

International Energy Agency

21 January 2014

HIGHLIGHTS

- **Crude oil markets firmed in December on seasonally stronger winter demand in the Atlantic basin.** Brent prices were supported by continued supply outages in Libya while WTI reflected a surge in domestic refinery throughputs. Prices eased in January, though, with WTI last trading at $93.70/bbl and Brent at $106.35/bbl.

- **The estimate of 4Q13 global oil demand was raised by 135 kb/d on unexpectedly strong US deliveries, partly offset** by curtailments in China and elsewhere. For 2013 as a whole, growth is estimated at around 1.2 mb/d, accelerating to 1.3 mb/d in 2014 as the economy continues to recover.

- **Global supplies inched down by 25 kb/d month-on-month in December to 92.23 mb/d,** with a seasonal fall in biofuel output cutting non-OPEC liquids supplies by 340 kb/d. Non-OPEC production grew by 1.63 mb/d year-on-year, partly offset by a 535 kb/d drop in OPEC crude oil supply.

- **OPEC crude oil supply rebounded by 310 kb/d to 29.82 mb/d in December, reversing four months of decline.** Saudi Arabia and the UAE led the gain, while Iraq was the only member to post a decline. Beleaguered Libya saw only a modest rise in December, amid government expectations of an imminent recovery in oil output.

- **The forecast of global refinery crude runs for 1Q14 has been lifted by 110 kb/d since last month's *Report*, to 76.8 mb/d,** on the back of surging US crude runs. Global throughput growth for 1Q14 is assessed at 1.3 mb/d, up from only 0.3 mb/d in 4Q13, as contractions in Europe ease and new Chinese and Middle Eastern capacity ramps up.

- **Total OECD commercial oil inventories plummeted by 53.6 mb in November**, their steepest monthly decline since December 2011, led by a plunge in crude oil and 'other products'. Preliminary data for December indicate a further 42.5 mb draw in OECD inventories.

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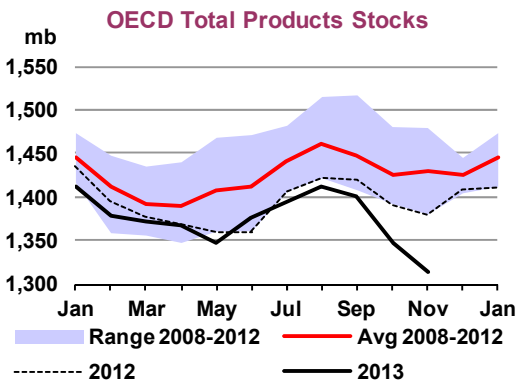
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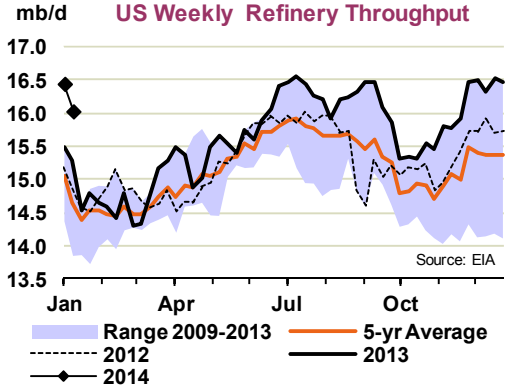
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SCALING THE WALL

Average oil prices remained surprisingly steady in 2013, with Brent futures dipping by just about $3/bbl from 2012 levels to $108.70/bbl, and WTI inching upwards by $3.90/bbl, to $98.05/bbl. This apparent price stability conceals, however, wider monthly price swings and a profound redrawing of the oil map, including large-scale changes in supply and demand growth and in the volume and direction of trade flows. Most prominent among those shifts was the relentless rise in US crude production, whose 990 kb/d growth, one of the largest annual gains on record for any country, helped blunt the impact of supply declines elsewhere, notably Libya and Iran. The trend in US production looks set to continue in 2014 and beyond, providing once again one of the largest changes in the market. But there were question marks last year about how the broader market would accommodate this growth, and they remain today.

A year ago, this *Report* examined the possibility that as surging production continues to move the US closer to becoming a net oil exporter, there may come a time when various regulations, particularly the US ban on exports of crude oil to countries other than Canada, could have an adverse impact on continued investment into LTO and thus continued growth in production. We called this point the "crude wall." With 2013 US crude oil production exceeding even the boldest of expectations by a wide margin, that "wall" now seems to be looming larger than ever, and the issue has become a matter of public debate. Yet the "wall" is also elusive. US crude output was not alone in defying expectations last year – so were US refining runs, which surged by 500 kb/d in 2H13 year-on-year and recently hit eight-year highs; product exports, larger in volume than Indian demand at 4 mb/d in October; and even US domestic demand, which swung back into growth in 2013 after years of contraction, gaining momentum as the year went by. Midstream capacity has also responded, with large-scale development of new rail and pipeline links to bring supply to market.





The US market has so far shown remarkable flexibility in absorbing new supply. New logistical links have helped narrow somewhat – though not erase – price imbalances between inland grades near new fields and coastal ones near refining centres. Remarkably, surging US supply and runs have not markedly lowered product prices for consumers. Rising global demand and supply shortfalls elsewhere – with twice as much annual growth in global demand as in world supply last year – have kept OECD stocks tight and oil prices generally high. Despite surging throughputs, rising exports mean that North American product stocks, measured in days of demand, have fallen below their five-year average by the widest margin since October 2004. Total oil stocks across the entire OECD as of end-November had fallen to nearly 100 mb below their five-year average, their largest deficit since May 2003.

While US success in accommodating new supply does not necessarily mean that there is endless room for US output to grow, challenges to growth are not imminent. Potential US growth in 2014 seems a given, even against the backdrop of resurgent non-OPEC supply growth outside of North America. If this year has any surprises in stock, they are more likely to come from the demand side, and from supply developments in the ever-volatile MENA region. Nonetheless, there is a rising tide of technical and political debate about whether – or when – the US market may run out of options to accommodate further gains without regulatory adjustments.

DEMAND

Summary

- **Global oil demand is forecast to grow by 1.3 mb/d in 2014, to 92.5 mb/d,** from the 1.2 mb/d gain now envisaged for 2013, to 91.2 mb/d, an acceleration supported by the likelihood of stronger macroeconomic momentum as the year progresses.

- **For the first time since 2010, OECD demand appears to have swung back into growth in 2013.** OECD growth for the year is assessed at 85 kb/d (or +0.2%), reversing a contraction of 520 kb/d (or -1.1%) in 2012. Non-OECD economies still account for the bulk of global growth for 2013 and beyond.

- **The estimate of 4Q13 oil demand has been raised by 135 kb/d, to 92.1 mb/d,** led by a significant upward revision of 700 kb/d to the US demand assessment pegged to industrial fuels. Estimates for Japan, Russia and Korea have also been raised, versus curtailments for Belgium, Mexico, Italy, France and some notable non-OECD reductions.

- **Non-OECD demand estimates for 4Q13 have been revised downwards**, partly offsetting an upwards adjustment for the OECD. Chinese demand figures for the quarter have been cut by 290 kb/d from last month's *Report*, to 10.2 mb/d. Chinese momentum has been slowing since July, but preliminary estimates of a 2% contraction for November look uncharacteristically soft. Chinese demand growth is now assessed at 3.0% for 2013, down from last month's projection of 3.8%, rising to 3.6% in 2014, to 10.5 mb/d. Other notable non-OECD downside adjustments include Kuwait and India.

Global Oil Demand (2012-2014)

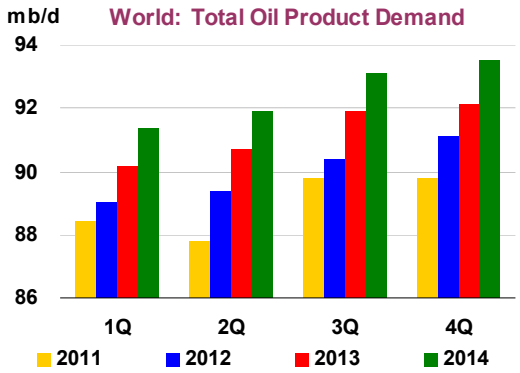
(million barrels per day)

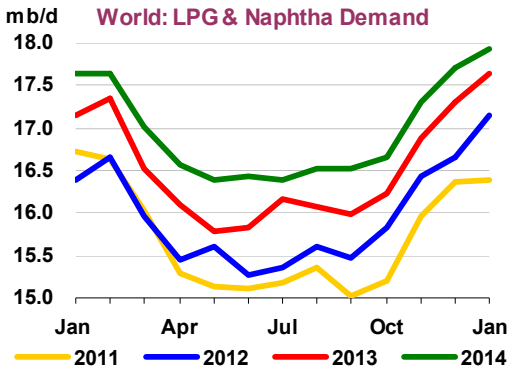
	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	3.9
Americas	29.5	30.0	30.3	30.3	30.0	30.1	30.4	30.9	31.1	30.6	30.5	30.7	31.1	31.2	30.9
Asia/Pacific	29.9	29.1	29.3	30.6	29.7	30.6	29.6	29.5	30.5	30.1	31.0	30.2	30.1	31.2	30.6
Europe	14.4	14.5	14.5	14.3	14.4	13.8	14.5	14.7	14.3	14.3	13.9	14.3	14.6	14.4	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.9	4.6	4.4	4.7	4.9	4.9	4.7
Middle East	7.3	7.8	8.2	7.5	7.7	7.5	7.9	8.3	7.6	7.8	7.6	8.1	8.5	7.8	8.0
World	**89.0**	**89.4**	**90.4**	**91.1**	**90.0**	**90.1**	**90.7**	**91.9**	**92.1**	**91.2**	**91.4**	**91.9**	**93.1**	**93.5**	**92.5**
Annual Chg (%)	0.7	1.8	0.7	1.5	1.1	1.2	1.5	1.6	1.1	1.4	1.4	1.3	1.3	1.5	1.4
Annual Chg (mb/d)	0.6	1.6	0.6	1.3	1.0	1.1	1.3	1.5	1.0	1.2	1.2	1.2	1.2	1.4	1.3
Changes from last OMR (mb/d)	0.00	0.00	0.01	0.01	0.00	0.04	0.03	-0.04	0.14	0.04	0.05	0.11	0.00	0.23	0.09

Global Overview

Global oil demand growth appears to have gradually gained momentum in the last 18 months, driven by economic recovery in the developed world. Oil demand growth has been ramping up from a low point of 0.6 mb/d year-on-year (y-o-y) in 3Q12 to a recent high-water mark of 1.5 mb/d in 3Q13. Key to this change has been a trend reversal in OECD demand. Having contracted by as much as 1.0 mb/d y-o-y in 3Q12, a year later it swung back into growth of 340 kb/d y-o-y, led by the Americas and Europe. Most OECD economies have by now largely exited the restraints of recession, with strong gains in some countries in the energy-intensive manufacturing and petrochemical sectors.

Relatively robust demand growth likely continued into 4Q13. Based on still largely preliminary data, global consumption for that quarter is now assessed at around 92.1 mb/d in 4Q13, up 1.2 mb/d y-o-y. This marks a 135 kb/d upward revision from last month's *Report*. Large and partly offsetting revisions have been applied to estimates for the world's two largest economies. Roughly 705 kb/d has been added to the 4Q13 estimate of US demand, now assessed at 19.3 mb/d, following exceptionally strong US monthly data for October and robust weekly data since then. On the other hand, the 4Q13 Chinese demand estimate has been reduced by 290 kb/d, to 10.2 mb/d.





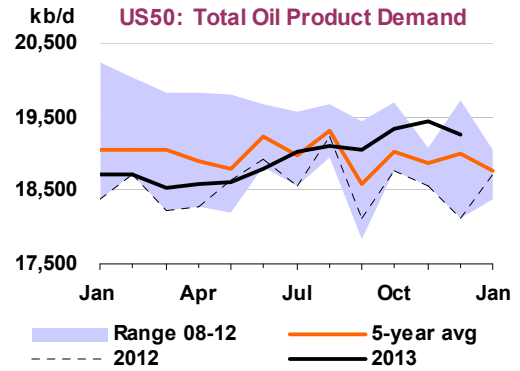
While October data were revised upwards by 585 kb/d for the US, to 19.3 mb/d, most of the changes for other countries were to the downside, notably China (-100 kb/d), Kuwait (-65 kb/d), Belgium (-55 kb/d) and Canada (-50 kb/d). November data were something of a mixed bag. An even larger upward revision was applied to the US (+880 kb/d), as well as Japan (+100 kb/d), South Korea (+95 kb/d) and Russia (+75 kb/d), offset by numerous cuts included China (-390 kb/d), Mexico (-130 kb/d), Italy (-65 kb/d), India (-65 kb/d) and France (-50 kb/d).

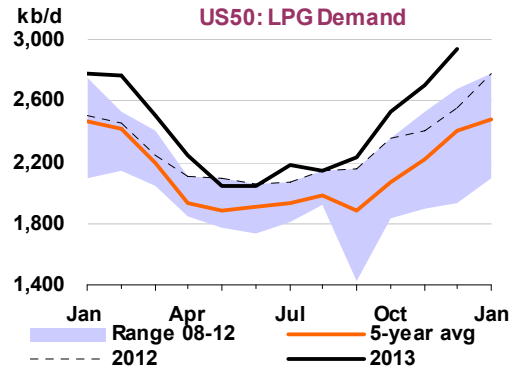
For 2013 as a whole, global oil demand is expected to average out at around 91.2 mb/d, 40 kb/d up on last month's estimate and equivalent to a gain of 1.2 mb/d (or 1.4%) on the year. Momentum is forecast to accelerate modestly, to 1.3 mb/d, in 2014 supported by the strengthening macroeconomic picture.

Top 10 Consumers

US

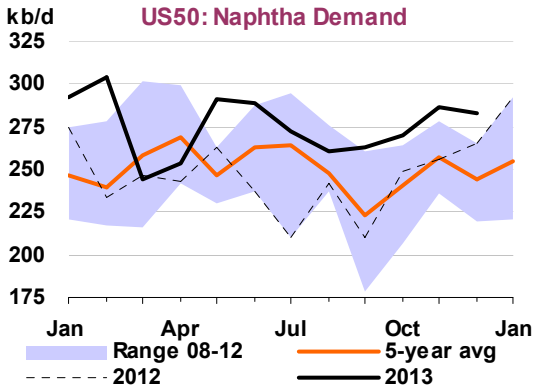
Estimates of 4Q13 US demand have been revised sharply upwards, reflecting in part steep adjustments to October data. The latest official US monthly statistics peg US demand for that month at about 19.3 mb/d, 585 kb/d above our previous estimate. Industrial fuels led the revisions, with LPG demand lifted by robust petrochemical sector activity, while bumper crops of corn and other grains also supported strong agricultural use.

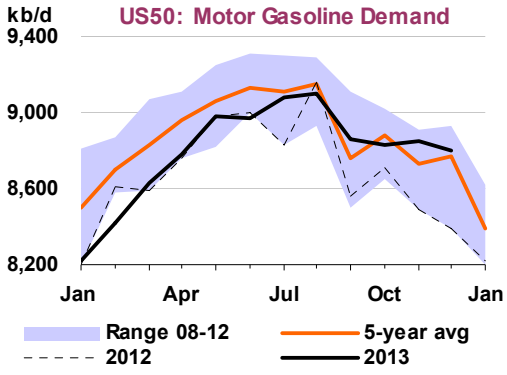




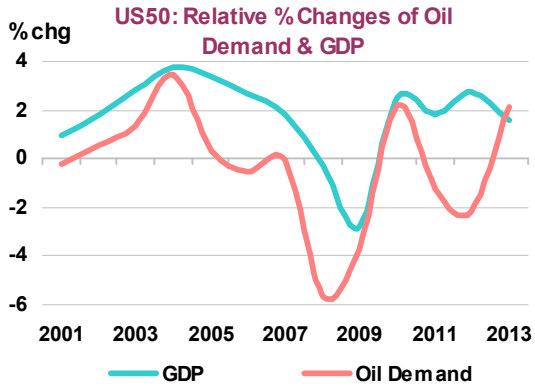
Preliminary estimates of November US demand have been raised even more steeply from last month's *Report,* by 880 kb/d to 19.4 mb/d. November growth, now assessed at 4.8% y-o-y, marks a near-three-year high for the US. In addition to strong LPG sales to the petrochemical and agricultural sectors, gasoline and gasoil sales were also relatively robust. Even the previously flagging naphtha sector has picked up, showing strong demand growth for November. Recovering US consumer confidence may go some way to explain 4Q13 growth of 3.5% in gasoline demand amid reports of resurgent SUV sales.

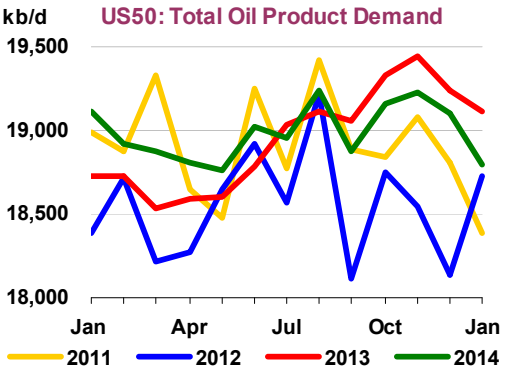
For December, US deliveries are forecast to edge down month-on-month (m-o-m) to 19.2 mb/d. This still amounts to growth of 6.1% y-o-y, a rate unseen in more than 10 years, however. Strong growth was seen across the barrel, although demand from the travel and industrial sectors, and especially the petrochemical industry, seemed particularly robust.





Upwards revisions to 4Q13 lifted the US demand estimate for 2013 as a whole by 180 kb/d, to 18.9 mb/d. Growth for the year is now projected at 2.1%, a three-year high. It is also a stronger pace of growth than that seen in the US economy as a whole. We conclude that despite our long-held belief that efficiency gains would keep the pace of US demand growth below the wider economy, 2013 was an exception driven by non-trend shifts in the petrochemical sector. In view of these revisions, our forecast of US demand growth for 2014 has been raised to 0.4%, from last month's *Report* which showed a contraction of 0.1%. US demand is now projected to average around 19.0 mb/d in 2014.





Top-10 Oil Consumers

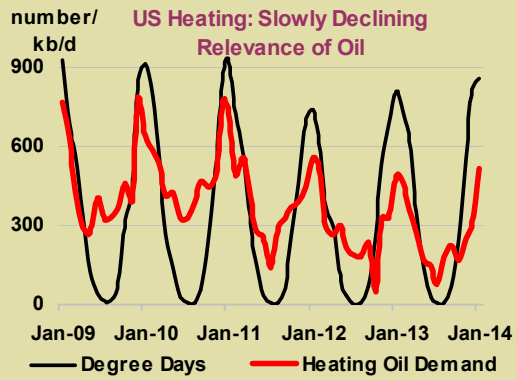
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Oct-13	2013	2014	Oct-13	2013	2014	Oct-13	2013	2014
US50	19,325	18,932	19,004	569	390	72	3.0	2.1	0.4
China	9,933	10,116	10,485	133	295	369	1.4	3.0	3.6
Japan	4,197	4,551	4,385	-227	-175	-167	-5.1	-3.7	-3.7
Russia	3,524	3,431	3,529	255	136	98	7.8	4.1	2.9
India	3,322	3,367	3,447	0	20	80	0.0	0.6	2.4
Brazil	3,260	3,106	3,197	97	120	90	3.1	4.0	2.9
Saudi Arabia	3,016	2,980	3,072	-10	58	92	-0.3	2.0	3.1
Germany	2,534	2,416	2,414	-39	27	-2	-1.5	1.1	-0.1
Korea	2,230	2,305	2,311	-1	3	7	0.0	0.2	0.3
Canada	2,205	2,295	2,315	-108	14	20	-4.7	0.6	0.9
% global demand	58%	59%	59%						

Winter Freeze

When the Chicago Zoo confines its polar bears to indoor facilities, as it did in early-January, you know the US is experiencing some unusually cold winter weather conditions. The first two weeks of January, for example, saw the average temperature fall below 29.5 degrees Fahrenheit (minus 1.4 Celcius), well below freezing and more than a whole degree below the seasonal norm (equivalent to a premium of roughly 15 heating degree days). Such averages, however, fail to convey the full seriousness of the extremities that hit the US, with temperatures in the East North Central region averaging out at roughly four degrees Fahrenheit (-15.6 Celcius), ten degrees below the seasonal norm and cold enough to freeze a dropped cup of hot water before it hits the ground! Logic might suggest that this would raise US oil use, as space-heating requirements are heightened. Two key factors suggest otherwise: firstly, in recent years the US space heating market has increasingly moved away from oil as its preferred choice of fuel. Secondly, the severity of the recent freeze has been so harsh that many other forms of oil consumption, such as travel, have also been curtailed, hence generally reducing the overall US demand number. The product mix will likely have changed, however, with stronger gasoil demand (hence reports that refiners are shipping large quantities of gasoil to the US) at the expense of gasoline.

Potentially supporting higher oil demand, US homes and businesses alike require additional heat, or space heating, when temperatures fall. While this extra space-heating requirement would in the past have supported a strong upsurge in heating oil demand, electricity and natural gas have in recent years increasingly gained market share in this sector. The EIA's most recent *Residential Energy Consumption Survey*, for example, showed that oil products accounted for just over one-tenth of total US space heating requirements in 2009, down from nearly one-fifth in 1991.



Another form of cold-weather demand-support may arise at the margin from the automotive market, as severely reduced external temperatures are proven to lower engine efficiencies. Natural Resources Canada concluded, following a study by Environment Canada, that drivers use more fuel after a cold start as engines are forced to work harder to overcome increased internal friction. The air-fuel mixture in automotive engines in cold weather needs to be richer, also requiring more fuel, and large amounts of gasoline/diesel are often spent simply warming up vehicles. The additional use of emergency generators also supports oil demand in cold spikes, as power failures trigger oil-fired generators, which likely added to the January demand estimate.

Severe cold can cut both ways on demand, however. This is especially the case in the transport sector. Earlier this month, the US cold spike resulted in cancelled and/or delayed flights and likely led many consumers to put off car travel whenever possible, offsetting the impact of decreased engine efficiency. Severe cold temperatures, snow storms and/or icy road conditions can also hamper fuel deliveries and tanker truck traffic between refineries and wholesale or retail facilities, resulting in pent-up demand. The temporary closures of some businesses will have also likely dampened industrial fuel use, with gasoil, naphtha, LPG, fuel oil and 'other products' all likely being below what they would have otherwise been.

To conclude, January's severe winter weather conditions have clouded the outlook for the month, but all in all we reckon the contribution of the weather will have been net-negative. Its full effect will not be known with certainty until April's *Report,* when official monthly January data will be released. However, given the strength of the recent US demand trend, any negative impact on demand from the extreme cold as may have occurred is likely to remain a one-off, and may even be offset by a rebound when pent-up demand is released later on, once weather conditions improve.

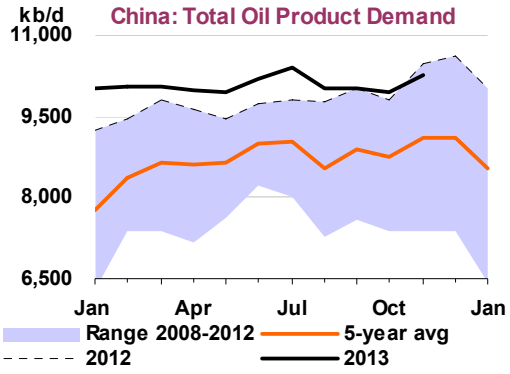
China

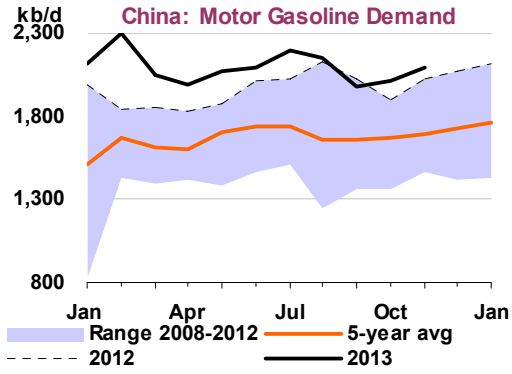
Based on preliminary estimates, Chinese apparent demand averaged 10.3 mb/d in November, 390 kb/d below the forecast carried in last month's *Report*. A surprise contraction of 0.6% in refinery output y-o-y partly explains the difference. Despite equating to a 2.0% drop on the year earlier, Chinese apparent demand edged up on the previous month as several refineries resumed operations after maintenance.

China: Demand by Product

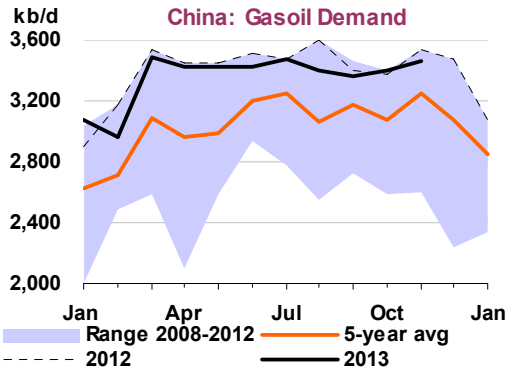
(thousand barrels per day)

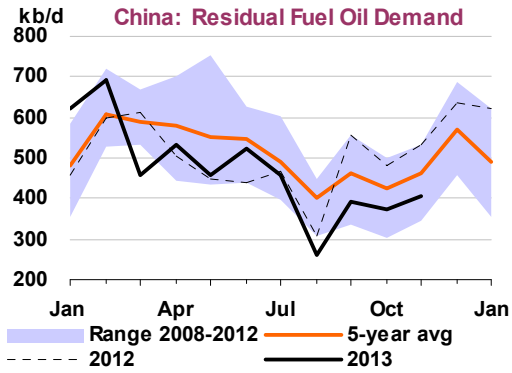
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	764	787	815	23	27	3.0	3.5
Naphtha	1,004	1,098	1,161	94	63	9.4	5.8
Motor Gasoline	1,967	2,103	2,222	136	119	6.9	5.6
Jet Fuel & Kerosene	435	469	498	34	29	7.9	6.2
Gas/Diesel Oil	3,409	3,362	3,461	-47	100	-1.4	3.0
Residual Fuel Oil	504	473	489	-31	16	-6.1	3.4
Other Products	1,737	1,823	1,838	86	15	4.9	0.8
Total Products	**9,820**	**10,116**	**10,485**	**295**	**369**	**3.0**	**3.6**





Excluding stock changes, the November Chinese demand estimate would have been even lower. China's National Bureau of Statistics reported that product stocks drew in November for the fifth consecutive month, with the reported reductions in gasoil/diesel inventories proving particularly pronounced. Overall gasoline provided the greatest support to the apparent demand estimate in November, but failed to offset steep declines seen in gasoil and fuel oil. Relatively weak Chinese demand for industrial fuels seems consistent with reports of stuttering manufacturing sentiment. HSBC's Chinese Manufacturing Purchasing Managers' Index (PMI) edged down to 50.8 in November, barely above the key 50-threshold delineating expansion from contraction.

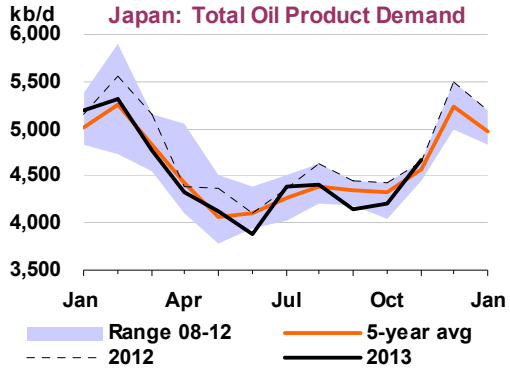


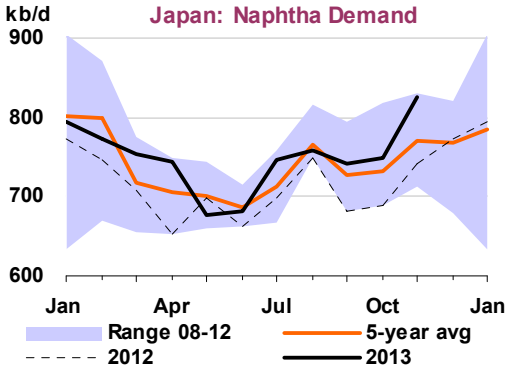


This leaves growth for the year as a whole at around 3.0%, with Chinese demand now thought likely to average roughly 10.1 mb/d in 2013. For 2014, demand is forecast to rise by 3.6%, as stronger growth is anticipated supported by the addition of two new refineries and relatively robust crude import figures. Chinese New Year celebrations, in early-February, will likely provide an additional 1Q13 fillip.

Japan

Unusually strong petrochemical use lifted the Japanese demand estimate to an eight-month high in November, with naphtha and LPG leading the gains. Economic recovery also supported rising demand across the domestic transportation fuel market, with both diesel and gasoline demand up y-o-y. Overall demand figures are expected to show contraction of around 3.7% for 2013 as a whole, with a similarly-sized decline forecast for 2014, led by reduced oil demand for power generation.





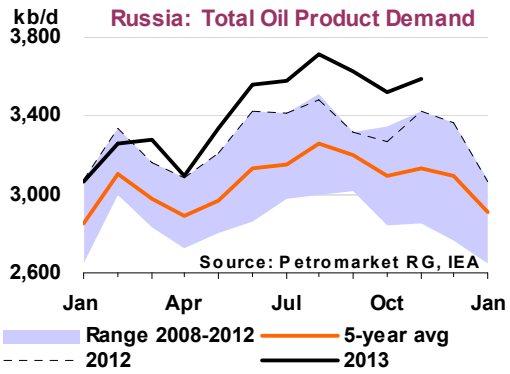
Russia

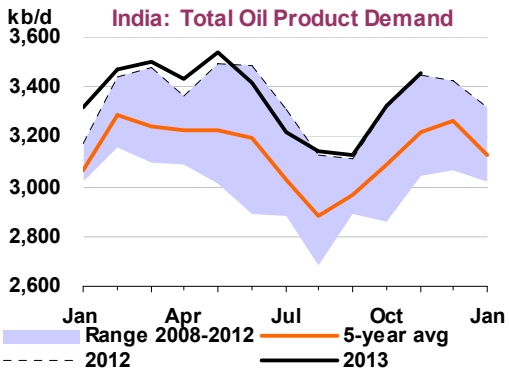
With the pre-Sochi Olympic demand-support proving stronger than first expected, estimates for November have been revised upwards by 75 kb/d, to 3.6 mb/d, in line with the above-5% y-o-y growth rate prevalent since mid-year. Demand growth for 2013 as a whole is estimated at 4.1%, supported by particularly strong gains in in residual fuel oil and 'other product' categories. Although a slowdown in momentum is forecast for 2014, a still robust 2.9% expansion is foreseen, to roughly 3.5 mb/d.

Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	378	378	392	0	13	0.0	3.5
Naphtha	302	318	325	16	7	5.2	2.1
Motor Gasoline	813	830	846	17	16	2.0	1.9
Jet Fuel & Kerosene	270	281	289	11	8	4.0	2.9
Gas/Diesel Oil	627	611	621	-16	10	-2.6	1.6
Residual Fuel Oil	303	331	343	28	12	9.1	3.6
Other Products	600	681	713	81	32	13.6	4.7
Total Products	**3,295**	**3,431**	**3,529**	**136**	**98**	**4.1**	**2.9**

Source: Petromarket RG, IEA





India

Weak demand for gasoil/diesel, the mainstay of India's oil market, likely capped Indian demand growth at around 0.6% for 2013. Growth in November remained below 1% y-o-y for the sixth consecutive month. India's recent economic travails, compounding the impact of recent diesel price increases as the government curbs price subsidies, have led the downside momentum. Industrial production fell by 2.1% in November, its weakest performance since May, while consumer confidence, as tracked by Nielsen, eased to its lowest level in more than three years. After the recent soft patch, Indian oil demand growth is forecast to accelerate to 2.4% in 2014 as the underlying macroeconomic picture recovers, with GDP growth of above 5% forecast by the International Monetary Fund (IMF) in 2014.

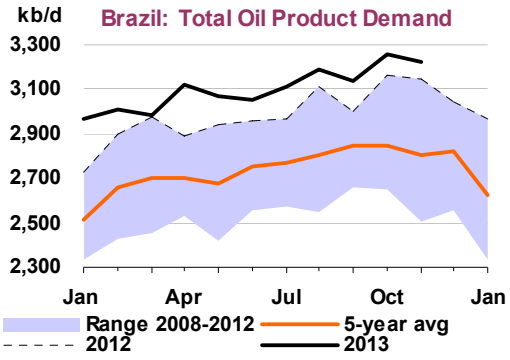
India: Demand by Product

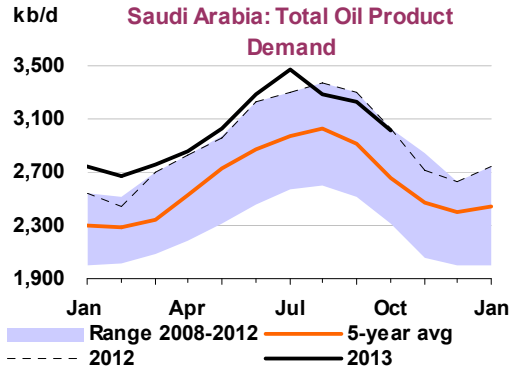
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	493	502	525	9	24	1.8	4.7
Naphtha	293	294	295	1	1	0.5	0.4
Motor Gasoline	371	404	422	33	18	9.0	4.4
Jet Fuel & Kerosene	275	271	272	-5	1	-1.7	0.3
Gas/Diesel Oil	1,372	1,377	1,401	5	24	0.3	1.8
Residual Fuel Oil	195	167	167	-28	1	-14.5	0.3
Other Products	348	352	364	5	11	1.3	3.2
Total Products	**3,347**	**3,367**	**3,447**	**20**	**80**	**0.6**	**2.4**

Brazil

Brazilian demand expanded by roughly 80 kb/d y-o-y to 3.2 mb/d in November, a slower pace of growth than seen in recent months as the domestic economy goes through something of a soft spot. At 2.6%, November's y-o-y growth is its weakest gain since March 2013. Manufacturing sentiment remains stuck in 'contracting' territory according to data from HSBC/Markits. A refinery fire in the southern state of Parana, at the end of November, could also curb December deliveries as supplies tighten. For 2013 as a whole, growth is projected at around 4.0%, to 3.1 mb/d, unchanged on last month's *Report*. Demand growth is forecast to slow in 2014, to +2.9% (to 3.2 mb/d), as the sharp gains in gasoline seen in 2013 (+5%) are unlikely to be repeated in 2014.





Saudi Arabia

October data came out in-line with expectations for the month, with demand contracting in both m-o-m and y-o-y terms. An expected dip in the crude oil burn, due to seasonally reduced Saudi Arabian cooling demand, explains the m-o-m contraction. The y-o-y drop, meanwhile, mirrored a general power-sector switch that has been observed away from oil to natural gas. October's 0.3% y-o-y dip in oil demand marks the third consecutive such monthly decline, hence the flatter demand trend that is now projected

for 2013 as a whole (+2.0%, to 3.0 mb/d) after 2012's near-5% gain. Saudi Arabian demand momentum should, however, pick up again in 2014, supported by a stronger domestic economic backdrop, though growth is not expected to return to earlier highs.

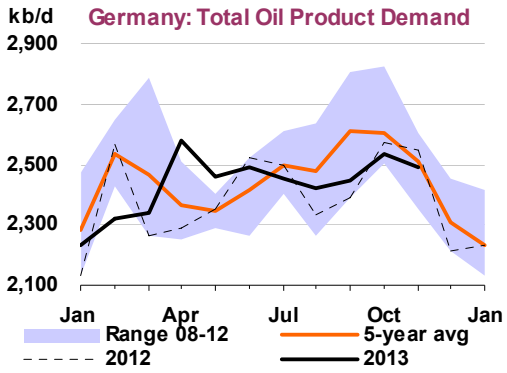
Saudi Arabia: Demand by Product

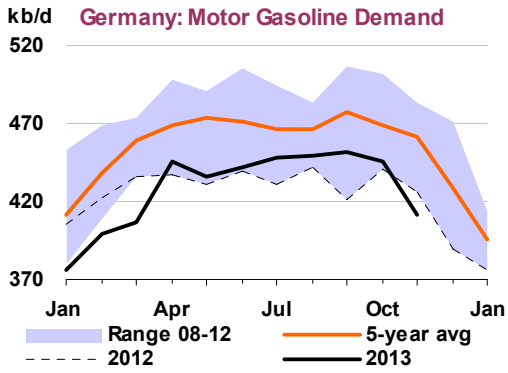
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	639	668	697	28	29	4.4	4.4
Naphtha	51	51	52	0	1	0.0	2.0
Motor Gasoline	482	506	529	24	23	5.0	4.6
Jet Fuel & Kerosene	69	75	77	6	3	8.3	3.6
Gas/Diesel Oil	718	726	735	7	10	1.0	1.3
Residual Fuel Oil	308	337	340	28	3	9.2	0.9
Other Products	654	618	641	-36	23	-5.5	3.7
Total Products	**2,922**	**2,980**	**3,072**	**58**	**92**	**2.0**	**3.1**

Germany

Despite continued signs of strength in the German manufacturing sector and of improving consumer confidence, overall German oil demand remained on a downward sloping path in both October and November. Industrial production surged by 3.5% in November, its fourth consecutive gain in the pace of growth, while consumer confidence, as measured by the GfK Group, rose to +7.1 in November, compared to a long-term average of zero.

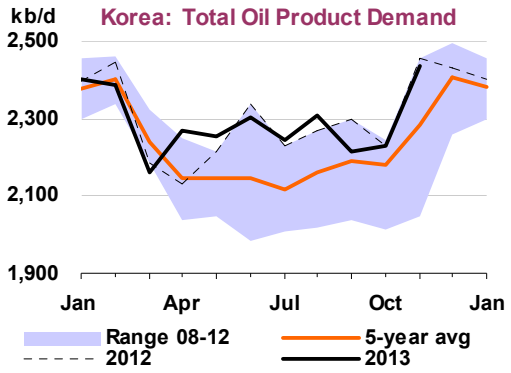


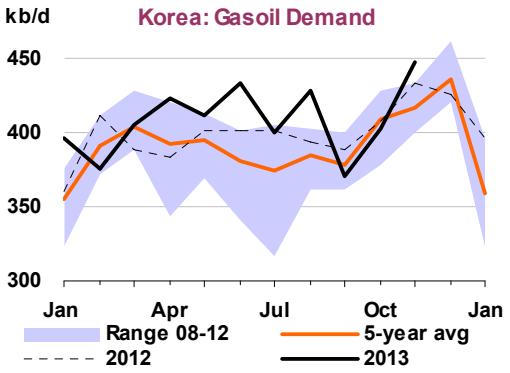


The aggregate decline in German oil demand in November concealed contrasting trends across the barrel, with gains in industrial fuels such as naphtha and fuel oil offset by declines in gasoline and jet/kerosene. Relatively warm early-winter temperatures dampened heating oil use. Although 2013 as a whole will likely see a net increase in German oil deliveries, growth looks set to flatten out in 2014 as the ongoing trend towards more efficient oil use offsets the diminishing impact of a post-recessionary bounce in demand.

Korea

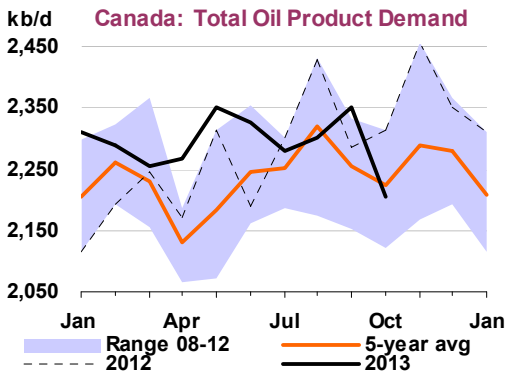
South Korean demand in November averaged around 2.4 mb/d, more than 95 kb/d above month earlier expectations. Demand was buoyed by an exceptionally steep seasonal uptick in gasoil/diesel deliveries, as manufacturing sentiment indicators imply a semblance of confidence returning after a mid-year hiatus. Strong m-o-m gains were seen across most industrial fuels, including LPG, naphtha and fuel oil, in line with stronger-than-expected manufacturing activity.

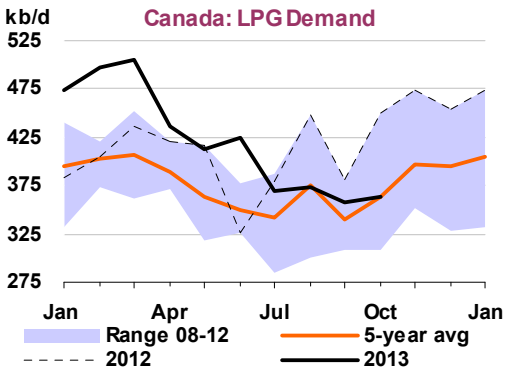




Canada

Relatively mild early-winter weather kept Canadian demand relatively muted around 2.2 mb/d in October, equivalent to a contraction of 4.7%. The revised October demand assessment is 50 kb/d below last month's forecast. LPG, fuel oil and the 'other products' categories led the contraction, offsetting gains in transportation fuels. For 2013 as a whole, we now estimate Canadian growth at around 0.6% and forecast a modest acceleration in 2014 as the underlying macroeconomic backdrop improves.



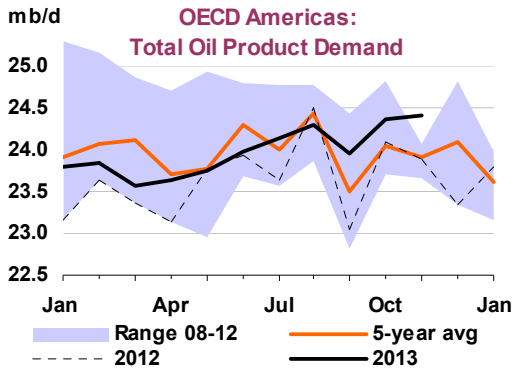


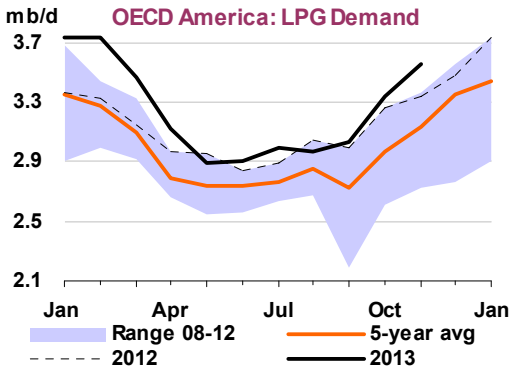
OECD

Oil demand growth in the OECD departed from recent trends, swinging back into positive territory in a sustained fashion from mid-2013 for the first time since 2010, when growth was largely attributable to a one-off, post-recessionary bounce. In fact, not since 2005 has OECD demand shown genuine growth. Things seem to have changed as of mid-2013, but growth may again prove relatively short-lived. Firstly, the positive impetus from Europe's post-recessionary bounce will likely start to fade in 2014. Secondly, OECD Asia Oceania is likely to be a strongly negative net contributor in 2014 as earlier support from the Japanese electricity sector will taper and even reverse. The possibility of stronger demand growth from the OECD Americas offers some risk to the upside, although this is not something we are currently predicting on anything more than a tentative scale.

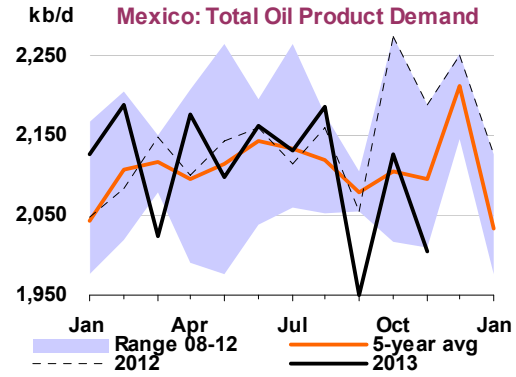
Americas

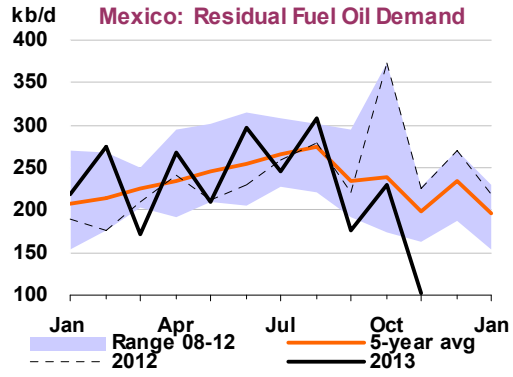
Oil demand expanded by an estimated 2.2% in OECD Americas in November, according to preliminary data, its third consecutive month with growth of more than 1% y-o-y. The region's turn to a stronger demand path reflects a mix of industrial and transportation fuel demand. For 2013 as a whole, we estimate growth at around 1.6% (or 375 kb/d), led by strong gains in petrochemical-driven US LPG demand. Total growth is forecast to slow to around 0.4% in 2014, as the majority of the possible short-term gains in petrochemical demand have already occurred, with further strong growth unlikely until the next swathe of petrochemical capacity comes on-line, post-2014.





Mexican oil demand, at roughly 2.0 mb/d in November, came out 130 kb/d below month earlier projections, due largely to lower-than-expected fuel oil deliveries. Having been as high as 300 kb/d in August, fuel oil demand slipped to 105 kb/d in November, the lowest level on record (based on data going back to the 1970s). Low power-sector requirements and an ailing industrial backdrop combined to curb fuel oil demand. Although both power demand and industrial activity may recover in 2014 amid stronger economic conditions, Mexican oil demand is likely to remain constrained as the impact from the series of monthly price hikes seen in 2013 filters through.





Europe

Having rebounded strongly in 3Q13, European oil consumption likely edged lower again in 4Q13 (down 0.5% or by 70 kb/d) as the stimulus provided by the post-recessionary bounce weakened. Europe's weak economic performance in 4Q13 is unlikely to support a rising y-o-y demand trend. The relatively shallow dip in European demand projected for 4Q13 marks a significant slowdown from the average per annum contraction of roughly 2.4% seen 2008-2012.

Asia Oceania

Preliminary November data point towards a 0.2% fall in OECD Asia Oceania demand y-o-y. Although still negative, this is the highest relative y-o-y performance since April, due to stronger demand numbers for both Japan and Korea. Petrochemical demand in both countries was robust in November. For 4Q13 as a whole, however, a decline rate of around 1.8% (or -160 kb/d) is projected, reflecting both a much weaker performance of OECD Asia Oceania demand for October (falling 2.9% y-o-y) and the expectation of another steep decline for December. For 2013 as a whole a drop of around 2.3% is forecast, followed by a further decline of 1.7% in 2014.

