331.6	323.3	337.0	0.04	0.01	-0.05	-0.11
Motor Gasoline	92.2	92.2	90.8	89.1	89.5	93.2	97.6	96.6	0.02	0.04	-0.09	-0.03
Middle Distillate	274.1	274.8	273.7	264.8	260.7	256.8	287.0	281.1	-0.02	0.09	-0.13	-0.10
Residual Fuel Oil	64.3	63.3	67.7	64.2	63.4	74.7	66.0	71.8	-0.09	-0.01	-0.03	0.00
Total Products[3]	545.6	548.4	552.8	538.3	532.6	541.1	561.6	557.5	-0.07	0.11	-0.22	-0.08
Total[4]	932.1	925.8	929.5	910.2	894.9	946.7	955.2	960.6	0.02	0.06	-0.24	-0.24
Pacific												
Crude	159.5	163.7	155.2	157.2	156.2	163.1	165.5	157.5	0.03	0.00	0.01	-0.03
Motor Gasoline	25.0	25.2	25.1	24.4	24.8	23.9	24.9	24.6	-0.01	0.01	0.01	-0.01
Middle Distillate	66.8	66.5	70.0	67.8	66.7	74.2	68.6	67.5	-0.07	-0.06	0.14	0.01
Residual Fuel Oil	21.3	21.2	19.4	20.2	19.6	20.7	21.1	20.1	-0.03	0.02	0.01	-0.01
Total Products[3]	171.4	176.7	180.7	181.0	181.0	194.1	180.1	182.1	-0.16	-0.09	0.18	0.10
Total[4]	404.9	411.9	409.7	411.6	409.0	433.2	410.2	409.3	-0.13	-0.10	0.26	0.07
Total OECD												
Crude	977.1	960.6	950.7	933.6	921.9	939.8	952.1	1006.8	-0.23	0.26	-0.02	-0.47
Motor Gasoline	365.6	365.3	362.1	364.7	358.0	342.1	362.5	362.9	0.03	0.02	-0.09	-0.01
Middle Distillate	554.2	573.0	573.2	561.5	538.4	527.8	600.8	585.9	-0.16	-0.21	-0.03	0.08
Residual Fuel Oil	129.5	129.7	133.1	126.9	128.1	143.0	130.1	141.3	-0.12	-0.04	-0.04	-0.03
Total Products[3]	1396.7	1435.8	1442.5	1428.5	1400.2	1390.9	1465.6	1450.8	-0.55	-0.56	0.25	0.35
Total[4]	2676.4	2698.2	2700.0	2666.5	2630.2	2649.6	2716.3	2758.9	-0.88	-0.43	0.50	-0.11

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jun2011	Jul2011	Aug2011	Sep2011	Oct2011*	Oct2008	Oct2009	Oct2010	4Q2010	1Q2011	2Q2011	3Q2011
North America												
Crude	726.5	718.2	696.5	696.0	696.0	701.8	725.1	726.6	0.00	0.00	0.00	-0.33
Products	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	0.00	-0.02	0.00	0.00
Europe												
Crude	184.9	183.4	183.1	183.0	183.0	185.5	185.6	186.6	0.05	-0.01	-0.01	-0.02
Products	237.1	237.0	236.5	235.9	235.9	229.5	239.7	226.2	-0.01	-0.03	0.05	-0.01
Pacific												
Crude	391.1	389.1	390.6	390.7	391.1	384.7	388.4	387.1	0.08	0.02	0.00	0.00
Products	20.0	18.5	18.7	18.7	20.0	19.2	20.0	20.0	0.00	0.00	0.00	-0.01
Total OECD												
Crude	1302.5	1290.8	1270.2	1269.6	1270.0	1272.0	1299.1	1300.3	0.13	0.01	-0.01	-0.36
Products	257.1	255.5	255.2	254.6	255.9	250.6	261.8	248.2	-0.01	-0.05	0.05	-0.03
Total[4]	1560.9	1547.7	1526.8	1525.6	1527.3	1523.6	1562.3	1549.7	0.12	-0.03	0.04	-0.38