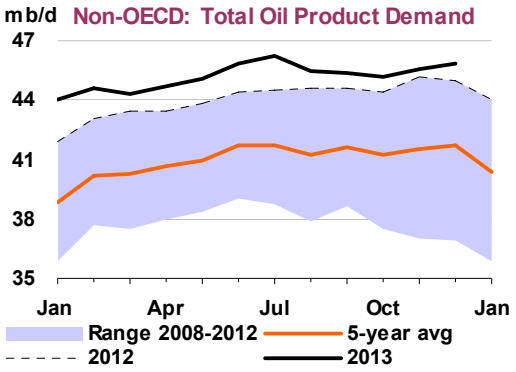
OECD Demand based on Adjusted Preliminary Submissions - November 2013
(million barrels per day)

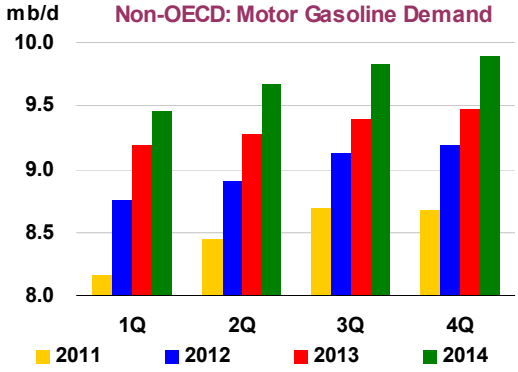
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.50**	**3.5**	**1.70**	**3.2**	**4.55**	**2.0**	**0.61**	**-9.0**	**0.55**	**-25.4**	**6.49**	**4.56**	**24.40**	**2.2**
US50	8.85	4.2	1.47	5.5	3.65	3.6	0.25	-23.8	0.28	-10.7	4.94	9.7	19.44	4.8
Canada	0.74	0.9	0.12	-14.3	0.29	-3.4	0.29	15.5	0.05	-37.1	0.80	-15.5	2.30	-6.5
Mexico	0.77	-2.1	0.06	0.0	0.39	-5.3	0.05	-20.1	0.10	-54.1	0.63	-1.7	2.00	-8.4
OECD Europe	**1.86**	**-3.5**	**1.15**	**-0.2**	**4.46**	**-0.4**	**1.67**	**-7.7**	**0.96**	**-8.7**	**3.45**	**0.9**	**13.55**	**-2.1**
Germany	0.41	-3.4	0.17	-2.6	0.75	0.3	0.40	-16.3	0.14	2.4	0.62	5.7	2.49	-2.3
United Kingdom	0.31	-3.4	0.31	-0.4	0.47	-2.2	0.12	-2.3	0.04	-9.3	0.24	15.3	1.49	0.2
France	0.14	-10.8	0.15	0.5	0.66	-6.5	0.28	-5.0	0.06	-8.7	0.32	-5.4	1.61	-5.9
Italy	0.20	-6.0	0.08	5.2	0.41	-4.1	0.11	-5.6	0.08	-24.7	0.35	-2.8	1.23	-5.3
Spain	0.10	-1.9	0.09	5.3	0.42	0.7	0.18	2.9	0.16	-10.9	0.26	-10.3	1.22	-3.0
OECD Asia & Oceania	**1.61**	**-0.2**	**0.97**	**-1.3**	**1.33**	**2.8**	**0.55**	**-2.6**	**0.73**	**-13.1**	**3.50**	**2.5**	**8.69**	**-0.2**
Japan	0.97	0.5	0.61	-1.9	0.47	6.6	0.41	-1.2	0.42	-17.3	1.80	5.7	4.67	0.6
Korea	0.20	0.4	0.17	-5.6	0.31	3.7	0.14	2.1	0.25	-5.3	1.36	-0.8	2.44	-0.8
Australia	0.32	-2.0	0.14	6.5	0.44	-1.6	0.00	0.0	0.03	-18.0	0.25	-0.5	1.18	-1.0
OECD Total	**13.96**	**2.0**	**3.83**	**1.0**	**10.34**	**1.1**	**2.83**	**-7.0**	**2.24**	**-14.8**	**13.44**	**3.0**	**46.64**	**0.5**

* Including US territories

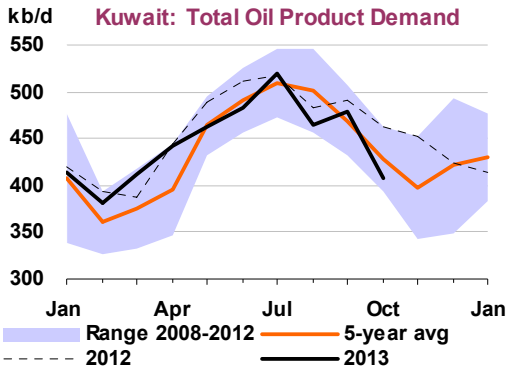
Non-OECD

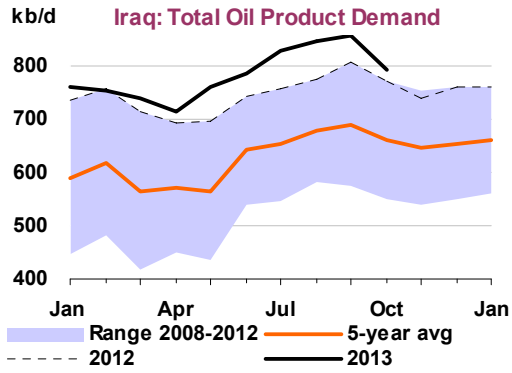
Despite signs of a recovery in OECD demand growth, the non-OECD region remains by far the main engine of global oil demand growth. Having expanded by 1.5 mb/d in 2012, non-OECD demand is estimated to have grown at a more modest 1.2 mb/d in 2013, to 45.2 mb/d. Growth is forecast to accelerate again in 2014, with incremental demand projected at 1.4 mb/d. The apparent slowdown of 2013 was partly attributable to currency-related issues, which not only reduced the potential income of many nations but also in some cases put additional pressure on price subsidies to be reduced. Continued efforts to diversify power demand away from oil, particularly in the Middle East, also played a role.



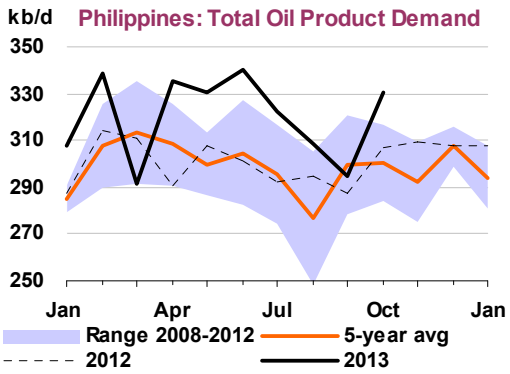


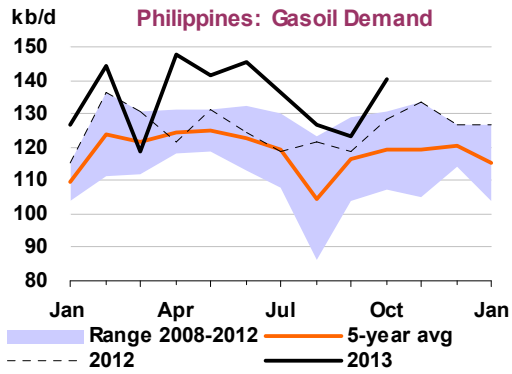
Middle Eastern demand has come in below expectations in recent months, as a seasonal drop in oil use was compounded by weaker-than-previously-anticipated economic activity in some countries. Weak industrial demand saw **Kuwaiti** demand at roughly 0.4 mb/d in October, its lowest level since February and 65 kb/d below the estimate carried in last month's *Report*, with demand of all of the main product categories down in y-o-y terms. The latest **Iraqi** demand data continues to imply a post-summer lull, with October demand falling to a four-month low and 25 kb/d below the forecast carried in last month's *Report*. Ongoing political turmoil in the country seems to keep demand growth somewhat more muted than would otherwise have been the case, with an average per annum gain of 5.4% forecast for 2013, below the 6.0% projection carried last month. Overall, Middle Eastern oil demand growth is forecast to remain below 3% in 2014, as still rapid transportation fuel demand growth conflicts with reductions in power sector oil needs. Confirming this forecast trend were reports from Dubai that the Dubai Electricity and Water Authority (DEWA) has increased its total budget for 2014 (roughly $5.5 billion, versus $3.7 billion in 2013), with more than 30% intended for equipment purchases and capacity expansions. In consideration are efforts to expand clean coal and solar power capacity.





Demand for oil products in the **Philippines** came in at roughly 330 kb/d in October, 7.8% up on the year earlier and 35 kb/d above our month earlier forecast, as relatively strong economic conditions supported additional use of gasoil and gasoline. Demand for gasoil/diesel, came in at roughly 140 kb/d in October, equivalent to a rise of 9.3% y-o-y as industrial output figures from the National Statistics Office of the Philippines showed an 18.2% y-o-y gain. The forecast for 2013 as a whole remains relatively unchanged, at 315 kb/d, as higher October demand likely offset typhoon effects in November. An additional 10 kb/d (or +3.0%) are then forecast as being added in 2014, taking total oil demand in the Philippines up to an average of around 325 kb/d, underpinned by the IMF's forecast of 6.0% GDP growth for the year.





Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2Q13	3Q13	4Q13	3Q13	4Q13	3Q13	4Q13
Africa	3,826	3,713	3,776	87	55	2.4	1.5
Asia	21,717	21,405	21,890	438	84	2.1	0.4
FSU	4,511	4,841	4,855	223	246	4.8	5.3
Latin America	6,600	6,735	6,726	219	153	3.4	2.3
Middle East	7,865	8,310	7,590	151	105	1.9	1.4
Non-OECD Europe	683	691	707	27	30	4.1	4.4
Total Products	**45,203**	**45,695**	**45,543**	**1,145**	**672**	**2.6**	**1.5**

SUPPLY

Summary

- **Global supplies fell by a marginal 25 kb/d month-on-month (m-o-m) in December to 92.23 mb/d,** with a decline of 335 kb/d in non-OPEC liquids nearly offset by a 310 kb/d rise in OPEC crude output. Compared with a year ago, December production stood 1.16 mb/d higher, led by a surge in non-OPEC supply of 1.63 mb/d and a drop of 535 kb/d in OPEC crude supplies.

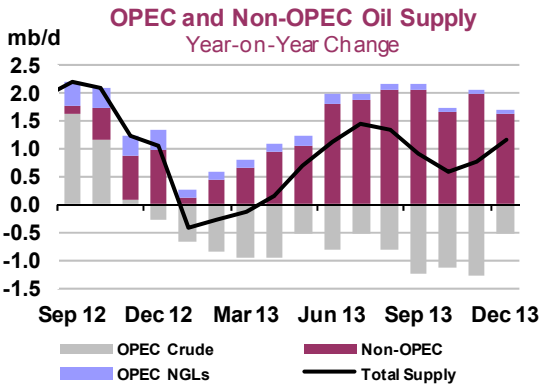
- **For 2013 as a whole, global supplies grew by 605 mb/d to an average 91.57 mb/d**, with non-OPEC growth of 1.35 mb/d more than offsetting a decline of 860 kb/d in OPEC crude. Non-OPEC total liquids supply is forecast to grow by 1.7 mb/d in 2014.

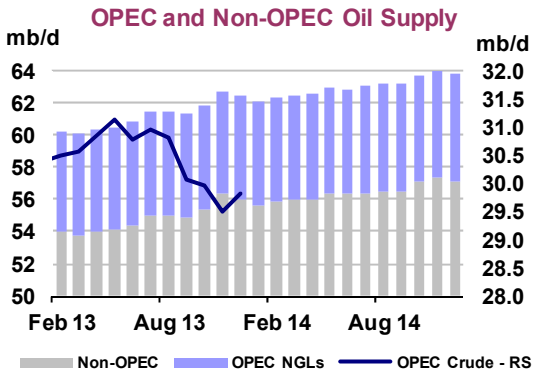
- **Non-OPEC supplies in December fell by 335 kb/d m-o-m, to 55.99 mb/d,** as global biofuels experienced a seasonal decline of 420 kb/d, partly offset by a 150 kb/d increase in crude oil production. NGL production was essentially flat.

- **US crude oil production exceeded 8 mb/d in November for the first time since 1988.** The growing volumes of light tight oil that cannot leave North America are increasingly posing a challenge to industry, putting the spotlight on the US crude oil export ban.

- **OPEC crude oil supply edged higher in December, reversing four months of decline.** December production increased by 310 kb/d to 29.82 mb/d, led by Saudi Arabia and the UAE. Iraq was the only member to post a monthly decline. Beleaguered Libya saw a modest rise in December, amid government expectations of an imminent recovery in oil output.

- **The 'call on OPEC crude and stock change' was raised by 100 kb/d to 29.0 mb/d for 1Q14** and by 200 kb/d to 29.4 mb/d for full-year 2014 on an upward revision to global oil demand.





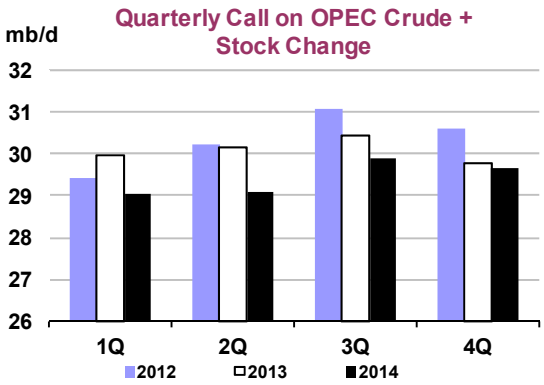
All world oil supply data for December discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary December supply data.

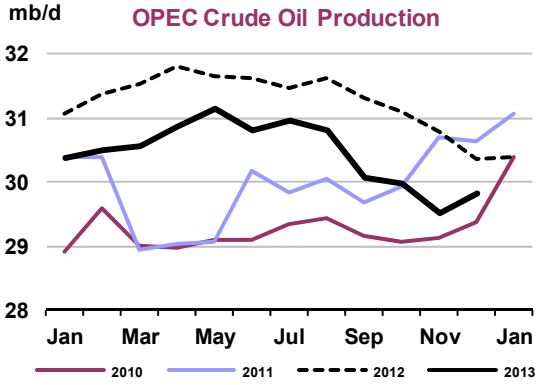
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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.

OPEC Crude Oil Supply

OPEC crude oil supply edged higher in December, reversing four months of declines. December production increased by 310 kb/d to 29.82 mb/d, largely due to higher output from Saudi Arabia and the UAE. Iraq was the only member to post a monthly decline. Beleaguered Libya saw a very modest rise in December, contrary to government expectations at the time of an imminent recovery in oil output. November production was adjusted lower by 215 kb/d on a downward revision to Angolan output.

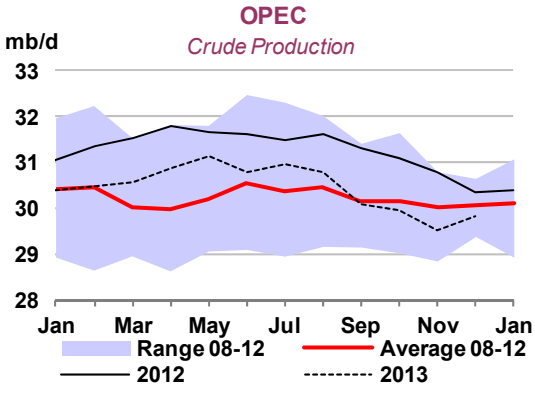
The 'call on OPEC crude and stock change' was raised by 100 kb/d to 29.0 mb/d for 1Q14 and by 200 kb/d to 29.4 mb/d for full-year 2014 on an upward revision to global oil demand. OPEC's 'effective' spare capacity in December was estimated at 3.33 mb/d versus 3.37 mb/d in November.





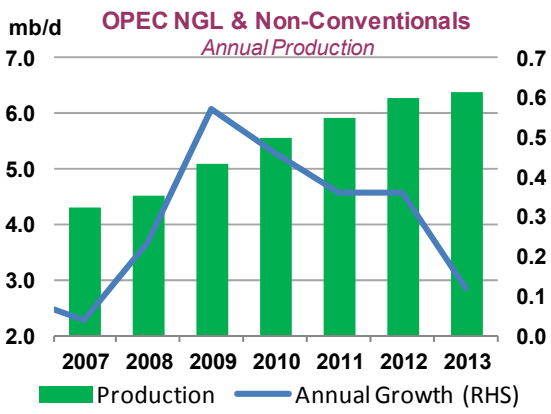
For full-year 2013, preliminary data show OPEC crude output declined by a collective 860 kb/d to average 30.44 mb/d, with steeply lower production from embattled Libya and sanctions-hit Iran accounting for the bulk of decline. Saudi Arabia's annual crude output edged downwards by 110 kb/d year-on-year (y-o-y), albeit from elevated year-earlier levels, to an average 9.68 mb/d. Iraqi supply growth fell short of expectations at 120 kb/d, to 3.07 mb/d, due to continued operational and export constraints in the southern region of the country and a protracted dispute between Baghdad and the northern Kurdistan Regional Government (KRG) over constitutional issues related to resources and revenues. The UAE and Kuwait were the only other countries to raise output last year, up by a combined 180 kb/d *(see table below)*.

OPEC's crude production reached a monthly peak of 31.1 mb/d in May before trending lower for the remainder of the year, in line with the steady erosion in Libyan production. The deteriorating political situation and security problems between the central government in Tripoli and various tribal factions across the country led to paralysing protests at oilfields and export terminals, especially in the eastern region of the country. Libyan oil supplies tumbled from a high of 1.42 mb/d in April to just 230 kb/d by December. On average, Libyan output declined by 490 kb/d y-o-y to 900 kb/d in 2013.



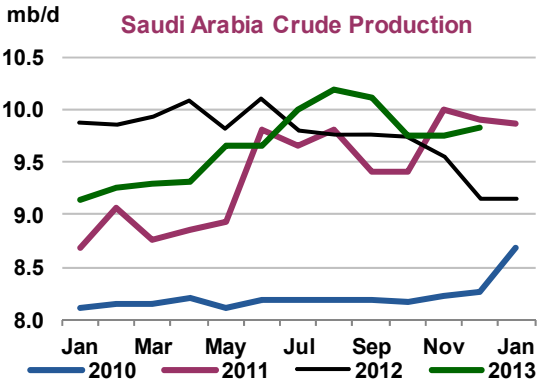
Iranian supplies continued to contract in 2013, off by 320 kb/d to 2.68 mb/d. The wide-ranging sanctions on Iran's financial, oil and shipping sectors have combined to reduce the country's output by just under 1 mb/d since 2011. The prospect of a diplomatic thaw between Iran and the international community improved in 4Q13 but any significant return of oil to world markets will likely depend on the success of current negotiations between Tehran and the so-called P5+1 , *i.e.* the five permanent members of the UN Security Council, Germany and the European Union.

Meanwhile, OPEC NGLs continued on an upward trend in 2013 with increased supplies from the UAE, Kuwait, Qatar and Saudi Arabia only partially offset by declines in Iran, Libya and Nigeria. OPEC NGL supplies, including non-conventionals, rose by 120 kb/d to 6.4 mb/d on average in 2013.



Saudi crude oil production rose by 75 kb/d in December, to 9.82 mb/d. Actual crude supplied to the market was up an even sharper 450 kb/d to 9.9 mb/d from November's 9.45 mb/d, according to Saudi officials. Robust customer demand was behind the increase in supplies, with above-production volumes sourced from stocks.

Indeed, Saudi Aramco is moving apace with its planned expansion of crude oil production capacity, which includes the Shaybah field. In addition to the ongoing ramp up since April 2013 of output from the 900 kb/d offshore heavy oil Manifa field, the company announced that contracts were signed for the engineering and construction of the Shaybah Arabian Extra Light Crude Increment Project, with aims to raise crude capacity by 250 kb/d to 1 mb/d by April 2016. The contract for the expansion of Shaybah's central processing facility was awarded to South Korea's Samsung Engineering while upgrading work for the project's power plant went to China's Shandong Electrical Power Construction. Remaining contracts are scheduled to be awarded by end-January. The crude increment project is part of the Shaybah NGL Recovery Program, which will produce 2.4 bcf/d of natural gas and 240 kb/d of NGL (ethane, which is included in our NGL data), and includes nine other major contracts that are scheduled for completion by the end of 2014. The front-end engineering and design (FEED) contract for the 300 kb/d expansion of the Khurais crude increment program was awarded last year to Foster Wheeler and is expected to be completed by 2Q14. The additional 300 kb/d capacity of the Khurais Central Processing is expected to be operational in 2017.



OPEC Crude Production

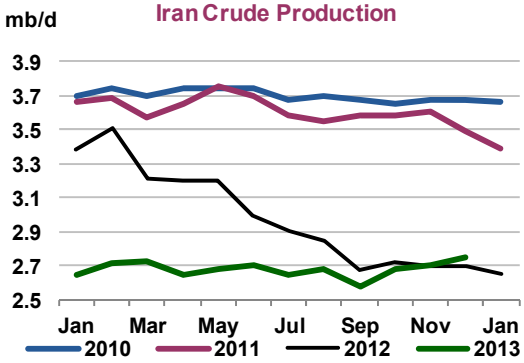
(million barrels per day)

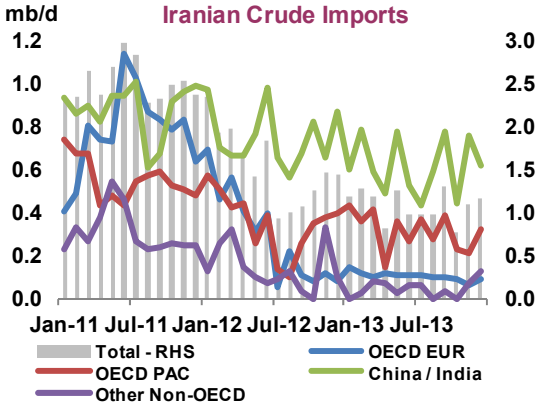
	Oct 2013 Supply	Nov 2013 Supply	Dec 2013 Supply	Sustainable Production Capacity[1]	4Q13 Spare Capacity vs Dec 2013 Supply	2013 Crude Supply	OPEC Supply 2013 vs 2012
Algeria	1.14	1.13	1.15	1.20	0.05	1.15	-0.02
Angola	1.70	1.59	1.62	1.80	0.18	1.72	-0.07
Ecuador	0.52	0.52	0.53	0.53	0.00	0.51	0.01
Iran	2.68	2.71	2.75	2.90	0.15	2.68	-0.32
Iraq	3.03	3.10	3.07	3.20	0.13	3.07	0.12
Kuwait[2]	2.78	2.78	2.81	3.00	0.19	2.81	0.07
Libya	0.45	0.22	0.23	1.40	1.17	0.90	-0.49
Nigeria[3]	1.92	1.89	1.92	2.00	0.08	1.95	-0.15
Qatar	0.73	0.72	0.72	0.75	0.03	0.73	-0.01
Saudi Arabia[2]	9.75	9.75	9.82	12.40	2.58	9.66	-0.12
UAE	2.78	2.66	2.76	2.90	0.14	2.76	0.11
Venezuela[4]	2.49	2.46	2.44	2.60	0.16	2.49	0.00
Total OPEC	**29.96**	**29.51**	**29.82**	**34.68**	***4.86***	***30.44***	***(0.86)***
(excluding Iraq, Nigeria, Libya and Iran)					***3.33***		

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 360 kb/d in December.

Iranian crude oil production edged higher in December, up by 40 kb/d to 2.75 mb/d, against a backdrop of diplomatic activity aimed at halting Iran's nuclear development plans. Imports of Iranian crude were only modestly higher in December, up by an estimated 50 kb/d to 1.15 mb/d, versus an upwardly revised 1.1 mb/d estimate for November, latest data show. Preliminary data for full-year 2013 show imports of Iranian crude and condensate declined by 450 kb/d year-on-year, to 1.07 mb/d compared with 1.52 mb/d on average in 2012 (when major US and EU sanctions came into effect) and 2.42 mb/d in 2011. Import estimates are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.

Negotiations between Iran and the P5 +1 (the US, UK, Russia, China, France and Germany, plus the European Union) moved forward in early January with the unveiling of a detailed "joint plan of action" (JPA) to freeze Iran's nuclear programme for six months, while a more comprehensive long-term agreement is negotiated. Initially sketched in November, the JPA was scheduled to take effect on 20 January, with the UN's nuclear monitoring arm, the International Atomic Energy Agency (IAEA), tasked with verifying that Iran adheres to its part of the interim deal, i.e. a temporary freeze on key nuclear activities. The P5+1, in return, are slated to release approximately $4.2 billion in seized assets held in Western banks in monthly instalments.





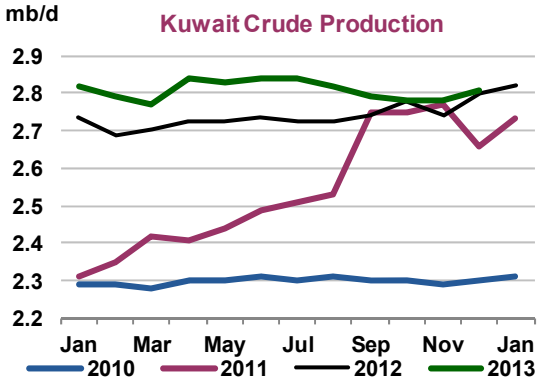
While the interim JPA also calls for an easing of sanctions affecting the insurance and reinsurance market for tankers and crude oil cargoes, the ban on crude oil exports remains in place. The relaxation in tanker insurance provisions in the current sanctions regime may lead to small increases in Iranian crude exports to existing customers in the short-term. While the six-month interim agreement has been hailed as a diplomatic breakthrough, analysts caution that the most difficult issues have yet to be addressed as part of a broader, long-term agreement, the success of which is far from assured.

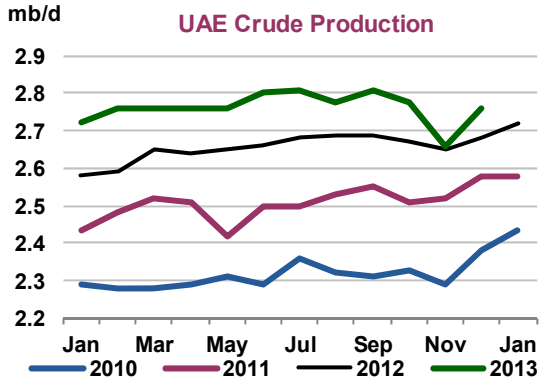
Meanwhile, some recent press reports have claimed that Moscow was in the process of agreeing a barter arrangement with Tehran to swap 500 kb/d of Iranian crude for Russian goods and services. If confirmed, the deal could derail negotiations between the P5+1 and Iran, and upend relations with the EU and the US.

Kuwaiti production edged upwards by 30 kb/d to 2.81 mb/d in December, with full-year 2013 output up by 70 kb/d year-on-year, also to 2.81 mb/d. Increased drilling and continued debottlenecking at the Mina al Ahmadi oil terminal are behind the rise. **Qatar** output was unchanged at 720 kb/d in December and an average 730 kb/d for full-year.

Production from the **UAE** rebounded 100 kb/d in December, to 2.76 mb/d, following the completion of extensive field maintenance. Full-year UAE output rose by 110 kb/d to an average 2.76 mb/d on increased capacity at smaller onshore fields. The company is also currently developing several smaller onshore fields. The UAE plans to raise capacity from around 2.9 mb/d currently to 3.5 mb/d by 2017.

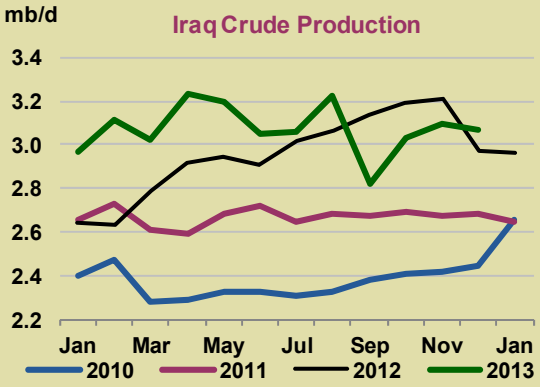
The UAE formally ended its 75-year old concession agreements with international oil companies BP, ExxonMobil, Shell, France's Total and Portugal's Partex as previously announced, with state-owned Abu Dhabi National Oil Company (ADNOC) becoming the sole shareholder of its onshore operating subsidiary Adco. The Abu Dhabi government-owned ADNOC had a 60% interest in Adco, with BP, ExxonMobil, Shell and Total holding 9.5% each and Partex 2%. The award of new contracts for the concessions has been a protracted process, with a decision on new partners not expected for another year. ADNOC has invited 10 companies, including former partners and Rosneft, ENI, Statoil, South Korea's KNOC and CNPC. Ultimately the final decisions on new concessions is made by the Emirates Supreme Petroleum Council, chaired by UAE President and Abu Dhabi ruler Sheikh Khalifa bin Zayed.





Iraq's Fortunes Held Hostage to North-South Divide

Iraq's crude oil production and exports were well below official targets in 2013, undermined by chronic operational and technical issues as well as a worsening security situation in the central and northern regions of the country, which looks likely to continue in to 2014. Baghdad had been aiming for a rise to 3.5 mb/d by the end of 2013 following the installation of new export facilities in the south, but the underperforming assets were in large part behind the meagre 120 kb/d increase in crude oil output to just 3.07 mb/d in 2013. Work on the southern ports continue to face delays. The installation of new metering and a manifold platform at two loading berths at the Basrah terminal was completed in the autumn but work at the other two berths is still ongoing. More extensive work is needed at two of the four single point moorings (SPMs), which includes relieving pressure problems related to the delayed installation of gas-fuelled turbine pumps, and is not expected to be completed until the end of 1Q14 at the earliest. Given the formidable scope of the technical, security and political challenges that still need to be overcome, industry analysts expect Iraq to increase production by only 200 kb/d to 300 kb/d this year.



Iraqi production in December fell by 25 kb/d to 3.07 mb/d, largely due to continued attacks on pipelines and technical maintenance disrupting supplies in the northern region. Crude oil exports fell by 40 kb/d to 2.34 mb/d. Basrah exports were up a modest 10 kb/d to 2.08 mb/d as weather-related delays at southern ports in the Gulf constrained liftings. Northern exports of Kirkuk crude declined by around 50 kb/d to 252 kb/d, with volumes constrained by repeated attacks on the northern Ceyhan-Kirkuk pipeline as well as the continued suspension of crude exports from the KRG region to the line stemming from ongoing payment and contract disputes between Irbil and Baghdad.

Much to the chagrin of the central government in Baghdad, the KRG continues to tout plans to independently export Kurdish crude oil to the Ceyhan terminal on Turkey's Mediterranean coast. KRG production was estimated at 200 kb/d in December, with roughly half exported by truck and the remaining 100 kb/d refined locally at new 'tea pot' refineries, with the products reportedly trucked to Turkey.

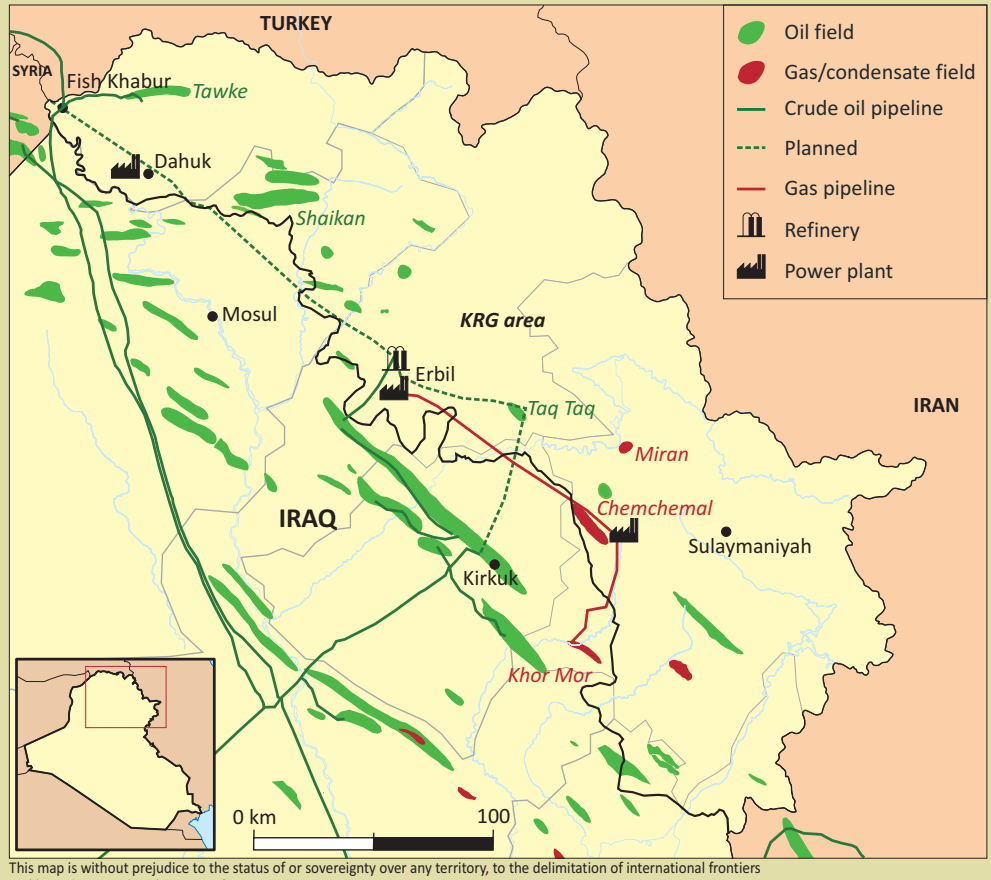
Iraq's Fortunes Held Hostage to North-South Divide (Continued)

Despite a loud chorus of official statements by the KRG reporting the imminent export via the new 300 kb/d pipeline that ties into the Iraq-Turkey pipeline (ITP) at Fishkabur, uncertainty surrounds the outlook given significant political and logistical hurdles. Baghdad has publicly warned Irbil, Ankara and potential customers that any exports are a serious violation of the country's constitution and stated that the State Oil Marketing Organisation (SOMO) has exclusive rights to sell crude from Iraq, including Kurdistan. Caught in the middle of the dispute between Baghdad and the KRG, Turkey has said it would honour Iraq's constitution. The parties involved all have differing interpretations of the antiquated post-war constitution dealing with the oil and gas sector and the stalled new federal hydrocarbons law intended to replace existing legislation dating from the era of Saddam Hussein. Iraqi parliamentary elections in April may provide an opportunity to resolve various disputes over control of resources, exports and revenues.

The KRG also appears overly optimistic regarding the readiness of the pipeline to deliver Kurdish oil to international markets. Reports suggest that there are a number of technical issues that must be resolved before exports can commence and pipeline testing has only gone as far as the border with Turkey. State pipeline company Botas is reportedly still repairing and renovating the small 40-inch pipeline of the twin ITP system designated to carry KRG oil to Ceyhan. Kirkuk crude moves through the larger parallel 46-inch line. The KRG stated in early January that crude oil was flowing through the controversial pipeline, and exports were on track to start at the end of January but given technical issues this appears remote in the short term. The Kurdistan Oil Marketing Organisation (KOMO) has, nevertheless, invited bidders for the shipments.

Diplomatic overtures continued in January but a resolution to the long-running dispute between Baghdad and the KRG is not expected before April's parliamentary elections in Iraq. Some analysts argue that Prime Minister Nouri al-Maliki may use KRG exports as a carrot for Kurdish support in forming a new government, especially in the wake of the worsening security crisis across the country. However, others argue this is unlikely given the poisonous relation between Prime Minister Maliki and KRG president Barzani, so the latter may be holding out for a change in the country's political leadership in April.

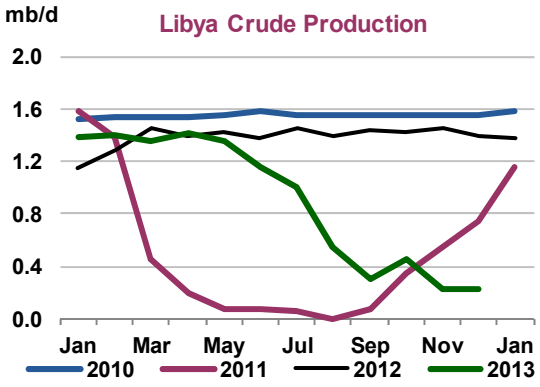
Northern Iraq Oil and Gas Fields and Infrastructure



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

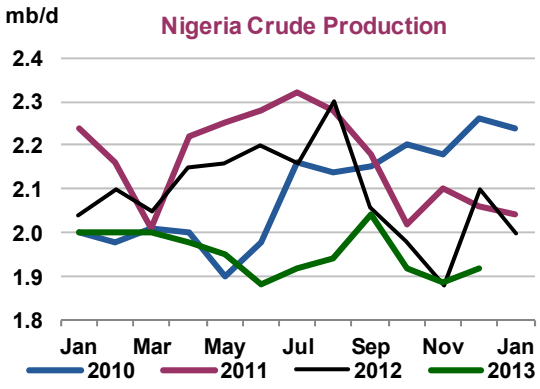
Libyan crude supplies hovered near record lows in December, up by a marginal 10 kb/d to 230 kb/d. The deteriorating political situation and security problems between the central government in Tripoli and various tribal factions across the country led to continued disruptions at oilfields and export terminals, with supplies tumbling from a high of 1.42 mb/d in April to a low of just 220 kb/d in November. Libyan output declined by 490 kb/d to average 900 kb/d in 2013.

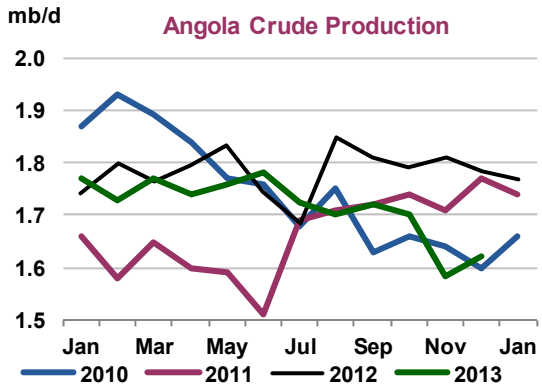
The restart of production from the 350 kb/d Sharara field in the western region of the country early in 2014 pushed total output up to 600 kb/d by mid-January. Protesters, however, were once again threatening to force the closure of the field, arguing that government officials have failed to meet their promises.



Government authorities and representatives of the protesters are still negotiating. Tribal protesters at Sharara are demanding greater authority for the Tuareg minority. Operations at the Zawiya export terminal and refinery, which are fed by the Sharara field, were continuing as of 16 January.

Nigerian production in December rose by 35 kb/d to 1.92 mb/d. The return from maintenance of the offshore Bonga field offset outages at smaller onshore operations. For full year, Nigeria supply fell by 150 kb/d to 1.95 mb/d, largely reflecting continue sabotage and theft activity to oil infrastructure in the volatile Niger Delta onshore fields.





Crude oil production in **Angola** posted a partial recovery in December after falling to a low of more than two years in November on technical problems at several fields. Angola output rose to 1.62 mb/d in December, up 30 kb/d from a downwardly revised November level of just 1.59 mb/d. Operational and technical problems in November reduced output at Total's block 17 by 45 kb/d while output at Chevron's Block 0, Exxon's Block 15 and BP's block 18 was reduced by 25 kb/d each. Planned maintenance at the greater Plutonio field is expected to sharply reduce supplies once again at end-February and March.

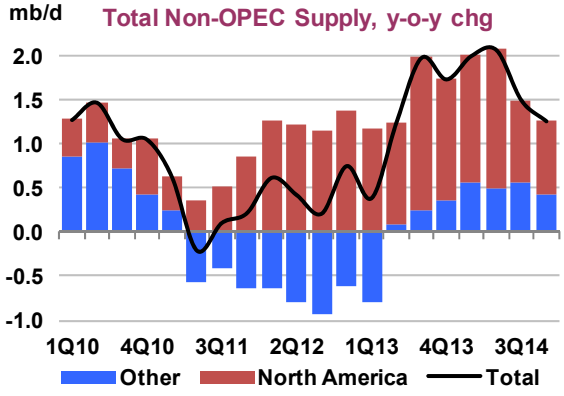
Non-OPEC Overview

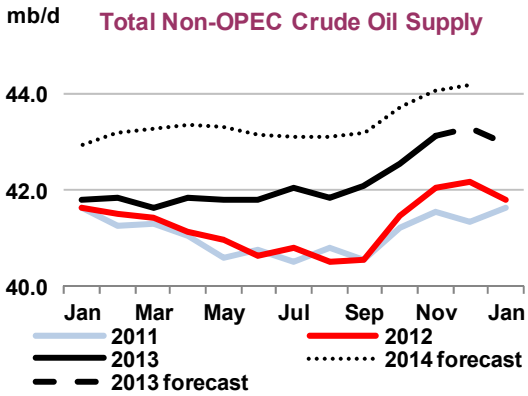
Non-OPEC production declined by 340 kb/d in December month-on-month (m-o-m), to 55.99 mb/d. A seasonal fall in global biofuels supply, mainly Brazilian ethanol, accounted for most of the drop. Excluding biofuel declines, non-OPEC output edged up by 80 kb/d. In North America, total supply increased by 65 kb/d, partly offset by drops in OECD Europe and Pacific. Overall, OECD output rose by 45 kb/d on the month. Brazil (excluding biofuels) and China also saw production increases, of 60 kb/d and 35 kb/d, respectively.

The December drop only partly reversed an exceptionally high rise in November, when final data show non-OPEC production jumped by 935-kb/d m-o-m, the highest monthly increment since October 2008. Nearly 90% of that gain came from the OECD, including more than 640 kb/d from North America. Norway and the UK also contributed, with the North Sea adding 195 kb/d to the total.

Non-OPEC crude oil production accounted for 60% of global crude output in 4Q13, roughly the same level as in the rest of the year, but about two percentage points higher than in 2012. Although non-OPEC supply has grown in recent years, its share of both total crude oil and total liquids production has not changed much since 2010.

Preliminary data for November and December suggest total non-OPEC supplies grew by a robust 1.35 mb/d for 2013 as a whole. For 2014, growth is forecast even higher, at 1.7 mb/d. As in 2013, North America is expected to provide most of the growth, offsetting declines elsewhere. Unlike in 2012 and 1Q13, however, other non-OPEC regions are expected to contribute. That includes growth of roughly 200 kb/d in Africa, 185 kb/d in Latin America and 80 kb/d in the Former Soviet Union (FSU). In the latter, Russia will provide almost all the growth, with smaller gains in Kazakhstan and Turkmenistan offset by a dip in Azerbaijan. Latin America's growth, the highest since 2011, will come almost entirely from Colombia and Brazil (not including biofuels). South Sudan will lead growth in Africa, as the country's oilfields were shut in for much of last year, though some oilfields in regions of intense internal conflict are again offline, reducing the year-on-year (y-o-y) growth.





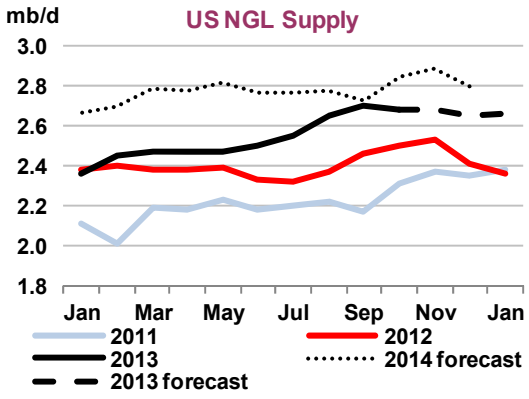
OECD

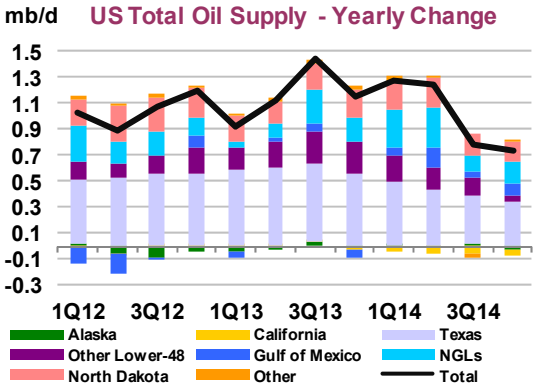
North America

US – November preliminary; Alaska actual, others estimated: Final October data confirmed that US crude oil output fell slightly, to 7.75 mb/d. A 100 kb/d drop in the federal GOM waters outweighed small gains in Texas, North Dakota and Alaska. US crude oil production is estimated to have exceeded 8 mb/d (at 8.01 mb/d) in November for the first time since November 1988. A return of US GOM output to September levels, combined with Alaska production of nearly 560 kb/d and continued increases on Texas shale plays, drove this achievement. Crude oil production likely expanded further to 8.1 mb/d in

December as the Eagle Ford play added about 100 kb/d of net output from September to December. A slight decline in crude oil production is forecast for January, however, as a cold snap cut production on the Bakken and Permian plays, trimming overall output to an estimated 7.98 mb/d.

That January dip notwithstanding, 2014 is still expected to be another year of outstanding production growth, with crude output forecast to increase by 780 kb/d y-o-y. Production in excess of 8 mb/d has triggered a large expansion of midstream and downstream capacity to handle this influx, of largely lighter grades from the midcontinent. TransCanada's 700 kb/d Gulf Coast crude pipeline from Cushing, Oklahoma, to Port Arthur, Texas, set to start commercial service on 22 January, is a case in point. Infill began in December. Meanwhile, crude exports to Canada have been increasing in the last three years, with Gulf Coast crudes sailing to the east coast of Canada on tankers that are exempt from the Jones Act. Rail transport throughout the continent continues to expand as well (please see *'Crude Wall and US Crude Exports'* and *'Update on Rail Transport of Crude Oil in North America'*).





Total liquids production, excluding biofuels and refinery processing gain, fell slightly along with crude oil production in October, to 10.72 mb/d, as NGL production held steady. It is estimated that in November, total liquids production exceeded 11 mb/d (including non-ethanol additives) for the first time since the 1970s. November NGL production is estimated at 2.69 mb/d, with a seasonal decline to 2.65 mb/d in December. Although NGL output still dips seasonally in winter, the development of liquids-rich shale gas plays such as Utica and Marcellus, with their relentless production increases, has gone some ways to smooth out that seasonality. (Pennsylvania now has the second-largest gas production among US states.) Ethane production alone is forecast to remain above 1 mb/d throughout 2014, with 4Q14 y-o-y growth for all NGLs of 170 kb/d.

The Crude Wall and US Crude Exports

A year ago, in a detailed discussion of US light tight oil (LTO) production trends, this *Report* highlighted the various midstream, downstream and regulatory hurdles to continued supply growth (*'Up Against the Export Wall: Hurdles to US LTO Production Growth'* in January 2013 *OMR*). It identified several ways in which the industry could get around a looming crude 'wall,' defined as the point at which existing regulations would limit the US market's capacity to absorb further production growth. Methods for avoiding the wall included, among others, shipping reform (including a reform to the Jones Act), a change in the regulatory statutes governing crude exports, an expansion of pipeline capacity, continued increases in refinery throughput and a change of refinery crude slates. We concluded our analysis by pledging to keep monitoring developments in the North American oil patch and their impact on global markets.

Much has changed in a year. Growth in US crude oil production has exceeded even the most bullish of expectations. Our current estimate of US crude output for 2013 outstrips our projection of a year ago by about 455 kb/d and our initial, July 2012 forecast by 690 kb/d. Indeed, US crude oil supply in 2013 registered the fastest absolute annual supply growth of any country in the last two decades, rising 15% in 2013. Given such steep growth, the 'wall' arguably looms larger than ever. It may therefore not come as a surprise that

The Crude Wall and US Crude Exports *(continued)*

the question of whether or not crude export regulations inherited from the 1970s ought to be revisited has become a matter of increasingly heated debate. At the same time, last year's growth has also demonstrated the capacity of the US oil industry and markets to seize new opportunities and adjust on their own to changing realities. While US supply growth has defied expectations, so have refining throughputs, product exports, crude oil exports to Canada, and even domestic demand. Bringing years of contraction to a screeching halt, the latter swung back into growth last year, expanding by 390 kb/d, or 2.1%. Overcoming, for now, the challenge of having to adjust to an ever lighter crude slate, refining runs have soared, often in defiance of long-established seasonal patterns. One market reaction to the export ban on crude has been a surge in exports of refined products. Once the world's largest net product importer, the US has become its top net exporter, with gross product exports approaching 4 mb/d in October 2013, the latest month for which official monthly data are available. Whether these achievements should be seen as confirmation of the market's limitless capacity to accommodate rising production, or, on the contrary, as a warning sign that it is running out of options to make room for new supply, remains to be seen.

Although US production growth in 2013 far surpassed our projections, the industry met the challenge of extra supply in its stride. The accommodation of the additional production was possible because of refinery, pipeline and crude rail capacity expansions, allowing the Midwestern crudes to reach the Gulf Coast and East and West Coast refineries. During 2013, several new pipelines and pipeline expansions came onstream, most of which transport crude oil between the US Midwest and the Gulf Coast. The additional pipeline capacity provided extra flexibility to the system and it coincided with an increase in refinery activity. While less than 20 kb/d of additional crude distillation capacity was brought on stream in 2013, crude runs rose 320 kb/d y-o-y as the 325 kb/d Motiva expansion, completed in 2012, reached normal rates.

Major Selected US Pipeline Expansions, 2013 and 2014

Pipeline Project	New Capacity (kb/d)	In-Service Date
Enbridge/Seaway expansion	250	1Q2013
Magellan Longhorn Reversal	135	2Q2013
Plains All American Mississipian Lime	175	3Q2013
Sunoco Logistics Permian Express	90	2Q2013
Sunoco Logistics Wes Texas Gulf	40	2Q2013
Enbrigde/Enterprise Seaway Twin	450	1Q2014
Enbrigde Flanagan South	600	3Q2014
Magellan Longhorn expansion	50	3Q2014
Sunoco Logistics Permian Express phase 2	200	4Q2014
Tallgrass Pony Express conversion	300	3Q2014
TransCanada Gulf Coast Project	700	1Q2014
White Cliffs pipeline expansion	80	2Q2014

Source: Reuters, Oil&Gas Journal, Company Data

US RefineryExpansions, 2013 and 2014

Operator	Refinery	Location	In-Service Date	Capacity Addition (kb/d)
Tesoro	Salt Lake City	PADD 4	2Q2013	17
Tesoro	Salt Lake City	PADD 4	4Q2013	5
National Cooperative Refining Assoc.	McPherson	PADD 2	2Q2014	15
Kinder Morgan	Galena Park*	PADD 3	1Q2014	50
Valero Energy Corp.	McKee	PADD 3	3Q2014	25
Western Refining	El Paso	PADD 3	4Q2014	25

* Condensate Splitter

Because of the infrastructure expansions, domestic crude supply growth has displaced US oil imports, particularly lighter grades. Imported light oil could be almost entirely backed out of coastal US refineries by 2015.

The Crude Wall and US Crude Exports (continued)

Based on current estimates, US crude oil production growth is expected to continue at a brisk pace in the short and medium terms, with LTO accounting for the majority of the gains (there will also be production gains from the deepwater Gulf of Mexico). Crude production is expected to reach 8.26 mb/d in 2014, with an additional 3.10 mb/d of non-crude liquids. Refinery runs will likely stay elevated in 2014 and, extending last year's trend, will be supported by further capacity expansion, although there are only two projects under way in 2014 with at least seven planned for 2015. Planned additions in 2014 will total 115 kb/d, however an additional 260 kb/d are planned for 2015.

Exports of light crude oil to Canada, currently at approximately 155 kb/d, can be increased somewhat, but these exports are subject to Canadian refiners' ability to absorb them. Already, imports of crude oil from outside of North America into eastern Canada have been largely replaced by US crude, thanks in part to the fact that oil shipments to Canada are exempt from the Jones Act. Some analysts reckon that Canadian refiners have a capacity to take only about another 250 kb/d of US crude, which would be fully utilised by sometime in 2015.

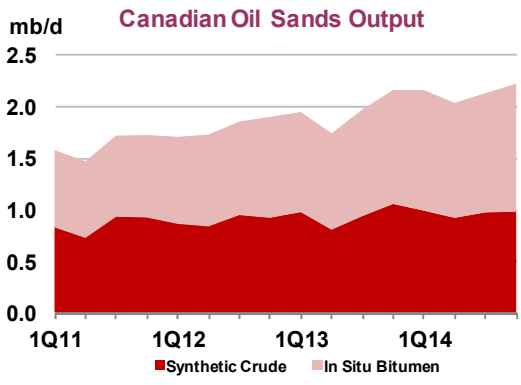
Much of the LTO is produced in the form of lease condensate, which is most optimally processed in a condensate splitter. There is currently only one condensate splitter in the US, although at least five others are in various stages of planning and construction.

Although there appears to be room in the market to accommodate further supply expansion in 2014 without any immediate change in export regulations, how long this can continue is open to debate. Given these constraints, it may not come as a surprise that the regulations governing US crude exports have recently come into the public spotlight. Several US lawmakers have raised the issue and come out either in favour or against a relaxation of the current statute, and a hearing on the implications of liberalising US crude exports has been scheduled at the US Senate Committee on Energy and Natural Resources for 30 January. Bank analysts and experts at think-tanks have issued reports and studies on the issue. No legislation to lift the ban has yet been introduced, however. Oil producers have generally come out in favour of lifting the ban and some lawmakers, notably those from oil-producing US states, support lifting the ban by Executive Order, which would allow producers to export crude oil and condensate to countries other than Canada, or at least to other countries with which the US has a free-trade agreement. Many refiners and other major oil consumers, on the other hand, support keeping the ban and worry that allowing exports would result in higher feedstock costs and erode their competitive advantage, or shift value-added industry abroad.

An additional outlet to expand exports under current legislation would be to exclude lease condensate from the crude oil export restrictions. The US Department of Commerce, which enforces the export ban, includes lease condensates in the definition of crude oil. However, this definition could be changed, or the Commerce Department could simply issue lease condensate export licences at the behest of the President.

Canada – October actual: Canadian total liquids production dropped again in October, to 3.91 mb/d. Alberta bitumen production held steady at 1.0 mb/d compared to September but fell short of expectations. A small decline in Saskatchewan, combined with the Terra Nova platform being offline the entire month, made for a decline in crude and field condensate production of nearly 120 kb/d, to 2.29 mb/d. NGL production fell to 610 kb/d, the lowest level since September 2012.

Total liquids production likely recovered in November and December, to 4.28 mb/d for both months, on the back of improved bitumen and synthetics output. Nevertheless, we have adjusted downwards our forecast of bitumen production growth for 2014, to about 160 kb/d. While this growth reflects in part investments sunk years in the past, the economics of oil-sands projects appear to have worsened, as capital costs increase and new reservoirs are getting more complex. For example, the 110 kb/d Kearl project had cost overruns of C$2 billion, and Statoil has



recently voiced scepticism about continued large-scale investment in the sector. Nevertheless, Cenovus Energy plans to spend C$3.1 billion on new facilities in 2014, and in December Imperial Oil filed an application with the provincial regulator for a C$7 billion investment in the 135 kb/d Aspen in situ development. Modular construction is increasingly being used on oil sand projects in order to control costs. In addition to large-scale expansion of rail transport capacity (see *'Update on Rail Transport of Crude Oil in North America'*), and amid continued uncertainty about the Keystone XL Pipeline, which still awaits potential approval, another outlet for oil-sands production, the 525 kb/d Northern Gateway Pipeline, received conditional approval in December. The federal government's Joint Review Panel approved the project, which would carry crude from Alberta to a British Columbia port, subject to 209 conditions and final ratification by the federal government. The pipeline will have a reverse-flow pipeline constructed beside it in order to import as much as 193 kb/d of diluents.

Alberta ethane production, spurred in the last decade by the Alberta Ethane Gathering System, has begun to decline and will continue to do so without significant new investment. The idea behind the Alberta Ethane Gathering System had been to link spread-out ethane production in the vast province to its two main petrochemical facilities at Joffre (Nova) and Fort Saskatchewan (Dow). Given the availability of lower-cost ethane from the liquids-rich Williston Basin in the US and Saskatchewan, however, producers are unlikely to make additional investments to maintain ethane production levels in Alberta. They are likely to opt instead to invest in additional pipeline capacity, such as the planned Vantage Pipeline from Tioga, North Dakota, to bring Williston Basin ethane to the province in the medium term.

Rail Transport of Crude Oil in the Spotlight in North America

Rail has emerged as a major means of transportation in recent years to accommodate fast-rising North American oil production from Alberta, North Dakota and elsewhere. According to the Association of American Railroads, crude oil volumes railed from US production sites (not including Canada) jumped from 9 500 car loads (roughly 20 kb/d) in 2008 to 234 000 car loads (450 kb/d) in 2012 to 400 000 car loads (770 kb/d) last year (based on preliminary data). While relatively high-cost, rail offers distinct advantages over pipelines where transport infrastructure is inexistent or insufficient, including flexibility and the possibility of speedy deployment at comparatively low initial investment costs. But a string of accidents have recently put a spotlight on the safety risks associated with this means of transportation and may set the stage for regulatory changes.



Courtesy of BakkenShale.com/Plains All American Pipeline – prices as of April 2013

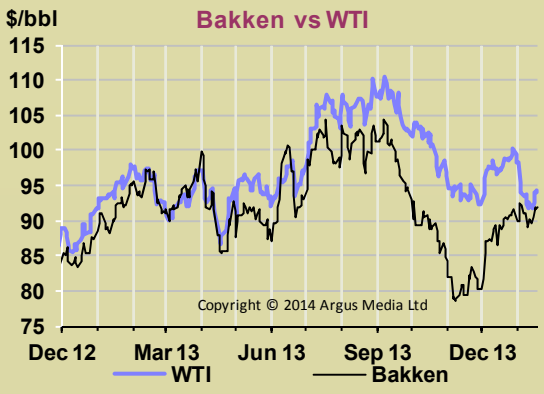
Rail Transport of Crude Oil in the Spotlight in North America (continued)

While the 2013 estimates suggest that rail may move more than 10% of current US crude output, that aggregate figure conceals wide regional disparities. Rail is vital for North Dakota, America's second-largest producing state: between 60% and 70% of the state's crude production of 980 kb/d (December 2013 estimate) is brought to refineries by train. Much of the state's incremental production of more than 100 kb/d since December 2012 is railed to the US East Coast. According to Bentek Energy, the amount of crude railed to East Coast refiners from all parts of North America has tripled from about 100 kb/d in early 2013 to about 300 kb/d by year-end. Some light, tight oil (LTO) is also railed to Canada. Another producing area where rail transport is vital is the Niobrara formation and Powder River Basin in Colorado and Wyoming, and surrounding smaller areas. Output was about 350 kb/d in total for both states in 2013, and is almost entirely railed to refiners. Rail has played a bridging role on Texas formations such as the Eagle Ford, which is much closer to refiners and ports, and where substantial pipeline capacity is being built. Increased rail capacity from the midcontinent to US West Coast refineries is also being planned or under construction.

In Canada, the rail crude transport boom is still in its early days. From virtually nothing in early 2012 to 60 kb/d a year later and more than 180 kb/d at end-2013, rail has become key to deliver incremental diluted bitumen volumes to refiners, as pipelines are running at capacity and new pipeline capacity, particularly cross-border, is at best years off. According to Reuters, about 1 mb/d of new rail terminal capacity construction began in 2013 or is scheduled to begin in 2014, including planned expansions of existing terminals. Some of those expansions may depend on whether or not the US Government approves TransCanada's proposed 830 kb/d Keystone XL pipeline from Alberta to Illinois. The company has suggested however that much of the pipeline could be built on both sides of the border, but linked by rail across the border, as cross-border rail is not subject to the same regulatory constraints as pipelines. Some crude, including LTO from formations across the border in North Dakota, is also being railed to refineries in eastern Canada.

Other than the relative ease of obtaining regulatory approval for regional or cross-border rail links compared to pipelines in North America, rail offers certain advantages. Chief among them are its flexibility and the relative speed at which rail infrastructure can be deployed. With "unit trains" (freight trains carrying only oil), producers can direct shipments to where they get the best netback. Large unit trains linking oil fields directly to refineries offer economies of scale and substantially lower costs than traditional freight trains carrying multiple products. Nevertheless, the fact that crudes such as Bakken are mostly delivered by rail explains in part their price discount to WTI, as the discount is needed to offset transport costs. When production outpaces rail capacity, this can drive up transport costs and prompt further discounting.

Pipelines too have their advantages. Once the initial investment has been made, they offer significantly lower operating costs than rail (about a third of rail costs on average) and a better safety record (the rate of spillage hazardous materials of railed is about 2.7 times that of piped hydrocarbons according to the Association of American Railroads, though in absolute terms incidents even for rail are rare). Pipelines are also more energy-efficient and have lower emissions than trains. For Canadian bitumen output, the need for high-cost insulated/heated railcars can play against rail, though more diluents may be needed in pipelines.



Rail safety has come to the fore following a number of high-profile accidents in recent months. A train filled with Bakken crude killed 47 people when it derailed and exploded at Lac-Mégantic, Quebec, on 7 July. Since March, there have been no less than 10 large crude spills in the US and Canada following rail accidents, five of which also resulted in large blasts. In North Dakota on 30 December, an explosion following a collision between a crude oil unit train and a freight train once again put a spotlight on rail safety at the very heart of the most important source of railed crude in North America. The most recent incident was on 7 January 2014 in rural New Brunswick, with several tanker cars of crude oil from Western Canada (possibly from Bakken formations in Saskatchewan and Manitoba) and several propane tankers (both hydrocarbons were carried on the same train) igniting in a derailment.

Rail Transport of Crude Oil in the Spotlight in North America (continued)

In addition to spillage risks, the risk to human life due to large explosions and the liabilities associated with it (the railway company that owned the train involved in the Lac-Mégantic disaster was forced into bankruptcy by the accident) have led industry, regulators and politicians to look for solutions. Regulatory agencies, including the US Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Canadian Transportation Safety Board (TSB), identified the flammability categorisation of the crudes being carried as a potential issue in the Lac-Mégantic incident. Miscategorisation can cause trains to travel too fast and take less precautions than needed with regard to the volatility of their cargo. The PHMSA, in an ongoing effort called "Operation Classification", is examining whether Bakken crude is inherently more volatile and flammable than other crudes (whether due to its corrosive properties, its very light gravity, dissolved natural gas liquids, fracking chemicals mixed into the crude, or some combination of these factors).

Whether or not Bakken crude is found to warrant special regulations, the safety of the US railcar fleet for any type of crude or product (including ethanol, which is also widely railed in the US) has also come more broadly into question. In October 2011, the US Department of Transportation (DOT) had tightened its guidelines for rail tanker cars, known as DOT-111. All newly-built railcars are now required to meet those new standards designed to let cars better resist spillage, but about 80 000 tanker cars built to the old standards are still in use in the US, and another 50 000 in Canada. Many of those older-version DOT-111 cars can remain in service for another 20 or 30 years, and would be commingled with the newer-version cars in the same trains, thereby undermining the overall safety advantage of the newer cars. Regulatory action that would call for rapid retrofitting or elimination of the older-version DOT-111 could affect off-take capacity, however. There are only about 14 000 of the newer version DOT-111 currently available for use in the US, and a smaller number in Canada. Of course, railcars cross the border regularly.

Initial findings from the 7 January New Brunswick incident investigation appear to show that the newer version DOT-111 railcars fared substantially better in the accident. Canadian officials already proposed new standards on 10 January for DOT-111 tank cars to be more crash resistant, as well as new standards for classifying dangerous goods and documentation for testing crude oil for rail transport. What the regulation is aiming at seems to be much closer scrutiny of the hazardous potential of crude oil, as well as prevention of transport of crude oil that has non-crude oil substances that are particularly volatile or corrosive even in the improved DOT-111. This could require producers or shippers to create facilities to strip out volatile substances from certain crude grades before loading. Several leading US politicians from both parties, including from North Dakota, have voiced support for tighter regulations along the lines of what has been proposed in Canada. The US National Transportation Safety Board has already made a recommendation to the PHMSA that the old-model DOT-111 cars be taken out of service. Although railway companies have generally supported greater regulation of the DOT-111, most of the cars are not owned by the freight railroads, but by producers or leasing companies that are more publicly resistant to changes.

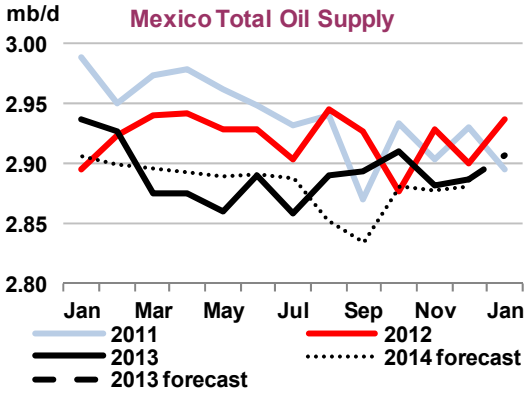
New US rail regulations appear unlikely before early 2015. In a notice issued in mid-January, the DOT cautioned that the complexity of the rule-issuing process is such that new regulations are unlikely to be finalised before then. Transport Canada has indicated that it will work with the US Federal Railroad Administration on the issue of a timeline for the replacement of old-model DOT-111 tankers, though this could not come about unless and until US regulatory changes are adopted. Given the great amount of cross-border rail traffic, it seems in both countries' interests to have a coordinated effort on the matter.

Meanwhile, representatives of industry and US government officials reached a voluntary, 30-day agreement at a 16 January meeting to implement steps that would improve safety, such as identifying safer routes for oil transport and slowing train speeds. Retrofitting or eliminating the older DOT-111 was not discussed, as this is a longer-term approach. It is possible that, post-2014, regulations could prohibit Bakken crude from being transported in old-model DOT-111 tankers after some period, and/or require that the old model DOT-111 either be retrofitted or eliminated, regardless of the crude grades or products being transported. Should such requirements be adopted, the timeline of their implementation would be of great importance, as a short timeline will inevitably reduce available transport capacity and drive up shipping costs. While Bakken is widely expected to come under downward price pressure in any event as production volumes increase, a short implementation period would likely cause the Bakken discount to widen versus WTI, let alone Brent, despite Bakken being one of the world's lightest and sweetest grades. Such a marked impact would be temporary, however. Potential new requirements for stripping Bakken and other LTO grades of

Rail Transport of Crude Oil in the Spotlight in North America (continued)

volatile substances could also affect producer netbacks. Shipper CSX has stated that although such expenses could be large, in the end the ability of companies to move freight by rail will not be greatly affected. The Bakken formation has been developed by independent producers teaming up with freight operators to build terminals so that production and transport go hand in hand. Canadian producers have now also invested heavily in rail facilities that will remain a part of the transport system even if additional pipelines are built. Rail is likely to remain an important, though not dominant, part of the mid-stream North American market for years to come.

Mexico – November actual; December preliminary: Crude oil production declined about 25 kb/d in November, to 2.51 mb/d, led by a 20 kb/d dip from the Cantarell field. NGL production held steady at 360 kb/d for November, and likely remained at that level for December. Preliminary crude oil production figures for December show output at 2.52 mb/d. Mexico's NGL production is expected to have averaged 360 kb/d for 4Q13.



Watershed Energy Reform Approved in Mexico

December 2013 marked a watershed for Mexico, as a landmark energy bill, encompassing several constitutional changes was approved by two-thirds of the country's General Congress and a majority of state legislatures. President Peña Nieto signed it into law on 20 December. This is the first significant legal reform of Mexico's energy sector in over half a century. As discussed in this *Report* in September when the government first unveiled it, the reform introduces a series of wide-ranging changes in the oil, gas, and electricity sectors. In terms of the upstream oil sector, key components include:

- Private and foreign oil companies will be allowed to include projected income from oil fields based on reserve estimates in their financial results. Although the Mexican state will formerly retain sub-soil rights, allowing companies to book expected income from the fields is nearly equivalent.
- Production-sharing contracts (PSAs) and even, in some circumstances, licenses will be allowed, in addition to the initially-proposed profit-sharing contracts and the already-extant service contracts. The more financially advantageous PSAs will make it possible to attract greater investment levels from foreign/private firms, though they may be restricted to the more challenging or risky projects.
- A trust fund overseen by the Central Bank will administer and distribute revenues from contracts (other than taxes).
- PEMEX will remain 100% state-owned, but will lose its regulatory and administrative functions as the sector becomes one with multiple companies. The National Hydrocarbons Commission (CNH) will take on a larger role in administering and regulating the sector, as well as the Energy Secretariat *Sener*.
- PEMEX's trade union will lose its five seats on the company's board of directors.
- PEMEX is required to submit a list of properties that it no longer wants to develop to the Government within 90 days of the 20 December 2013 ratification of the law (the so-called "Round Zero").
- The Government will have 180 days to review PEMEX's proposal. Subject to Government approval, areas not wanted by PEMEX and new acreage will be opened for bidding by other companies.
- A new tax and royalty regime will be instituted that will let PEMEX keep enough revenues to maintain adequate investment levels and sustainable debt levels.

Watershed Energy Reform Approved in Mexico (continued)

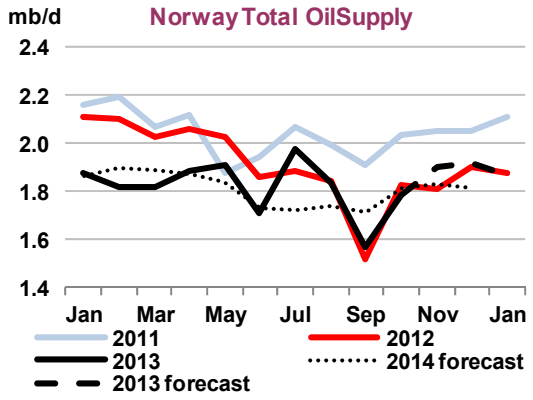
The 20 December law is only the first step; a great deal of secondary legislation is now needed to flesh out the details of the reforms. A lot of capacity building will also be required to let CNH and Sener effectively administer a hydrocarbons sector that will become much more complicated – at present, the government has no experience regulating upstream oil and gas companies. Also, new licenses issued to private companies may face legal challenges if they are deemed equivalent to concessions, which remain technically illegal under the 20 December law.

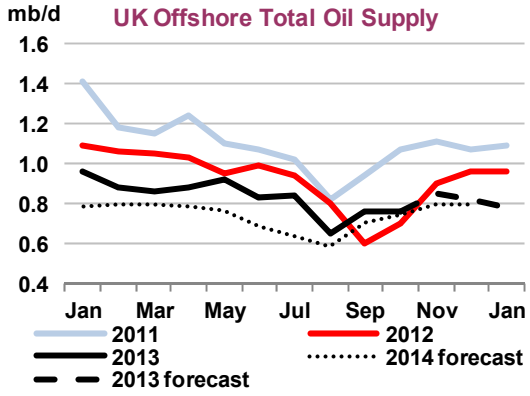
Reform of the energy sector does not affect the 2014 forecast for Mexican oil production, but the medium-term forecast may see some adjustment, particularly for the tail end of the forecast period. It should also be noted that the reform also affects the mid-stream and downstream sectors, which will be opened to 100% private/foreign ownership of facilities such as pipelines and refineries.

North Sea

Norway – October actual, November preliminary: Total liquids output rebounded by about 215 kb/d in October and a further 115 kb/d in November, from a September low of 1.57 mb/d that was mainly the result of planned and unplanned maintenance. Crude output for November is estimated at 1.55 mb/d. Although the Haltenbanken system's output, which includes Asgard, Draugen, Morvin and Tyrihans fields, recovered somewhat from its two-decade low reached in September, aggregate production from the system remained below 300 kb/d in both October and, based on preliminary data, November as well. Pending final data for the last two months of the year, current estimates indicate that Norway's total output for 2013 was 80 kb/d lower than in 2012. This declining trend will slow in 2014, with total production averaging 25 kb/d lower at 1.81 mb/d.

Norway's National Petroleum Directorate (NPD) released its preliminary December data as this *Report* was going to press, with both IEA's and NPD's total production estimates averaging 1.92 mb/d. The breakout between crude and NGL output between the two estimates differed slightly. Preliminary data for December indicate that total production rose only slightly on the month, capped by continued technical problems and repair work at Draugen, Heidrun, Norne, Skarv and Sklud. In early January, the Gullfaks B platform, one of three platforms on the Gullfaks field, went offline, cutting production at the field from the 45 kb/d output levels maintained in recent months.

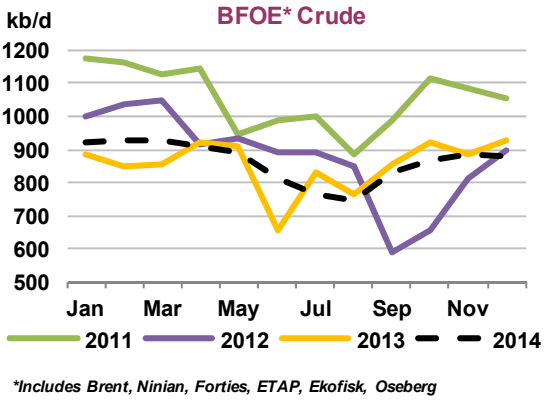




UK – September actual, October preliminary: Offshore crude oil production rose 131 kb/d in September to 729 kb/d, recovering from the year's low recorded in August. However, some of those production gains were almost immediately reversed as offshore production fell in October to 702 kb/d. Overall in 2013, it is estimated that UK liquids output inched down by about 80 kb/d, a much slower pace of decline than the 246 kb/d and 170 kb/d drops recorded in 2011 and 2012, respectively. UK's total production in 2014 is forecasted at 765 kb/d, down about 95 kb/d y-o-y. Latest data indicate a decline in November production of about 85 kb/d, despite Buzzard remaining at 200 kb/d during the month. Fields

that were undergoing maintenance in November, including Claire, Magnus and Eider have since resumed production. Maintenance is estimated to have cut output by about 30 kb/d during November.

In early December, a small fire occurred on the Triton Floating Production, Storage and Offloading vessel (FPSO) that produces oil and gas from the Bittern, Clapham, Pict, Saxon, Guillemot West and North West fields. Following the fire, the operator, Dana Petroleum, removed all staff and the FPSO was shut down for maintenance and incident investigation. Production at Buzzard field, the largest oil-producing field in the UK, was halted for at least three days in early January, cutting production to an estimated 170 kb/d for the month.



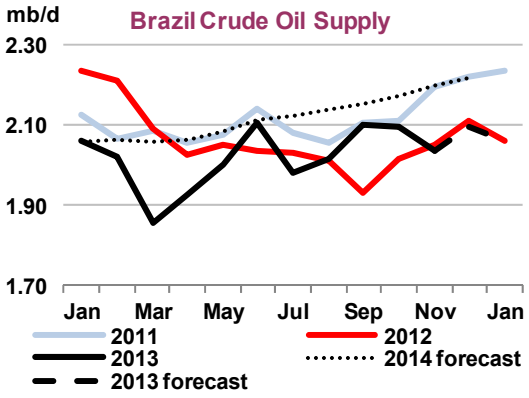
*Includes Brent, Ninian, Forties, ETAP, Ekofisk, Oseberg

BFOE production increased to 930 kb/d in December, with loadings at 948 kb/d. Storms in the North Sea delayed some Ekofisk loadings, which fell to 290 kb/d in December, although the Ekofisk scheduled loading volume for January is scheduled at 329 kb/d. Total BFOE loadings for the month are scheduled at 986 kb/d. Our BFOE forecast production for January 2014 is slightly lower at 920 kb/d.

Non-OECD

Latin America

Brazil – November actual: Crude oil and total liquids output (excluding ethanol) both dipped by about 60 kb/d in November m-o-m, to 2.04 mb/d and 2.13 mb/d, respectively. After five consecutive quarters of y-o-y declines, 3Q13 indicated a rise in y-o-y output of 45 kb/d, with 4Q13 estimated to have built on that with a further 10 kb/d y-o-y increase. At 2.17 mb/d, total liquids production in 4Q13 was the highest since 1Q12. Unusual to normal seasonal patterns, Brazilian ethanol production stayed nearly as high in November as in October, at 640 kb/d, but is estimated to have declined sharply in December, to 285 kb/d, as a typical seasonal decline was seen.



For November, the Campos Basin fell by about 110 kb/d, with production mainstays such as Roncador, Marlim Sul, and Marlim all experiencing small declines. However, the Santos Basin experienced an increase of about 50 kb/d as the Cidade de Paraty FPSO on the Lula field appears to be ramping up and as the Baúna field moves toward capacity of 80 kb/d, after some difficulties in October. In November, the Papa Terra field came online and produced an average 4 kb/d in a partial month of production, but is heading toward about 70 kb/d by December 2014. The 22 kb/d P-20 platform on the Marlim field was shut in at the end of December due to a fire.

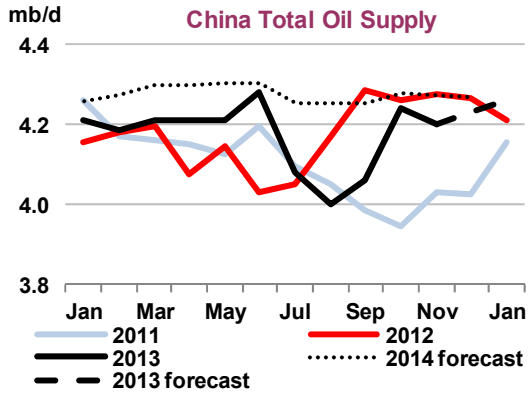
After many delays in the past couple of years, projects appear to be finally moving forward at a healthy pace for Petrobras. The 52 000-tonne P-55 platform set out for the Roncador field in October and began production on 31 December, starting at 15 kb/d, with an eventual capacity of 180 kb/d. The P-62 FPSO, also headed for Roncador and also with a capacity of 180 kb/d, had its construction completed in December and set sail for Roncador on 30 December. Production is forecast to begin by April. Also at the end of December, the P-61 platform set off for the Papa Terra field, where it will join the 140 kb/d-capacity P-63 FPSO already producing on the field. The 180 kb/d P-58 platform also set out in

December for the Parque das Baleias field and is being anchored. In September, the 150 kb/d Cidade de Ilhabela FPSO, which arrived from China in January, is expected to come online, having been delayed from 2Q14. While its conversion was completed, topside modules still need to be installed. Finally, the Cidade de Margartiba FPSO, also 150 kb/d capacity, may come online before the end of 2014. It is currently scheduled for sometime in 3Q14, but will likely come online some time after Cidade de Ilhabela. With all of these projects taken into account, y-o-y crude oil growth of approximately 100 kb/d is forecast for 2014.

Óleo e Gás Participações, the reformed company that emerged from the bankruptcy of OGX, managed to bring online a new field, Tuburão Martelo, in December, at 13 boe/d, which is a chance for the new company to pay off creditors. OGX was once considered to have valuable offshore acreage, but failed to bring on substantial amounts of production.

Asia

China – November actual: Oil output edged down by 40 kb/d to 4.20 mb/d in November, although preliminary December data indicate a rebound to near-October levels. The December increase is mainly due to gains in Peng-Lai and Bohai Bay production that broke the 500 kb/d mark for the first time since July 2011, along with the increases in Changqinq's production, boosted by new wells that were placed into service recently.



Preliminary data released by the Chinese government show that PetroChina and Sinopec Corp. saw slight production increases in 2013 compared with the previous year. PetroChina's Daqing oilfield, China's biggest in terms of oil output, produced approximately 800 kb/d in 2013, while production at Sinopec's Shengli field, the country's second largest, averaged at 557 kb/d. The Changquiq oil field, operated by PetroChina, produced more than 470 kb/d in 2013, including 160 kb/d of tight oil. The government also reported some increases in heavy oil production for the year, most notably at the Tahe oilfield, which produced about 70 kb/d of super-heavy oil. The Tahe oilfield is located in the Tarim Basin, which has over seven billion barrels of super heavy oil reserves, 70% of which are located in the Tahe oilfield.

Africa

South Sudan: The civil war in South Sudan and the violence that has swept across the country since 15 December have so far not greatly affected oil production. Significant risk remains, however, that additional amounts of the estimated 200 kb/d still being produced could be shut-in should the conflict spread. As Government and rebel negotiators held another round of talks, fighting that has already claimed thousands of lives continues. An estimated 40 kb/d of oil production in Upper Nile and Unity State was shut-in as a result of the unrest in December. About the same production volume was projected to remain shut-in in January at the time of this writing, particularly as it has been reported that production infrastructure was destroyed in Unity State.

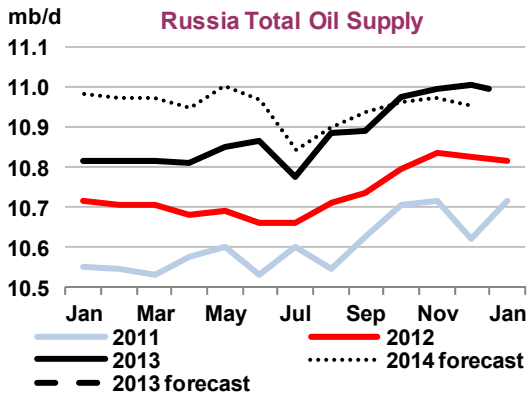
Former Soviet Union

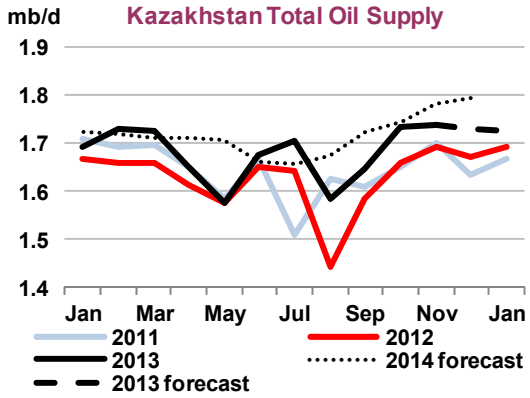
Russia – November actual; December preliminary: Final data for November show that Russia's production rose to 10.99 mb/d, including 10.21 mb/d of crude oil. Overall in 2013, Russia's oil production averaged 10.87 mb/d, up 136 kb/d, or 1.2%, from the previous year. Preliminary data for December show that Russia's monthly output will exceed 11 mb/d for the first time since at least the early 1990s.

The 2013 increase in production was the fifth consecutive annual increase in Russia's output, boosted by increased drilling in legacy oil provinces, expanded use of enhance oil recovery techniques, and continued strong production from already producing fields including Vankor. Russia's production is projected to increase to 10.95 mb/d in 2014. At least some of the additional supply in 2013 and 2014 is due to Lukoil's rising production. Following years of declines, the company increased its total production in 2013, and the growth in Lukoil's production is expected to continue into 2014.

Gazprom launched the Prirazlomnoye oilfield in the Pechora Sea at the end of December, marking the commencement of operation at Russia's first Arctic offshore oil project. Drilling, production and storage of the oil will be carried out at the Prirazlomnaya ice-resistant platform, specially designed to operate in Arctic conditions. According to Gazprom, there are approximately 530 million barrels of recoverable crude oil reserves in place, and peak production is expected to reach about 120 kb/d after 2020.

On 15 January, Russia's new "tax manoeuvre" was signed into law, which lowers Russia's crude oil export tax, although this tax cut will largely be offset by an increase in the mineral extraction tax (MET). Russia's government also unexpectedly froze 2014 railway transportation tariffs for crude oil and most oil products at the 2013 levels in late December.





Kazakhstan – November actual; December preliminary: Total oil production averaged 1.74 mb/d in November 2013, nearly flat m-o-m. Stable production is projected for December and January as well, before it declines slightly in 1Q14 and 2Q14. The more pessimistic outlook for Kazakhstan in this Report compared to last month is mainly the result of our reassessment of Kashagan's production restart, now expected in August 2014 at the earliest, with commercial production no sooner than September. A number of gas leaks were reported at Kashagan in September and during the field's brief restart in October. The cause and full extent of the problem remain unclear. Recent reports suggested that the gas leaks were more extensive than initially believed, which NCOC has not denied. In any case, NCOC has acknowledged that detailed gas pipeline inspections would be necessary, which may include digging up soil around at least some of the gas lines and may prove a lengthy process. Given the adjustment to expected Kashagan production in 2014, Kazakhstan's total oil output is now forecast to average 1.71 mb/d in 2014, only 35 kb/d higher than production in 2013.

FSU net exports climbed by 140 kb/d to 9.2 mb/d in November. Rising refined products shipments (+1.4 mb/d m-o-m) drove the increase, after regional refinery throughputs were hiked by 620 kb/d in the wake of seasonal maintenance winding down at Russian refineries. Exports of all product categories increased on the month, notably fuel oil (+50 kb/d) and gasoil (+10 kb/d) while 'other products' inched up by only 20 kb/d due to a combination of high demand and prohibitively high export duties on light products. Despite the month-on-month rise, product shipments stood 430 kb/d less than in November 2012 with fuel oil and gasoil 300 kb/d and 130 kb/d lower year-on-year, respectively. However, these decreases are the product of especially high product exports in November 2012. Moreover, 2013

product deliveries are still likely to post an increase over 2012 on an annual average basis underpinned by the trend of Russia refining more oil close to the wellhead to be subsequently exported.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2011	2012	4Q2012	1Q2013	2Q2013	3Q2013	Sep 13	Oct 13	Nov 13	Latest month vs. Oct 13	Latest month vs. Nov 12
Crude											
Black Sea	1.93	1.81	1.78	1.80	1.80	1.75	1.75	1.83	1.80	-0.03	-0.04
Baltic	1.50	1.67	1.69	1.60	1.68	1.44	1.64	1.73	1.62	-0.11	-0.08
Arctic/FarEast	0.67	0.65	0.72	0.78	0.80	0.81	0.83	0.78	0.84	0.05	0.11
BTC	0.70	0.66	0.59	0.58	0.71	0.65	0.57	0.58	0.67	0.09	0.08
Crude Seaborne	**4.80**	**4.79**	**4.78**	**4.76**	**5.00**	**4.65**	**4.80**	**4.93**	**4.93**	**0.01**	**0.07**
Druzhba Pipeline	1.17	1.08	0.98	0.99	1.02	1.06	1.07	1.03	1.05	0.02	0.08
Other Routes	0.53	0.52	0.54	0.55	0.54	0.56	0.58	0.63	0.59	-0.04	0.06
Total Crude Exports	**6.50**	**6.39**	**6.30**	**6.31**	**6.55**	**6.27**	**6.44**	**6.59**	**6.57**	**-0.01**	**0.21**
Of Which: Transneft[1]	4.18	4.22	4.10	4.09	4.15	3.98	4.26	4.22	4.14	-0.08	0.07
Products											
Fuel oil[2]	1.58	1.72	1.61	1.61	1.77	1.68	1.56	1.44	1.49	0.05	-0.30
Gasoil	0.77	0.79	0.79	0.97	0.86	0.81	0.75	0.67	0.73	0.07	-0.13
Other Products	0.43	0.44	0.47	0.48	0.48	0.53	0.49	0.48	0.50	0.02	0.00
Total Product	**2.77**	**2.95**	**2.87**	**3.06**	**3.11**	**3.02**	**2.80**	**2.59**	**2.73**	**0.14**	**-0.43**
Total Exports	**9.27**	**9.34**	**9.17**	**9.36**	**9.66**	**9.29**	**9.24**	**9.17**	**9.30**	**0.12**	**-0.21**
Imports	0.09	0.09	0.09	0.07	0.06	0.10	0.10	0.10	0.08	-0.02	-0.02
Net Exports	**9.18**	**9.25**	**9.08**	**9.29**	**9.60**	**9.20**	**9.14**	**9.08**	**9.22**	**0.14**	**-0.20**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

On the flip side, the rise in domestic demand for crude curbed Russian crude exports with flows through the Transneft network falling by 80 kb/d on the month. However, total crude shipments only inched down by 100 kb/d as flows of Azeri oil through the BTC pipeline rose by 90 kb/d to 670 kb/d. BTC shipments were reportedly hiked due to a refinery outage in the country and flows being diverted from the CPC pipeline where volumes consequently fell to 710 kb/d (-70 kb/d m-o-m). The CPC was expected to carry increased flows from Kashagan in 4Q13 but as this project remains offline it appears that Russian producers have stepped into the breach with volumes in early 2014 expected to increase substantially. Moreover, a recent report indicates that CPC flows may reach their highest since 2008 at 780 kb/d in February. One reason for this may the relatively high netbacks available to producers shipping their oil via Novorossiysk compared to Primorsk and Ust Luga where costs have reportedly increased recently due to the requirement for ice class carriers to be used on Baltic voyages.

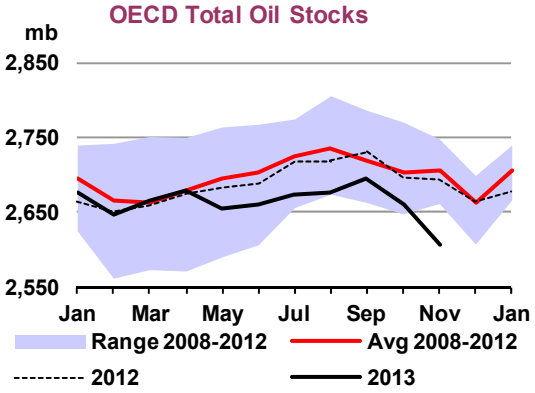
OECD STOCKS

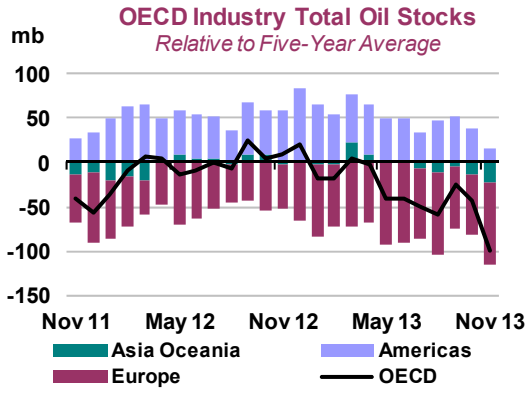
Summary

- **Total OECD commercial oil inventories plummeted by 53.6 mb in November**, their steepest monthly decline since December 2011. Crude oil and the 'other products' category led the plunge. At end-month, inventories lagged year-ago levels by 85.8 mb and five-year average levels by as much as 99.5 mb.

- **Refined products inventories extended their recent downward slide**, falling counter-seasonally by another 32.9 mb on the month, to cover 28.4 days of forward demand, 0.7 days lower than at end-October.

- **Preliminary data point to a further 42.5 mb draw in OECD inventories in December**, in line with seasonal trends,with crude stocks plunging in the US on exceptionally high refinery runs. Elsewhere, stocks in Asia Oceania slipped by half their normal draw while European holdings rose counter-seasonally.





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

OECD commercial oil inventories plunged by 53.6 mb in November, their fastest monthly decline since December 2011. By end-month they had sunk to 2 607 mb, 86 mb below year-earlier levels. The unusually steep draw also took stocks 99.5 mb below their five-year average, their widest deficit since May 2003. OECD inventories have now stood in shortfall to average levels for eight consecutive months. Europe and Asia Oceania led the decline, with deficits to average levels of 93.5 mb and 22.0 mb, respectively. Even the OECD Americas has shown a declining trend lately: while inventories in that region still stand 15.9 mb above their five-year average, that surplus has narrowed by approximately 35 mb since September.

As noted in earlier editions of this *Report*, OECD stocks of **refined products** have persistently lagged seasonal levels over the past couple of years. This month, their deficit widened to 115.6 mb, its widest since February 2003. Several reasons help explain this trend: consistently backwardated product markets, which make it uneconomical to hold inventories; record-high US product exports; a continued downturn trend in OECD oil consumption, especially in OECD Europe, requiring less stocks to cover demand; and the closure of product storage capacity as refineries have been shuttered (for further details see*: Trends in Global Oil Inventories* in *2013 MTOMR*).

Stocks of **crude** and '**other products**' fell particularly sharply in November. A steep upswing in OECD refinery throughputs, to the tune of 2.3 mb/d, slashed crude stocks by 20.3 mb, compared to a small

average build of 4.7 mb for that month in the last five years. Stocks of 'other products' drew by an even steeper 27.3 mb, nearly three times their 9.9 mb average decline. Much of that draw was concentrated in the US, where propane stocks plummeted on surging demand and high exports. As a result, over the past two months, OECD 'other products' stocks have swung from being in surplus to seasonal levels to standing at a deficit, whether in absolute terms or on a demand-cover basis.

OECD **middle distillates** inventories posted their third consecutive monthly draw in November. The latest decline of 10.9 mb leaves them lagging year-earlier and five-year-average levels by 73 mb and 18 mb, respectively. All in all, total OECD refined products inventories drew counter-seasonally in November by 32.9 mb. They now cover 28.4 days of forward demand, 0.7 days below end-October levels.

Revisions versus 11 December 2013 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Sep-13	Oct-13	Sep-13	Oct-13	Sep-13	Oct-13	Sep-13	Oct-13
Crude Oil	**0.4**	**-4.8**	**-3.3**	**-5.3**	**-0.1**	**-4.9**	**-3.0**	**-14.9**
Gasoline	0.0	3.9	-0.3	0.3	0.0	-0.1	-0.3	4.1
Middle Distillates	0.0	-4.2	-1.0	-4.3	0.0	0.3	-1.0	-8.2
Residual Fuel Oil	0.0	0.3	0.4	-0.3	0.0	0.4	0.4	0.3
Other Products	0.0	-0.4	0.0	0.2	0.0	-0.3	0.0	-0.5
Total Products	**0.0**	**-0.5**	**-0.9**	**-4.1**	**0.0**	**0.3**	**-0.9**	**-4.3**
Other Oils[1]	3.1	-4.7	0.0	0.9	0.0	-0.1	3.1	-3.9
Total Oil	**3.5**	**-10.1**	**-4.2**	**-8.5**	**-0.1**	**-4.7**	**-0.8**	**-23.2**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

October data were revised steeply downwards by 23.2 mb. Crude oil accounted for most of the revisions (-14.9 mb). Smaller reductions were applied to estimates of refined product inventories (-4.3 mb) and to NGLs and other feedstocks (-3.9 mb). Middle distillates came in 8.2 mb lower after holdings in Europe and the Americas were adjusted downwards by 4.3 mb and 4.2 mb, respectively, partly offset by a 4.1 mb upward revision to motor gasoline, centred in the OECD Americas.

Preliminary Industry Stock Change in November 2013 and Third Quarter 2013

	November 2013 (preliminary)								Third Quarter 2013			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-4.3**	**-10.3**	**-5.7**	**-20.3**	**-0.14**	**-0.34**	**-0.19**	**-0.68**	**0.01**	**0.09**	**-0.12**	**-0.02**
Gasoline	4.8	-1.0	0.4	4.2	0.16	-0.03	0.01	0.14	-0.07	-0.02	-0.03	-0.12
Middle Distillates	-5.6	-1.7	-3.6	-10.9	-0.19	-0.06	-0.12	-0.36	0.11	0.10	0.10	0.32
Residual Fuel Oil	1.1	0.9	-0.9	1.1	0.04	0.03	-0.03	0.04	-0.03	-0.05	0.00	-0.07
Other Products	-22.7	-1.2	-3.3	-27.3	-0.76	-0.04	-0.11	-0.91	0.16	-0.09	0.09	0.16
Total Products	**-22.5**	**-3.0**	**-7.3**	**-32.9**	**-0.75**	**-0.10**	**-0.24**	**-1.10**	**0.17**	**-0.06**	**0.17**	**0.28**
Other Oils[1]	-1.5	0.3	0.8	-0.4	-0.05	0.01	0.03	-0.01	0.08	0.03	-0.01	0.10
Total Oil	**-28.3**	**-13.0**	**-12.3**	**-53.6**	**-0.94**	**-0.43**	**-0.41**	**-1.79**	**0.26**	**0.07**	**0.04**	**0.37**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

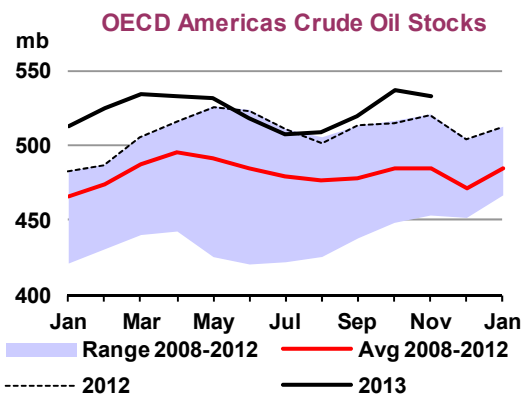
Preliminary data indicate that OECD inventories fell by a further 42.5 mb in **December**, in line with the 44.8 mb five-year average draw for that month. However, that aggregate masks sharp regional contrasts. In the OECD Americas, inventories plunged by 34.2 mb as refinery runs hovering near record highs slashed crude stocks by 25.3 mb. Stocks of 'other products' also drew down steeply. In Asia Oceania, inventories fell by a further 10.0 mb. That decline was only half of the seasonal average, though, as counter-seasonal builds in crude partly offset shallower-than-usual product draws. In contrast with those draws, European inventories inched up counter-seasonally by 1.7 mb, led by products. For the OECD as a whole, builds spanning all product categories with the exception of 'other products' failed to offset steep crude draws. Middle distillates inventories built by 5.9 mb, twice the seasonal average, while motor gasoline stocks rose by a strong 11.8 mb.