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2010		End December 2010		End March 2011		End June 2011		End September 2011 [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	195.7	86	196.5	86	185.2	84	189.7	83	191.6	-
Mexico	49.0	24	44.5	22	45.0	22	46.5	22	46.1	-
United States[4]	1863.2	97	1796.1	94	1769.5	94	1807.6	96	1780.9	-
Total[4]	2130.0	89	2059.2	87	2021.7	87	2065.9	88	2040.7	87
Pacific										
Australia	40.5	41	38.1	39	39.1	39	39.5	39	38.2	-
Japan	581.8	127	588.3	121	575.4	147	593.2	137	601.1	-
Korea	173.5	74	165.4	70	170.2	83	175.2	79	173.6	-
New Zealand	8.2	53	8.2	51	8.0	53	8.2	56	8.1	-
Total	804.0	100	800.0	96	792.7	111	816.0	106	821.0	99
Europe[5]										
Austria	18.9	65	19.7	77	19.4	77	19.6	70	18.0	-
Belgium	34.3	51	33.6	50	37.0	59	38.1	58	36.7	-
Czech Republic	21.1	105	21.2	117	21.5	106	21.7	109	20.1	-
Denmark	26.9	159	26.8	171	21.4	132	21.5	134	22.0	-
Finland	28.5	121	27.8	127	26.9	133	27.0	130	26.4	-
France	163.4	88	168.2	91	167.4	94	166.7	89	160.0	-
Germany	285.6	113	286.8	122	289.4	124	290.8	114	282.6	-
Greece	36.3	95	34.3	92	33.9	106	32.6	99	30.9	-
Hungary	15.9	103	15.9	119	17.4	124	17.3	118	16.2	-
Ireland	11.4	68	9.8	63	10.8	79	10.2	73	11.3	-
Italy	126.6	81	133.3	93	131.8	90	130.0	88	130.1	-
Luxembourg	0.7	12	0.6	10	0.5	9	0.6	9	0.7	-
Netherlands	121.2	122	125.8	129	125.7	124	117.8	113	114.3	-
Norway	20.8	77	20.8	81	21.1	93	23.5	96	24.5	-
Poland	64.2	108	65.5	123	62.8	109	64.6	105	65.2	-
Portugal	22.8	84	22.9	89	23.5	87	23.3	86	21.9	-
Slovak Republic	8.6	101	8.3	109	9.0	111	8.9	104	8.3	-
Spain	133.0	92	133.2	93	132.9	97	130.1	94	131.2	-
Sweden	34.4	94	32.4	94	33.7	101	32.5	101	32.7	-
Switzerland	37.7	146	36.8	156	36.6	168	37.2	150	37.0	-
Turkey	58.5	90	58.5	101	58.3	85	56.6	73	56.4	-
United Kingdom	94.5	59	88.8	55	92.8	57	84.9	53	84.0	-
Total	1365.5	92	1371.1	97	1374.0	97	1355.4	92	1330.5	93
Total OECD	4299.5	92	4230.3	92	4188.5	94	4237.3	92	4192.2	91
DAYS OF IEA Net Imports[6]	-	145	-	146	-	146	-	147	-	145

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 2011 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). 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]*		
3Q2008	4164	1522	2641	88	32	56
4Q2008	4206	1527	2679	90	33	57
1Q2009	4278	1547	2731	96	35	61
2Q2009	4306	1561	2745	95	35	61
3Q2009	4327	1564	2763	94	34	60
4Q2009	4205	1564	2641	92	34	57
1Q2010	4241	1567	2675	94	35	59
2Q2010	4319	1562	2757	93	34	59
3Q2010	4299	1549	2750	92	33	59
4Q2010	4230	1561	2670	92	34	58
1Q2011	4188	1558	2631	94	35	59
2Q2011	4237	1561	2676	92	34	58
3Q2011	4192	1526	2667	91	33	58