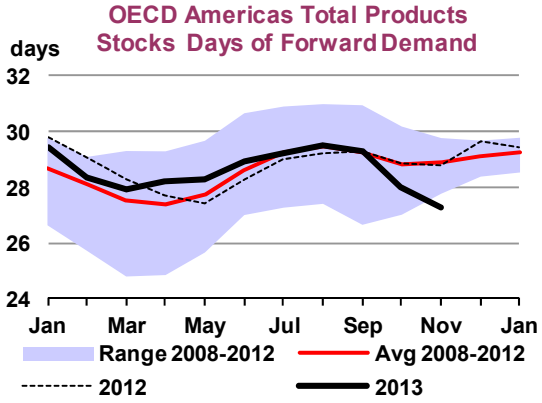
Recent OECD Industry Stock Changes

OECD Americas

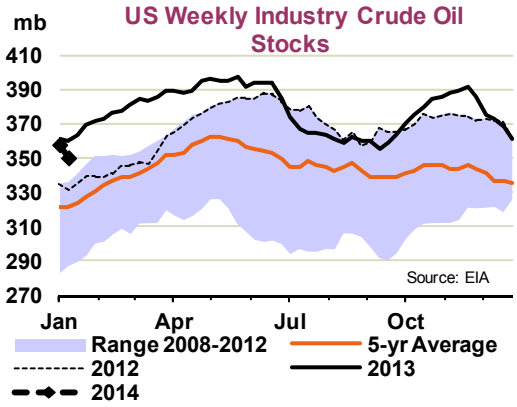
Industry inventories in OECD Americas drew by a steeper-than-usual 28.3 mb in November, led by a 22.7 mb plunge in 'other products', nearly three times the 7.7 mb seasonal draw for that category. Two factors help explain that monthly draw in 'other products': a continued boom in US propane exports, and increasing domestic propane demand for crop drying and for LPG and naphtha in the petrochemical sector. Among refined products, middle distillates also drew by a steeper-than-usual 5.6 mb, leaving inventories 8.3 mb below 2012 levels and as much as 37.8 mb below the five-year average. In contrast, motor gasoline posted a seasonal build of 4.8 mb, which leaves the region in surplus to both last year and the five-year average.

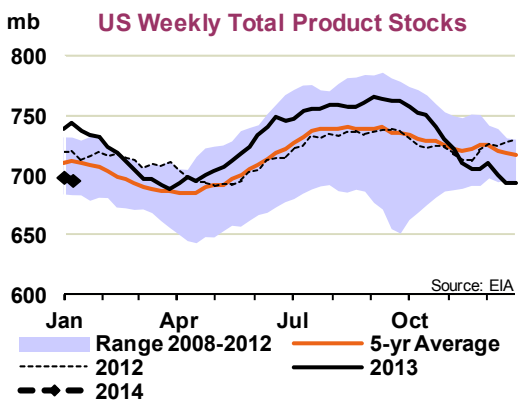
Although still 16.0 mb above average, total oil stocks now stood 16.6 mb below last year's level. Total product stocks extended earlier declines from their August highs with a further 22.5 mb draw in November, compared to a five-year average build for that month of 1.6 mb, cutting forward cover to 27.3 days, 0.8 days lower than at end-October. Crude stockpiles slipped by a steeper-than-normal 4.3 mb while NGLs and feedstocks slid by a further 1.4 mb on the back of surging refinery throughputs, spurred in part by a spike in refining margins at end-month.





Weekly data from the US EIA point to a further 34.2 mb draw in US commercial inventories during December. Crude oil led inventories lower, plunging by 25.3 mb on the month after refinery runs jumped by 0.5 mb to their highest monthly average since 2005 on surging margins. The bulk of this draw was centred in PADD 3 where stocks dropped by 21.6 mb. In contrast, PADD 2 inventories inched down by 0.4 mb.

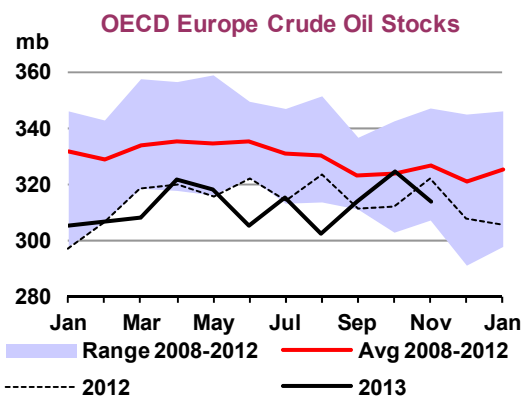


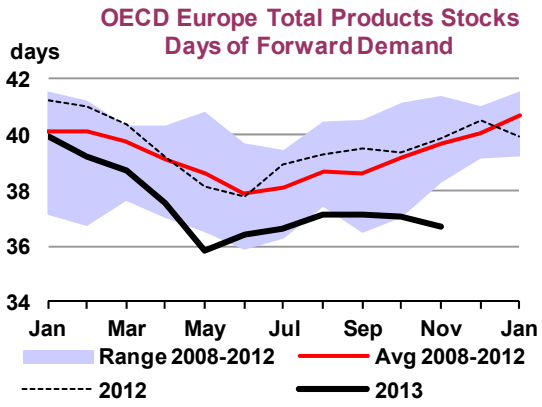


As in November, product stocks were led by draws in 'other products' (-24.8 mb) while motor gasoline and middle distillates both built along seasonal lines, posting gains of 10.9 mb and 9.1 mb, respectively. Middle distillate inventories have stood below the five-year range since October, while those of motor gasoline stand comfortably towards the top of the seasonal range. All told, refined products slipped by 2.2 mb in December. Early indications from January data indicate crude stocks have fallen further as refinery throughputs have remained near record levels while builds in products were likely curbed by high exports, especially of gasoline, propane and distillates, and by healthy demand above year-earlier levels. In the wake of the 'polar vortex', US distillate stocks also drew further to leave them languishing below year-ago and seasonal levels. Moreover, PADD 1 distillate stocks now sit 5.7 mb and 18.8 mb below last year and seasonal levels, respectively. This has led to regional price increases reports of imports to the region from as far a field as Europe, Russia and India as the transport of Gulf Coast supplies remains hindered by the supply of available Jones Act tankers and a lack of spare capacity on the Colonial Pipeline.

OECD Europe

European commercial inventories decreased counter-seasonally by 13.0 mb in November, in contrast to the 12.0 mb average build of the last five years for that month. The region's deficit to average levels has widened considerably, reaching 93 mb at end-month. Crude oil stocks dropped by 10.3 mb after regional runs rose by 800 kb/d, led by draws of around 3 mb each in Germany, France and Italy. Refined products stocks drew counter-seasonally by 3.0 mb, compared to a 7.9 mb average build for the month. At end-month they covered 36.7 days of forward demand, slightly down (-0.4 days) from end-October but a significant 3.2 days lower than November 2012 levels. Stocks drew in all products bar fuel oil month-on-month. Notably, middle distillates drew by 1.7 mb contrary to the 6.3 mb seasonal build. Since middle distillates only replenished by approximately 17 mb over the summer, inventories now lag the five-year average and last year's level by 32.0 mb and 10.0 mb, respectively. In Germany, heating oil consumers began to draw down their stocks as tank fill fell to 61% of capacity in early-December, down 2% from one month earlier.



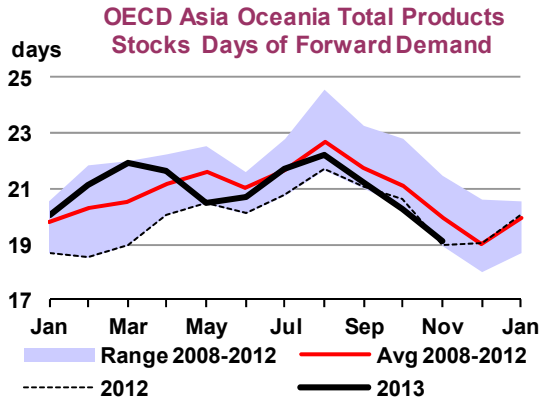


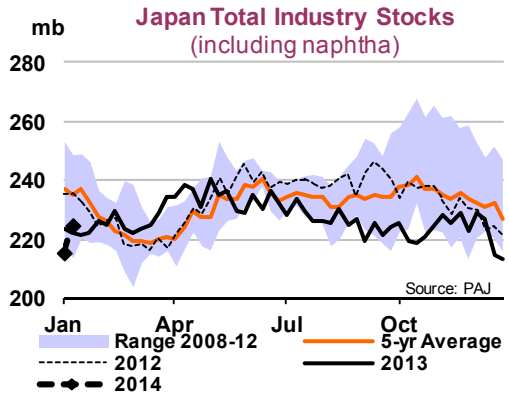
Preliminary data from Euroilstock indicate that European inventories rebounded counter-seasonally by 1.7 mb in December, led by builds in 'other products', motor gasoline and middle distillates of 1.8 mb, 1.6 mb and 1.1 mb, respectively. Crude stocks inched down by 2.2 mb as runs remained relatively stable at 11.2 mb/d (+ 100 kb/d m-o-m).

OECD Asia Oceania

Industry inventories in OECD Asia Oceania fell by 12.3 mb in November, faster than the 4.0 mb five-year average draw for the month. The bulk of the drop came from refined products, which fell by 7.4 mb with all product categories except motor gasoline destocking. Middle distillates slid by a seasonal 3.6 mb with 'other products' falling by a further 3.3 mb, likely after a pick up in the region's petrochemical sector pressured stocks of LPG and naphtha lower. At end-month, refined products covered 19.1 days, 1.1 and 1.2 days lower

month-on-month and year-on-year, respectively. Meanwhile crude holdings dropped by 5.7 mb, in contrast to the five-year average 1.9 mb build, after crude runs rose by 550 kb/d, outpacing regional imports.

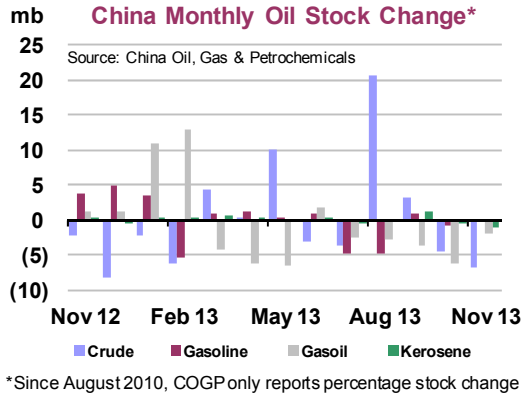


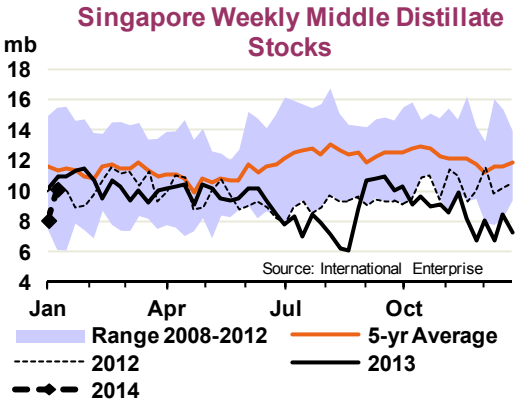


Preliminary weekly data from the Petroleum Association of Japan (PAJ) point to a 10.0 mb draw in Japanese commercial inventories over December, weaker than the 14.6 mb average draw for the month. All oil categories fell bar crude oil, which inched up by a counter-seasonal 1.2 mb. Refined products dropped by a weak 6.9 mb as draws in middle distillates (-4.3 mb) and fuel oil (-1.6 mb) pressured stocks lower. Data through 11 January indicate that Japanese inventories have rebounded slightly. Crude stocks rebounded on sharply higher imports from Africa and Iraq while refined products also increased as refinery throughputs remained buoyant.

Recent Developments in Singapore and China Stocks

According to *China Oil, Gas and Petrochemicals* (*China OGP*) Chinese commercial crude stocks slipped by an equivalent 6.6 mb in November (data are reported in terms of percentage stock change) after a blast on a 200 kb/d crude pipeline transporting oil from the port of Huangdao to the Qilu refinery disrupted import flows. Commercial holdings of gasoil, kerosene and gasoline dropped by 2.0 mb, 1.0 mb and 0.2 mb, respectively. Moreover, the gasoil draw was the sixth straight monthly decline, leaving stocks at their lowest level since November 2010.

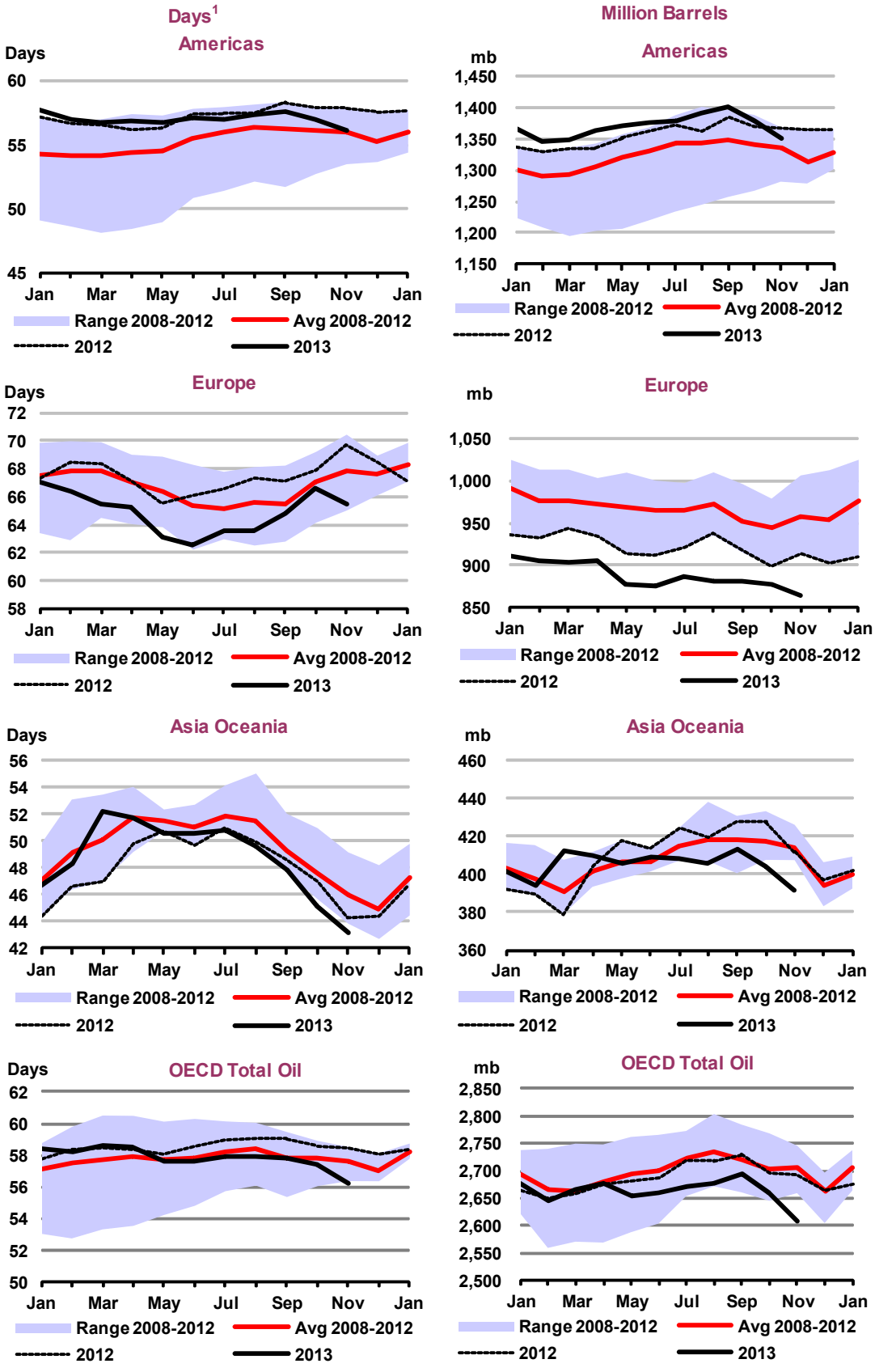




Weekly data pertaining to the land-based storage of refined products in Singapore indicate that stocks slipped by 0.1 mb in December. Stocks were dragged lower by a 1.2 mb draw in residual fuel oil, after bunkering demand in the country reportedly hit a 19-month high, outpacing healthy imports from the Atlantic Basin. Despite middle distillates rebounding by 0.7 mb over the month, stocks still stood below the five-year range at end-year. However, recent data indicate that stocks replenished to once again stand at seasonal levels by early-January. Meanwhile, light distillates built steadily from late-December onwards to leave stocks at three-year highs by early January.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

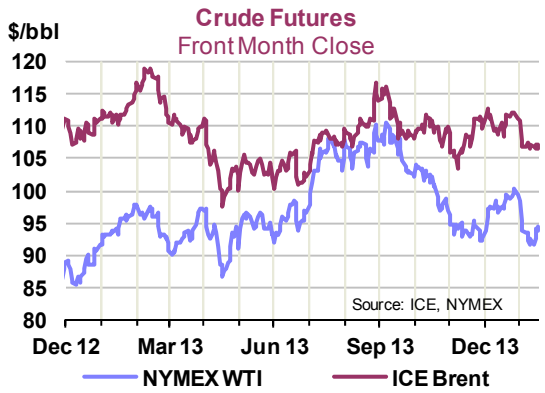
Summary

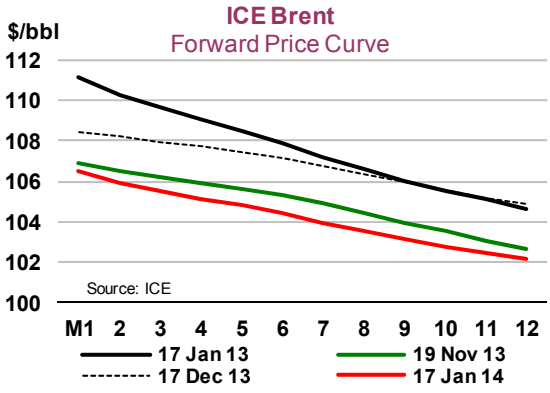
- **Crude oil markets strengthened across the board in December against a backdrop of seasonally stronger winter demand in Northern Hemisphere markets.** North Sea Brent prices were also buttressed by continued supply outages in Libya while WTI was propelled higher by a steep run-up in domestic refinery throughputs. By mid-January, however, prices were trading well below December levels as supply worries eased, with ICE Brent crude futures last trading at $106.35/bbl and NYMEX WTI at around $93.70/bbl.

- **Oil prices ebbed and flowed on supply disruptions and geopolitical developments throughout the year but overall were relatively stable in 2013.** Increases in US domestic crude production served to mute the impact of sharply lower Libyan output and Iranian supplies.

- **Spot product prices rose in December, with the sharpest gains seen at the light end of the barrel.** Asian refiners posted improved crack spreads for naphtha and gasoline on increased petrochemical demand and refinery outages. European gasoil cracks, however, remained under pressure from US and Russian distillate imports while USGC refiners experienced a volatile month.

- **Rates for crude carriers surged at the end of 2013,** with gains particularly strong on routes leaving the Middle East Gulf and West Africa, with the West Africa - US Gulf Coast route surging to its highest level in six years in early January.





Market Overview

Crude oil markets strengthened across the board in December as seasonally stronger winter demand swept through Atlantic Basin markets. North Sea Brent prices were also buttressed by continued supply outages in Libya while WTI was propelled higher by a sharp run-up in domestic refinery throughput rates. A drawdown in OECD stocks at year-end on top of a sharp decline the previous month to levels below the five-year average also supported prices. In December, ICE Brent futures rose by $2.80/bbl to an average $110.70/bbl while NYMEX WTI increased by a stronger $3.96/bbl to $97.89/bbl.

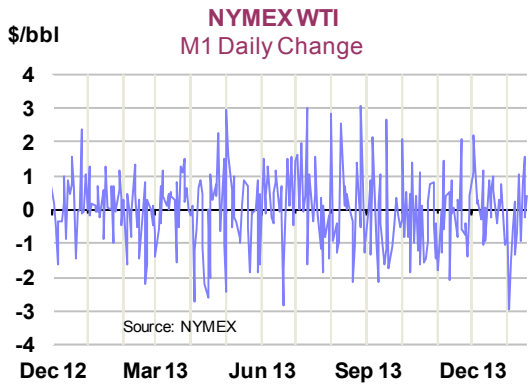
By early January, however, Brent prices traded below December levels on expectations of increased supplies from Libya and Iraq. ICE Brent crude futures were last trading at $106.35/bbl. An exceptional winter freeze across much of the US unusually weighed on prices in early January *(see Demand, 'Winter Freeze').* NYMEX WTI was trading at around $93.70/bbl at writing.

A landmark interim agreement between Iran and the P5+1 nations reached in Geneva in November, but due to go into effect 21 January, may also have reduced the market's perception of supply risk. The

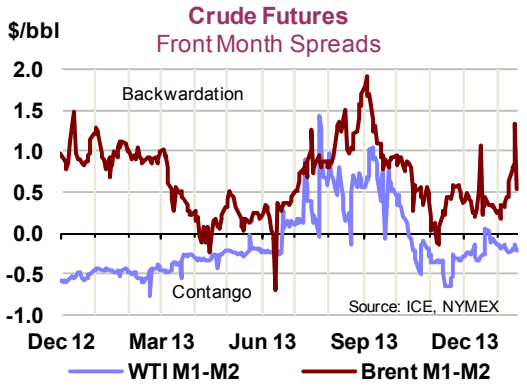
resumption of active negotiations between the international community and Tehran has raised the prospect of an end to the long stand-off over Tehran's nuclear programme but, while the interim agreement allows for some easing of shipping restrictions, US and EU sanctions on Iranian oil exports will remain in place for at least the next six months.

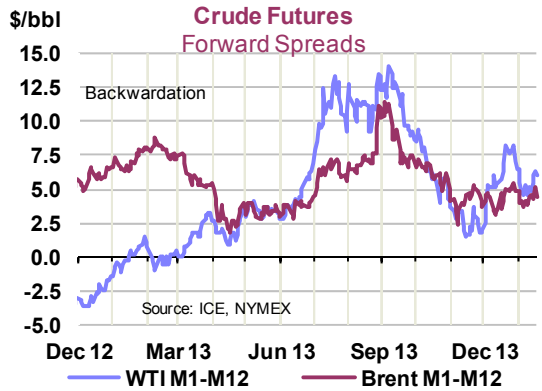
The WTI-Brent spread narrowed by around $1/bbl to just under $13/bbl in December but by early January widened to around $13.50/bbl ahead of the start-up of another major pipeline moving crude from the US Midcontinent to the key Gulf Coast refining region. TransCanada's 700 kb/d Gulf Coast crude pipeline from Cushing, Oklahoma, to Port Arthur, Texas is scheduled to start commercial service on 22 January.





Oil prices ebbed and flowed on supply disruptions and geopolitical developments throughout the year but overall were relatively stable in 2013. Benchmark crude prices diverged slightly, with Brent futures averaging $108.70/bbl, $2.98/bbl below 2012 annual levels. By contrast, WTI gained an average $3.90/bbl for the year, to an average $98.05/bbl. Significant increases in US crude production served to mute the impact of sharply lower Libyan output and Iranian supplies. Libyan output swung from a high of 1.42 mb/d in April to just 230 kb/d by December. Preliminary data for full-year 2013 show imports of Iranian crude and condensate declined by 450 kb/d year-on-year, to 1.07 mb/d compared with 1.52 mb/d on average in 2012 (when major US and EU sanctions came into effect) and 2.42 mb/d in 2011 (*See OPEC Supply*). The higher US production backed out further imports of lighter crude imports such as Nigerian and Algeria grades, which in turn shifted supplies to Europe and Asia, helping to offset reduced volumes from Libya and Iran. A steady increase in pipeline and railroad flows within North America also eased the downward price pressure on WTI last year, with the differential with Brent narrowing on average in 2013 to $10.70/bbl compared with around $17.50/bbl in 2012.





Underscoring the relative stability of markets throughout 2013, increased pipeline outlets from Cushing, combined with a build in crude inventories to levels above the five-year average for most of the year, led

to a narrowing of the price spread between the WTI front-month and second-month contracts, M1-M2. The spread averaged just -$0.08/bbl in 2013, a narrowing of around $0.30/bbl from -$0.38/bbl in 2012. The Brent M1-M2 price spread was more volatile and largely remained backwardated due to Libyan supply outages but was unchanged at around $0.65/bbl on average from 2012 levels.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov Avg Chg	% Chg	Week Commencing: 16 Dec	23 Dec	30 Dec	06 Jan	13 Jan
NYMEX										
Light Sweet Crude Oil	100.55	93.93	97.89	3.96	4.0	98.12	99.50	96.78	92.76	93.38
RBOB	110.67	110.30	114.32	4.02	3.5	113.50	117.92	114.63	111.66	110.03
No.2 Heating Oil	125.71	123.30	127.75	4.44	3.5	126.60	129.75	126.85	123.56	124.80
No.2 Heating Oil ($/mmbtu)	22.17	21.75	22.53	0.78	3.5	22.33	22.88	22.37	21.79	22.01
Henry Hub Natural Gas ($/mmbtu)	3.65	3.64	4.28	0.64	14.9	4.34	4.43	4.32	4.18	4.34
ICE										
Brent	109.44	107.90	110.70	2.80	2.5	110.12	111.90	109.17	106.97	106.77
Gasoil	124.63	122.94	125.98	3.04	2.4	125.11	127.37	124.95	122.08	122.01
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-8.89	-13.97	-12.81	1.16		-12.00	-12.40	-12.39	-14.21	-13.39
NYMEX No.2 Heating Oil - WTI	25.16	29.37	29.86	0.48		28.48	30.25	30.07	30.80	31.42
NYMEX RBOB - WTI	10.12	16.37	16.43	0.06		15.38	18.42	17.85	18.90	16.65
NYMEX 3-2-1 Crack (RBOB)	15.14	20.71	20.90	0.20		19.75	22.36	21.92	22.87	21.57
NYMEX No.2 - Natural Gas ($/mmbtu)	18.52	18.11	18.25	0.15		17.99	18.45	18.05	17.62	17.68
ICE Gasoil - ICE Brent	15.19	15.04	15.28	0.24		14.99	15.47	15.78	15.11	15.24

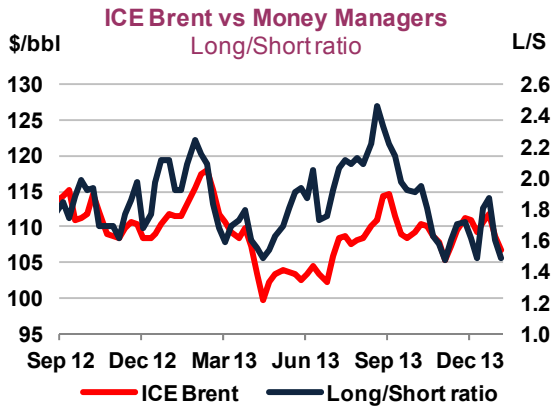
Source: ICE, NYMEX.

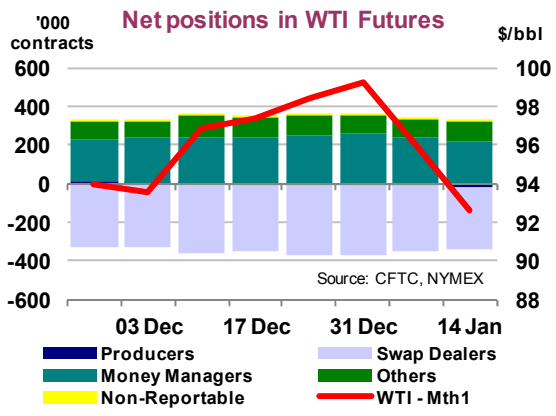
Futures Markets

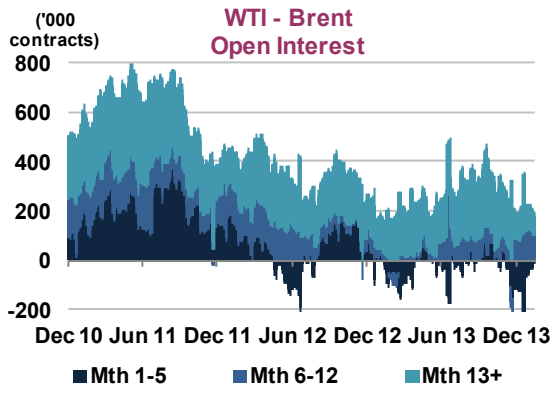
Activity Levels

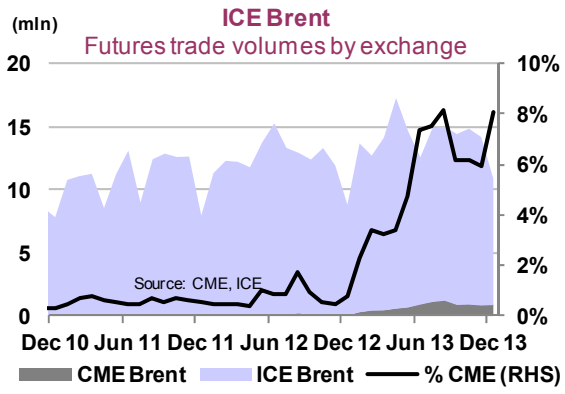
ICE Brent and NYMEX WTI money managers' net-long position movements were mixed between 10 December and 14 January, tracking changes in the benchmark grades. The gyrations in Brent futures prices, which rose by $3.50/bbl in the second half of December only to fall back to under $108/bbl in early January, mirrored similar swings in money managers' long/short ratio. Likewise, NYMEX WTI hedge funds took a progressively more bullish stance throughout December on the back of steadily rising WTI prices, falling back in early January as WTI settled lower around $92/bbl.

RBOB gasoline managed-money net-long positions showed bullish signs throughout December, but retreated slightly in early January. On the gasoil/heating oil front, net longs in the ICE Gasoil market mirrored Brent's swings, while NYMEX heating oil net longs grew in tandem with WTI and mildly retreated in early 2014.









Open interest in both Brent and WTI contracts was up about 8% year-on-year, albeit seasonally down on a month-to-month basis. December trading volumes saw both Brent and WTI grow in double digits compared with a year earlier, up 23.5% and 11.2%, respectively. The two benchmarks kept alternating for the global lead in global trading volumes, extending the pattern of the last six months, with Brent being the most traded in December. Throughout 2013, a growing portion of global Brent volumes was traded in New York, amounting to a significant 8% in December, from less than 1% at the start of the year.

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

14 January 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	251.6	268.0	-16.5	*Short*	↓ -7.3	↓ -21.5
Swap Dealers' Positions	308.5	629.4	-320.8	*Short*	↑ 15.3	↑ 33.9
Money Managers' Positions	561.2	339.8	221.4	*Long*	↓ -19.3	↓ -19.5
Others' Positions	414.2	308.2	106.0	*Long*	↑ 15.6	↓ -2.2
Non-Reportable Positions	87.6	77.6	10.0	*Long*	↓ -4.4	↑ 9.2
Open Interest			**1623.0**		↑ 3.2	↓ -38.4

Source: CFTC

Positions on ICE Brent Crude Futures

Thousand Contracts

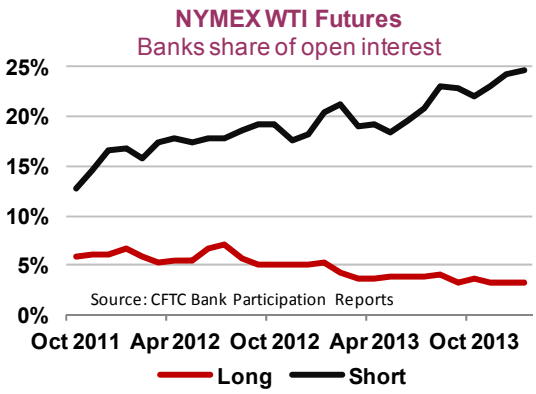
14 January 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	598.3	801.2	-202.9	*Short*	↓ -1.6	↑ 26.0
Swap Dealers' Positions	462.1	279.1	183.0	*Long*	↑ 19.0	↑ 26.3
Money Managers' Positions	254.2	171.0	83.2	*Long*	↓ -10.2	↓ -33.1
Others' Positions	105.0	164.1	-59.1	*Short*	↓ -2.8	↓ -10.7
Non-Reportable Positions	34.7	38.9	-4.2	*Short*	↓ -4.5	↓ -8.5
Open Interest			**1454.3**		↑ 10.1	↓ -118.7

Source: ICE

Financial Regulation

The final Volcker rule was approved by five US regulatory agencies on 10 December. The rule, a major pillar of the 2010 Dodd Frank Act, bars banks from trading in commodities and derivatives for their own account, and limits their ownership in private-equity and hedge funds. Exceptions are made for spot commodities, hedging and market-making activities. As a result, several major banks have been exiting the commodity trading business. Morgan Stanley recently sold its global oil merchandising business to Russian oil company Rosneft. JP Morgan put its physical trading business up for sale in October, while

Deutsche Bank announced on 5 December that it would cease its commodity trading activities in the next years due to the regulatory changes. Banks' overall presence in oil trading is sizeable and has been growing in the past years. According to the latest CFTC 'Bank Participation Report', 16 banks held 25% of overall short positions in NYMEX WTI future contracts and close to 40% of WTI calendar swaps, a significant share now set to decrease.

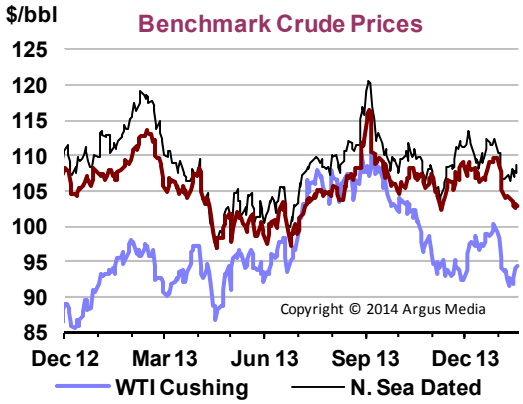


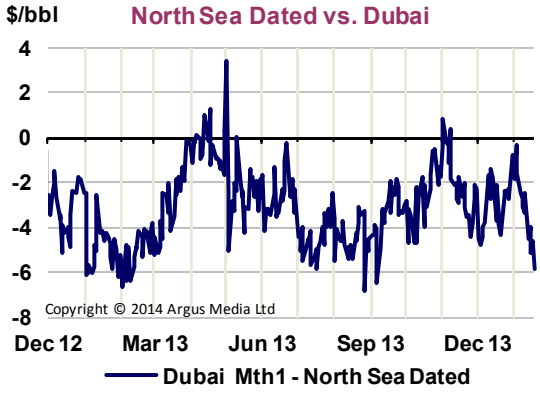
The European Parliament and the Council of Europe reached an agreement in principle on updated rules for markets in financial instruments (MiFID II) on 14 January. The revised directive regulates position-limits, position reporting by trader category, and high-frequency trading. Unlike in the Dodd-Frank Act, the new EU rules would apply to both physical and financial commodities. The final text is yet to be finalised and will have to be approved by a plenary session in the Parliament and signed off by the Council in order for the legislation to come into force, which is expected to happen towards end-2016.

The CFTC invited 60-days of public comments on its guidance for cross-border application of the new swap rules on 3 January. This follows a jointly filed industry lawsuit on 3 December by the Securities Industry and Financial Markets Association (SIFMA), the International Swaps and Derivatives Association (ISDA) and the Institute of International Bankers (IIB). The groups argue that the CFTC had labelled a de-facto regulation as 'guidance', in order to circumvent the stricter rulemaking procedure, which would require seeking and weighing public comment and conducting a cost-benefit analysis.

Spot Crude Oil Prices

Major benchmark crude oil prices rose between 1.9%-4.2% in December before drifting lower in early January. US WTI posted the largest increase at $3.90/bbl to $97.85/bbl, in step with exceptionally strong refinery throughput rates. North Sea Dated Brent rose by a smaller $2.90/bbl to average $110.80/bbl, supported by reduced Libyan supplies. Heavier Dubai crude gained a more modest $2/bbl to $107.90/bbl as Asian buyers preferred lighter crudes such as Malaysian Tapis. The spot Dubai-Brent differential deepened to around -$3.35/bbl in the first half of January compared with an average -$2.90/bbl in December and -$2.10/bbl in November.



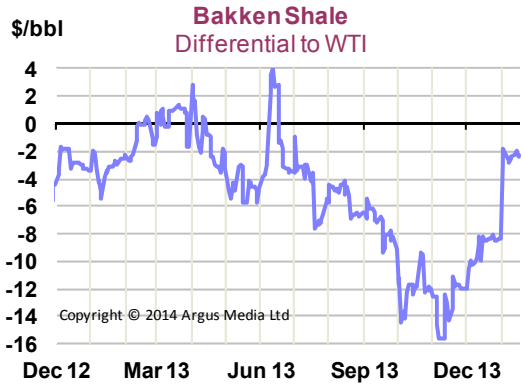


US crude oil markets strengthened on the back of exceptionally high domestic refinery runs in December, diverging further from global markets. Prices for lighter US crude grades rose in tandem with robust US refinery throughput rates in December. The start-up of another major pipeline moving crude from the

US Midcontinent to the key Gulf Coast refining region also supported prices. TransCanada's 700 kb/d Gulf Coast crude pipeline from Cushing, Oklahoma, to Port Arthur, Texas is scheduled to start commercial service on 22 January. Higher domestic prices saw the WTI-Brent price spread narrowed to $12.95/bbl versus $14.05/bbl in November.

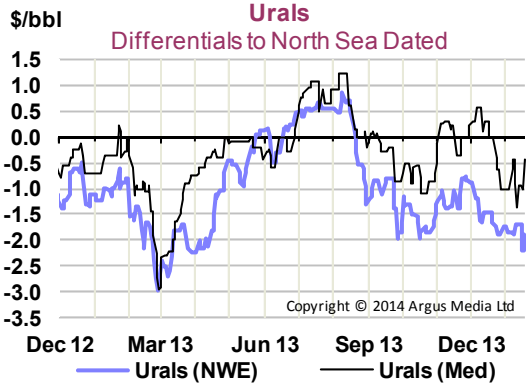
Freezing weather across a broad swath of the US Midcontinent and East Coast disrupted domestic crude oil production operations, and marginally reduced output. Bakken prices relative to WTI rebounded sharply from mid-November 2013 lows, with the Bakken-WTI discount narrowing to just -$2.85/bbl in first half January compared with an average -$9.10/bbl in December and -$13.05/bbl in November.

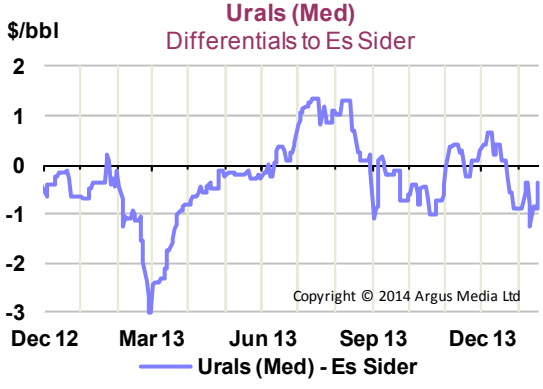
Prices for heavy Western Canadian Select (WCS) have continued on an upward trend since early November on stronger demand from both Canadian and US refiners. Several US Midcontinent refiners are taking more Canadian heavy crude following the increase in rail and pipeline capacity from Alberta to the Midwest, including BP for its 405 kb/d Whiting, Indiana refinery and Citgo for it's 175 kb/d Lemont, Illinois facility. The WCS price discount to WTI narrowed to around $19.25/bbl in the first half of January compared with $26.30/bbl in December and $34.25/bbl in November.





In Europe, the near total absence of Libyan crude supplies due to the continued shutdown of shipping terminals supported Brent prices in December. Spot prices for Brent, however, eased in early January on a partial recovery in Libyan exports and expectations of increased North Sea supplies. Urals was trading at a negligible -$0.02/bbl to Brent in the Mediterranean in December before widening to -$0.75/bbl in first-half January on increased supplies.





In Asia, spot markets for lighter grades strengthened on improved crack spreads for naphtha and gasoline as a combination of increased petrochemical demand and refinery outages tightened supplies. Chinese crude imports hit record levels in December, with demand for spot African crude strong. By contrast, demand for heavier Mideast grades such as Dubai was relatively weaker. As a result,

time-spreads for the front month Dubai tumbled over the past few months, with the Dubai M1-M2 falling to around $0.40/bbl in early January compared with $0.60/bbl in December and $1.50/bbl in November.

Spot Crude Oil Prices and Differentials

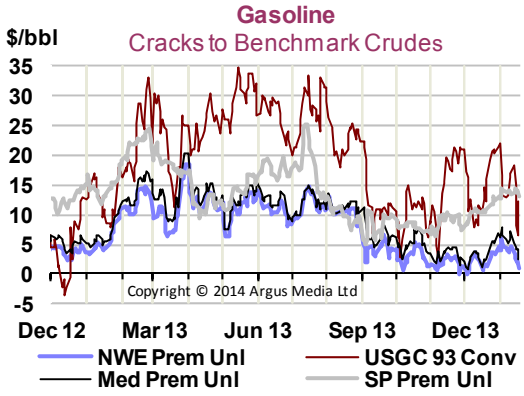
(monthly and weekly averages, $/bbl)

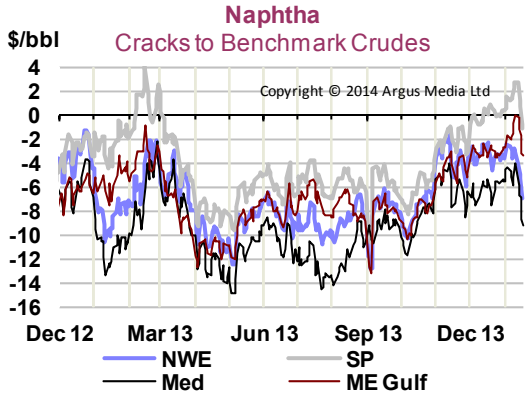
	Oct	Nov	Dec	Dec-Nov Avg Chg	%	Week Commencing: 16 Dec	23 Dec	30 Dec	06 Jan	13 Jan
Crudes										
North Sea Dated	109.15	108.00	110.80	2.80	2.6	110.45	111.83	108.86	106.90	107.82
Brent (Asia) Mth 1	109.54	108.17	110.96	2.80	2.6	109.68	112.23	111.05	107.46	106.85
WTI (Cushing) Mth 1	100.50	93.94	97.85	3.90	4.2	98.05	99.34	96.78	92.76	93.38
Urals (Mediterranean)	108.39	108.05	110.78	2.73	2.5	110.51	111.15	107.86	106.14	106.95
Dubai	106.58	105.90	107.90	2.00	1.9	106.95	109.22	107.71	104.06	102.99
Tapis (Dated)	117.53	113.91	117.11	3.20	2.8	116.63	118.37	115.66	113.70	114.62
Differential to North Sea Dated										
WTI (Cushing)	-8.64	-14.05	-12.95	1.10		-12.40	-12.49	-12.08	-14.14	-14.44
Urals (Mediterranean)	-0.76	0.05	-0.02	-0.07		0.06	-0.68	-1.00	-0.76	-0.87
Dubai	-2.56	-2.10	-2.90	-0.80		-3.50	-2.61	-1.15	-2.84	-4.83
Tapis (Dated)	8.39	5.91	6.32	0.40		6.18	6.54	6.80	6.80	6.80
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.51	0.36	0.31	-0.05		0.39	0.28	0.11	0.39	0.81
Forward WTI Cushing Mth1-Mth2	-0.08	-0.43	-0.24	0.19		-0.29	-0.19	-0.16	-0.20	-0.19
Forward Dubai Mth1-Mth2	1.05	1.50	0.90	-0.60		0.97	0.80	0.44	0.33	0.46

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Spot Product Prices

Product crack spread movements were mixed in December. Asian refiners benefitted from improving cracks at the light end of the barrel as increased petrochemical demand and refinery outages supported naphtha and gasoline prices. Meanwhile European **gasoil** cracks remained under pressure from US and Russian distillate imports while USGC refiners experienced a volatile month. USGC cracks tumbled from November peaks in early-month after refiners increased throughputs to eight-year highs, but rebounded from mid-December as increased demand and high exports pushed up product prices.



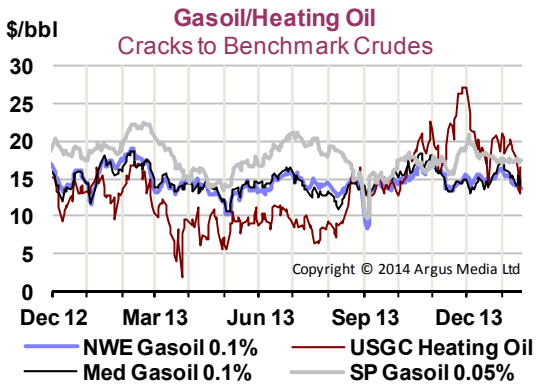


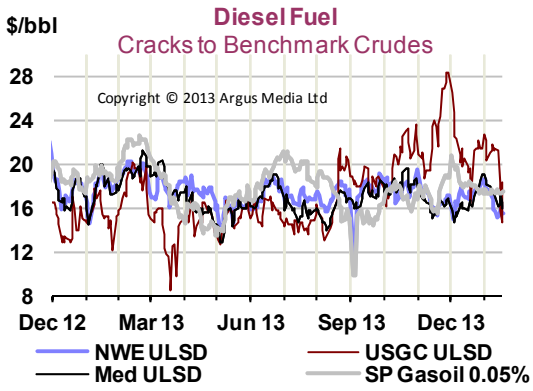
After weakening over early-December, **gasoline** cracks strengthened across the board from mid-month, although the scale of increases varied between markets. The USGC crack was characterised by volatility. After tumbling in early December, the crack came roaring back after gasoline prices firmed on reports of surprisingly high demand. However, cracks dropped back in early-January after US stocks rose. NWE and Mediterranean gasoline cracks remain depressed on ample regional inventories. Nonetheless, they did inch up in December as gasoline prices rose in response to an open gasoline arbitrage to move product to the US East Coast. French refinery strikes and a fatal explosion in a gasoline hydrotreater unit at

Total's Antwerp refinery also supported prices. Meanwhile, cracks in Singapore strengthened over December, as Singapore light distillate stocks drew sharply in early-month. In contrast to other regions, gains were maintained into early-January, supported by an unplanned outage at Taiwan's Formosa refinery.

Asian **naphtha** markets strengthened in December and into early-January after high petrochemical demand from, amongst others, Japan and Taiwan pushed the Singapore crack into positive territory for the first time since March 2013.

An increase in imports from India, as refineries there underwent maintenance, helped to push up prices, which in turn drew in supplies from Europe, the Middle East and the US. Accordingly, naphtha cracks strengthened in these markets over the month. However, the momentum slipped away in mid-January after Singapore light distillate stocks climbed to eight-year highs.



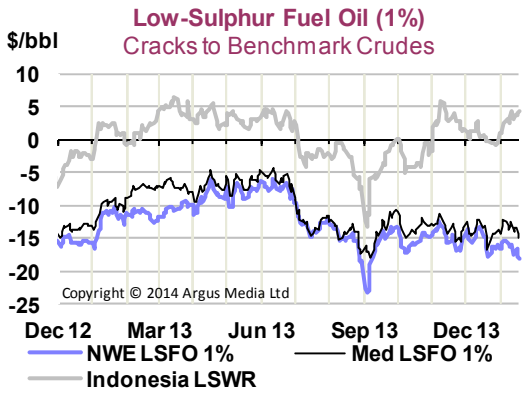


USGC **middle distillates** crack spreads plunged in early-December as LLS strengthened against product prices. However, cracks rose again in early-January when a cold snap, the 'polar vortex', hit the US, causing a number of outages at refineries and boosting heating oil demand. An additional buttress was provided by healthy exports to Latin American and European markets.

In Europe, product price increases were capped by mild weather and plentiful imports from the US and Russia. Nonetheless, cracks remained at seasonal levels. In mid-January, cracks firmed following a fall in Russian supplies as these volumes were diverted to the US East Coast where prices rose following recent cold weather. In Singapore, middle distillate cracks have been on a steady downward trajectory since end-November, pressured by increasing crude prices and low demand for heating fuels due to mild weather.

Early-January saw the Singapore **low-sulphur fuel oil** crack return to positive territory as crude prices weakened after the product gained some strength from tightening fundamentals. Singapore bunkering demand reportedly hit a 19-month high in December while regional imports remained low, causing fuel inventories to draw by a steep 3 mb in the last week of December.

Outside of Singapore, fuel oil cracks remained firmly entrenched in negative territory, considerably below year-ago levels.



Spot Product Prices

(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov		Week Commencing:					Oct	Nov	Dec
				Chg	%	16 Dec	23 Dec	30 Dec	06 Jan	13 Jan			
Rotterdam, Barges FOB											**Differential to Dated Brent**		
Premium Unl 10 ppm	112.12	109.93	113.01	3.08	2.8	111.70	115.14	113.70	110.97	110.09	2.98	1.93	2.21
Naphtha	101.31	104.42	107.44	3.02	2.9	107.22	108.22	105.80	103.87	102.21	-7.84	-3.58	-3.36
Jet/Kerosene	125.15	123.60	126.37	2.78	2.2	125.69	128.29	126.06	123.27	122.81	16.01	15.60	15.58
ULSD 10ppm	127.16	124.81	127.86	3.05	2.4	127.41	129.53	126.97	123.51	123.38	18.01	16.81	17.07
Gasoil 0.1%	124.91	122.88	125.87	3.00	2.4	125.12	127.24	124.86	121.83	121.88	15.76	14.88	15.08
LSFO 1%	93.81	93.28	95.59	2.31	2.5	94.86	95.16	92.95	91.01	90.48	-15.34	-14.72	-15.21
HSFO 3.5%	90.44	88.42	89.22	0.80	0.9	88.70	89.45	88.46	85.66	84.98	-18.71	-19.58	-21.58
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	113.45	111.24	114.01	2.77	2.5	112.65	116.16	114.74	112.02	111.08	5.07	3.20	3.23
Naphtha	99.29	102.13	104.53	2.39	2.3	104.28	105.27	102.92	101.10	99.51	-9.10	-5.91	-6.25
Jet Aviation fuel	124.17	122.33	124.75	2.42	2.0	124.06	126.60	124.41	121.74	121.38	15.79	14.28	13.98
ULSD 10ppm	126.57	124.37	127.21	2.84	2.3	126.67	128.88	126.54	123.62	123.36	18.18	16.32	16.44
Gasoil 0.1%	125.26	122.82	125.54	2.72	2.2	124.72	127.07	124.71	121.62	121.51	16.87	14.77	14.76
LSFO 1%	95.11	94.62	97.04	2.42	2.6	96.40	96.54	94.59	93.21	92.97	-13.27	-13.42	-13.74
HSFO 3.5%	89.85	87.80	88.48	0.68	0.8	87.97	88.47	87.67	85.22	84.64	-18.54	-20.24	-22.29
US Gulf, FOB Pipeline											**Differential to LLS**		
Super Unleaded	112.89	112.26	117.40	5.14	4.6	117.53	124.56	120.04	114.22	115.51	9.93	15.09	14.51
Unleaded	104.43	102.95	105.74	2.79	2.7	105.90	110.83	107.39	107.33	107.22	1.47	5.77	2.86
Jet/Kerosene	121.35	118.50	124.16	5.66	4.8	123.46	126.67	124.23	121.88	121.42	18.39	21.32	21.28
ULSD 10ppm	123.34	119.83	124.09	4.26	3.6	123.16	125.83	123.41	120.98	121.15	20.38	22.66	21.20
Heating Oil	120.98	118.20	122.65	4.45	3.8	121.36	124.60	121.42	119.13	118.93	18.02	21.03	19.76
No. 6 3%*	92.07	89.50	91.86	2.36	2.6	91.99	93.25	90.43	87.71	88.07	-10.89	-7.68	-11.02
Singapore, FOB Cargoes											**Differential to Dubai**		
Premium Unleaded	114.42	114.64	118.77	4.13	3.6	117.65	121.51	121.35	117.85	116.83	7.83	8.75	10.87
Naphtha	100.51	103.81	107.85	4.04	3.9	107.33	109.25	108.40	105.83	103.49	-6.08	-2.09	-0.05
Jet/Kerosene	123.08	122.67	126.63	3.96	3.2	125.52	126.90	126.04	121.91	120.34	16.49	16.78	18.73
Gasoil 0.05%	123.80	123.27	126.32	3.05	2.5	125.19	126.86	125.20	121.52	120.43	17.22	17.37	18.42
LSWR Cracked	104.08	108.98	108.46	-0.53	-0.5	107.14	108.60	108.74	107.29	106.80	-2.51	3.09	0.56
HSFO 180 CST	97.12	95.35	96.83	1.48	1.6	96.69	98.12	97.69	95.70	96.34	-9.46	-10.55	-11.07
HSFO 380 CST 4%	96.47	94.64	95.79	1.16	1.2	95.68	96.89	96.52	94.53	94.90	-10.12	-11.26	-12.11

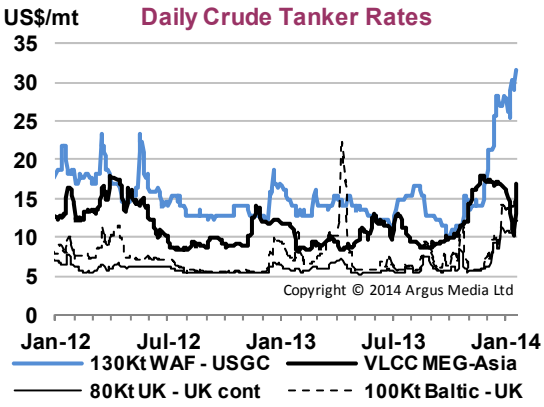
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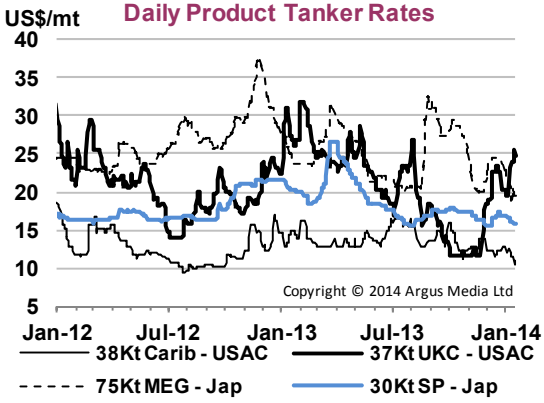
Freight

Rates for crude carriers surged at the end of 2013, as increased long-haul trade tightened tanker market fundamentals. Gains were particularly strong on routes leaving the Middle East Gulf and West Africa, with the West Africa - US Gulf Coast route surging to its highest level in six years in early January. Rates in the Suezmax and Aframax sectors generally remained strong from December into early-January.

Rates for VLCCs on Middle Eastern routes strengthened on robust Asian demand, especially from China, in December. Indeed, a high number of Middle Eastern cargoes entered the market in December as Chinese refiners increased their imports, to record highs, ahead of the on 31 January Chinese New Year. As such, rates on the benchmark VLCC Middle East Gulf – Asia route generally held their levels at close to $17/mt over December before plunging quickly back to close to $10/mt by the second half of January.

In contrast, rates for Suezmaxes on voyages out of West Africa have surged since early-December for a number of reasons. Firstly, demand from Asian refiners has been strong, supported by favourable economics to ship regional grades there. Most notably, Chinese refiners imported record amounts of West African crudes in 4Q13. Secondly, as the VLCC pool shrank, charters were forced to split cargoes with two Suezmaxes required to cover one VLCC voyage. Thirdly, stormy weather in early January caused delays resulting in replacement vessels being chartered for date-specific cargoes. By early January, rates on the benchmark Suezmax West Africa – US Gulf Coast trade briefly exceeded $30/mt for the first time since December 2008.





Freight rates also surged in Northwest Europe during December. Recently, there has been healthy demand for NWE fuel oil from US and Asian markets and North Sea crudes are increasingly being imported by Asian refiners, notably in Korea and China. Consequently, vessels have been tied up for longer voyages, which has tightened tonnage. Further upward momentum was generated by bad weather in Northern Europe, which delayed voyages and left charters searching for last-minute replacement carriers to cover date-specific cargoes. Consequently, rates on the benchmark Aframax cross North Sea route exceeded $11/mt at the end-of December, their highest level since summer 2008.

Movements across the product tanker market were more mixed in December, with only transatlantic product trade providing any upward momentum. Rates for trades on the benchmark UK – US Atlantic Coast route have been on a steady upward trajectory since their November nadir. Indeed, in early January they exceeded $25/mt for the first time since August 2013. Rising gasoline exports from Europe to the US East Coast has underpinned this trend, with the arbitrage recently widening to draw in European product as East Coast prices firmed. Moreover, in mid-January rates on the trade have also been buttressed by reports of tankers being booked to ship heating oil and diesel to the US East Coast where prices have risen in the aftermath of recent cold weather.

East of Suez, product tanker markets generally firmed during December but then softened in early January. North Asia has so far experienced a mild winter and thus demand for product imports has been limited, leaving the vessel pool swollen. Consequently, rates on Asian benchmark trades remain considerably below year-earlier levels.

REFINING

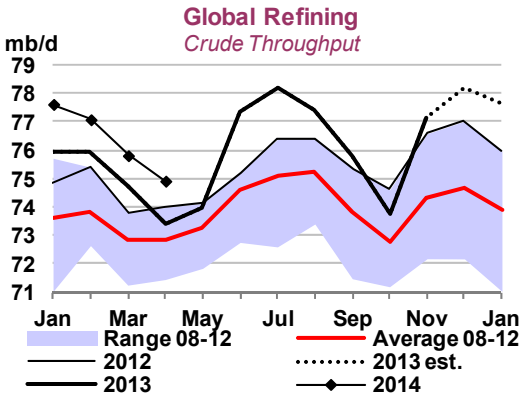
Summary

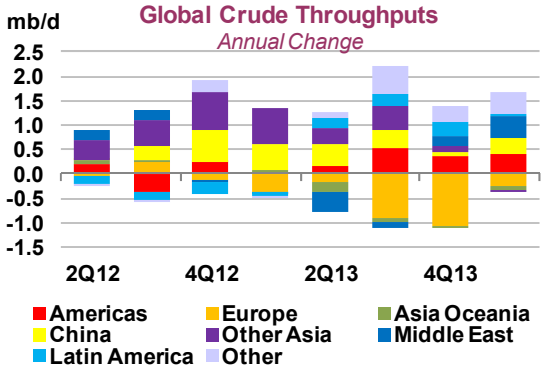
- **The forecast of global refinery crude runs for 1Q14 has been lifted by 110 kb/d since last month's *Report*, to 76.8 mb/d, on a stronger US outlook**. US refinery crude throughputs leaped to eight-year highs in December, resulting in annual gains of more than 0.5 mb/d for the second half of the year and 0.3 mb/d for 2013 as a whole. Surging regional liquids supply is translating into higher runs. We expect US runs to maintain annual growth of around 0.5 mb/d in early 2014.

- **4Q13 global crude run estimates are largely unchanged since last month's *Report*, at 76.3 mb/d**, as higher-than-expected US, Russian and Brazilian throughputs towards year-end were offset by weaker European and Chinese throughputs. A labour strike in France in December slashed European runs further. At 10.9 mb/d, 4Q13 European crude throughputs plummeted by 1.1 mb/d year-on-year (y-o-y), curbing growth in global crude throughputs to only 280 kb/d.

- **OECD refinery crude throughputs rebounded by a steep 2.3 mb/d in November month-on-month (m-o-m), to average 36.8 mb/d.** The unwinding of seasonal maintenance lifted runs in all regions, though prolonged shutdowns and poor economics kept European runs some 900 kb/d below year-earlier levels. Preliminary data for December show OECD runs rose by a further 0.8 mb/d as US throughputs hit monthly highs unseen since July 2005.

- **Global refinery margins generally deteriorated over December, with the exception of Singapore.** A strike at Total's French refineries failed to lift European margins, which remained firmly negative for simple configurations and weak for more complex plants, keeping regional utilisation rates low. US refinery margins faced sharper declines m-o-m as margins came off their end-November highs. Gulf coast margins slipped $3.20/bbl on average while midcontinent rates were down by $5.90/bbl. Yet returns remained attractive, leading US refiners to process their highest level of crude since July 2005.





Global Refinery Overview

Global refinery crude runs in December were 90 kb/d lower than previously expected, as strong US and Russian throughputs only partly offset lower than expected activity in Europe and China. US throughputs hit 16.1 mb/d in December, their highest since July 2005, in part due to very good margins at end-November. European activity, on the other hand, was curtailed by strike action in France in December, while Chinese refinery activity was curtailed by disrupted crude supplies to refineries following a devastating pipeline explosion in November and as the long-awaited commissioning of new capacity was again stalled. All in all, 4Q13 global runs are largely unchanged since last month's *Report*, at an average 76.3 mb/d, while 1Q14 runs are forecast 110 kb/d higher.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

	Sep 13	3Q2013	Oct 13	Nov 13	Dec 13	4Q2013	Jan 14	Feb 14	Mar 14	1Q2014	Apr 14
Americas	18.6	**18.9**	17.9	18.7	19.2	**18.6**	18.5	18.0	17.9	**18.1**	18.0
Europe	11.1	**11.7**	10.3	11.2	11.2	**10.9**	11.3	11.4	11.3	**11.3**	11.4
Asia Oceania	6.5	**6.7**	6.3	6.9	7.1	**6.8**	7.1	7.1	6.8	**7.0**	6.4
Total OECD	36.3	**37.3**	34.5	36.8	37.5	**36.2**	36.8	36.6	36.0	**36.4**	35.8
FSU	6.7	**6.9**	6.5	7.1	7.1	**6.9**	7.0	7.0	6.7	**6.9**	6.4
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	9.4	**9.4**	9.7	9.8	9.9	**9.8**	10.2	10.0	10.1	**10.1**	9.8
Other Asia	9.7	**9.8**	9.6	9.9	10.1	**9.8**	10.1	10.1	9.7	**9.9**	9.7
Latin America	4.8	**4.9**	4.6	4.9	4.7	**4.7**	4.8	4.8	4.8	**4.8**	4.7
Middle East	6.0	**6.0**	6.1	6.0	6.1	**6.1**	6.1	6.1	5.8	**6.0**	5.8
Africa	2.4	**2.3**	2.3	2.2	2.3	**2.3**	2.2	2.1	2.3	**2.2**	2.2
Total Non-OECD	39.6	**39.9**	39.3	40.4	40.7	**40.1**	40.8	40.5	39.9	**40.4**	39.1
Total	75.8	**77.2**	73.7	77.1	78.2	**76.3**	77.6	77.1	75.8	**76.8**	74.9

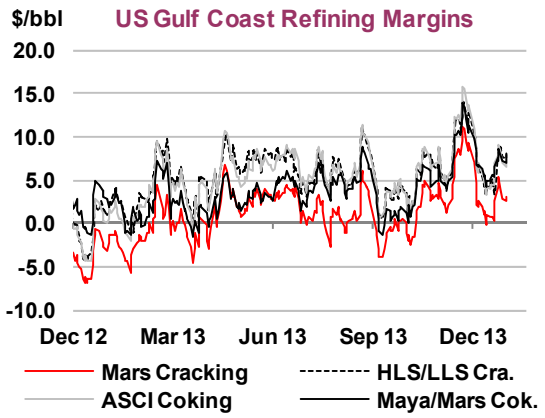
1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

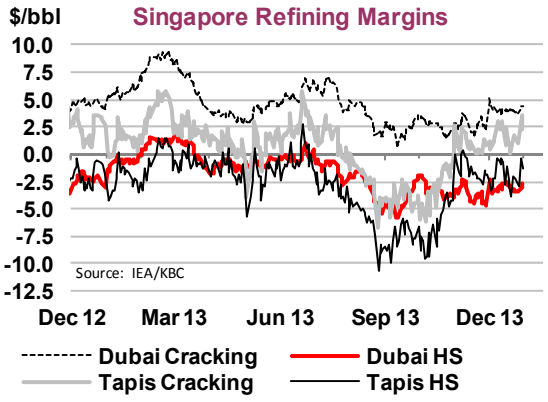
2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

Annual growth in refinery activity is set to rebound by 1.3 mb/d in 1Q14 from only 280 kb/d in 4Q13, as contraction in Europe eases. In 4Q13, European throughputs plunged by 1.1 mb/d y-o-y. In the OECD Americas, throughputs rose by 355 kb/d. Smaller increases came from all non-OECD regions, amounting to total non-OECD gains of 1.0 mb/d. In 1Q14, the ramp up of Saudi Arabia's Jubail refinery is expected to bring additional product volumes to market. So is new capacity recently commissioned in China. Both PetroChina's 200 kb/d Pengzhou and Sinochem's 240 kb/d Quanzhou refineries finally started trial runs in January. Both plants had been delayed several times, from initial start-up dates of end-2012 and mid-2013, respectively. The two projects are the first new refineries to come on line since 2010, when PetroChina's Qinzhou plant was completed. Russian and US runs will likely continue apace, supported by favourable economics. European refiners, on the other hand, will likely continue to struggle, in the face of weak regional demand and dismal margins, but declines should abate from current levels.

Refining Margins

Refinery margins generally weakened in December, as supply outages lifted crude prices, outstripping meagre product price increases. The only region where margins firmed on average was Singapore, as healthy product markets and relatively subdued crude price hikes there provided upward momentum. Early January saw margins rebound in Europe and extend their gains in Singapore after benchmark crude prices eased on expectations of improved supply.





US refining margins plummeted in early December, reversing their spectacular gains of the previous month. US crude prices firmed in December as throughputs surged to their highest levels since 2005. Midcontinent refiners saw margins tumble by $5.90/bbl on average although all margins, except those for WTI, remained on a par with year-ago levels. Bakken margins led the drop, plunging by over $7/bbl on average as Bakken crude prices firmed relative to WTI. In comparison, refiners on the US Gulf Coast suffered a margin drop of $3.20/bbl on average as exceptionally high throughputs caused WTI and LLS prices to rise faster than light and middle distillate prices. Despite this fall, USGC margins remain on an upward long-term trend, higher on a year-on-year basis, with Latin American and European exports markets proving profitable outlets.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

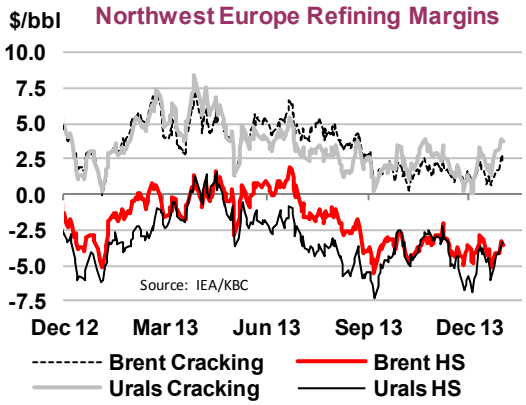
	Monthly Average					Change	Average for week ending:				
	Sep 13	Oct 13	Nov 13	Dec 13		Dec 13-Nov 13	20 Dec	27 Dec	03 Jan	10 Jan	17 Jan
NW Europe											
Brent (Cracking)	1.75	1.62	1.54	1.42	↓	-0.12	0.96	1.55	2.57	1.98	1.19
Urals (Cracking)	1.89	2.65	1.84	2.17	↑	0.33	1.79	2.90	3.95	3.35	2.26
Brent (Hydroskimming)	-3.67	-3.64	-3.64	-3.95	↓	-0.31	-4.32	-4.31	-3.37	-3.71	-4.62
Urals (Hydroskimming)	-4.85	-3.57	-4.56	-4.80	↓	-0.24	-5.05	-4.44	-3.16	-3.67	-4.89
Mediterranean											
Es Sider (Cracking)	3.30	3.61	3.50	3.26	↓	-0.24	2.69	3.05	4.01	4.11	3.17
Urals (Cracking)	2.37	3.55	2.63	2.63	↓	0.00	2.26	3.56	5.01	4.10	3.65
Es Sider (Hydroskimming)	-2.28	-2.05	-2.04	-2.46	↓	-0.42	-3.01	-3.12	-2.11	-1.74	-2.63
Urals (Hydroskimming)	-5.93	-4.52	-5.61	-6.25	↓	-0.64	-6.58	-5.75	-3.95	-4.79	-5.21
US Gulf Coast											
50/50 HLS/LLS (Cracking)	3.15	5.76	9.18	6.10	↓	-3.08	4.24	7.93	7.38	8.00	8.66
Mars (Cracking)	-1.11	1.95	6.05	2.44	↓	-3.61	1.09	4.11	2.38	2.27	2.86
ASCI (Cracking)	-0.79	1.94	6.02	2.05	↓	-3.97	0.79	3.57	1.92	1.94	2.61
50/50 HLS/LLS (Coking)	4.33	6.92	10.21	7.37	↓	-2.83	5.53	9.47	8.85	9.35	9.93
50/50 Maya/Mars (Coking)	1.00	4.38	8.54	6.53	↓	-2.00	5.54	7.90	7.19	7.86	8.54
ASCI (Coking)	3.26	5.90	9.99	6.33	↓	-3.67	4.88	8.13	6.66	7.03	7.84
US Midcon											
WTI (Cracking)	9.27	7.20	10.42	7.71	↓	-2.71	6.93	11.00	10.95	13.96	15.37
30/70 WCS/Bakken (Cracking)	17.65	20.16	25.00	17.14	↓	-7.87	15.52	18.95	16.01	15.80	16.94
Bakken (Cracking)	17.36	19.61	24.05	17.33	↓	-6.73	15.79	20.04	16.95	17.15	18.32
WTI (Coking)	11.01	8.53	11.63	8.87	↓	-2.76	8.05	12.54	12.43	15.35	16.67
30/70 WCS/Bakken (Coking)	20.43	22.33	27.47	19.10	↓	-8.37	17.33	21.33	18.41	18.51	19.65
Bakken (Coking)	17.82	19.86	24.24	17.46	↓	-6.78	15.91	20.37	17.25	17.43	18.55
Singapore											
Dubai (Hydroskimming)	-4.32	-3.19	-3.69	-3.00	↑	0.69	-2.75	-3.31	-2.47	-1.52	-0.73
Tapis (Hydroskimming)	-7.58	-6.36	-1.42	-1.89	↓	-0.47	-2.58	-2.40	-0.38	-1.54	-2.01
Dubai (Hydrocracking)	2.18	2.57	2.66	4.11	↑	1.45	4.06	3.86	4.50	5.08	5.65
Tapis (Hydrocracking)	-3.95	-3.07	0.97	1.74	↑	0.77	1.09	1.51	3.25	1.65	1.00

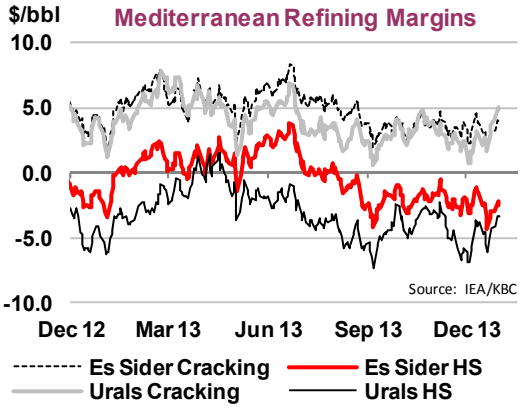
1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. Consequently, reported margins should 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

Refiners in Europe continue to see margins trend below or close to break-even levels. Not even refinery strikes in France, taking an estimated 230 kb/d of capacity off-line on average in the month, could move margins higher as increases in Brent-linked crude prices outstripped small product price gains. High distillate imports from Russia and the US are helping cap product price increases, as refiners there take advantage of their access to cheap crude and, in the case of the US, low energy costs in the form of cheap natural gas. The effect of these imports was acutely felt in the Mediterranean where, despite cold

weather increasing demand for distillates, product price increases were capped by plentiful imports. Refinery margins in the Mediterranean slipped by $0.30/bbl over the month. Northwest European margins generally held steady month-on-month with Urals cracking margins actually firming by $0.30/bbl after Brent strengthened relative to Urals. As has been the case recently, margins for simple refineries remain firmly in the red.

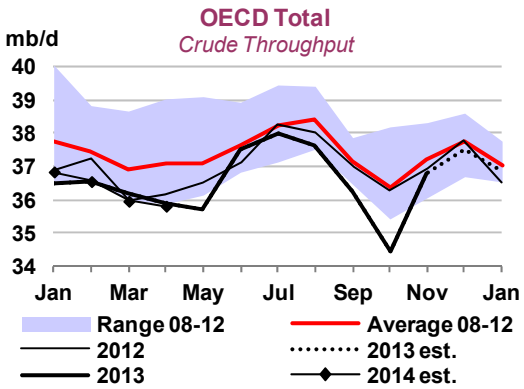


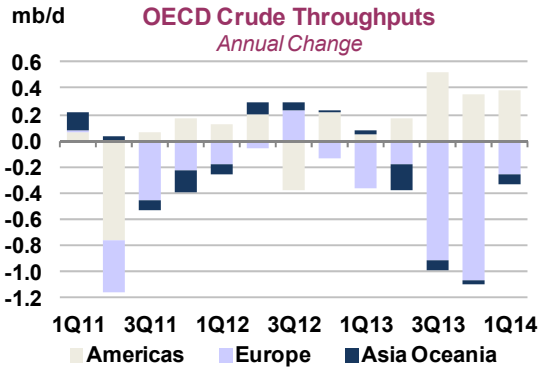


Margins in Singapore were the only bright spot in December, as healthy demand strengthened product markets, with price increases significantly steeper than those reported in Europe. Accordingly, margins rose by $0.60/bbl on average, though refiners running Tapis were at a distinct disadvantage to others since it firmed relative to Dubai. Relatively complex refiners running Tapis thus enjoyed significantly smaller margin gains (+$0.80/bbl m-o-m) than those running Dubai (+$1.50/bbl m-o-m).

OECD Refinery Throughput

OECD crude runs rebounded by a steep 2.3 mb/d in November from a month earlier, with large gains spanning all regions. At 36.8 mb/d, total OECD runs nevertheless remained below year-earlier levels, as contractions in Europe outpaced robust activity in the Pacific and the US. Heavy turnarounds and poor margins had slashed runs to just 34.5 mb/d in October, a 20-year low. According to preliminary data, OECD crude runs gained a further 0.8 mb/d in December, to 37.5 mb/d. US refinery runs hit an eight-year high in December, offsetting lower than-expected runs in Europe, where a labour strike at several French refineries further curbed throughputs.





All in all, 4Q13 OECD runs have been lowered by 35 kb/d since last month's *Report*, to 36.2 mb/d. Throughputs contracted by 740 kb/d overall, as a 355 kb/d increase in the OECD Americas and relatively stable runs in OECD Asia Oceania failed to offset a contraction of almost 1.1 mb/d y-o-y in Europe. For the year as a whole, OECD throughputs were 430 kb/d lower than a year earlier, with European refiners slashing runs by 630 kb/d, while refiners in the Americas raised throughputs by 270 kb/d.

These trends are expected to continue in 1Q14. US refinery runs got off to a brisk start in January, posting even stronger annual gains than those seen at end-2013. European throughputs, on the other hand, will likely remain under pressure, though their rate of contraction is expected to ease from that seen in 2H13. In Asia Oceania, Japan will permanently halt 400 kb/d of capacity at end-March, in keeping with a government ordinance to make its industry more competitive. The impact of the refinery closures is expected to be less than nameplate capacity reductions, however, as some of the units have already been mothballed, and the remaining refineries will likely lift their utilisation rates to compensate for the closures (see '*Upcoming Capacity Reductions in Japan to Have Limited Impact*'). In all, OECD runs are forecast to average 36.4 mb/d in 1Q14, up 50 kb/d y-o-y, and 55 kb/d higher than in last month's *Report*.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

							Change from		Utilisation rate[1]	
	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	*Oct 13*	*Nov 12*	Nov 13	Nov 12
US[2]	15.83	16.04	15.80	15.63	14.99	15.67	0.68	0.58	87.4%	84.8%
Canada	1.70	1.71	1.75	1.69	1.62	1.71	0.10	-0.11	89.5%	95.5%
Chile	0.19	0.18	0.17	0.19	0.16	0.19	0.02	0.01	82.3%	79.2%
Mexico	1.30	1.27	1.25	1.13	1.09	1.16	0.07	-0.03	70.5%	72.4%
OECD Americas	**19.01**	**19.20**	**18.97**	**18.63**	**17.86**	**18.73**	**0.87**	**0.44**	**86.3%**	**84.7%**
France	1.28	1.28	1.21	1.06	0.93	1.14	0.21	-0.01	81.2%	73.4%
Germany	1.96	1.92	1.88	1.86	1.97	1.95	-0.02	-0.12	96.4%	97.2%
Italy	1.27	1.41	1.33	1.26	1.24	1.29	0.05	-0.14	64.2%	68.5%
Netherlands	0.99	0.99	1.01	0.91	0.76	0.92	0.16	0.07	71.2%	65.5%
Spain	1.21	1.21	1.13	1.13	1.06	1.06	0.00	-0.19	69.9%	82.4%
United Kingdom	1.32	1.30	1.32	1.14	0.95	1.00	0.04	-0.20	57.7%	69.2%
Other OECD Europe	3.96	4.03	3.94	3.73	3.37	3.81	0.44	-0.32	76.5%	83.3%
OECD Europe	**11.99**	**12.14**	**11.83**	**11.10**	**10.29**	**11.16**	**0.87**	**-0.90**	**74.7%**	**79.0%**
Japan	2.97	3.22	3.39	3.21	2.88	3.37	0.49	0.28	75.3%	67.0%
South Korea	2.59	2.47	2.47	2.40	2.51	2.61	0.09	0.01	85.4%	85.0%
Other Asia Oceania	0.94	0.94	0.98	0.91	0.93	0.89	-0.04	-0.01	74.1%	78.5%
OECD Asia Oceania	**6.50**	**6.62**	**6.84**	**6.52**	**6.32**	**6.87**	**0.55**	**0.28**	**78.7%**	**74.7%**
OECD Total	**37.51**	**37.96**	**37.63**	**36.25**	**34.47**	**36.76**	**2.29**	**-0.18**	**81.0%**	**80.9%**

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

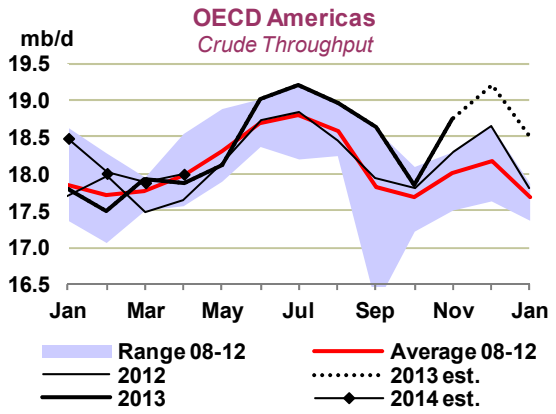
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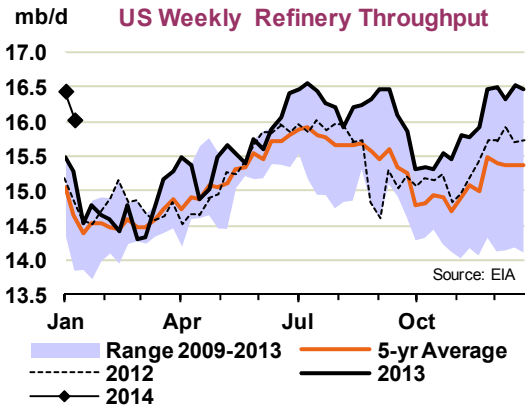
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

With the receipt of monthly data, **North American** crude runs have been revised down by 60 kb/d for November compared with our earlier assessment. Most of the revision stemmed from lower runs in Mexico, where plant turnarounds seem to have been extended from October, keeping utilisation at around 70% of capacity. Regional runs of 18.7 mb/d were nevertheless up 870 kb/d from October's seasonal low. Compared with a year-earlier, regional runs stood 445 kb/d higher, as US refiners posted annual gains of an impressive 580 kb/d.

Weekly data from the US Energy Information Administration (EIA) show **US** refinery crude runs surging another 475 kb/d in December on average, to 16.1 mb/d, their highest monthly average since July 2005. Crude volumes processed at refineries on the Gulf Coast rose by 315 kb/d m-o-m, and reached a high of 8.6 mb/d (or 95.6% utilisation) in the week ending 20 December. US East Coast refinery throughputs rose by 100 kb/d to 1.1 mb/d after two months of maintenance-related run cuts. Midcontinent refinery runs reached a monthly high in December of 3.58 mb/d on average, following an all-time 3.7 mb/d record

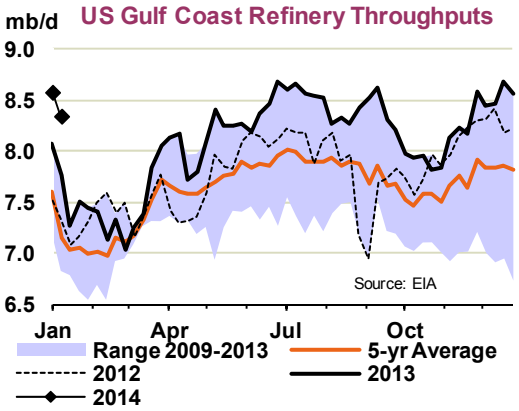
high in the first week of the month. For December as a whole, refinery crude intake in the midcontinent was up by 120 kb/d y-o-y, supported by healthy margins and increased runs at BP's recently upgraded Whiting, Indiana, refinery. BP started a new 250 kb/d crude distillation capacity in July 2013, returning the refinery to its 413 kb/d nameplate capacity.

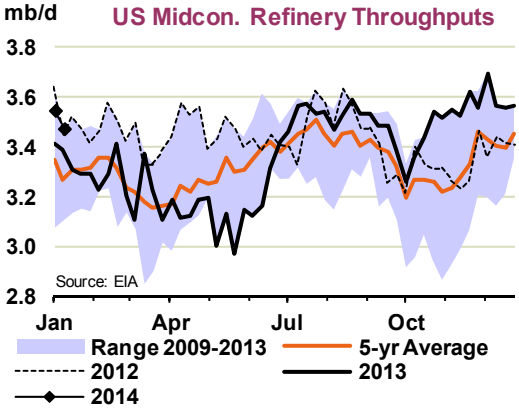




The extreme cold that swept across North America in early January caused operating problems for several regional refiners. Korea National Oil Corporation's 115 kb/d Come-by-Chance refinery in Newfoundland, Canada and PBF Energy's 180 kb/d Paulsboro, New Jersey, refinery both reportedly lost power due to the weather. In the US midcontinent, Marathon Petroleum confirmed unplanned shutdowns at its 120 kb/d Detroit refinery, while CITGO reported problems at its Lemont, Illinois, refinery. Further south, freezing conditions prompted upsets at Exxon Mobil's Joliet plant in Illinois and Total's 240 kb/d Port Arthur, Texas facility.

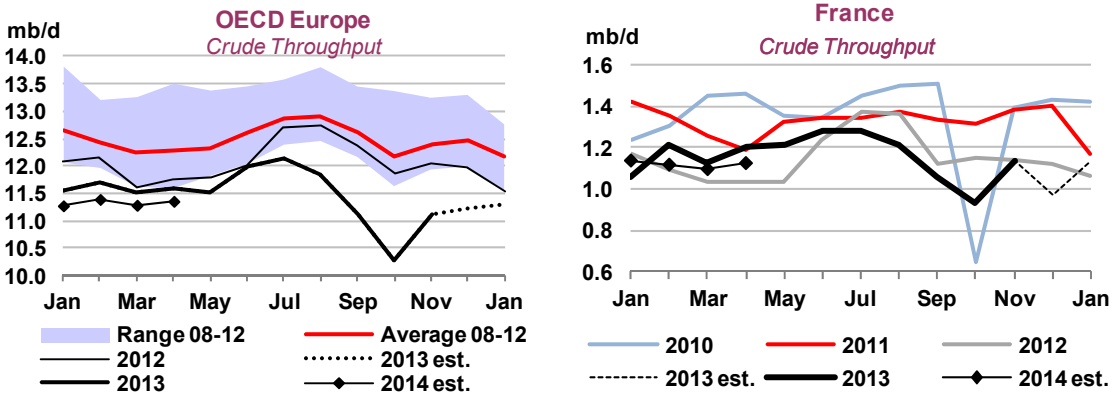
In addition to weather-related outages, US refineries are gearing up for seasonal overhauls in the first quarter, spring turnarounds during which they prepare for the switch from winter-grade to summer-grade gasoline. Amongst others, Monroe Energy LLC's 185 kb/d Trainer, Pennsylvania refinery started maintenance on a crude unit in early January, while Valero's Corpus Christi, Texas, and Memphis, Tennessee, refineries are doing work on their crude units starting in March.





European refinery crude intake estimates for November are largely unchanged since last month's *Report*, at 11.2 mb/d. Despite rising some 870 kb/d from October's low, regional throughputs remained 900 kb/d below a year earlier. Preliminary data for December from Euroilstock, released 10 January, suggest that regional runs remained weak through year-end. We have lowered our December estimate by 290 kb/d since last month's *Report* to average 11.2 mb/d. The bulk of the downward revision stems from France, where strike action at Total's domestic plants slashed refinery activity. The company's Gonfreville, Donges, La Mede, Feyzin and Grandpuits refineries, with combined capacity of around 840 kb/d, were

offline for up to 11 days in December, curbing runs by an estimated 230 kb/d. In all, 4Q13 European crude runs are now assessed at 10.9 mb/d, 1.1 mb/d below a year earlier.



While regional runs are expected to continue to contract in 1Q14, the rate of contraction is expected to ease, to an average of 250 kb/d. Refinery maintenance normally peaks in March or April, though little firm information is available yet on planned outages. Given the extensive work completed in 2013, outages in 2014 could be less severe. Tupras' Izmit refinery in Turkey shut down in January, for up to a month, to carry out work on its Residue Upgrading Project. The $2.7 billion project, which includes a coker and a hydrocracking unit, is expected to come online in November and will contribute to reducing the country's gasoil deficit.

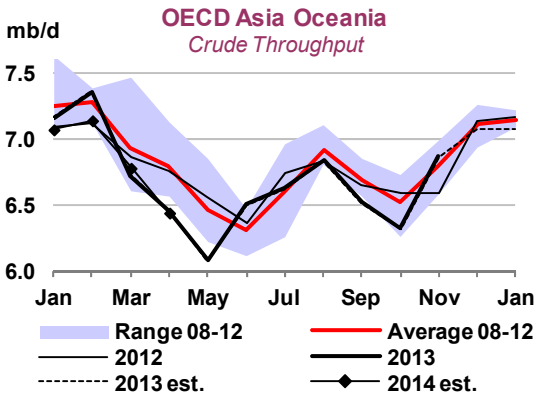
In **OECD Asia Oceania**, crude intake rose by 550 kb/d from a month earlier in November, lifted by sharply higher Japanese throughputs. Japanese refiners lifted runs 490 kb/d from a month earlier, while South Korean runs rose by close to 100 kb/d. Weekly data from the Petroleum Association of Japan show Japan's refinery crude throughputs rising another 440 kb/d in December. Japan's largest refiner, JX Nippon Oil and Energy Corp., announced it planned to cut runs in January by 2% y-o-y as unseasonably warm weather undermined kerosene demand. Exports were expected to remain high, though, providing a partial offset.

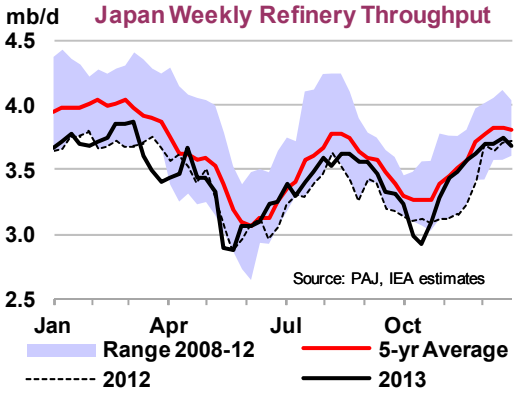
Upcoming Capacity Reductions in Japan to Have Limited Impact

The 31 March 2014 deadline for Japanese refiners to comply with a 2010 governement ordinance, requiring a minimum of 13% cracking to crude distillation (CDU) ratio for the sector as a whole, is fast approching. Faced with declining domestic demand and increased competition from new refineries in neighbouring countries, refineries have mostly opted to cut distillation capacity rather than invest in expensive upgrading units, resulting in a reduction of almost 1 mb/d from 2009, when CDU capacity stood at 4.9 mb/d. While some of the consolidation has already been completed, another 0.4 mb/d is scheduled to be cut before the end of March, taking Japan's nameplate capacity to 3.94 mb/d.

Still to come, JX Nippon Oil and Energy Corporation is scheduled to shut its 180 kb/d Muroran refinery in northern Hokkaido, while Idemitsu will close its 120 kb/d Tokuyama plant at the end of March. In addition, Tonen General is set to formally decommission the 67 kb/d CDU at its Kawasaki refinery and the 38 kb/d CDU at Wakayama by March deadline, though operations were already halted some time ago.

Furthermore, the 300 kb/d of capacity still to be shed by end-March could mostly be compensated for by remaining domestic refinery capacity. In 2013, preliminary data suggest Japanese crude intake averaged less than 3.5 mb/d, or 79% utilisation, suggesting that runs could easily be lifted at other plants to offset the shutdowns. If runs were kept unchanged from 2013's level after the capacity reductions are completed, utilisation rates would rise to 88% on average. Given continuous structural demand contractions, estimated by the IEA at around 170 kb/d for both 2013 and 2014, throughputs will likely continue to trend lower in 2014 and beyond, but by less than suggested by simply looking at the latest wave of capacity reductions.

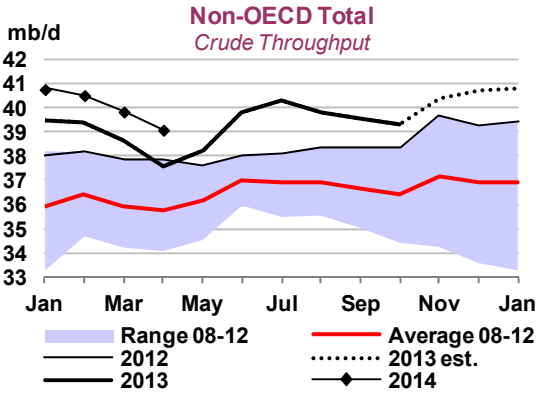


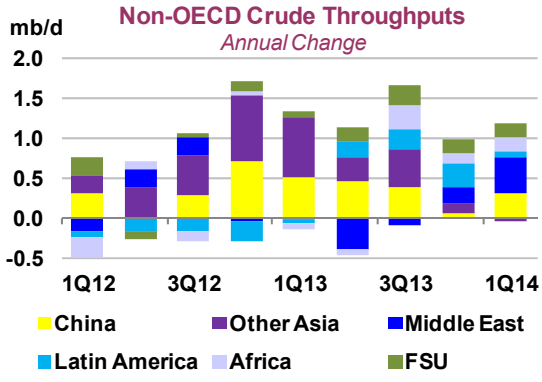


Non-OECD Refinery Throughput

Non-OECD refinery throughput estimates for 4Q13 have been revised upwards by 50 kb/d since last month's *Report*, to 40.1 mb/d, on stronger-than-expected Russian and Brazilian refinery activity. With the receipt of preliminary data for December, Russia looks to have increased its crude processed domestically by 150 kb/d on the year, to almost 5.5 mb/d. Russia is the third largest refiner in the world, after the US and China. Across the Atlantic, Brazilian throughputs remained robust in November, at near-record levels of more than 2.1 mb/d. While Petrobras has managed to lift domestic refinery runs by 140 kb/d year-on-year over the first 11 months of 2013, the increase is barely enough to cover domestic demand growth, and makes only a small dent in the country's product import bill.

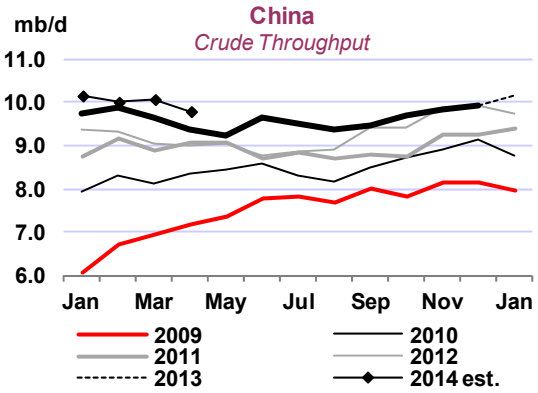
While recent activity at the non-OECD Asian refiners might seem weak compared with earlier trends, for the year as a whole the region expanded its throughputs by 770 kb/d, of which 360 kb/d came from China. True, the 4Q13 annual growth rates look less impressive, with China lifting its runs by just 90 kb/d y-o-y and India on track to post its first annual contraction since 2005. End-2012 throughput rates were exceptionally strong, however, making y-o-y comparisons slightly misleading. Furthermore, long-delayed refinery projects in both countries are expected to be brought on line in 2014, with PetroChina's new 200 kb/d Pengzhou refinery first up, having started trial runs on 10 January after several delays. A week later, Sinochem's 240 kb/d Quanzhou also started test runs. India's new Paradip refinery will likely start commissioning by mid-year and reach full capacity six months later.