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 3QYYYY (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2008	2009	2010	4Q10	1Q11	2Q11	3Q11	Jul 11	Aug 11	Sep 11	Year Earlier Sep 10	Year Earlier change
Saudi Light & Extra Light												
North America	0.70	0.52	0.69	0.75	0.71	0.72	0.47	0.53	0.55	0.31	0.70	-0.39
Europe	0.70	0.59	0.66	0.69	0.70	0.79	0.93	0.96	1.00	0.82	0.77	0.05
Pacific	1.22	1.28	1.21	1.26	1.33	1.14	1.21	1.25	1.12	1.27	1.13	0.14
Saudi Medium												
North America	0.64	0.40	0.36	0.36	0.33	0.36	0.40	0.43	0.33	0.45	0.39	0.06
Europe	0.05	0.02	0.00	-	-	0.02	0.05	0.04	0.07	0.03	-	-
Pacific	0.39	0.34	0.34	0.37	0.39	0.38	0.43	0.38	0.47	0.45	0.28	0.17
Saudi Heavy												
North America	0.07	0.03	0.02	0.01	0.02	0.03	0.03	0.02	-	0.07	0.02	0.05
Europe	0.09	0.02	0.00	-	0.00	0.00	0.03	0.04	0.02	0.02	0.00	0.02
Pacific	0.24	0.15	0.22	0.21	0.20	0.21	0.23	0.25	0.19	0.25	0.25	-0.01
Iraqi Basrah Light[2]												
North America	0.60	0.40	0.36	0.29	0.21	0.41	0.31	0.22	0.47	0.23	0.25	-0.02
Europe	0.21	0.12	0.09	0.08	0.03	0.10	0.19	0.17	0.21	0.19	0.04	0.15
Pacific	0.15	0.24	0.29	0.38	0.40	0.26	0.38	0.41	0.39	0.35	0.32	0.02
Iraqi Kirkuk												
North America	0.08	0.06	0.03	0.04	0.11	0.07	0.05	-	0.15	0.00	0.04	-0.04
Europe	0.23	0.31	0.27	0.23	0.21	0.31	0.32	0.40	0.29	0.26	0.31	-0.05
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.15	0.24	0.18	0.24	0.28	0.20	0.23	0.20	0.17	0.18	0.00
Pacific	0.08	0.07	0.04	0.01	0.06	0.03	0.04	0.03	0.07	0.02	0.04	-0.03
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.40	0.49	0.43	0.34	0.59	0.73	0.80	0.68	0.71	0.66	0.04
Pacific	0.61	0.57	0.52	0.52	0.63	0.41	0.51	0.51	0.49	0.53	0.57	-0.04
Venezuelan Light & Medium												
North America	0.62	0.39	0.14	0.16	0.06	0.30	0.22	0.18	0.31	0.19	0.10	0.09
Europe	0.06	0.07	0.02	0.01	0.03	0.01	0.02	0.01	0.01	0.02	0.01	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.65	0.75	0.86	0.75	0.89	0.77	0.70	0.79	0.77	0.51	0.83	-0.31
Europe	0.07	0.07	0.06	0.05	0.04	0.05	0.06	0.07	0.07	0.05	0.04	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.02	0.93	0.91	0.92	0.82	0.80	0.84	0.82	0.93	0.76	0.73	0.04
Europe	0.14	0.10	0.11	0.09	0.14	0.12	0.12	0.17	0.09	0.11	0.11	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.04	0.09	0.05	0.08	0.06	0.05	0.06	0.07	0.05	0.02
Europe	0.01	0.01	0.02	0.05	0.01	0.02	0.00	0.01	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.05	0.15	0.08	0.03	0.01	-	-	-	-	-	0.02	-
Europe	1.81	1.72	1.80	1.71	1.76	1.87	1.52	1.65	1.35	1.56	1.97	-0.41
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.68	0.54	0.60	0.58	0.62	0.60	0.43	0.59	0.48	0.22	0.64	-0.42
Europe	0.29	0.32	0.34	0.49	0.40	0.40	0.54	0.46	0.62	0.55	0.32	0.23
Pacific	-	0.00	-	-	0.05	0.04	0.06	0.06	0.05	0.06	-	-
Nigerian Medium												
North America	0.27	0.21	0.25	0.22	0.20	0.18	0.18	0.21	0.17	0.17	0.25	-0.08
Europe	0.14	0.13	0.09	0.11	0.14	0.17	0.11	0.06	0.14	0.14	0.06	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-