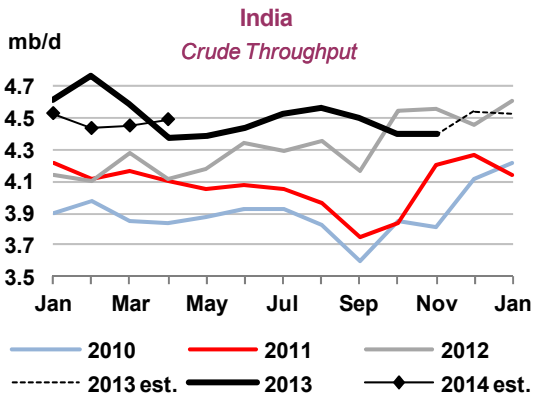


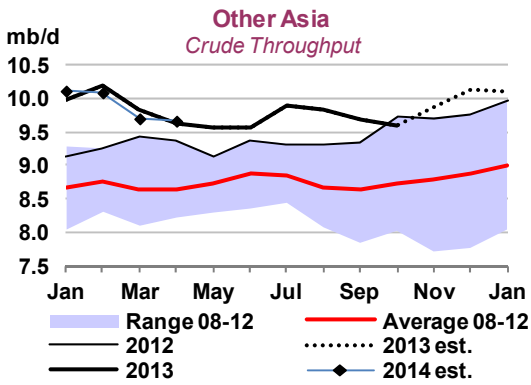
All told, our projection of 1Q14 non-OECD refinery runs has been lifted by 55 kb/d since last month's *Report*, at 40.4 mb/d, 1.2 mb/d higher than a year earlier. Growth is widespread, with significant gains expected from China, Saudi Arabia and Russia in particular as new capacity ramps up, but also from Africa as the region rebounds from a weak start to 2013.

Chinese refinery runs in December were 255 kb/d lower-than-expected as disrupted crude deliveries after a deadly pipeline explosion in November continued to curtail throughputs and the start-up of new capacity again was pushed back. Official data from the National Bureau of Statistics (NBS) showed Chinese refineries processed 9.9 mb/d of crude in the month, largely unchanged from a year-earlier. Runs were nevertheless up 120 kb/d m-o-m, as amongst others, Sinopec's Maoming and Fuijan refineries returned from maintenance. Sinopec's 240 kb/d Fuijan refinery (ExxonMobil and Saudi Aramco JV) restarted operations on 6 December after a full shutdown started mid-October. The plant boosted crude capacity by 40 kb/d, to 280 kb/d, and also raised hydrocracking capacity during its shutdown. Sinopec's 400 kb/d Maoming plant resumed runs on 17 November after being shut for over a month. Indeed, crude imports rose to an all time high of 6.3 mb/d in December, 600 kb/d above a month earlier. After repeated delays, PetroChina's 200 kb/d Sichuan refinery started trial runs on 10 January. Sinochem's 240 kb/d Quanzhou refinery started test runs a week later, potentially further boosting runs ahead of the Lunar New Year Celebrations starting in early February.

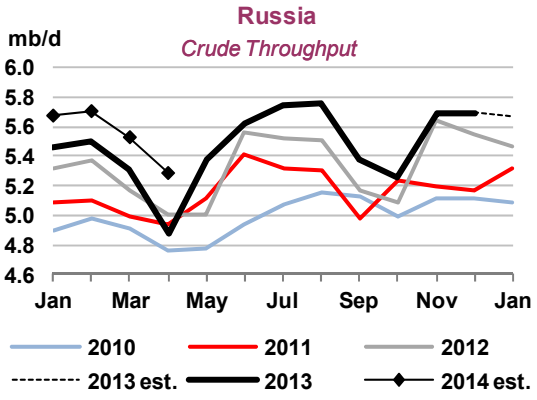


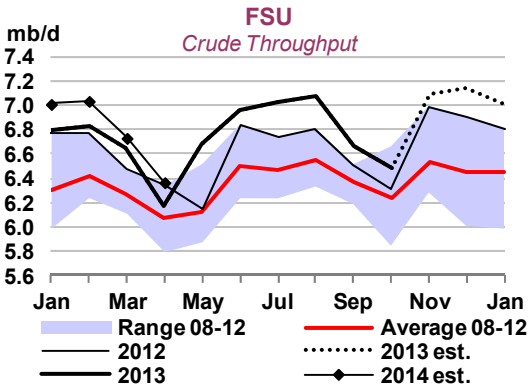
For the second consecutive month, **Indian** refinery runs trended below year-earlier levels in November, averaging 4.3 mb/d. Refinery maintenance at Essar's Vadinar plant and Indian Oil Corp.s' Mathura refinery curbed runs by 160 kb/d compared with a year earlier. In December, Reliance shut a CDU at its 660 kb/d Jamnagar plant due to a power failure, and the refiner announced it would shut a 330 kb/d crude unit for maintenance in 1Q14. While no official announcement has been made regarding the timing and duration of the shutdown, it is expected take place at the end of January or early February and last for at least two weeks. December product exports from private refiners were stable from November, at 1.08 mb/d. We expect Indian refinery runs to contract year-on-year also in 1Q14, but from a very high base at the start of 2013. IOC's new 300 kb/d Paradip refinery, which is expected to start trial runs towards mid-year and be fully operational by the end of the year, will run 60% Kuwaiti crude and 40% Mexican Maya, according to company statements.



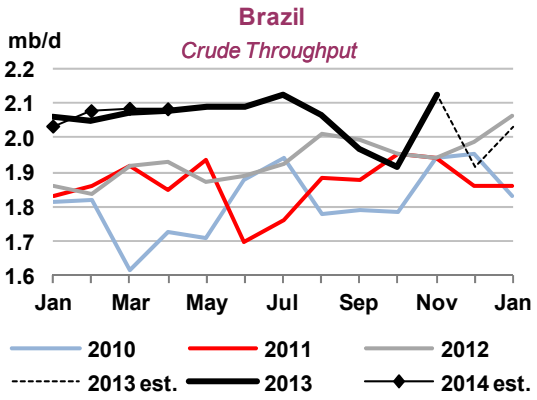


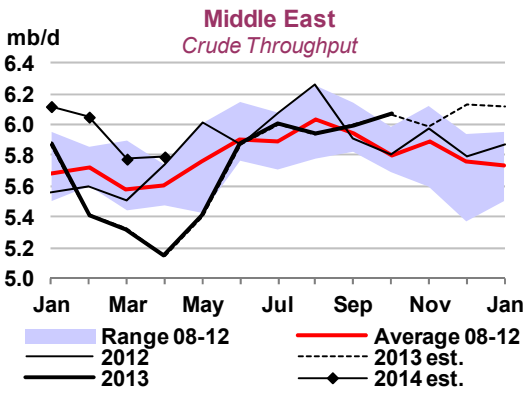
Russian crude throughputs surged by 430 kb/d in November from a month earlier, to 5.7 mb/d, as heavy maintenance turnarounds were completed. At its peak in September and October, more than 1 mb/d of capacity was taken offline for scheduled work. Preliminary data show Russian refiners kept processing rates high in December, practically unchanged from November's levels. Elsewhere in the FSU, **Kazakhstan**'s throughputs also recovered in November, up 60 kb/d to 305 kb/d, as PetroKazakhstan Oil Product's Shymkent refinery operations rebounded. The company is a JV between state-run Kazmunigaz and CNPC. The Shymkent refinery has a capacity of 103.5 kb/d, but is undergoing modernisation expected to raise the capacity to 120 kb/d. Ukrainian refinery activity remained below 100 kb/d in November, despite the recent restart of the Odessa refinery in October after a three-year hiatus.





In **Brazil**, crude runs at Petrobras' 13 domestic refineries were 140 kb/d higher than expected in November, averaging a near-record 2.1 mb/d. Petrobras faces scrutiny for a series of recent accidents at its refineries in recent months, with at least four refinery fires since November. The biggest fire caused the 190 kb/d REPAR refinery in Parana state to shut for almost three weeks from late November, reducing the country's fuel output by more than 10%. Most recently, a fire at the REDUC refinery in Rio de Janeiro damaged a coking unit. Petrobras faces stricter environmental and safety rules from January, according to the country's oil regulator, ANP. In the first eleven months of 2013, Brazilian throughputs have averaged 2.034 mb/d, 137 kb/d higher than in the same period the previous year. The increase is barely keeping up with domestic demand growth, however, and has made little impact to reduce costly oil product imports. Due to regulated prices, Petrobras has to sell imports at a loss, resulting in 30 billion reals ($12.7 billion) in refining-and-supply unit losses at the company since the beginning of 2012.





In the **Middle East**, **Oman**'s Sohar refinery was shut for about two weeks from end December for repairs. Saudi Aramco has reportedly booked its first cargo of diesel to ship from the Jubail refinery to the Mediterranean. An 80 kt tanker is to load on 23 January. We expect Saudi runs to inch higher in coming months as Jubail reaches capacity. According to **UAE**'s oil minister, the 400 kb/d Ruwais refinery is on schedule to be completed by the end of the year. In **Iraq**, Baghdad awarded a $6.04 billion contract to a consortium of South Korean firms led by Hyundai Engineering and Construction in early January, to build a 140 kb/d refinery in Karbala.

African refinery runs were revised downwards for October, following weaker-than-expected throughputs in **Algeria**. These fell to only 455 kb/d, from more than 600 kb/d three months earlier. Algeria's largest refinery, the 335 kb/d Skikda plant, shut its 120 kb/d condensate splitter for maintenance for about one month from mid-September. In **Libya**, official data (reproduced in the *Middle East Economic Survey*) show that in the first 11 months of 2013, crude processed in Libya averaged 223 kb/d, up 80 kb/d from 2012. Both years' intake is slightly higher than what we had assumed based on reports of shutdowns and available crude supplies, prompting minor upwards adjustments to our assessments.

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

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.1	24.3	24.0	24.0	23.9	24.1	24.3	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.7	13.2	13.8	14.0	13.6	13.6	13.3	13.6	13.9	13.7	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.6	8.4	8.8	7.7	8.0	8.4	8.2
Total OECD	47.0	46.5	46.2	45.5	45.9	46.2	45.9	45.8	45.5	46.2	46.6	46.0	46.0	45.2	46.0	46.4	45.9
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.9	4.6	4.4	4.7	4.9	4.9	4.7
Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.9	9.3	9.5	9.6	9.9	10.3	9.8	10.0	10.0	10.1	10.2	10.1	10.3	10.4	10.5	10.7	10.5
Other Asia	10.7	11.0	11.2	11.4	11.1	11.5	11.3	11.7	11.7	11.3	11.7	11.6	11.9	12.0	11.6	12.0	11.9
Latin America	6.1	6.2	6.2	6.4	6.5	6.6	6.4	6.4	6.6	6.7	6.7	6.6	6.5	6.8	6.9	6.9	6.8
Middle East	7.3	7.4	7.3	7.8	8.2	7.5	7.7	7.5	7.9	8.3	7.6	7.8	7.6	8.1	8.5	7.8	8.0
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	3.9
Total Non-OECD	41.4	42.5	42.8	43.9	44.6	44.9	44.0	44.3	45.2	45.7	45.5	45.2	45.3	46.6	47.1	47.1	46.5
Total Demand[4]	88.4	89.0	89.0	89.4	90.4	91.1	90.0	90.1	90.7	91.9	92.1	91.2	91.4	91.9	93.1	93.5	92.5
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	18.0	17.2	18.2	18.3	18.4	18.8	18.4
Europe[2]	4.2	3.8	3.8	3.6	3.2	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.3	3.2	3.0	3.2	3.2
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Total OECD	18.9	19.0	20.0	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.8	21.0	22.0	22.0	21.9	22.6	22.1
NON-OECD SUPPLY																	
FSU	13.5	13.5	13.7	13.6	13.5	13.7	13.6	13.8	13.8	13.8	14.0	13.8	14.0	13.9	13.8	14.0	13.9
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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.4	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.3	4.3	4.4	4.5	4.4
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.5	2.5	2.6	2.5	2.5
Total Non-OECD	29.9	29.9	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.8	29.6	30.0	30.0	30.0	30.2	30.1
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.5	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.1	2.0	1.7	2.0	2.4	2.1	2.0
Total Non-OPEC[5]	52.7	52.9	53.4	52.9	53.0	54.1	53.4	53.8	54.2	55.0	55.9	54.7	55.8	56.2	56.5	57.1	56.4
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.4					
NGLs	5.6	5.9	6.2	6.2	6.3	6.4	6.3	6.3	6.4	6.5	6.4	6.4	6.5	6.5	6.7	6.7	6.6
Total OPEC[5]	34.7	35.8	37.5	37.9	37.8	37.1	37.6	36.8	37.3	37.1	36.2	36.8					
Total Supply[9]	87.4	88.7	90.9	90.8	90.8	91.2	91.0	90.6	91.5	92.0	92.1	91.6					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4							
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1							
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.4							
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2							
Miscellaneous to balance[10]	-0.8	0.1	1.7	0.9	0.0	0.7	0.8	0.1	1.0	-0.4							
Total Stock Ch. & Misc	-1.0	-0.3	1.9	1.5	0.4	0.1	1.0	0.5	0.8	0.1	0.0	0.4					
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.1	30.2	29.4	30.2	31.1	30.6	30.3	30.0	30.1	30.5	29.8	30.1	29.0	29.1	29.9	29.7	29.4

4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	0.6	0.1	0.1	0.1	0.1	0.5	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.5	0.1	0.1	0.1	0.2	0.5	0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-0.3	-0.1	-	-	-0.1	-0.2	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.4	-0.1	-0.1	-	-0.2	-0.3	-0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.2	0.1
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	0.1	0.1	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	0.1	0.1							
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	0.1	0.1							
Total Supply	-	-	-	-	-	-	-	-	-	-							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	-							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	0.1							
Miscellaneous to balance	-	-	-	-	-	-	-	-	-	-0.1							
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-	-	-						
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.61	23.73	23.77	23.62	23.73	23.78	24.13	24.35	24.00	23.97	23.91	24.15	24.33	24.09
Europe[2]	14.28	13.69	13.79	13.81	13.67	13.74	13.19	13.81	13.99	13.59	13.65	13.26	13.57	13.88	13.66	13.60
Asia Oceania[3]	8.23	9.17	8.06	8.32	8.79	8.59	8.94	7.91	8.09	8.63	8.39	8.81	7.73	8.00	8.44	8.24
Total OECD	46.47	46.24	45.47	45.86	46.23	45.95	45.85	45.49	46.20	46.57	46.03	46.04	45.22	46.02	46.44	45.93
Asia	20.35	20.74	21.03	20.97	21.81	21.14	21.70	21.72	21.40	21.89	21.68	22.19	22.45	22.12	22.71	22.37
Middle East	7.43	7.27	7.80	8.16	7.49	7.68	7.47	7.86	8.31	7.59	7.81	7.62	8.08	8.49	7.84	8.01
Latin America	6.17	6.16	6.36	6.52	6.57	6.40	6.38	6.60	6.74	6.73	6.61	6.51	6.77	6.94	6.88	6.78
FSU	4.39	4.30	4.42	4.62	4.61	4.49	4.30	4.51	4.84	4.85	4.63	4.45	4.67	4.91	4.94	4.74
Africa	3.49	3.64	3.62	3.63	3.72	3.65	3.79	3.83	3.71	3.78	3.78	3.88	3.97	3.93	4.00	3.95
Europe	0.66	0.68	0.68	0.67	0.67	0.67	0.64	0.68	0.69	0.70	0.68	0.67	0.70	0.69	0.70	0.69
Total Non-OECD	42.49	42.79	43.90	44.55	44.87	44.03	44.29	45.20	45.69	45.54	45.18	45.31	46.65	47.08	47.08	46.54
World	88.96	89.03	89.37	90.42	91.09	89.98	90.14	90.69	91.89	92.12	91.22	91.35	91.87	93.10	93.52	92.47
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.66	19.07	19.33	18.93	18.97	18.87	19.02	19.16	19.00
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.28	8.27	8.08	8.16	8.03	8.05	8.17	8.09	8.09
China	9.32	9.50	9.60	9.87	10.30	9.82	10.04	10.04	10.15	10.23	10.12	10.31	10.44	10.48	10.70	10.48
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.70	4.55	4.90	3.98	4.17	4.49	4.38
India	3.20	3.36	3.45	3.18	3.40	3.35	3.43	3.46	3.16	3.42	3.37	3.48	3.53	3.25	3.52	3.45
Russia	3.21	3.19	3.24	3.40	3.35	3.29	3.20	3.33	3.64	3.55	3.43	3.34	3.47	3.68	3.63	3.53
Brazil	2.87	2.87	2.93	3.03	3.12	2.99	2.99	3.08	3.15	3.20	3.11	3.05	3.18	3.27	3.28	3.20
Saudi Arabia	2.79	2.57	3.00	3.32	2.79	2.92	2.72	3.05	3.33	2.81	2.98	2.79	3.16	3.43	2.91	3.07
Canada	2.27	2.18	2.22	2.34	2.37	2.28	2.28	2.32	2.31	2.27	2.30	2.29	2.25	2.35	2.36	2.32
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.37	2.30	2.37	2.23	2.26	2.38	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.03	2.13	2.10	2.14	2.10
Iran	1.77	1.80	1.82	1.69	1.68	1.75	1.73	1.74	1.71	1.70	1.72	1.75	1.75	1.73	1.73	1.74
Total	61.86	61.94	61.81	62.62	63.15	62.38	62.57	62.49	63.43	63.76	63.07	63.32	63.04	63.93	64.39	63.67
% of World	69.5%	69.6%	69.2%	69.3%	69.3%	69.3%	69.4%	68.9%	69.0%	69.2%	69.1%	69.3%	68.6%	68.7%	68.8%	68.9%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.7	1.7	2.4	1.6	1.0	0.5	0.1	-0.1	0.4
Europe[2]	-2.8	-3.7	-2.3	-6.0	-2.9	-3.8	-3.7	0.1	1.3	-0.5	-0.7	0.5	-1.7	-0.8	0.5	-0.4
Asia Oceania[3]	0.5	5.6	7.7	2.8	1.5	4.3	-2.5	-2.0	-2.8	-1.8	-2.3	-1.4	-2.2	-1.1	-2.2	-1.7
Total OECD	-1.2	-1.6	0.3	-2.2	-0.9	-1.1	-0.8	0.1	0.7	0.8	0.2	0.4	-0.6	-0.4	-0.3	-0.2
Asia	3.5	2.5	3.1	4.3	5.6	3.9	4.6	3.3	2.1	0.4	2.6	2.2	3.4	3.3	3.8	3.2
Middle East	2.0	3.6	4.8	3.7	1.2	3.3	2.8	0.9	1.9	1.4	1.7	2.0	2.8	2.2	3.3	2.6
Latin America	1.5	3.6	3.6	2.8	4.9	3.7	3.6	3.8	3.4	2.3	3.3	2.0	2.6	3.1	2.3	2.5
FSU	6.3	5.9	2.0	0.9	0.7	2.3	-0.1	2.1	4.8	5.3	3.1	3.4	3.5	1.4	1.7	2.4
Africa	-1.2	3.6	3.2	7.0	5.2	4.7	4.2	5.6	2.4	1.5	3.4	2.3	3.8	5.8	6.1	4.5
Europe	-0.2	3.9	3.0	0.7	-1.3	1.5	-4.9	0.1	2.7	4.6	0.6	4.6	3.3	0.0	0.1	1.9
Total Non-OECD	2.7	3.3	3.3	3.8	4.0	3.6	3.5	2.9	2.6	1.5	2.6	2.3	3.2	3.0	3.4	3.0
World	0.7	0.7	1.8	0.7	1.5	1.1	1.2	1.5	1.6	1.1	1.4	1.4	1.3	1.3	1.5	1.4
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.11	-0.38	-0.14	-0.34	0.34	0.17	0.39	0.58	0.37	0.25	0.13	0.02	-0.02	0.10
Europe[2]	-0.41	-0.53	-0.33	-0.88	-0.41	-0.54	-0.50	0.01	0.18	-0.07	-0.09	0.07	-0.23	-0.11	0.07	-0.05
Asia Oceania[3]	0.04	0.49	0.57	0.23	0.13	0.35	-0.23	-0.16	-0.23	-0.16	-0.20	-0.13	-0.17	-0.09	-0.19	-0.15
Total OECD	-0.55	-0.76	0.13	-1.03	-0.43	-0.52	-0.39	0.03	0.34	0.35	0.08	0.19	-0.28	-0.18	-0.14	-0.10
Asia	0.69	0.51	0.63	0.87	1.15	0.79	0.96	0.69	0.44	0.08	0.54	0.49	0.74	0.72	0.82	0.69
Middle East	0.14	0.25	0.35	0.29	0.09	0.25	0.20	0.07	0.15	0.10	0.13	0.15	0.22	0.18	0.25	0.20
Latin America	0.09	0.21	0.22	0.18	0.30	0.23	0.22	0.24	0.22	0.15	0.21	0.13	0.17	0.21	0.15	0.16
FSU	0.26	0.24	0.09	0.04	0.03	0.10	0.00	0.09	0.22	0.25	0.14	0.15	0.16	0.07	0.08	0.11
Africa	-0.04	0.13	0.11	0.24	0.18	0.16	0.15	0.20	0.09	0.05	0.12	0.09	0.15	0.22	0.23	0.17
Europe	0.00	0.03	0.02	0.00	-0.01	0.01	-0.03	0.00	0.02	0.03	0.00	0.03	0.02	0.00	0.00	0.01
Total Non-OECD	1.14	1.37	1.42	1.62	1.74	1.54	1.50	1.29	1.14	0.67	1.15	1.03	1.45	1.39	1.54	1.35
World	0.59	0.61	1.55	0.59	1.32	1.02	1.11	1.32	1.48	1.02	1.23	1.22	1.17	1.20	1.41	1.25
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.57	0.15	0.14	0.14	0.15	0.51	0.23
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.13	-0.03	-0.04	-0.04	0.00	-0.01	-0.02
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.02	0.03	0.02	0.01	0.01	0.02
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.51	0.14	0.13	0.12	0.16	0.51	0.23
Asia	0.00	0.00	0.00	0.01	0.01	0.00	0.04	0.01	-0.06	-0.34	-0.09	-0.07	0.02	-0.15	-0.24	-0.11
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.06	-0.02	-0.02	-0.02	-0.01	-0.05	-0.03
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.02	0.02	0.01	0.02	0.02	0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	-0.04	-0.01	-0.01	-0.01	-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	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.00	0.00	0.01	0.01	0.00	0.04	0.02	-0.06	-0.37	-0.09	-0.08	-0.01	-0.16	-0.28	-0.13
World	0.00	0.00	0.00	0.01	0.01	0.00	0.04	0.03	-0.04	0.14	0.04	0.05	0.11	0.00	0.23	0.09
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.00	0.01	0.01	0.00	0.04	0.03	-0.05	0.13	0.04	0.01	0.07	0.04	0.09	0.05

1 As of the August 2012 OMR, includes Chile.

2 As of the August 2012 OMR, includes Estonia and Slovenia.

3 As of the August 2012 OMR, includes Israel.

* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2011	2012	4Q12	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13 [2]	Latest month vs. Sep 13	Latest month vs. Oct 12
Americas[3]											
LPG&Ethane	3.13	3.14	3.36	3.64	2.98	3.00	2.97	3.03	3.34	0.31	0.08
Naphtha	0.35	0.34	0.35	0.37	0.40	0.38	0.37	0.37	0.37	0.00	0.04
Motor Gasoline	10.42	10.34	10.18	10.05	10.58	10.70	10.79	10.51	10.48	-0.02	0.14
Jet/Kerosene	1.64	1.65	1.62	1.58	1.68	1.77	1.84	1.70	1.71	0.01	0.11
Gasoil/Diesel Oil	5.12	4.96	4.99	5.16	5.01	4.89	4.95	4.92	5.34	0.43	0.22
Residual Fuel Oil	0.87	0.78	0.72	0.75	0.68	0.76	0.87	0.65	0.69	0.03	-0.16
Other Products	2.42	2.42	2.53	2.18	2.46	2.63	2.50	2.78	2.44	-0.35	-0.15
Total	23.96	23.62	23.77	23.73	23.78	24.13	24.29	23.96	24.37	0.41	0.28
Europe[4]											
LPG&Ethane	0.97	0.94	0.91	1.05	1.11	1.04	1.05	1.03	1.02	-0.01	0.18
Naphtha	1.15	1.17	1.17	1.21	1.13	1.19	1.22	1.12	1.07	-0.05	-0.14
Motor Gasoline	2.13	1.99	1.93	1.80	1.96	2.07	2.08	2.01	1.96	-0.04	-0.03
Jet/Kerosene	1.24	1.21	1.18	1.11	1.23	1.33	1.32	1.35	1.27	-0.08	0.02
Gasoil/Diesel Oil	6.06	5.95	6.14	5.78	6.00	5.96	5.82	6.06	6.43	0.37	0.02
Residual Fuel Oil	1.23	1.09	1.03	1.02	0.99	0.96	0.96	0.95	0.93	-0.02	-0.12
Other Products	1.49	1.40	1.31	1.22	1.39	1.44	1.43	1.41	1.36	-0.05	-0.07
Total	14.28	13.74	13.67	13.19	13.81	13.99	13.87	13.92	14.04	0.11	-0.12
Asia Oceania[5]											
LPG&Ethane	0.87	0.89	0.84	0.94	0.82	0.79	0.79	0.76	0.77	0.00	-0.01
Naphtha	1.73	1.78	1.83	1.83	1.72	1.81	1.81	1.81	1.78	-0.03	0.04
Motor Gasoline	1.60	1.61	1.63	1.54	1.56	1.67	1.76	1.57	1.53	-0.05	-0.07
Jet/Kerosene	0.88	0.88	1.02	1.13	0.69	0.68	0.68	0.70	0.78	0.08	0.00
Gasoil/Diesel Oil	1.71	1.76	1.83	1.80	1.72	1.72	1.72	1.68	1.75	0.07	0.00
Residual Fuel Oil	0.78	0.91	0.86	0.91	0.67	0.73	0.76	0.67	0.68	0.01	-0.13
Other Products	0.67	0.77	0.78	0.78	0.73	0.70	0.71	0.68	0.68	0.00	-0.08
Total	8.23	8.59	8.79	8.94	7.91	8.09	8.23	7.87	7.97	0.09	-0.24
OECD											
LPG&Ethane	4.97	4.96	5.11	5.63	4.90	4.83	4.81	4.82	5.13	0.31	0.25
Naphtha	3.23	3.28	3.35	3.41	3.24	3.38	3.41	3.30	3.22	-0.08	-0.05
Motor Gasoline	14.14	13.93	13.74	13.39	14.11	14.44	14.64	14.09	13.97	-0.12	0.05
Jet/Kerosene	3.76	3.74	3.82	3.82	3.59	3.78	3.84	3.75	3.75	0.00	0.14
Gasoil/Diesel Oil	12.90	12.67	12.96	12.74	12.74	12.56	12.48	12.65	13.52	0.87	0.24
Residual Fuel Oil	2.89	2.77	2.62	2.67	2.34	2.44	2.58	2.28	2.30	0.02	-0.41
Other Products	4.58	4.59	4.62	4.19	4.58	4.76	4.64	4.87	4.47	-0.40	-0.30
Total	46.47	45.95	46.23	45.85	45.49	46.20	46.39	45.75	46.37	0.62	-0.08

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2011	2012	4Q12	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13 [2]	Sep 13	Oct 12
United States[3]											
LPG	2.27	2.26	2.44	2.68	2.11	2.18	2.15	2.23	2.52	0.30	0.16
Naphtha	0.25	0.24	0.26	0.28	0.28	0.27	0.26	0.26	0.27	0.01	0.02
Motor Gasoline	8.75	8.69	8.53	8.42	8.91	9.01	9.10	8.86	8.83	-0.03	0.12
Jet/Kerosene	1.44	1.41	1.38	1.35	1.43	1.49	1.54	1.42	1.46	0.03	0.10
Gasoil	3.90	3.74	3.74	3.93	3.77	3.67	3.72	3.72	4.10	0.38	0.24
Residual Fuel Oil	0.46	0.37	0.27	0.37	0.26	0.36	0.40	0.34	0.30	-0.03	-0.01
Other Products	1.87	1.83	1.86	1.62	1.90	2.07	1.95	2.22	1.85	-0.38	-0.07
Total	18.95	18.54	18.48	18.66	18.66	19.07	19.12	19.05	19.32	0.27	0.57
Japan											
LPG	0.49	0.52	0.51	0.59	0.46	0.44	0.43	0.40	0.42	0.02	-0.03
Naphtha	0.74	0.71	0.74	0.77	0.70	0.75	0.76	0.74	0.75	0.01	0.06
Motor Gasoline	0.98	0.98	0.99	0.92	0.94	1.03	1.10	0.97	0.93	-0.04	-0.03
Jet/Kerosene	0.53	0.54	0.65	0.77	0.38	0.37	0.36	0.39	0.44	0.05	0.01
Diesel	0.44	0.43	0.45	0.43	0.42	0.44	0.43	0.43	0.45	0.02	0.01
Other Gasoil	0.38	0.40	0.41	0.45	0.35	0.35	0.33	0.36	0.36	0.00	0.00
Residual Fuel Oil	0.44	0.56	0.54	0.57	0.38	0.44	0.46	0.40	0.40	0.00	-0.13
Other Products	0.47	0.58	0.57	0.57	0.49	0.50	0.53	0.46	0.45	-0.01	-0.12
Total	4.47	4.73	4.86	5.08	4.11	4.32	4.41	4.15	4.20	0.05	-0.23
Germany											
LPG	0.10	0.10	0.09	0.11	0.12	0.11	0.11	0.11	0.10	-0.01	0.01
Naphtha	0.38	0.38	0.40	0.42	0.39	0.38	0.39	0.36	0.37	0.01	-0.02
Motor Gasoline	0.45	0.43	0.42	0.39	0.44	0.45	0.45	0.45	0.45	-0.01	0.00
Jet/Kerosene	0.18	0.19	0.18	0.16	0.19	0.20	0.20	0.20	0.19	0.00	-0.01
Diesel	0.66	0.70	0.69	0.64	0.72	0.75	0.74	0.74	0.76	0.02	0.02
Other Gasoil	0.39	0.38	0.47	0.40	0.45	0.35	0.33	0.38	0.45	0.06	-0.04
Residual Fuel Oil	0.14	0.13	0.13	0.13	0.12	0.12	0.12	0.11	0.12	0.01	0.00
Other Products	0.09	0.08	0.07	0.04	0.08	0.09	0.09	0.09	0.09	0.00	-0.01
Total	2.40	2.39	2.44	2.30	2.51	2.44	2.42	2.44	2.53	0.09	-0.04
Italy											
LPG	0.10	0.11	0.11	0.13	0.10	0.10	0.09	0.10	0.11	0.02	0.02
Naphtha	0.08	0.09	0.09	0.09	0.10	0.08	0.08	0.06	0.06	-0.01	-0.03
Motor Gasoline	0.24	0.22	0.21	0.19	0.19	0.23	0.23	0.22	0.23	0.01	0.01
Jet/Kerosene	0.10	0.09	0.08	0.08	0.09	0.11	0.11	0.10	0.10	-0.01	0.02
Diesel	0.49	0.45	0.44	0.40	0.42	0.43	0.39	0.43	0.45	0.02	-0.02
Other Gasoil	0.11	0.11	0.12	0.12	0.11	0.11	0.11	0.12	0.14	0.02	0.01
Residual Fuel Oil	0.12	0.10	0.09	0.07	0.08	0.07	0.07	0.07	0.08	0.01	-0.03
Other Products	0.24	0.20	0.18	0.19	0.18	0.21	0.20	0.22	0.23	0.00	0.00
Total	1.49	1.35	1.33	1.28	1.28	1.34	1.29	1.32	1.38	0.06	-0.02
France											
LPG	0.11	0.11	0.11	0.14	0.10	0.08	0.08	0.08	0.10	0.01	-0.01
Naphtha	0.14	0.13	0.09	0.15	0.15	0.15	0.17	0.13	0.10	-0.03	0.00
Motor Gasoline	0.18	0.16	0.15	0.14	0.16	0.17	0.17	0.16	0.16	0.00	0.00
Jet/Kerosene	0.16	0.15	0.15	0.14	0.16	0.17	0.17	0.16	0.16	0.00	0.00
Diesel	0.69	0.68	0.69	0.65	0.69	0.70	0.66	0.69	0.73	0.04	0.01
Other Gasoil	0.28	0.28	0.30	0.34	0.27	0.26	0.24	0.29	0.32	0.03	-0.02
Residual Fuel Oil	0.08	0.07	0.06	0.07	0.06	0.05	0.06	0.05	0.06	0.01	0.00
Other Products	0.17	0.15	0.15	0.13	0.16	0.16	0.15	0.15	0.14	-0.01	-0.02
Total	1.79	1.74	1.71	1.75	1.75	1.76	1.69	1.72	1.77	0.05	-0.04
United Kingdom											
LPG	0.13	0.11	0.09	0.10	0.13	0.10	0.09	0.10	0.08	-0.02	0.02
Naphtha	0.03	0.02	0.03	0.04	0.03	0.03	0.03	0.03	0.02	-0.01	0.00
Motor Gasoline	0.33	0.32	0.31	0.31	0.31	0.31	0.32	0.31	0.30	-0.02	0.00
Jet/Kerosene	0.32	0.31	0.32	0.31	0.30	0.32	0.30	0.35	0.33	-0.02	0.02
Diesel	0.45	0.45	0.47	0.44	0.47	0.47	0.47	0.48	0.46	-0.02	0.01
Other Gasoil	0.12	0.12	0.12	0.12	0.13	0.13	0.13	0.13	0.12	-0.01	-0.01
Residual Fuel Oil	0.06	0.05	0.04	0.05	0.04	0.04	0.04	0.04	0.03	-0.01	-0.02
Other Products	0.14	0.12	0.10	0.13	0.14	0.13	0.13	0.11	0.12	0.01	0.03
Total	1.58	1.50	1.47	1.50	1.54	1.52	1.52	1.55	1.46	-0.09	0.05
Canada											
LPG	0.40	0.41	0.46	0.49	0.42	0.37	0.37	0.36	0.36	0.01	-0.09
Naphtha	0.08	0.09	0.09	0.08	0.10	0.09	0.08	0.08	0.07	-0.01	0.00
Motor Gasoline	0.76	0.74	0.72	0.73	0.78	0.80	0.79	0.80	0.74	-0.06	0.04
Jet/Kerosene	0.09	0.12	0.13	0.12	0.13	0.16	0.18	0.17	0.13	-0.04	0.01
Diesel	0.30	0.30	0.29	0.32	0.30	0.30	0.29	0.29	0.28	-0.01	0.01
Other Gasoil	0.26	0.22	0.25	0.22	0.23	0.25	0.24	0.29	0.26	-0.03	0.00
Residual Fuel Oil	0.06	0.06	0.06	0.04	0.05	0.04	0.04	0.05	0.03	-0.01	-0.01
Other Products	0.31	0.32	0.38	0.29	0.30	0.30	0.30	0.31	0.32	0.01	-0.07
Total	2.27	2.28	2.37	2.28	2.32	2.31	2.30	2.35	2.21	-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)

	2012	2013	2014	3Q13	4Q13	1Q14	2Q14	3Q14	Oct 13	Nov 13	Dec 13
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.84	9.51				9.49	9.49	9.56
Iran	3.00	2.68		2.64	2.71				2.68	2.71	2.75
Iraq	2.95	3.07		3.04	3.06				3.03	3.10	3.07
UAE	2.65	2.76		2.80	2.73				2.78	2.66	2.76
Kuwait	2.46	2.55		2.56	2.53				2.52	2.52	2.55
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.72				0.73	0.72	0.72
Angola	1.78	1.72		1.71	1.64				1.70	1.59	1.62
Nigeria	2.10	1.95		1.97	1.91				1.92	1.89	1.92
Libya	1.39	0.90		0.62	0.30				0.45	0.22	0.23
Algeria	1.17	1.15		1.15	1.14				1.14	1.13	1.15
Ecuador	0.50	0.51		0.52	0.52				0.52	0.52	0.53
Venezuela	2.50	2.49		2.52	2.46				2.49	2.46	2.44
Total Crude Oil	31.30	30.44		30.61	29.77				29.96	29.51	29.82
Total NGLs[1]	6.28	6.40	6.61	6.45	6.42	6.48	6.54	6.70	6.42	6.42	6.42
Total OPEC	37.58	36.84		37.06	36.19				36.38	35.93	36.24
NON-OPEC[2]											
OECD											
Americas[6]	15.86	17.22	18.42	17.41	17.99	18.23	18.26	18.35	17.55	18.18	18.25
United States[5]	9.18	10.34	11.35	10.54	10.94	11.08	11.30	11.33	10.72	11.01	11.08
Mexico	2.92	2.89	2.88	2.88	2.89	2.90	2.89	2.86	2.91	2.88	2.89
Canada	3.75	3.98	4.18	3.98	4.15	4.24	4.06	4.16	3.91	4.28	4.28
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.48	3.29	3.16	3.17	3.30	3.30	3.17	2.97	3.18	3.38	3.36
UK	0.94	0.86	0.76	0.78	0.83	0.81	0.77	0.66	0.79	0.87	0.84
Norway	1.91	1.84	1.81	1.80	1.87	1.89	1.81	1.73	1.79	1.90	1.92
Others	0.62	0.59	0.59	0.60	0.60	0.60	0.58	0.58	0.60	0.60	0.60
Asia Oceania[8]	0.56	0.49	0.55	0.51	0.51	0.47	0.54	0.58	0.51	0.51	0.51
Australia	0.48	0.42	0.45	0.43	0.45	0.39	0.46	0.48	0.45	0.45	0.44
Others	0.08	0.07	0.09	0.07	0.07	0.08	0.09	0.10	0.06	0.07	0.07
Total OECD	19.90	21.00	22.13	21.09	21.81	22.00	21.97	21.90	21.24	22.07	22.12
NON-OECD											
Former USSR	13.62	13.85	13.92	13.78	14.01	13.96	13.91	13.83	13.99	14.03	14.01
Russia	10.73	10.88	10.95	10.85	10.99	10.98	10.97	10.89	10.97	10.99	11.00
Others	2.89	2.97	2.97	2.93	3.02	2.98	2.94	2.93	3.02	3.03	3.01
Asia	7.82	7.71	7.76	7.50	7.67	7.78	7.79	7.72	7.67	7.65	7.68
China	4.18	4.18	4.28	4.05	4.22	4.28	4.30	4.26	4.24	4.20	4.23
Malaysia	0.67	0.66	0.65	0.64	0.63	0.65	0.65	0.65	0.61	0.65	0.64
India	0.91	0.90	0.90	0.89	0.90	0.91	0.91	0.90	0.89	0.91	0.91
Indonesia	0.89	0.84	0.79	0.82	0.81	0.81	0.80	0.77	0.81	0.81	0.80
Others	1.17	1.14	1.14	1.10	1.10	1.13	1.14	1.14	1.12	1.08	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	4.18	4.18	4.36	4.19	4.22	4.26	4.32	4.39	4.21	4.20	4.26
Brazil[5]	2.16	2.12	2.21	2.12	2.17	2.15	2.18	2.23	2.18	2.13	2.19
Argentina	0.66	0.63	0.62	0.63	0.63	0.62	0.62	0.61	0.64	0.63	0.62
Colombia	0.95	1.01	1.12	1.02	1.01	1.06	1.11	1.14	0.99	1.02	1.02
Others	0.42	0.42	0.41	0.42	0.41	0.42	0.42	0.41	0.40	0.42	0.42
Middle East[3]	1.46	1.36	1.33	1.36	1.34	1.33	1.33	1.33	1.36	1.34	1.32
Oman	0.92	0.95	0.96	0.96	0.96	0.95	0.95	0.96	0.96	0.96	0.95
Syria	0.17	0.06	0.03	0.05	0.03	0.03	0.03	0.02	0.04	0.03	0.03
Yemen	0.18	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.12
Others	0.18	0.21	0.21	0.21	0.21	0.21	0.21	0.20	0.21	0.21	0.21
Africa	2.27	2.33	2.54	2.35	2.44	2.49	2.54	2.56	2.40	2.46	2.46
Egypt	0.72	0.70	0.66	0.69	0.68	0.67	0.67	0.66	0.68	0.68	0.68
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.64	1.41	1.52	1.58	1.64	1.66	1.48	1.54	1.54
Total Non-OECD	29.48	29.56	30.05	29.33	29.82	29.96	30.03	29.98	29.78	29.83	29.86
Processing Gains[4]	2.14	2.18	2.21	2.20	2.18	2.21	2.19	2.24	2.13	2.20	2.20
Global Biofuels[5]	1.85	1.99	2.04	2.35	2.09	1.66	2.05	2.37	2.24	2.23	1.81
TOTAL NON-OPEC	53.37	54.73	56.43	54.98	55.90	55.84	56.24	56.49	55.39	56.32	55.99
TOTAL SUPPLY	90.96	91.57		92.04	92.08				91.77	92.25	92.23

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Jul2013	Aug2013	Sep2013	Oct2013	Nov2013*	Nov2010	Nov2011	Nov2012	4Q2012	1Q2013	2Q2013	3Q2013
OECD Americas												
Crude	507.6	508.3	518.8	536.4	532.1	502.0	476.6	520.1	-0.10	0.35	-0.18	0.01
Motor Gasoline	258.3	253.9	253.4	246.5	251.3	246.1	254.2	249.9	0.32	-0.06	0.00	-0.07
Middle Distillate	199.2	205.3	205.8	189.0	183.4	240.0	219.1	191.7	0.08	-0.20	0.03	0.11
Residual Fuel Oil	46.0	42.6	43.1	43.5	44.6	48.7	48.0	44.6	-0.03	0.03	0.00	-0.03
Total Products[3]	707.5	715.2	714.0	678.7	656.2	700.8	691.6	680.5	0.09	-0.43	0.37	0.17
Total[4]	1378.1	1390.8	1400.6	1379.7	1351.4	1365.1	1330.5	1367.9	-0.21	-0.17	0.31	0.26
OECD Europe												
Crude	314.8	302.3	313.5	324.0	313.8	326.9	306.5	322.0	-0.04	0.06	-0.03	0.09
Motor Gasoline	87.5	86.5	86.9	85.4	84.4	97.7	95.3	92.3	-0.01	0.08	-0.11	-0.02
Middle Distillate	253.4	259.0	255.2	243.7	242.0	286.7	263.0	252.0	-0.05	0.01	-0.10	0.10
Residual Fuel Oil	77.3	74.8	72.2	68.8	69.7	84.3	77.8	78.2	0.01	0.03	-0.03	-0.05
Total Products[3]	510.7	514.0	504.4	487.5	484.4	565.6	542.7	522.6	-0.05	0.09	-0.27	-0.05
Total[4]	886.5	880.4	881.1	876.7	863.7	961.1	919.0	913.0	-0.16	0.20	-0.32	0.07
OECD Asia Oceania												
Crude	160.5	151.2	157.3	151.7	146.0	163.9	156.5	163.4	-0.13	0.09	0.01	-0.12
Motor Gasoline	27.6	26.4	24.9	25.1	25.5	24.8	23.8	25.5	-0.04	0.04	0.00	-0.03
Middle Distillate	65.9	69.8	70.2	68.4	64.8	66.3	69.2	64.5	-0.09	0.04	-0.03	0.10
Residual Fuel Oil	21.1	22.2	20.0	19.4	18.5	19.6	19.9	18.9	-0.02	0.00	-0.01	0.00
Total Products[3]	174.6	181.6	182.9	181.1	173.7	178.8	179.9	176.2	-0.16	0.03	-0.06	0.17
Total[4]	407.9	405.9	413.1	404.1	391.8	413.9	410.1	411.7	-0.34	0.18	-0.04	0.04
Total OECD												
Crude	982.9	961.7	989.6	1012.1	991.8	992.7	939.6	1005.5	-0.27	0.50	-0.19	-0.02
Motor Gasoline	373.4	366.8	365.2	356.9	361.2	368.6	373.3	367.7	0.27	0.06	-0.11	-0.12
Middle Distillate	518.5	534.1	531.2	501.1	490.2	593.0	551.3	508.2	-0.06	-0.15	-0.11	0.32
Residual Fuel Oil	144.3	139.6	135.2	131.8	132.9	152.5	145.6	141.6	-0.03	0.06	-0.03	-0.07
Total Products[3]	1392.8	1410.9	1401.3	1347.3	1314.4	1445.2	1414.2	1379.2	-0.12	-0.31	0.03	0.28
Total[4]	2672.5	2677.0	2694.8	2660.4	2606.8	2740.0	2659.6	2692.6	-0.71	0.21	-0.06	0.37

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			
	Jul2013	Aug2013	Sep2013	Oct2013	Nov2013*	Nov2010	Nov2011	Nov2012	4Q2012	1Q2013	2Q2013	3Q2013
OECD Americas												
Crude	696.0	696.0	696.0	696.0	696.0	726.6	696.0	695.0	0.00	0.01	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	2.0	0.7	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	206.4	205.8	205.7	204.3	205.3	186.2	184.2	196.1	0.01	0.02	0.03	-0.02
Products	261.4	263.1	262.6	262.3	265.8	235.2	239.4	235.7	0.03	0.07	-0.04	0.03
OECD Asia Oceania												
Crude	384.9	384.9	384.9	385.7	385.7	387.1	392.6	393.6	0.00	-0.04	-0.04	-0.01
Products	23.1	23.6	28.3	29.9	30.1	20.0	20.0	20.0	0.01	0.02	0.00	0.06
Total OECD												
Crude	1287.3	1286.7	1286.5	1286.0	1287.0	1299.9	1272.7	1284.6	0.02	-0.02	-0.01	-0.03
Products	285.5	287.6	291.9	293.2	296.9	257.2	260.0	256.7	0.04	0.10	-0.04	0.09
Total[4]	1577.1	1578.5	1582.6	1583.0	1587.7	1558.4	1534.1	1542.6	0.05	0.08	-0.04	0.05

* 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 2012		End December 2012		End March 2013		End June 2013		End September 2013 [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
OECD Americas										
Canada	179.6	76	174.1	76	171.3	73	173.5	75	181.6	-
Chile	9.8	27	8.9	25	9.5	25	9.3	26	11.2	-
Mexico	48.8	22	47.5	23	48.7	23	50.0	24	50.0	-
United States[4]	1820.5	99	1808.8	97	1794.2	96	1818.7	95	1832.6	-
Total[4]	2080.7	88	2061.4	87	2045.9	86	2073.6	86	2097.6	86
OECD Asia Oceania										
Australia	42.8	37	37.5	34	37.5	33	39.7	35	36.6	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	605.7	125	590.6	116	591.3	144	587.9	136	590.7	-
Korea	183.8	78	175.4	76	187.6	82	182.3	81	190.7	-
New Zealand	8.9	58	7.8	49	9.0	60	8.8	60	8.2	-
Total	841.3	96	811.4	91	825.4	104	818.7	101	826.3	96
OECD Europe[5]										
Austria	21.6	86	22.9	95	22.5	82	22.0	80	21.2	-
Belgium	38.3	60	38.7	58	40.3	64	38.6	58	41.0	-
Czech Republic	18.9	96	20.2	118	20.3	107	18.5	95	20.3	-
Denmark	21.2	138	21.6	149	23.7	154	22.1	139	21.3	-
Estonia	1.1	39	1.5	55	1.6	65	1.5	50	1.4	-
Finland	28.2	139	26.3	136	36.6	188	38.2	193	41.1	-
France	164.0	96	162.3	93	160.9	92	165.5	94	166.1	-
Germany	283.0	116	287.1	125	290.5	116	288.4	118	286.9	-
Greece	30.1	104	30.8	112	32.0	110	26.4	83	26.6	-
Hungary	15.6	113	15.1	123	16.6	123	15.4	111	15.7	-
Ireland	9.5	67	10.3	74	10.1	73	10.4	77	10.2	-
Italy	142.8	108	125.5	98	130.3	102	125.7	94	126.2	-
Luxembourg	0.7	12	0.7	11	0.7	11	0.6	10	0.7	-
Netherlands	113.5	115	121.3	128	132.5	129	123.1	122	120.7	-
Norway	27.0	108	27.9	126	26.9	105	24.2	103	27.9	-
Poland	62.8	119	63.9	139	63.3	132	61.0	111	61.9	-
Portugal	20.8	97	21.3	97	23.1	93	21.7	83	22.1	-
Slovak Republic	8.8	108	8.5	119	8.7	120	8.6	104	8.3	-
Slovenia	5.2	97	5.3	111	5.0	96	5.2	106	5.3	-
Spain	130.8	105	120.1	101	123.8	104	117.1	96	120.3	-
Sweden	30.2	95	27.6	91	28.7	88	27.6	86	25.9	-
Switzerland	36.7	135	36.8	147	36.5	142	36.7	145	37.2	-
Turkey	63.4	93	62.0	104	62.0	86	63.9	82	63.2	-
United Kingdom	75.4	51	80.9	54	79.6	51	83.9	55	81.8	-
Total	1349.8	99	1338.7	102	1376.2	99	1346.3	96	1353.5	100
Total OECD	4271.8	92	4211.5	92	4247.4	93	4238.6	92	4277.4	92
DAYS OF IEA Net Imports[6]	-	150	-	148	-	149	-	160	-	161

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 2013 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]		
3Q2010	4306	1553	2753	90	33	58
4Q2010	4244	1565	2679	90	33	57
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4141	1536	2605	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2729	92	33	59
4Q2012	4212	1547	2664	92	34	58
1Q2013	4247	1581	2666	93	35	59
2Q2013	4239	1578	2661	92	34	58
3Q2013	4277	1583	2695	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 3Q2013 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2010	2011	2012	3Q12	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13	Year Earlier Oct 12	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.69	0.76	0.67	0.69	0.66	0.85	0.72	0.95	0.76	0.56	0.20
Europe	0.66	0.83	0.85	0.97	0.67	0.88	0.86	0.75	0.91	0.79	0.80	-0.01
Asia Oceania	1.21	1.24	1.26	1.21	1.22	1.20	1.16	1.24	1.08	1.10	1.25	-0.15
Saudi Medium												
Americas	0.36	0.37	0.44	0.41	0.44	0.44	0.44	0.44	0.42	0.43	0.43	0.01
Europe	0.00	0.02	0.05	0.05	-	0.02	0.02	0.03	0.00	0.03	0.01	0.02
Asia Oceania	0.34	0.40	0.45	0.48	0.49	0.34	0.43	0.40	0.48	0.51	0.42	0.09
Iraqi Basrah Light[2]												
Americas	0.36	0.29	0.49	0.46	0.56	0.26	0.40	0.43	0.41	0.35	0.74	-0.39
Europe	0.09	0.11	0.26	0.42	0.18	0.26	0.34	0.36	0.24	0.17	0.37	-0.20
Asia Oceania	0.29	0.34	0.33	0.39	0.35	0.35	0.30	0.29	0.31	0.19	0.26	-0.07
Kuwait Blend												
Americas	0.09	0.08	0.22	0.20	0.29	0.23	0.30	0.34	0.25	0.30	0.22	0.08
Europe	0.07	0.08	0.09	0.15	0.08	0.11	0.12	0.13	0.06	0.10	0.05	0.05
Asia Oceania	0.55	0.57	0.65	0.68	0.65	0.62	0.63	0.54	0.69	0.70	0.64	0.06
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.24	0.23	0.12	0.05	0.10	0.10	0.06	0.06	0.05	0.05	0.05	0.00
Asia Oceania	0.04	0.04	0.02	0.01	0.01	-	0.01	0.02	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.55	0.16	0.08	0.02	0.01	0.04	0.04	0.04	0.04	0.03	0.01
Asia Oceania	0.52	0.51	0.33	0.11	0.39	0.25	0.31	0.26	0.39	0.23	0.34	-0.12
Venezuelan 22 API and heavier												
Americas	0.86	0.76	0.69	0.77	0.60	0.62	0.61	0.52	0.65	0.60	0.79	-0.19
Europe	0.06	0.05	0.08	0.11	0.06	0.08	0.10	0.09	0.11	0.02	0.11	-0.08
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.91	0.82	0.73	0.76	0.63	0.67	0.70	0.72	0.69	0.77	0.82	-0.05
Europe	0.11	0.12	0.14	0.13	0.15	0.16	0.14	0.15	0.13	0.19	0.18	0.00
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	0.97	1.25	1.41	1.38	1.57	1.44	1.44	1.41	1.49	1.54	1.30	0.24
Europe	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	0.00	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.14	0.06	0.02	0.01	0.04	0.03	0.02	0.03	0.04	0.03	0.03	-0.01
Europe	0.72	0.64	0.55	0.54	0.47	0.42	0.52	0.42	0.54	0.37	0.49	-0.12
Asia Oceania	-	0.02	0.07	0.10	0.11	0.04	0.02	-	-	-	0.03	-
Russian Urals												
Americas	0.08	0.01	0.00	0.01	-	0.02	-	-	-	-	-	-
Europe	1.80	1.69	1.86	1.97	1.85	1.93	1.64	1.60	1.59	1.82	2.16	-0.34
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.07	0.06	0.07	0.09	0.07	0.02	0.09	0.10	0.07	0.07	0.10	-0.03
Europe	0.64	0.62	0.53	0.49	0.59	0.60	0.59	0.56	0.58	0.58	0.55	0.03
Asia Oceania	-	-	-	-	-	0.01	-	-	-	-	-	-
Libya Light and Medium												
Americas	-	-	0.03	0.09	-	0.01	-	-	-	-	-	-
Europe	1.08	0.29	0.88	1.00	0.86	0.78	0.42	0.44	0.13	0.34	0.94	-0.60
Asia Oceania	-	0.01	0.04	0.02	0.05	0.03	0.02	0.04	-	-	-	-
Nigerian Light[4]												
Americas	0.60	0.53	0.24	0.25	0.14	0.15	0.01	0.03	-	-	0.26	-
Europe	0.34	0.45	0.58	0.72	0.65	0.46	0.46	0.37	0.51	0.60	0.65	-0.04
Asia Oceania	-	0.05	0.04	0.03	0.02	0.05	0.03	0.03	0.03	0.03	0.03	0.00

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2010	2011	2012	4Q12	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13	Year Earlier Oct 12	% change
Crude Oil												
Americas	7494	6870	6101	5610	5039	5273	5517	5614	5451	4937	5834	-15%
Europe	9072	8988	9346	9286	8942	9242	9112	9046	8706	8657	9666	-10%
Asia Oceania	6473	6609	6761	6702	6999	6242	6465	6371	6693	6149	6597	-7%
Total OECD	23038	22468	22208	21597	20980	20757	21094	21031	20850	19743	22097	-11%
LPG												
Americas	34	30	20	17	36	14	4	5	6	12	22	-44%
Europe	285	318	287	297	353	400	361	391	379	457	278	64%
Asia Oceania	565	568	620	615	598	547	524	478	506	534	598	-11%
Total OECD	884	916	927	929	986	961	890	874	891	1003	898	12%
Naphtha												
Americas	36	42	20	15	21	20	16	18	16	19	19	1%
Europe	399	298	350	347	348	275	305	286	331	381	431	-12%
Asia Oceania	908	884	900	961	954	939	866	880	885	881	922	-4%
Total OECD	1344	1224	1270	1324	1324	1235	1187	1184	1232	1281	1371	-7%
Gasoline[3]												
Americas	801	762	730	652	610	806	636	706	534	644	758	-15%
Europe	187	222	212	188	140	109	148	169	146	19	205	-91%
Asia Oceania	84	95	86	89	96	91	72	64	84	85	94	-10%
Total OECD	1073	1079	1028	928	846	1006	856	938	764	748	1057	-29%
Jet & Kerosene												
Americas	76	77	73	86	51	83	93	120	73	137	107	28%
Europe	418	397	398	465	314	411	498	559	440	522	489	7%
Asia Oceania	45	58	62	82	107	56	53	68	46	71	64	12%
Total OECD	539	532	533	634	472	550	644	748	559	730	660	11%
Gasoil/Diesel												
Americas	100	72	59	69	83	81	46	68	16	16	66	-75%
Europe	1071	1044	984	1074	1068	968	1170	1033	1342	1584	1038	53%
Asia Oceania	103	147	185	203	177	166	137	118	145	166	184	-10%
Total OECD	1275	1263	1227	1347	1328	1215	1352	1219	1503	1766	1287	37%
Heavy Fuel Oil												
Americas	277	268	206	181	163	150	193	206	188	162	170	-5%
Europe	464	537	521	439	541	512	613	601	645	476	453	5%
Asia Oceania	123	153	223	241	260	197	221	292	172	246	226	9%
Total OECD	864	958	951	860	965	859	1027	1099	1005	884	849	4%
Other Products												
Americas	807	871	813	829	735	864	900	834	930	915	822	11%
Europe	692	700	654	671	848	778	772	819	673	915	577	59%
Asia Oceania	367	366	356	317	381	372	404	377	437	364	309	18%
Total OECD	1866	1937	1823	1817	1964	2014	2076	2030	2040	2195	1708	29%
Total Products												
Americas	2132	2122	1921	1849	1700	2018	1888	1956	1763	1906	1964	-3%
Europe	3516	3516	3405	3481	3613	3453	3867	3859	3955	4354	3471	25%
Asia Oceania	2197	2271	2432	2509	2572	2368	2278	2277	2276	2347	2396	-2%
Total OECD	7845	7909	7759	7839	7885	7839	8032	8092	7994	8607	7831	10%
Total Oil												
Americas	9625	8993	8022	7458	6739	7291	7404	7570	7215	6842	7798	-12%
Europe	12588	12504	12751	12767	12554	12695	12978	12905	12661	13011	13137	-1%
Asia Oceania	8670	8880	9193	9210	9572	8611	8743	8648	8969	8496	8993	-6%
Total OECD	30883	30377	29967	29436	28865	28597	29126	29123	28844	28349	29928	-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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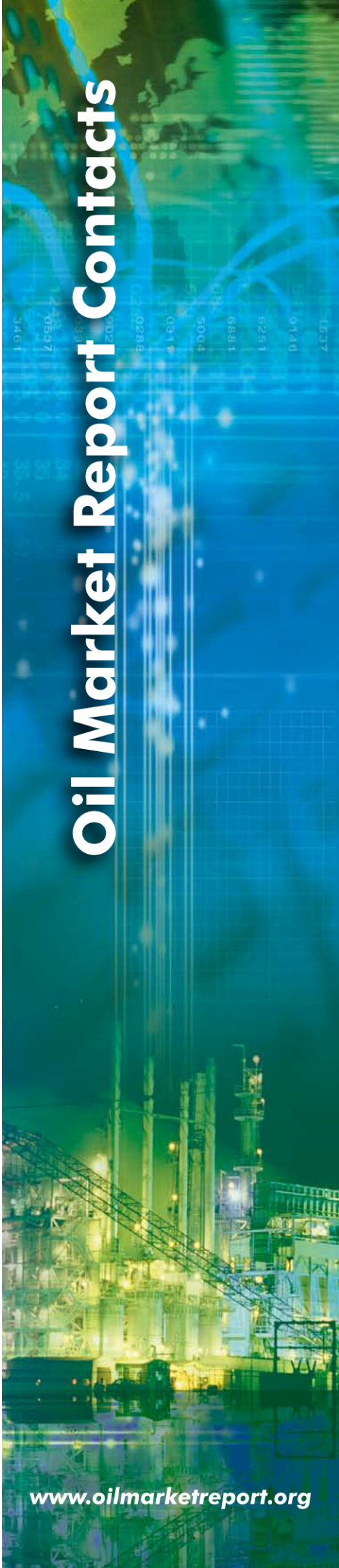
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 9 August 2013), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 13 February 2014





International Energy Agency

13 February 2014

HIGHLIGHTS

- **Oil markets rallied in mid-January as bitterly cold weather in the US pushed up demand for heating fuels,** but on average benchmark prices weakened month-on-month (m-o-m). Upcoming seasonal refinery maintenance later put downward pressure on markets before prices rebounded in early February, with ICE Brent futures last trading at $109.25/bbl and NYMEX WTI at $101.25/bbl.

- **Total OECD industry stocks plummeted by a further 56.8 mb in December,** taking 4Q13 OECD stock draws to 1.5 mb/d, the steepest quarterly decline since 4Q99. At 2 559 mb, total OECD oil stocks stood 103 mb below their five year average at the end of December, while product stocks covered 28.8 days of forward demand.

- **Global supplies fell by 290 kb/d in January, to 92.1 mb/d, on lower non-OPEC output**. Supplies were up 1.50 mb/d year-on-year (y-o-y), however, as steep growth of 1.90 mb/d in non-OPEC output and OPEC NGLs surpassed a drop of 390 kb/d in OPEC crude production. Forecast non-OPEC supply growth for 2014 is unchanged at 1.7 mb/d.

- **OPEC crude oil supply rose marginally in January, by 85 kb/d, to 29.99 mb/d,** with a downturn in production from Iraq offset by a partial recovery in Libyan output. The 'call on OPEC crude and stock change' is unchanged at 29 mb/d for 1Q14 but has been raised by 0.2 mb for the remainder of the year on higher forecast demand.

- **OECD oil demand growth rebounded in 2H13, but non-OECD countries still accounted for more than 90% of global growth of 1.2 mb/d for 2013 as a whole,** and will make up all of the 1.3 mb/d increase forecast for 2014, as the OECD resumes its structural decline. Demand growth is expected to accelerate in 2014 in line with the broader economy.

- **Global refinery crude runs are set to fall by 2.8 mb/d from December through April** on seasonal plant maintenance. Global throughputs are nevertheless set to grow by 1.1 mb/d y-o-y in 1Q14 to average 76.6 mb/d, led by the US, China, Russia and the Middle East. Plummeting European runs led global throughputs to contract in 4Q13.

www.oilmarketreport.org

The IEA is seeking to recruit a Senior Energy Analyst – Oil Supply and OPEC

The International Energy Agency (IEA), an intergovernmental organisation committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation, is looking to recruit a Senior Energy Analyst who will focus on supply analysis and OPEC countries. She or he will be part of a tight-knit team of about ten people, including five to six oil market analysts, responsible for the *Oil Market Report* (*OMR*), the IEA's flagship monthly publication. S/he will also be responsible for authoring the OPEC supply section of the annual *Medium-Term Oil Market Report* (*MTOMR*) and performing general support work for the functioning of the Oil Industry and Markets Division (OIM) in the IEA's Directorate of Energy Markets and Security (EMS). S/he will work under the supervision of the Head of Division.

Main Responsibilities

Writing and Analysis

- Monitor and analyse oil-related developments in OPEC countries, including crude and NGL production, when possible on a field-by-field basis; demand trends and other domestic developments; related developments in the oil services sector; and broader OPEC policies.
- Data analysis and forecast: Forecast short- and medium-term OPEC production capacity, demand and refining capacity.
- Prepare the Supply section of the OMR (including stand-alone analysis of issues in special focus when necessary) and relevant sections of the MTOMR. It is important to note that both publications are written in English.
- Maintain and expand a network of contacts in key industry, government and other stakeholder positions within OPEC, as well as with relevant non-OPEC industry and government officials, and leverage this network to gather information about, and gain insights into, OPEC oil industry trends and activity.
- Monitor crude market developments, co-ordinate the Price section of the *Report* with other analysts and, when needed, assist with the preparation of the Non-OPEC Supply and/or other sections of the *Report*.

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- Assist various divisions of the IEA with OPEC-oil-related projects and publications and brief other branches of the IEA Secretariat and member country governments on relevant developments.
- Brief the IEA Secretariat and member country governments on OPEC-related developments in the oil market and industry.
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The complete vacancy notice and application form can be found by clicking on 'job vacancies' at www.oecd.org (vacancy reference 09154). Applications from nationals of OECD Member countries should include a CV and be sent online by midnight Paris time on 1 March 2014. Please note that only candidates selected for interview will be contacted.

The OECD is an equal opportunity employer and encourages applications from all qualified candidates.

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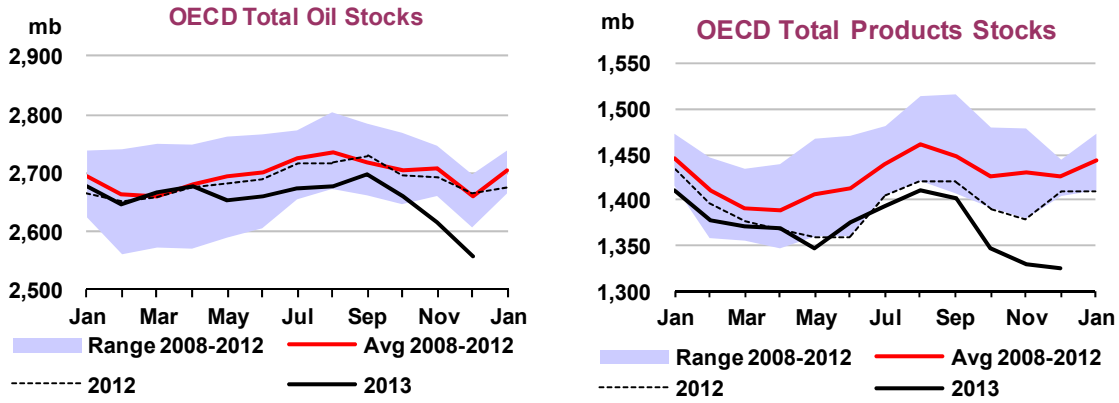
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THE GLUT THAT NEVER WAS

Forecasters and market observers have been warning of an oil glut and price slide for months. Instead, prices have remained stubbornly high. Far from drowning in oil, markets have had to dig deeply into inventories to meet unexpectedly strong demand. OECD commercial stocks plummeted by a whopping 1.5 mb/d in 4Q13 (137 million barrels in total), the steepest quarterly decline since 1999, bringing their deficit to the five-year average to more than 100 million barrels for the first time in nearly ten years. At year-end, stocks stood at their lowest since 2008. While there are good reasons to expect the market to rebalance in the next few months, a glut is looking increasingly elusive.

What accounts for this unexpected tightness? Firstly, the surprising robustness of global oil demand, especially in the OECD. While there has been much focus on an apparent slowdown in Chinese demand growth, China is only part of the story. The real surprise has been the recent resurgence of OECD demand growth. Far from continuing its previous downward trend as expected in the second half of 2013, OECD demand bounced back, jumping by 370 kb/d in 3Q13 and 300 kb/d in 4Q13. This strength more than compensated for weaker-than-expected demand from emerging-market economies, so that the latest estimates of global demand growth for 2H13 exceed our forecast of six months ago by roughly 500 kb/d. Even European demand inched up in 2H13. While non-OECD economies are still expected to overtake the OECD in oil demand, the time when that happens has been pushed back to later in 2014.



Meanwhile, global supply has disappointed, due chiefly to continued problems in OPEC. Average Libyan production in 2H13 collapsed by nearly 1 mb/d compared to an April high of 1.42 mb/d – a cumulative supply loss of more than 170 million barrels for the period. High hopes for Iraqi production failed to materialise as output could not sustain its April peak of 3.24 mb/d, falling back to an average 3 mb/d in 2H13 on the back of southern port maintenance and the usual litany of above-ground issues – logistical constraints, attacks on oil facilities, discord between Erbil and Baghdad.

Some of these problems may be short-lived. Cold weather in the US helped boost heating demand but will not outlast winter. European demand strength may not be more than a post-recessionary correction. On the supply front, Iraqi maintenance, having taken a toll on supply, may eventually unlock more of it. Other factors behind the current market tightness will have more staying power, however. US demand strength likely reflects in part a structural response to the country's supply bounty, namely a revival of manufacturing and petrochemical activity. And it may be some time before Libya sorts out its problems and brings supply back to pre-Civil War levels.

At this time of year, when the global oil market enters a season of lower demand, it is common for market participants to worry about excess supply or the perceived need for OPEC production cuts. Such concerns today would be particularly misplaced, as the market needs to replenish exceptionally low stocks. That the "call on OPEC and stock change" for 1H14 is below current OPEC production levels is a relief: the "call" is a blunt instrument that fails to capture storage requirements. OPEC will need to produce well above it if badly depleted inventories are to be rebuilt.

DEMAND

Summary

- **With a near complete set of 2013 data now available, oil deliveries for the year are currently estimated at around 91.3 mb/d, 1.2 mb/d up on the year.** OECD demand expanded by 80 kb/d, reversing its previously declining trend, whereas non-OECD demand growth slowed to 1.2 mb/d, from 1.6 mb/d in 2012.

- **Non-OECD economies are projected to overtake those of the OECD in 2Q14**, later than previously expected as relative growth trends have diverged. Despite the recent rebound in OECD demand and the slowdown in non-OECD growth, emerging-market economies continue to catch up in oil use with the industrialised world and are set to overtake it in 2Q14.

- **Global demand growth is expected to gain momentum in 2014, with deliveries forecast to expand by 1.3 mb/d to around 92.6 mb/d,** as the underlying macroeconomic backdrop strengthens. Despite the recent rebound in OECD demand, all the growth is forecast to come from the non-OECD in 2014, as more normal trends rates return (post 1Q14).

- **The forecast of 1Q14 non-OECD oil demand growth has been trimmed since last month's *Report*** in the face of currency weakness in many emerging-market economies. The negative 1Q14 impact upon non-OECD oil demand stems from the associated increase in the cost of doing business, as interest rates have been hiked in many countries in an effort to defend domestic currencies. Roughly 80 kb/d has been shaved from the 1Q14 non-OECD demand forecast, to 45.2 mb/d. OECD economies have not been immune to this phenomenon, with Turkey and Hungary also impacted.

Global Oil Demand (2012-2014)

(million barrels per day)

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Americas	29.5	30.0	30.3	30.3	30.0	30.1	30.4	30.9	31.1	30.6	30.5	30.7	31.1	31.3	30.9
Asia/Pacific	29.9	29.1	29.3	30.6	29.7	30.6	29.6	29.5	30.6	30.1	30.9	30.2	30.1	31.2	30.6
Europe	14.4	14.5	14.5	14.4	14.4	13.9	14.5	14.7	14.3	14.3	13.9	14.3	14.6	14.5	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Middle East	7.3	7.8	8.2	7.5	7.7	7.5	7.9	8.3	7.6	7.8	7.7	8.1	8.5	7.9	8.1
World	**89.1**	**89.4**	**90.5**	**91.2**	**90.0**	**90.2**	**90.8**	**92.0**	**92.2**	**91.3**	**91.3**	**92.0**	**93.3**	**93.8**	**92.6**
Annual Chg (%)	0.7	1.8	0.8	1.5	1.2	1.3	1.5	1.6	1.1	1.4	1.2	1.4	1.4	1.7	1.4
Annual Chg (mb/d)	0.6	1.6	0.7	1.4	1.1	1.1	1.3	1.5	1.0	1.2	1.1	1.2	1.3	1.6	1.3
Changes from last OMR (mb/d)	0.03	0.04	0.09	0.07	0.06	0.05	0.07	0.10	0.06	0.07	-0.09	0.13	0.19	0.26	0.12

- **The International Maritime Organization's (IMO) expansion of its Emission Control Area (ECA) to include the US areas of the Caribbean Sea, effective 1 January 2014, will likely marginally lift US marine gasoil demand for bunkers at the expense of residual fuel oil.** A further shift in bunker demand from residual fuel oil to gasoil is anticipated towards the end of 2014, as shippers prepare themselves for the 2015 lowering of the ECA sulphur limit to 0.1%, from 1% currently.

Global Overview

The recent rebalancing of oil demand growth continued into 4Q13, with the previously rapidly expanding non-OECD demand sector showing continued signs of easing back somewhat onto a slightly lower-growth trajectory, while a protracted contraction in the OECD gave way to modest growth. OECD oil demand rose by an estimated 0.7% y-o-y in 4Q13, rebounding from the previous five-year average decline rate of 1.6% seen in 2008-2012. Non-OECD growth, meanwhile, slowed to around 1.6% y-o-y in 4Q13, less than half its previous five-year average of 3.6%. A number of prominent features took root this month, all largely stemming from a single development: the apparent acceleration of the

US economy to a point where the exceptionally loose monetary policies carried through recent years might no longer be deemed necessary.

At the end of 2013, the US Federal Reserve trimmed back its monthly asset purchasing programme, or 'quantitative easing', by $10 billion with a further $10 billion stripped in January 2014, to the current monthly purchase level of $65 billion. This reduction in government support, commonly referred to as 'tapering', is widely expected to continue at a pace of an additional $10 billion every six weeks according to the consensus of experts. If so, the current phase of quantitative easing, QE3, may come to an end by 4Q14, a prospect that has triggered steep currency declines in some emerging-markets.

Essentially, US 'quantitative easing' created a wave of cheap money that supported both domestic and overseas markets, as investors often fled OECD economies in the search for returns. A decline in liquidity would thus adversely affect the value of many emerging-market currencies, as experienced at the end of 3Q13 when potential reductions in quantitative easing were first widely discussed (see *Emerging Market Currency Depreciation Set to Impact Demand* in the *Report* dated 12 September 2013). At that time, many cash-strapped non-OECD economies reacted by reducing increasingly burdensome oil subsidies, thus curbing oil usage, a process that has since been ongoing and will continue to impact demand in the year ahead. Such non-OECD subsidy cuts were seen again this month, for example in Argentina where the government has agreed to reduce subsidies to the extent that gasoline and diesel prices are effectively hiked by 6%. Although pressure to further reduce emerging market subsidies remains, this time the largest likely additional impact upon oil demand is expected to be through the detrimental effect of higher interest rates on economic growth. Numerous countries have, in the face of sharply depreciating domestic currencies, hiked interest rates. Accordingly, we have adopted a more conservative stance with regard to our 1Q14 non-OECD forecast, shaving 80 kb/d from the 1Q14 non-OECD demand estimate.

The overall global demand forecast for 2014 has nevertheless been slightly raised since last month's *Report*, to 92.6 mb/d (125 kb/d above last month's estimate), as a more robust OECD outlook, particularly from OECD Americas, more than offsets the reduced non-OECD projection. Expectations of global economic growth have been solidifying in recent months, lifting the outlook for oil demand. This month's *Report* incorporates the latest International Monetary Fund (IMF) forecast of global economic growth, which has been raised to 3.7%, from 3.6% last October. Oil demand growth forecasts for the US, Japan, Spain, the UK and Germany have all been revised up, reflecting the upgraded IMF assessment of their economic outlook.

For 4Q13, the global demand estimate has been adjusted upwards by 85 kb/d since last month's *Report*, to 92.2 mb/d, based on data for November. Several countries accounted for the bulk of the upward adjustments for November, led by Japan (+165 kb/d), as power-sector oil needs exceeded expectations, significantly lifting fuel oil and 'other products' deliveries. Other large November upward adjustments include Chinese Taipei (+50 kb/d), Iran (+40 kb/d), Portugal (+30 kb/d), Argentina (+30 kb/d) and Thailand (+30 kb/d). Germany provided a partial offset with a downward adjustment of 70 kb/d, as did Iraq (-55 kb/d) and Belgium (-40 kb/d). Partial preliminary data for December contributed towards some downside 4Q13 impetus, although not enough to offset November revisions, with negative December adjustments seen for Canada (-85 kb/d), the US (-45 kb/d) and Japan (-40 kb/d), more than offsetting upward revisions for Argentina (+35 kb/d) and Korea (+10 kb/d).

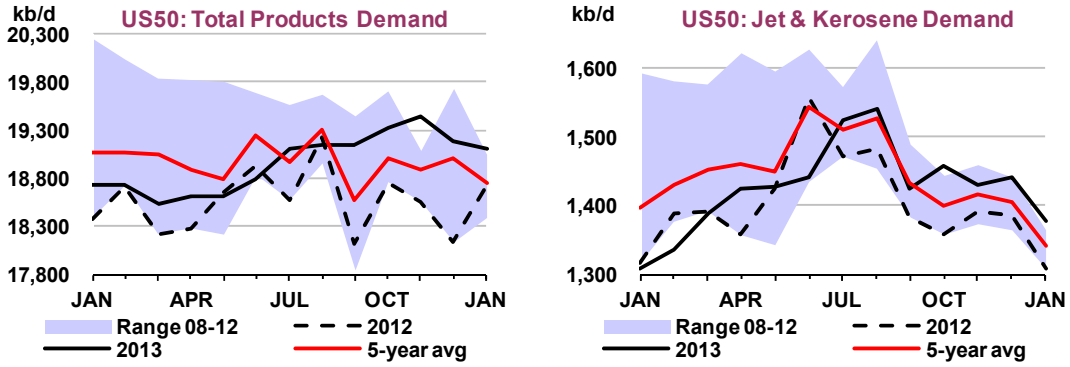
Top 10 Consumers

US

Recent strength in US demand growth continued in late 2013 and early 2014, with preliminary data pointing towards a year-on-year (y-o-y) gain of roughly 6% in December and 2% in January. Notable increases in LPG, naphtha, jet/kerosene and gasoline demand provided the lion's share of the upside, as

heightened petrochemical usage supported deliveries of naphtha and LPG (which includes ethane in the IEA's *OMR* figures), and escalating transportation needs ratcheted up gasoline and jet/kerosene demand. LPG and heating oil demand garnered additional support from the continued cold weather, with a 22% y-o-y increase in heating degree days in January.

Despite the y-o-y growth, the latest demand estimates for January and December depict a declining month-on-month (m-o-m) trend. In January roughly 19.1 mb/d of oil products are estimated to have been delivered in the US, 90 kb/d below the December estimate of 19.2 mb/d, which itself was down by 240 kb/d on November levels. Seasonal declines in the jet/kerosene and 'other products' led the January dip, alongside a sizeable contraction in gasoline.



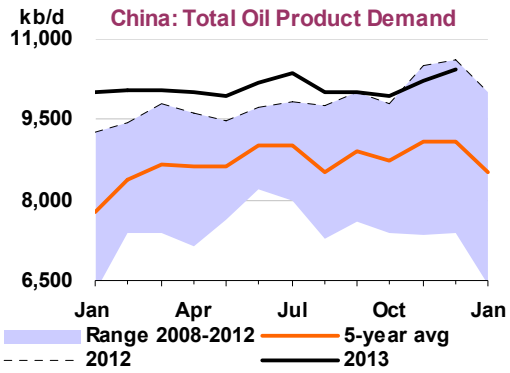
In November, total US demand averaged around 19.4 mb/d, almost exactly as forecast in last month's *Report* and 4.8% above the year earlier. The product mix was slightly different than forecast, however, with gasoline demand up by 3.1%, to 8.8 mb/d, versus the previously anticipated 4.2% increase. Demand from the 'other products' category, in contrast, jumped by 12.4% to 2.1 mb/d, much faster than the previously foreseen 5.6% increase.

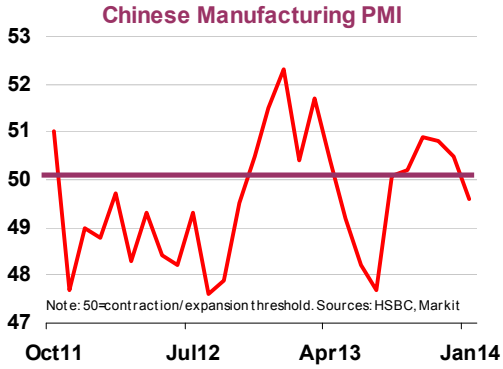
Top-10 Oil Consumers
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Nov-13	2013	2014	Nov-13	2013	2014	Nov-13	2013	2014
US50	19,435	18,947	19,033	885	0	86	4.8	2.2	0.5
China	10,231	10,100	10,448	-259	280	349	-2.5	2.8	3.5
Japan	4,836	4,562	4,401	194	-164	-161	4.2	-3.5	-3.5
Russia	3,568	3,419	3,513	149	126	94	4.4	3.8	2.7
India	3,466	3,367	3,453	17	19	86	0.5	0.6	2.6
Brazil	3,225	3,105	3,188	82	119	83	2.6	4.0	2.7
Saudi Arabia	2,749	2,983	3,074	31	61	91	1.1	2.1	3.0
Korea	2,436	2,305	2,314	-20	4	9	-0.8	0.2	0.4
Germany	2,420	2,409	2,416	-126	21	8	-4.9	0.9	0.3
Canada	2,313	2,286	2,315	-189	5	29	-7.7	0.2	1.3
% global demand	61%	59%	59%						

China

Sluggish growth in the Chinese industrial sector continued to take its toll on the country's oil use, with the latest estimate putting Chinese apparent demand down at around 10.4 mb/d in December, a contraction of around 1.8% on the year earlier. Gasoil/diesel led the decline, reflecting the recent dip seen in closely-tracked manufacturing-sentiment indicators (such as HSBC/Markit's which flipped back into 'contracting' territory at the turn of the year) and reports of ailing heavy transport demand, as the country has made a concerted effort to move less coal across the country. For 2013 as a whole, Chinese oil demand is now estimated at around 10.1 mb/d, just 280 kb/d (or 2.8%) above 2012.



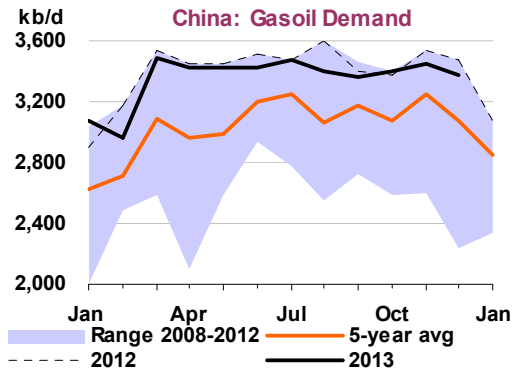


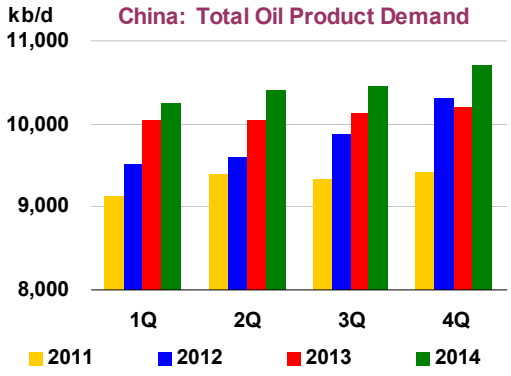
China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	764	786	811	21	26	2.8	3.3
Naphtha	1,004	1,077	1,140	73	62	7.3	5.8
Motor Gasoline	1,967	2,097	2,225	130	128	6.6	6.1
Jet Fuel & Kerosene	435	481	499	45	18	10.4	3.8
Gas/Diesel Oil	3,409	3,357	3,449	-52	92	-1.5	2.7
Residual Fuel Oil	504	464	482	-39	17	-7.8	3.8
Other Products	1,737	1,838	1,843	100	5	5.8	0.3
Total Products	**9,820**	**10,100**	**10,448**	**280**	**349**	**2.8**	**3.5**

Although the IMF, in its updated GDP projections of last month, raised its forecast of Chinese economic growth for 2014 to 7.5%, from 7.3% previously, the forecast of Chinese oil demand growth has been marginally reduced on last month's *Report*. The curbed Chinese demand numbers are attributable to a combination of recent weaknesses in the data and expectations of greater energy efficiency, a long-established policy goal of the Chinese administration that seems to be gaining traction recently. Following a near doubling of net diesel exports in 2013, as gasoil demand has struggled, further gains in diesel exports are foreseen in 2014 with both Sinopec and PetroChina reportedly gaining large export licenses for 1Q14.

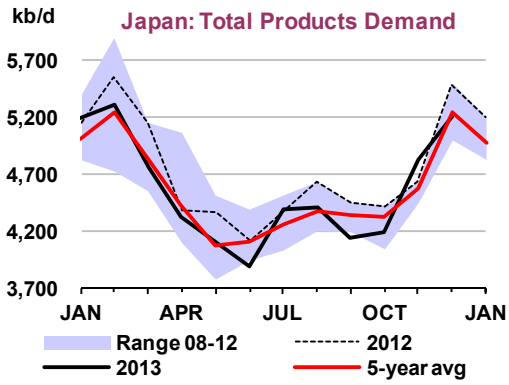


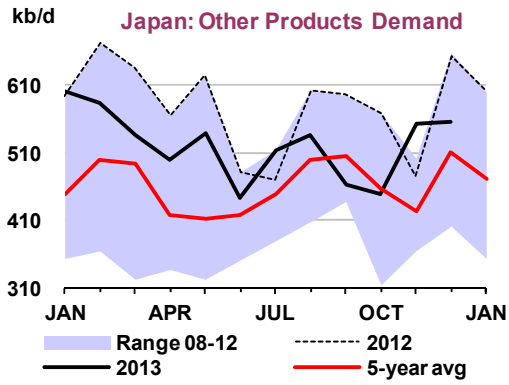


Japan

At roughly 5.2 mb/d in December, preliminary estimates of Japanese oil demand show both a seasonal spike and the continuation of the broader y-o-y contracting trend demonstrated across 2013. For 2013 as a whole, demand is estimated at an average of around 4.6 mb/d in Japan, down by 165 kb/d (or -3.5%) on the year earlier. All of the main product categories, bar naphtha and diesel, saw notable declines, with the sharpest contractions experienced in fuel oil and 'other products', respectively down by 19.1%

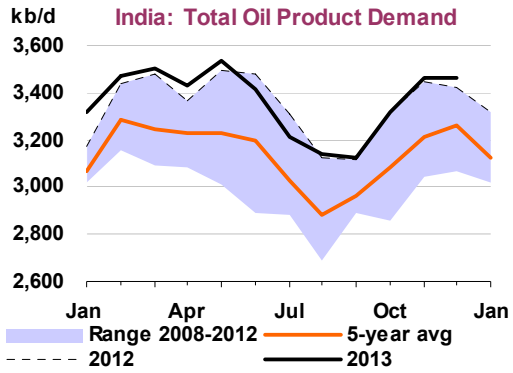
and 9.7%. The overall forecast for 2014 has been raised to reflect an upward revision of four-tenths of a percentage point in the IMF forecast of Japanese economic growth forecast, to +1.7%. Accordingly we now foresee Japanese oil demand falling by roughly 3.5% in 2014, to an annual average of around 4.4 mb/d, versus the previous -3.7% forecast. Deliveries are still forecast to fall in 2014, led by particularly sharp declines in the fuel oil and 'other products' categories, as the country's idled nuclear capacity starts coming back on-line in 2014.

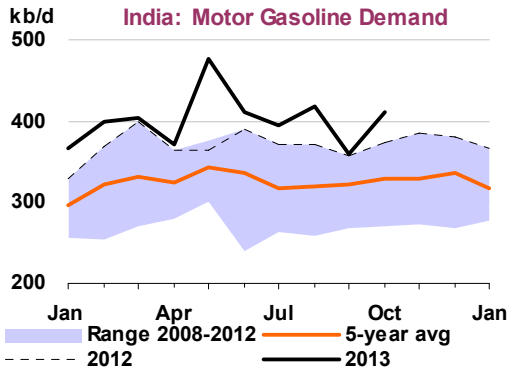




India

After a long period of flat-to-falling y-o-y growth, the Indian demand trend edged higher in December, up by 1.2% y-o-y to an average of around 3.4 mb/d, roughly in line with last month's forecast. The gasoline and diesel sectors showed diverging trends, with demand for the former in December up by around 7.4% on the year earlier, to 410 kb/d, while gasoil/diesel demand fell by 2.5%, to 1.4 mb/d. Government efforts to reduce diesel subsidies may have encouraged some product switching to gasoline. For 2013 as a whole, Indian oil demand averaged roughly 3.4 mb/d, up 0.6% y-o-y. Demand growth is expected to regain momentum in 2014, reflecting both an expected acceleration in economic growth and the diminishing impact of subsidy reductions, which already cut demand in 2013. Indeed, we have revised up the projected acceleration in 2014 to 2.6%, from 2.4% previously, as the IMF raised its forecast of Indian GDP growth by two-tenths of a percentage point, to 5.4%.

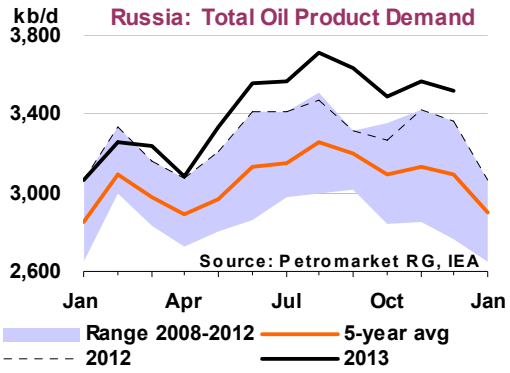


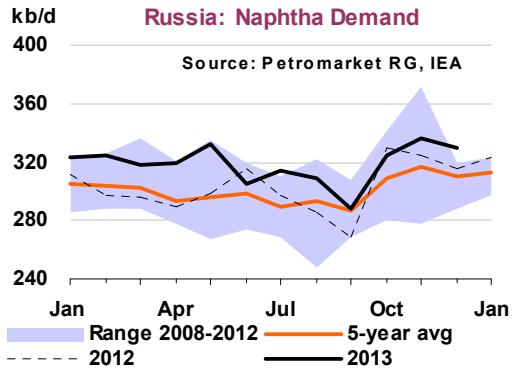


Russia

The strong recent Russian demand trend continued through the second half of 2013, although growth in deliveries has been tempered somewhat since its September peak as the underlying momentum in the Russian economy has slowed. Preliminary December estimates suggest oil deliveries of around 3.5 mb/d, a gain of 4.6% on the year earlier, which is nearly half of September's peak growth rate. Robust industrial usage has supported demand for gasoil/diesel, naphtha and coke (included in our 'other products' category), with Russian gasoline demand also edging gently higher as car registrations, as quoted by the

Association of European Business in the Russian Federation, rose by 13.9% in the month of December (roughly 5% higher on the year). Supporting the industrial fuels, meanwhile, was a reported 0.8% m-o-m gain in Russian industrial production.





As business confidence deteriorates in 2014, so too does the prospective growth trend of oil demand, which is forecast to rise by just 2.7% for the year. Notably, HSBC's Russian Purchasing Managers' Index (PMI) slipped to 48.0 in January, a 55-month low and well below the 50 threshold separating contraction from expansion. HSBC concluded that declines in sentiment were "registered for output, new order, exports, employment and purchasing", further accounting for the forecast deceleration in Russian oil deliveries in 2014.

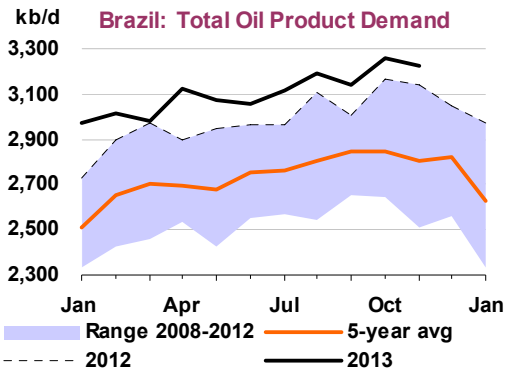
Russia: Demand by Product
(thousand barrels per day)

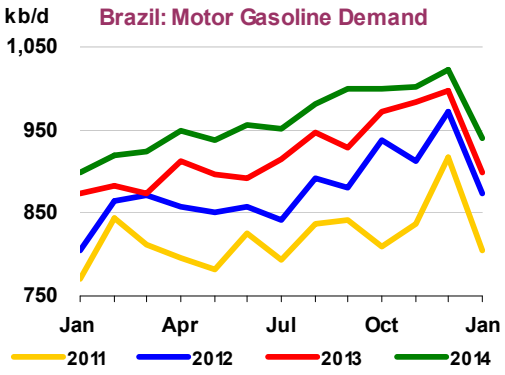
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	377	374	386	-3	12	-0.9	3.3
Naphtha	302	319	324	16	6	5.4	1.7
Motor Gasoline	813	829	843	15	14	1.9	1.7
Jet Fuel & Kerosene	270	281	288	11	7	4.1	2.5
Gas/Diesel Oil	627	612	620	-16	8	-2.5	1.3
Residual Fuel Oil	303	325	333	22	8	7.3	2.5
Other Products	599	680	719	81	39	13.5	5.7
Total Products	**3,293**	**3,419**	**3,513**	**126**	**94**	**3.8**	**2.7**

Source: Petromarket RG, IEA

Brazil

The Brazilian demand estimate for 2013 is roughly unchanged from last month's *Report*, which already included November data. Brazilian oil deliveries totalled close to 3.2 mb/d in November, 80 kb/d (or 2.6%) up on the year earlier, supported by particularly strong gasoline demand. For 2013 as a whole, growth is estimated at around +4.0%, to 3.1 mb/d, but is projected to decelerate in 2014 to +2.7%, as the sharp gains in road transport fuels seen in 2013 seem unlikely to be repeated. The 2014 Brazilian growth forecast has been modestly curbed from last month's *Report*, when it was estimated at +2.9%, reflecting revisions in the IMF's January *World Economic Outlook*, which cut the economic growth projection for Brazil to 2.3%, from 2.5% previously.





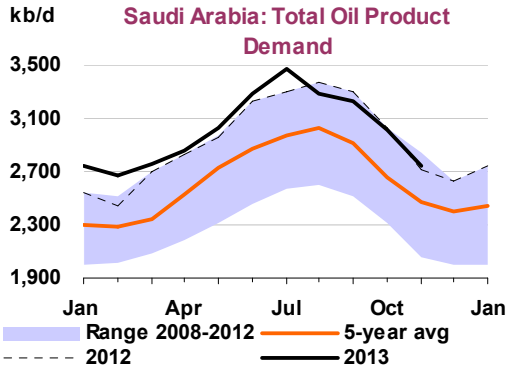
Brazil: Demand by Product

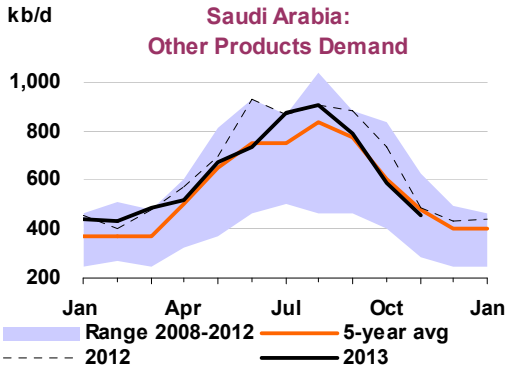
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	224	230	236	7	5	3.1	2.2
Naphtha	165	165	165	0	0	0.0	0.0
Motor Gasoline	879	923	962	44	38	5.0	4.2
Jet Fuel & Kerosene	127	126	131	-1	5	-0.9	3.8
Gas/Diesel Oil	995	1,046	1,081	51	35	5.1	3.3
Residual Fuel Oil	160	178	180	18	2	11.3	1.1
Other Products	436	436	434	0	-2	0.0	-0.5
Total Products	**2,986**	**3,105**	**3,188**	**119**	**83**	**4.0**	**2.7**

Saudi Arabia

At 2.7 mb/d, the latest Saudi Arabian demand estimate for November came out in line with expectations. Deliveries fell for a fourth consecutive month, with the demand estimate down by 265 kb/d on the month earlier as direct crude oil burn continued its decline, reflecting curbed power-sector usage. For the year as a whole, Saudi Arabian oil demand is assessed to have averaged out at around 3.0 mb/d, a gain of 60 kb/d (or 2.1%) on the year earlier. Momentum is forecast to build further in 2014, up by 90 kb/d (or 3.0%) to an annual average of around 3.1 mb/d, as the macroeconomic backdrop also strengthens.