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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
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)

	2008	2009	2010	4Q10	1Q11	2Q11	3Q11	Jul-11	Aug-11	Sep-11	Year Earlier Sep-10	Year Earlier % change
Crude Oil												
North America	8076	7353	7346	6625	6571	6928	6750	6992	6734	6515	7196	-9%
Europe	9776	8893	9076	9110	8901	8903	9389	9303	9580	9279	9033	3%
Pacific	6605	6082	6249	6479	6645	6086	6255	6261	6232	6271	6244	0%
Total OECD	24457	22329	22671	22213	22117	21917	22393	22556	22546	22065	22636	-3%
LPG												
North America	31	13	8	6	21	4	4	4	4	5	5	-7%
Europe	268	260	270	299	313	284	308	280	297	349	234	50%
Pacific	589	529	558	567	569	547	580	642	525	573	503	14%
Total OECD	887	802	836	872	904	836	892	926	825	927	742	25%
Naphtha												
North America	56	22	36	35	34	51	43	41	45	45	50	-10%
Europe	298	352	390	382	292	336	254	353	218	189	322	-41%
Pacific	776	841	900	893	917	830	906	881	928	910	849	7%
Total OECD	1130	1215	1326	1309	1243	1217	1204	1275	1191	1144	1221	-6%
Gasoline[3]												
North America	1077	878	788	712	668	981	695	739	779	562	766	-27%
Europe	215	193	174	127	223	221	218	213	228	213	202	6%
Pacific	90	96	64	67	71	61	70	59	87	63	42	52%
Total OECD	1383	1167	1025	907	961	1262	982	1011	1093	839	1009	-17%
Jet & Kerosene												
North America	64	62	76	89	62	86	80	103	71	65	90	-28%
Europe	401	452	417	396	320	367	450	449	450	450	546	-18%
Pacific	34	53	40	46	58	43	45	36	39	61	29	115%
Total OECD	500	567	532	531	440	497	575	588	560	576	665	-13%
Gasoil/Diesel												
North America	74	55	49	14	46	30	30	23	25	42	21	105%
Europe	871	1035	1045	1235	1078	931	910	929	781	1024	1013	1%
Pacific	119	87	97	92	99	153	123	121	113	135	95	42%
Total OECD	1064	1177	1191	1340	1224	1114	1063	1073	919	1201	1128	6%
Heavy Fuel Oil												
North America	288	270	277	254	345	305	193	179	204	195	325	-40%
Europe	458	534	529	502	505	582	644	663	676	593	591	0%
Pacific	125	113	117	101	147	111	156	132	169	169	126	34%
Total OECD	871	917	923	857	997	997	994	974	1049	957	1042	-8%
Other Products												
North America	1078	870	805	906	855	896	900	994	833	871	789	10%
Europe	734	770	666	737	683	776	723	675	857	635	680	-7%
Pacific	298	325	335	352	383	252	343	317	318	394	400	-2%
Total OECD	2110	1964	1806	1996	1921	1924	1965	1986	2008	1900	1869	2%
Total Products												
North America	2667	2171	2038	2017	2032	2355	1944	2083	1960	1785	2046	-13%
Europe	3245	3595	3491	3678	3415	3497	3508	3562	3507	3453	3588	-4%
Pacific	2032	2045	2111	2118	2244	1995	2223	2188	2179	2306	2044	13%
Total OECD	7944	7810	7639	7812	7690	7848	7676	7833	7646	7543	7677	-2%
Total Oil												
North America	10743	9524	9384	8641	8603	9283	8694	9075	8695	8300	9406	-12%
Europe	13022	12488	12567	12788	12316	12401	12896	12865	13087	12732	12620	1%
Pacific	8637	8127	8360	8596	8888	8081	8478	8449	8411	8577	8287	3%
Total OECD	32401	30139	30310	30025	29807	29765	30068	30389	30193	29609	30313	-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.

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