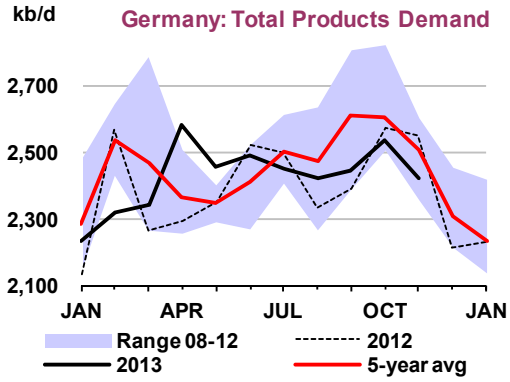


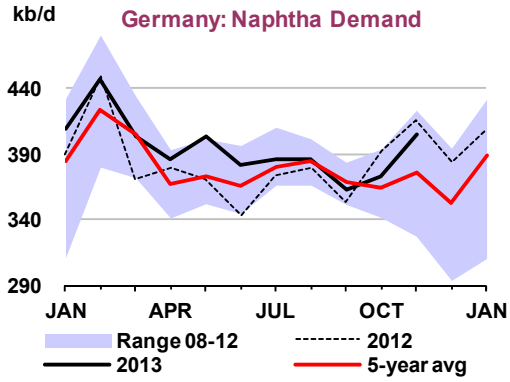


Germany

At just 2.4 mb/d in November, the latest German demand estimate came out nearly 70 kb/d below the projection carried in last month's *Report*. The naphtha and residual fuel oil markets accounted for the bulk of the correction. The previous estimate was based on inland delivery statistics, which sometimes distort the true scale of deliveries by failing to fully capture trade flows. More recent and complete data show naphtha deliveries averaged only 405 kb/d in November, 30 kb/d below last month's estimate and

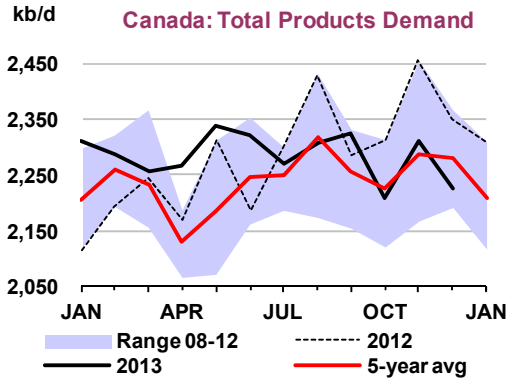
10 kb/d under year-earlier levels. German fuel oil demand came in at 115 kb/d in November, 20 kb/d below forecast and down 15 kb/d (or -11.4%) y-o-y. For 2013 as a whole, the German demand estimate has been marginally reduced to 2.4 mb/d, 5 kb/d less than the prediction carried in last month's *Report*, and equivalent to a y-o-y gain of 20 kb/d (or +0.9%).

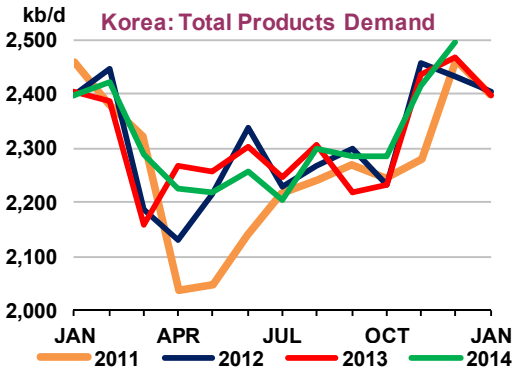




Canada

The recent weakening in Canadian demand data appears to have continued through to the end of 2013, with preliminary data for December depicting average deliveries of just 2.2 mb/d, down 5.3% y-o-y. This marked the third consecutive month that Canadian demand declined y-o-y. Momentum has gone into reverse recently as business confidence, after a strong run, started to show signs of weakening. This, alongside an unusually mild late autumn, has curbed 4Q13 demand, which is now estimated to have contracted by 5.2% y-o-y. After the relatively flat trend of 2013, Canadian oil demand is forecast to accelerate in 2014, as industrial oil needs kick-on supported by widely held projections that the underlying economic impetus will build in the year.





Korea

South Korean demand returned to y-o-y growth in December after a three-month hiatus, as particularly strong demand for industrial fuels led an upsurge in momentum. December demand of 2.5 mb/d, up 1.4% y-o-y, was roughly in line with expectations, however. Supporting this upturn has been a recovery in the widely tracked Korean business confidence indicators, with HSBC's Manufacturing PMI breaking back into 'expansionary' territory in 4Q13 after a mid-year slump.

OECD

Whereas previously the medium-term trend in OECD oil demand was clearly downwards, as an average decline rate of 1.6% was seen over the five-year period 2008-12, the last three quarters of 2013 experienced absolute y-o-y gains in demand, with growth of 0.1% y-o-y seen in 2Q13, accelerating to 0.8% in 3Q13 and 0.7% in the 4Q13.

OECD Demand based on Adjusted Preliminary Submissions - December 2013

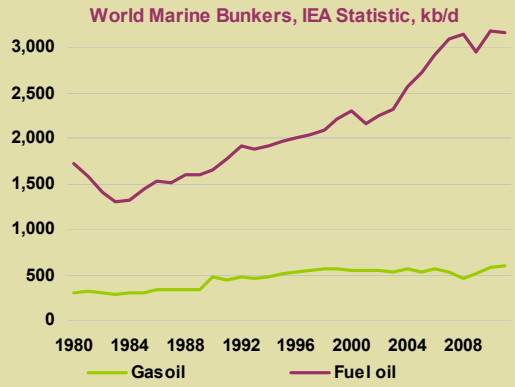
(million barrels per day)

	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 Americas*	**10.39**	**3.3**	**1.66**	**3.2**	**4.33**	**6.4**	**0.61**	**-7.1**	**0.52**	**-11.7**	**6.62**	**4.08**	**24.13**	**3.4**
US50	8.72	3.9	1.44	3.9	3.44	7.8	0.29	-12.1	0.26	39.6	5.05	8.6	19.19	5.9
Canada	0.75	1.8	0.11	-5.8	0.28	-4.1	0.25	8.1	0.06	11.9	0.78	-15.5	2.23	-5.3
Mexico	0.80	-1.4	0.07	6.4	0.39	0.0	0.04	-26.3	0.12	-56.7	0.67	3.8	2.10	-6.7
OECD Europe	**1.85**	**-0.7**	**1.15**	**1.6**	**4.15**	**4.4**	**1.76**	**0.0**	**0.92**	**-7.5**	**3.27**	**-0.5**	**13.10**	**0.7**
Germany	0.39	0.9	0.16	5.1	0.64	7.5	0.39	-9.9	0.12	-8.8	0.50	-1.8	2.20	-0.3
United Kingdom	0.29	-4.1	0.33	3.8	0.44	-8.8	0.11	-0.6	0.03	-9.3	0.25	-4.2	1.46	-3.9
France	0.15	6.3	0.15	0.7	0.67	6.1	0.29	6.7	0.05	-18.9	0.34	-5.1	1.65	2.3
Italy	0.21	-0.8	0.08	-7.9	0.42	0.8	0.13	5.9	0.07	3.0	0.36	-2.6	1.27	-0.4
Spain	0.11	-2.5	0.10	-2.3	0.41	0.9	0.20	6.9	0.15	-5.5	0.26	5.4	1.21	1.4
OECD Asia & Oceania	**1.65**	**-2.2**	**1.22**	**-6.5**	**1.28**	**3.4**	**0.61**	**-5.0**	**0.76**	**-18.1**	**3.69**	**0.9**	**9.22**	**-2.6**
Japan	1.01	-3.2	0.84	-7.5	0.47	0.3	0.46	-3.6	0.46	-22.7	1.98	-1.7	5.21	-5.2
Korea	0.20	2.4	0.19	-11.1	0.30	8.5	0.15	0.0	0.24	-12.3	1.38	4.6	2.47	1.3
Australia	0.32	-1.0	0.14	3.2	0.40	2.7	0.00	0.0	0.02	19.7	0.25	-0.1	1.13	1.4
OECD Total	**13.89**	**2.1**	**4.03**	**-0.4**	**9.76**	**5.1**	**2.97**	**-2.6**	**2.21**	**-12.4**	**13.59**	**2.1**	**46.45**	**1.4**

* Including US territories

Shipping Industry Faces Widening Legislative Curtain

The global shipping industry consumes roughly 4 mb/d of bunker fuels, of which high-sulphur marine fuel oil represents an estimated 84% and marine gasoil/diesel most of the remainder. These heavier-sulphur fuel oils have been faulted, by the International Maritime Organisation (IMO) and others, for causing serious air pollution. Such concerns led to the establishment of Emission Control Areas (ECA) in sensitive high-volume shipping waters such as the North Sea, the Baltic Sea and coastal areas off North America. Under IMO rules the sulphur content of burnt shipping fuel must currently not exceed 1% within the ECA. In January 2014, a raft of additional legislative changes were introduced, most notably (from a demand point of view) the widening of the ECA to include the US areas of the Caribbean Sea. This effectively means that ships that pass through waters adjacent to the coasts of Puerto Rico and the US Virgin Islands must also now adhere to tighter ECA emissions controls, potentially lowering the total US fuel oil requirement, in favour of less polluting marine gasoil.

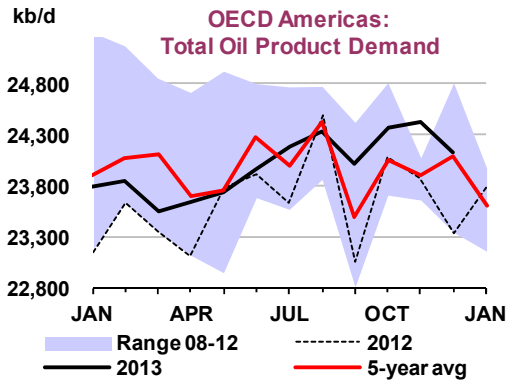


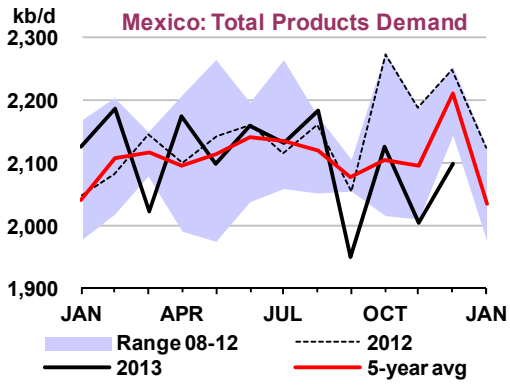
The IEA does not include these US territories in its US50 demand estimates, instead treating this region separately as "US territories". It is this category that will likely see some additional marine gasoil demand in 2014 at the expense of high-sulphur fuel oil. Last year the US territories consumed roughly 85 kb/d of fuel oil and 70 kb/d of gasoil. Although there are no available estimates of demand from the marine sector, an approximation can be garnered from patterns observed in neighbouring Caribbean countries. Thus in 2014, following the widening of the ECA to include the US Caribbean Sea, fuel oil demand in the US territories region is thought likely to contract by around 5.7%, while the gasoil demand in the US territories is forecast to rise by an estimated 7.3%.

More importantly, in 2015 ECA-wide sulphur limits are due to be further reduced to 0.1%. This new, tighter ECA sulphur limit is expected to result in a sharp upturn in OECD marine gasoil demand, at the expense of marine fuel oil. These numbers have been included within our OECD forecast, hence the relative strength that is demonstrated in the total 4Q14 OECD gasoil growth rate compared to overall OECD demand: OECD 4Q14 gasoil demand rising by 1.6% y-o-y versus a wider forecast increase in total OECD demand of 0.1%.

Americas

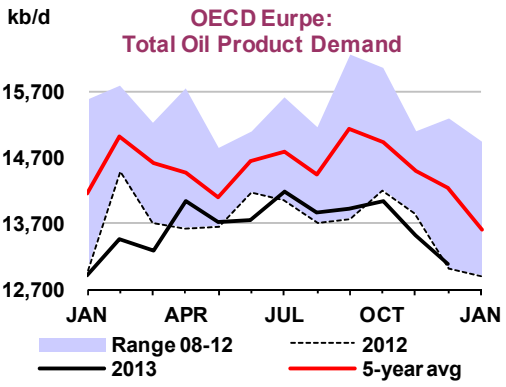
Strong US deliveries lifted aggregate demand for the OECD Americas region in 4Q13, with a gain of 2.3% to 24.3 mb/d now assumed. This in turn raised the average for 2013 as a whole to 24.0 mb/d, up 1.6% on the year earlier. Expansion in the US masked contraction elsewhere, however. Mexico reported a 6.7% y-o-y decline in December, followed by Canada (-5.3%) and Chile (-0.4%, although the latest Chilean data are only available for November).

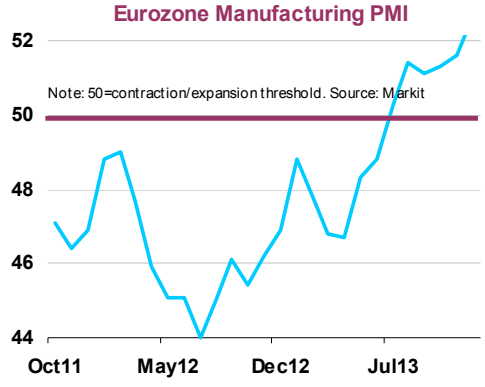




Europe

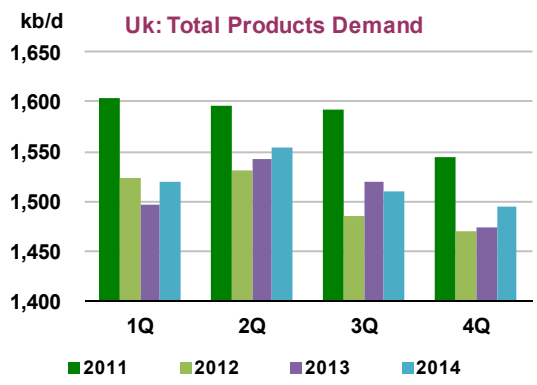
Europe's switch back into demand growth mid-2013, after a seemingly entrenched downtrend, reversed in 4Q13 despite an upturn in European business sentiment. In the five years from 2008-12, European oil demand fell by an average of around 2.3% per annum, but bounced back in 2Q13 (up 0.1% y-o-y), gaining momentum with a further gain of 1.1% in 3Q13. As forecast, the rebound proved relatively short-lived, driven as it was by a temporary, post-recessionary bounce. A mild contraction in European oil demand is then forecast for 2014 as a whole.

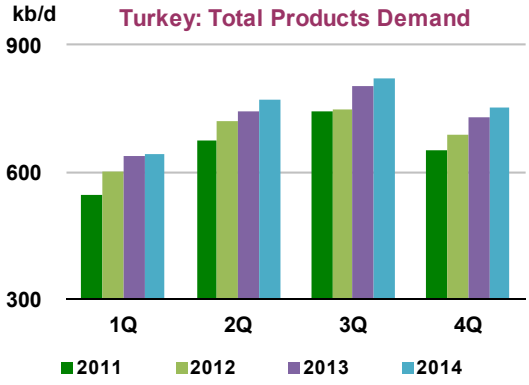




The outlook for the **UK** has been raised, since last month's *Report*, to reflect the more bullish stance now being taken by economic forecasters. The IMF in January added roughly three-fifths of a percentage point to its 2014 UK GDP projection, to 2.4%. Our demand forecast has accordingly been increased, with growth of 0.8% now forecast for 2014, up from the previous 0.6% estimate.

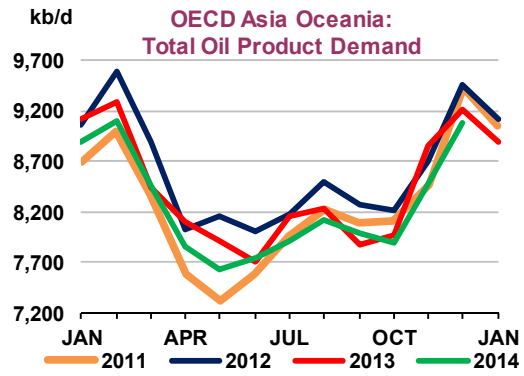
In other European countries, the demand forecast has been reduced. That is in particular the case of those economies whose currencies have recently weakened, such as Hungary and Turkey. The picture for **Turkey**, where the 2014 oil demand growth forecast has been trimmed marginally, to 2.9%, is further clouded by partially offsetting revisions to historical estimates. New data added approximately 20 kb/d to the 2012 baseline demand estimate, to 690 kb/d. Demand is now estimated at 730 kb/d for 2013 and is forecast to rise to an average of around 750 kb/d in 2014.

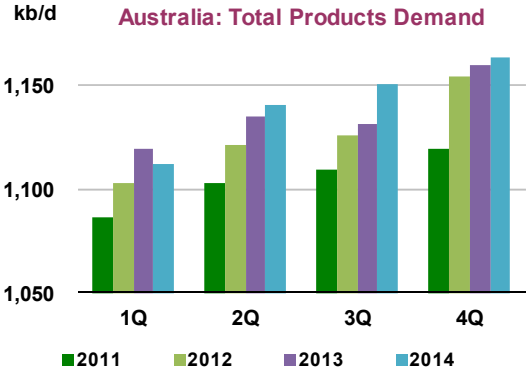




Asia Oceania

The OECD Asia Oceania region has seen its own demand trend hit in recent months, as the effect of an earlier spike in oil demand from the Japanese power sector following the 2011 East Japan earthquake and tsunami faded in 2013, while the broader economic backdrop lulled. Elsewhere in the OECD Asia Oceania region, the demand trend has generally been a rising one recently, and is projected to remain so in 2014, although this will not suffice to offset expected power-sector declines in Japan. In **Australia**, after rising by roughly 0.9% in 2013 to 1.1 mb/d, demand is forecast to ease back to growth of around 0.5% in 2014 as the forecast of economic growth has also been curtailed since last month's *Report* (by two-tenths of a percentage point).

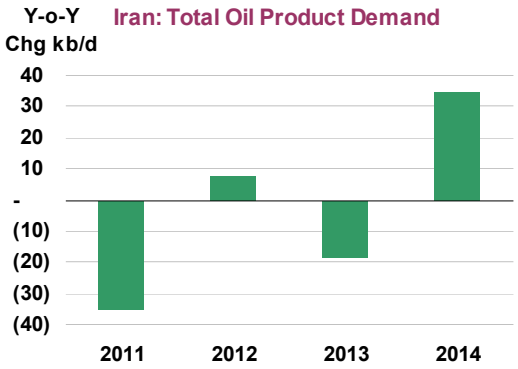


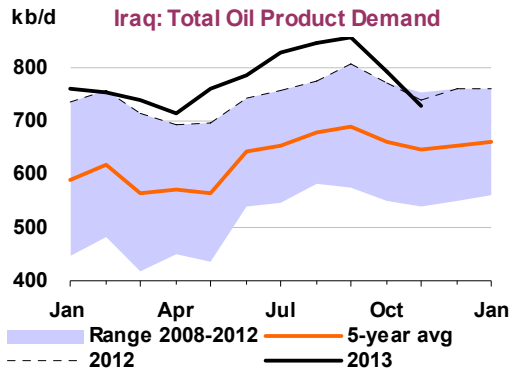


Non-OECD

The recent slowdown in non-OECD momentum continued in 4Q13, with a somewhat modest 1.6% y-o-y increase posted, less than half the previous five-year average of 3.6% seen 2008-12. With many emerging market currencies hit hard in January, forcing interest rates up in some countries (such as South Africa) and subsidies down in others (for example Argentina), the outlook for 1Q14 is also one of slowing growth. For 2014 as a whole, only a relatively modest 3.0% increase in non-OECD oil demand is foreseen, taking demand up to an average of around 46.6 mb/d. Despite such concerns the non-OECD region is forecast to take the dominant share of the global oil demand from 2Q14 onwards.

Reports of particularly harsh **Iranian** winter weather conditions, coupled with natural gas shortages in the world's second-largest natural gas reserve holder, have raised the 4Q13/1Q14 Iranian demand projection, up to a winter average of around 1.8 mb/d. Also, tracking forward, we have raised the 2014 growth forecast, with a gain of around 2% now foreseen, versus the previously assumed increase of closer to 1%. The additional Iranian demand forecast is consistent with the marginally less bearish macroeconomic consensus that is now emerging.





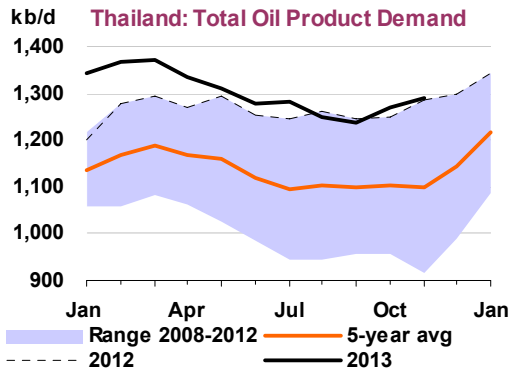
November saw **Iraqi** demand fall in both y-o-y and m-o-m terms, to an average of around 730 kb/d, as a seasonal decline was magnified by a particularly pronounced drop in gasoil/diesel. An estimated 225 kb/d of gasoil was delivered in November, 35 kb/d below October and 25 kb/d under the year earlier level. Given that the revised November demand number was 55 kb/d below our month earlier forecast, the estimate for the year as a whole has been curbed to 780 kb/d, up by 4.4% on the year. Momentum is forecast to accelerate somewhat in 2014, to 5.1% to 820 kb/d.

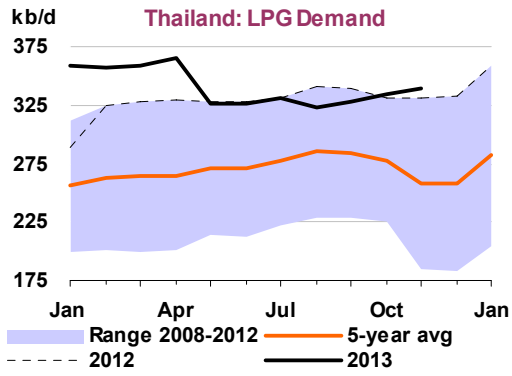
Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2Q13	3Q13	4Q13	3Q13	4Q13	3Q13	4Q13
Africa	3,830	3,723	3,812	93	85	2.6	2.3
Asia	21,716	21,389	21,919	423	112	2.0	0.5
FSU	4,508	4,844	4,827	227	220	4.9	4.8
Latin America	6,603	6,738	6,744	221	170	3.4	2.6
Middle East	7,897	8,346	7,623	138	89	1.7	1.2
Non-OECD Europe	678	685	702	18	29	2.8	4.3
Total Products	**45,233**	**45,727**	**45,627**	**1,121**	**706**	**2.5**	**1.6**

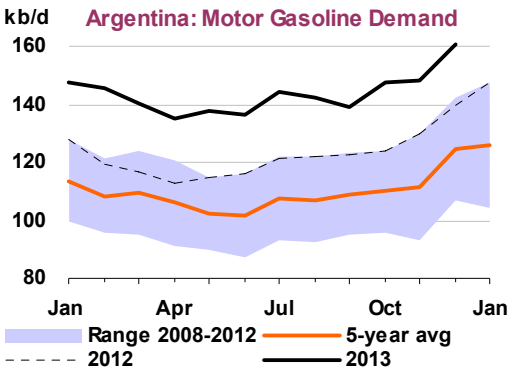
In non-OECD Asia, the recent data flow has surprised on the upside. **Thailand** saw deliveries of approximately 1.3 mb/d in November, 30 kb/d above the month earlier forecast on account of some surprisingly strong LPG deliveries. The Thai demand estimate for the year as a whole has accordingly been revised upwards, to 1.3 mb/d in 2013, equivalent to a gain of 3.1% on the year with a roughly similarly paced trajectory assumed for 2014.

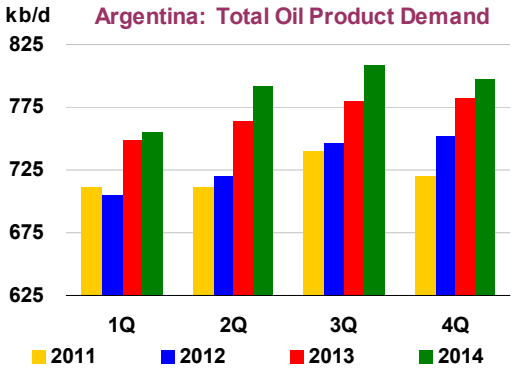




The **Argentinean** 4Q13 demand series was revised up by 20 kb/d, since last month's *Report*, to 785 kb/d, reflecting the latest official data. The robust y-o-y growth trend that has been seen since 4Q12 continued into 4Q13, with a 4.1% gain posted, thus equating to an annual gain of 5.2% for the year as a whole to an

average demand level of 770 kb/d. Gasoline led the gains, supported by underlying strength in consumer confidence. The recent sharp depreciation in the value of the Argentine currency, the peso, however, is thought likely to curb 1Q14 demand, with a deceleration in economic growth now expected. January's near-quarter depreciation of the peso pushed up refining costs to such an extent as to force the government to reduce subsidies, in effect raising both gasoline and diesel prices by 6%. For the year as whole, a more modest expansion of around 2.7% is now forecast, as Argentinean demand averages out at around 790 kb/d in 2014.





Argentina: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	93	101	105	8	4	8.8	3.7
Naphtha	16	16	17	0	0	2.5	1.8
Motor Gasoline	122	144	150	22	6	17.6	4.1
Jet Fuel & Kerosene	31	31	32	0	1	0.9	2.6
Gas/Diesel Oil	245	251	258	6	7	2.4	2.8
Residual Fuel Oil	94	97	99	3	2	3.1	1.6
Other Products	129	128	129	-1	1	-1.0	1.0
Total Products	**731**	**769**	**790**	**38**	**21**	**5.2**	**2.7**

SUPPLY

Summary

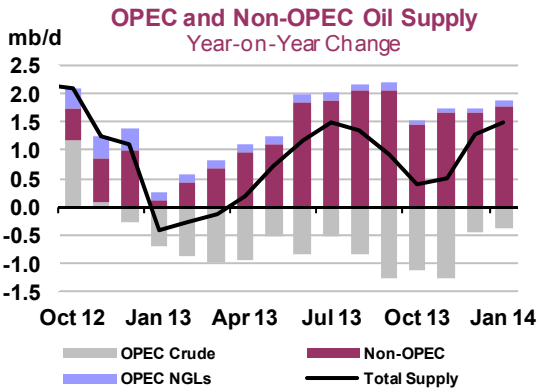
- **Global supplies declined by 290 kb/d to 92.1 mb/d in January** from December levels, with non-OPEC production behind the downturn. Supplies were up by 1.50 mb/d year-on-year (y-o-y), however, as steep growth of 1.90 mb/d in non-OPEC output and OPEC NGLs surpassed a decline of 390 kb/d in OPEC crude production.

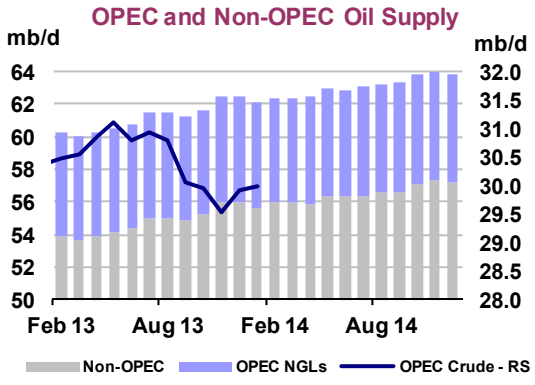
- **With complete-year data available for nearly all producers, non-OPEC liquids supplies show growth of 1.33 mb/d in 2013, to 54.68 mb/d.** Total non-OPEC supplies are expected to grow by another 1.75 mb/d in 2014, mainly as a result of relentless advances in North American production, and to a lesser extent Latin American and FSU production gains.

- **Non-OPEC supplies fell by 390 kb/d month-on-month (m-o-m) in January, to 55.64 mb/d,** as crude oil production declined by 200 kb/d and ethanol production continued its seasonal drop, dipping by another 255 kb/d during the month. Non-OPEC NGL production rose by about 80 kb/d m-o-m.

- **OPEC crude oil supply in January was marginally higher, up by 85 kb/d to 29.99 mb/d, with a downturn in production from Iraq offset by a partial recovery in Libyan output.** January volumes are about 480 kb/d below the annual 2013 average. Upcoming spring refinery turnarounds are expected to mitigate the impact of reduced supplies from OPEC.

- **The 'call on OPEC crude and stock change' was unchanged at 29 mb/d for 1Q14 but was raised by 200 kb/d for 2H14 on higher forecast demand.** The 'call' on OPEC supplies for 2H14 is now estimated at an average 30 mb/d, or 1 mb/d above that for the current quarter. OPEC's 'effective' spare capacity in January slipped to 3.15 mb/d from 3.33 mb/d in December.





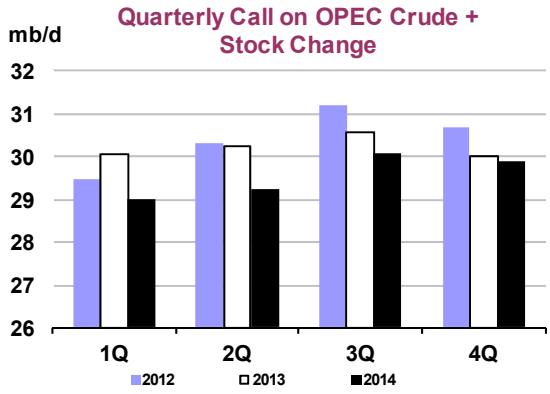
All world oil supply data for January discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary January supply data.

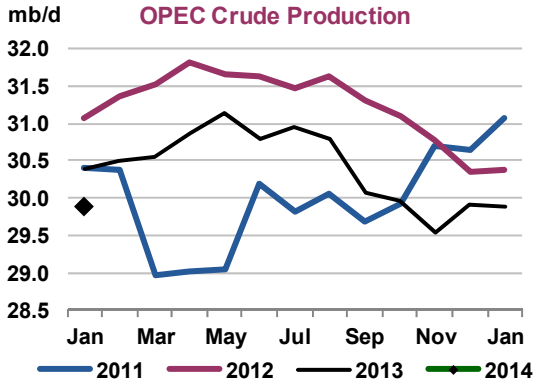
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 to -400 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

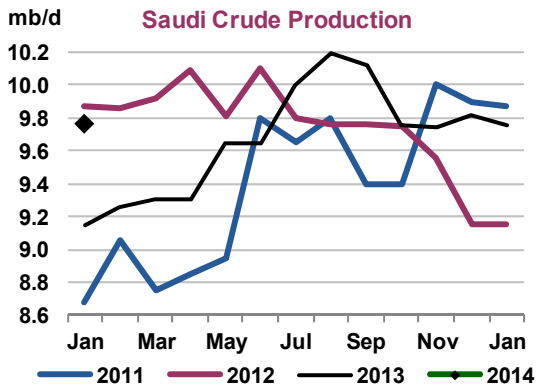
OPEC crude oil supply in January was marginally higher, up by 85 kb/d to 29.99 mb/d, with a downturn in production from Iraq offsetting a partial recovery in Libyan output. Iran, Nigeria and Angola also posted modest increases last month. January volumes, however, are still running 480 kb/d below the annual 2013 average. Upcoming spring refinery turnarounds are expected to mitigate the impact of reduced supplies from OPEC. Looking forward, continued operational problems and field maintenance plans are expected to curtail output from Iraq and Angola through March.

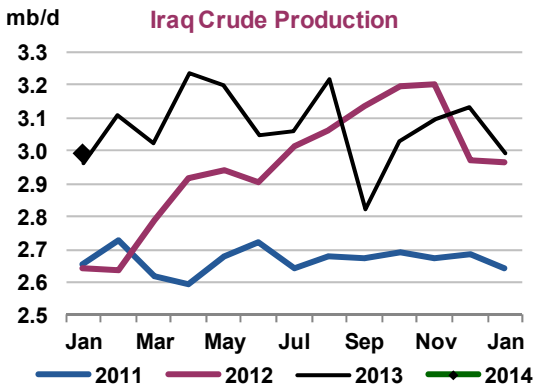
The 'call on OPEC crude and stock change' was unchanged at 29 mb/d for 1Q14 but was raised by 200 kb/d for 2H14 on higher forecast demand. The 'call' on OPEC supplies for 2H14 is now estimated at an average 30 mb/d, or 1 mb/d above that for the current quarter. OPEC's 'effective' spare capacity in January was estimated at 3.15 mb/d, down from 3.33 mb/d in December, with Saudi Arabia accounting for around 85% of the surplus.





Saudi crude oil production in January was pegged at 9.76 mb/d, down a marginal 60 kb/d from December levels. Saudi supplies to the market, which include sales from storage, however, are estimated at a higher 9.92 mb/d in January, around 70 kb/d below the previous month. In March, Saudi Aramco is expected to curtail output from the 750 kb/d Shaybah field as it undertakes work to tie in production facilities as part of its plans to increase output to 1 mb/d. The loss of Arab Extra Light production from the field during the work programme will be offset by increases elsewhere, albeit likely a heavier grade. The 250 kb/d capacity increase is expected to be completed in April 2016.





Iraqi production in January fell by 140 kb/d to 2.99 mb/d. Crude oil exports fell by 113 kb/d to 2.23 mb/d, the lowest level in four months. Basrah exports were down 45 kb/d to 2.04 mb/d as weather-related delays and ongoing maintenance work at southern ports in the Gulf reduced liftings. Maintenance work is expected to continue over the next several months. Northern exports of Kirkuk

crude declined by around 60 kb/d to 192 kb/d in January, with volumes once again constrained by attacks on the key pipeline running to the Mediterranean port at Ceyhan, Turkey as well as the continued suspension of crude exports from the KRG region to the Kirkuk-Ceyhan pipeline, due to ongoing payment and contract disputes between Irbil and Baghdad. Trucked exports of oil from Iraq to Jordan halted due to deteriorating security in Anbar province where militants overran the city of Fallujah in January. Iraq normally exports between 8 kb/d to 10 kb/d in this way. KRG production was estimated at around 200 kb/d in January, which Baghdad does not include in its official data. Roughly 60 kb/d is exported via trucks and the remainder used at several major refineries as well as teapots in the region. There are still no crude exports of KRG crude through the new pipeline that ties into the Iraq-Turkey Pipeline (ITP) at Fishkabur, and it is likely no progress will be made until after the April elections.

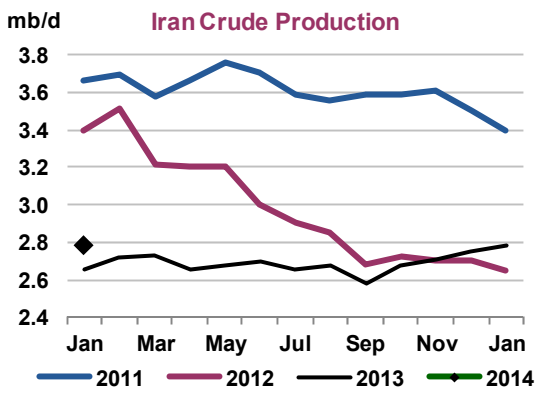
OPEC Crude Production

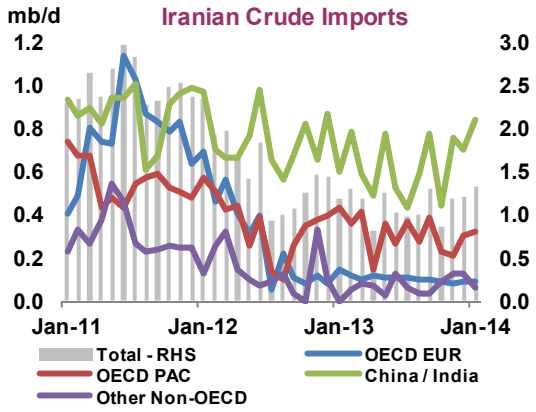
(million barrels per day)

	Nov 2013 Supply	Dec 2013 Supply	Jan 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Jan 2014 Supply	2013 Crude Supply	OPEC Supply 2013 vs 2012
Algeria	1.13	1.15	1.12	1.15	0.03	1.15	-0.02
Angola	1.59	1.64	1.65	1.70	0.05	1.72	-0.07
Ecuador	0.52	0.53	0.53	0.53	0.00	0.51	0.01
Iran	2.71	2.75	2.78	2.90	0.12	2.68	-0.32
Iraq	3.10	3.13	2.99	3.30	0.31	3.08	0.13
Kuwait[2]	2.78	2.81	2.78	2.90	0.12	2.81	0.07
Libya	0.22	0.23	0.50	1.20	0.70	0.90	-0.49
Nigeria[3]	1.89	1.92	1.94	2.25	0.31	1.95	-0.15
Qatar	0.72	0.73	0.72	0.75	0.03	0.73	-0.01
Saudi Arabia[2]	9.75	9.82	9.76	12.40	2.64	9.66	-0.12
UAE	2.66	2.76	2.76	2.90	0.14	2.76	0.11
Venezuela[4]	2.48	2.44	2.46	2.60	0.14	2.50	0.00
Total OPEC	**29.53**	**29.91**	**29.99**	**34.58**	***4.59***	**30.45**	**-0.85**
(excluding Iraq, Nigeria, Libya and Iran)					***3.15***		

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 435 kb/d in January.

Iranian crude oil production edged higher in January, up by 30 kb/d to an estimated 2.78 mb/d. Iran is holding an estimated 30 mb in floating storage at end-January, which includes 6 mb sitting off China, up 2 mb from end-year levels, latest tanker data show. Imports of Iranian crude increased in January also, up by an estimated 100 kb/d to 1.32 mb/d, with increased sales to China (+95 kb/d), Japan (+90) and India (+50) only partially offset by reduced deliveries to Korea (-68 kb/d), Syria (-61 kb/d) and Taiwan (-2 kb/d). Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.





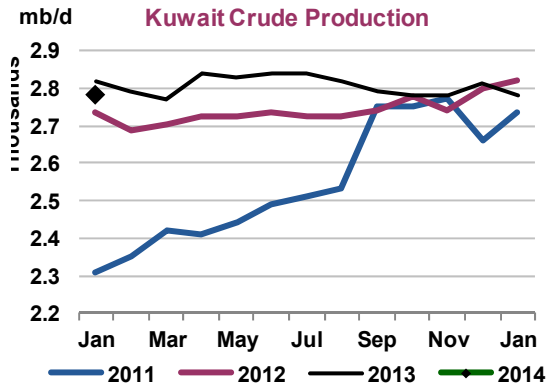
The next stage of negotiations about Iran's nuclear programme with the so-called P5+1 – the five permanent United Nations Security Council members plus Germany and the EU – is scheduled to take

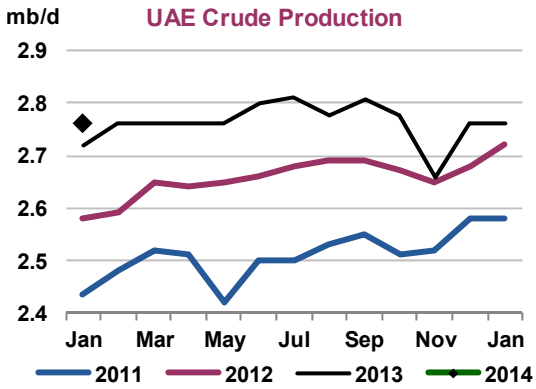
place at the United Nation's offices in Vienna on 18 February. An interim agreement signed on 24 November between Iran and the P5 +1, known as the Joint Plan of Action, was implemented in January. Among the key outcomes was a decision by Iran to suspend its most sensitive nuclear activity in exchange for a limited easing of some international sanctions. The Joint Plan of Action is explicitly intended as a temporary measure to allow breathing space for negotiations on a permanent agreement and the February meeting will mark the start of that process. While the very limited easing of international sanctions included in the interim agreement are not sufficient to facilitate significant new investment into Iran's oil sector, Iran has been actively courting foreign companies on the apparent hope that the Joint Plan of Action will eventually lead to a more comprehensive and permanent agreement. A French delegation of more than 100 executives visited Iran in early February, the largest foreign delegation to do so since the 1979 revolution. Iran announced that it is currently revising its unattractive buyback contracts in a bid to attract foreign investors to its oil and gas sector. While the new contract structure has not been finalised, the government has qualified that there will be no concession or production-sharing agreement on offer since they violate the country's laws on foreign ownership.

State-owned National Iranian Oil Company (NIOC) plans to unveil the draft of the new development, exploration and production terms to potential investors in Tehran later in February, which will be followed by seminars, with the finalised contract terms due to be unveiled in London in June or July.

Despite the optimism generated by the successful conclusion of the Joint Plan of Action, the vast majority of sanctions against Iran remain in effect, as was clearly demonstrated in early February when the US Treasury Department identified some 35 companies and individuals violating Iran sanctions, the largest group to be targeted to date. Under US laws and regulations, the sanctioned companies and individuals will face severe penalties, including restrictions on doing business in the US and the seizure of any property under its jurisdiction. The crackdown comes amid US efforts to underscore the fact that the Joint Plan of Action is a limited, temporary measure and that there will be no significant easing of economic sanctions until a permanent, comprehensive agreement is finalised.

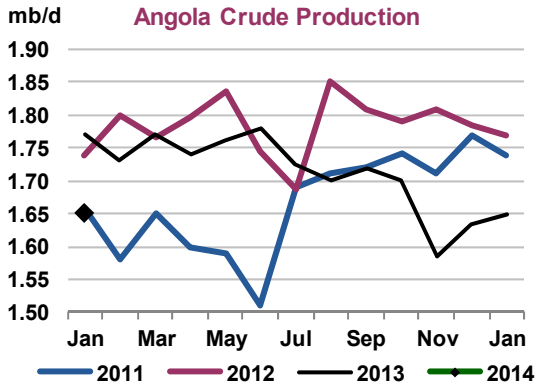
Kuwaiti production in January was off by 30 kb/d to 2.78 mb/d while **UAE** output remained unchanged at 2.76 mb/d. **Qatar** output was lower by a modest 10 kb/d at 720 kb/d in January.

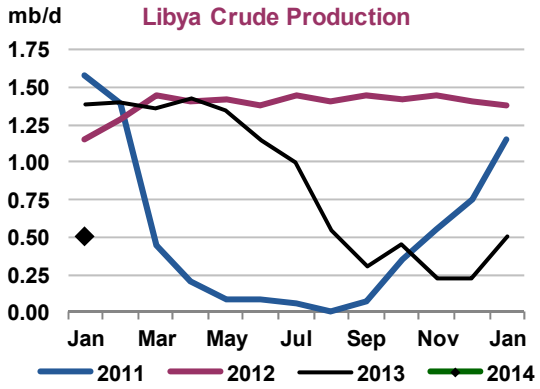




Crude oil production in **Angola** rose by a modest 15 kb/d in January, to 1.65 mb/d, but remained near two and half-year lows for the third month running, largely due to operational problems at the Greater Plutonio fields. Planned maintenance at the BP-operated fields was already pencilled in to sharply reduce supplies from end-February through March even before the latest operation problems. The Plutonio floating production, storage and offloading facility experienced technical problems in January, which has led to reduced volumes and loading delays. In addition, there appears to be an issue with the medium, sweet crude's salt content, which has reduced the value of the grade and prompted some refiners to shun it since high salt levels can corrode refinery units. Plutonio has a history of problems, which have

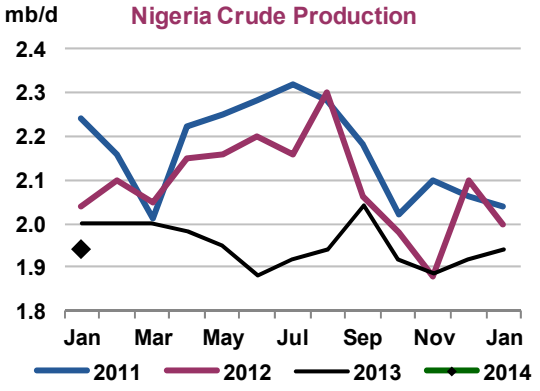
largely been connected with the water injection system. While the extent of the latest issues with the floating platform and crude quality is unclear, industry experts say that the extensive March maintenance scheduled should subsequently restore production to more normal levels.

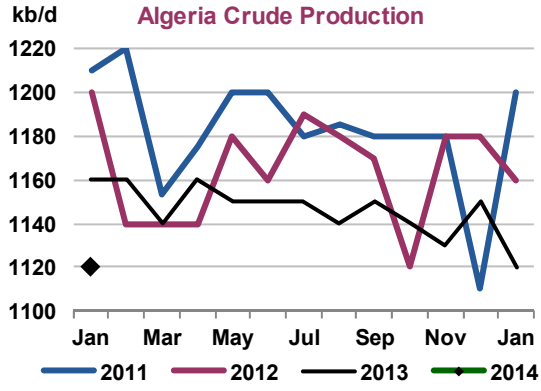




Libyan crude supplies rose to the highest level in five months at an estimated 500 kb/d, up by 270 kb/d following the restart of the El Sharara field in January. The 350 kb/d field in the western region had been shut in since last October before it reopened in January, albeit intermittently. However, production at Sharara was cut by 75% on 12 February after a group of armed men shutdown the pipeline to Zawiya export terminal. Output remains significantly constrained below estimated capacity, by some 700 kb/d. Reports have emerged that damage to Libya's oil fields and export infrastructure has reduced production capacity to 1.2 mb/d, from 1.7 mb/d prior to the country's 2011 civil war. Armed protesters retain control of the country's key eastern ports of Ras Lanuf, Es Sider and Zueitina, which account for around 600 kb/d of export capacity. Negotiations to end the standoff have so far come to naught.

Statements from the Prime Minister's office that troops would soon be sent to break-up the blockade at export terminals have not materialised, and the political and security problems that have caused pandemonium across the country may worsen in coming weeks with the third anniversary of the civil war on 17 February and elections for the constitutional commission scheduled to take place on 20 February.



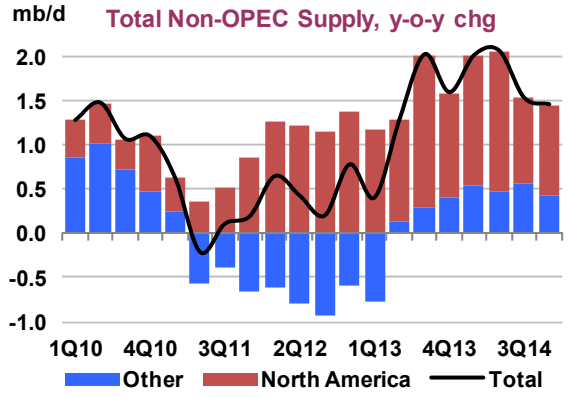


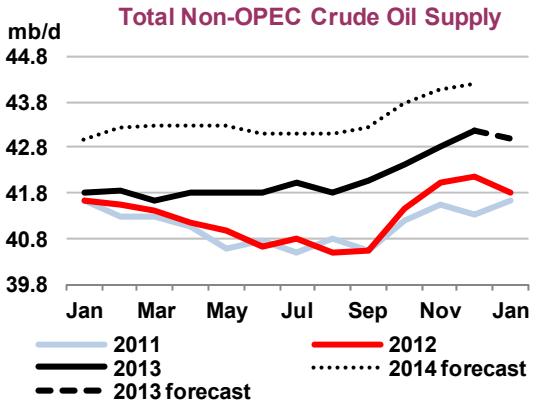
Nigerian supplies were up a modest 20 kb/d to 1.94 mb/d in January. Oil theft and sabotage continue to plague the country's production with output below 2 mb/d since March 2013. Part of the key Trans-Niger Pipeline was shutdown for 10 days in January due to leakages caused by oil theft. A parallel 24-inch pipeline, however, is closed for maintenance and no date has been given for its reopening.

Algerian production edged lower by 30 kb/d to 1.12 mb/d despite the ramp-up of output from the El Merk field. The field's production has now reportedly reached nameplate crude capacity of 100 kb/d.

Non-OPEC Overview

Non-OPEC production fell in January for the second consecutive month, declining about 390 kb/d m-o-m to 55.64 mb/d amid shrinking OECD liquid fuels production and seasonal declines in global biofuels supply. Non-OECD output showed a slight increase in January although a number of large producers, notably Russia, China and Brazil, posted declines. OECD 4Q13 supplies grew by about 510 kb/d compared with 3Q13. Non-OECD production also rose by about 485 kb/d in 4Q13, the highest quarter-on-quarter (q-o-q) growth since 3Q04. Overall 2013 non-OPEC growth rate stood at 1.33 mb/d, exceeding the record y-o-y growth in 2010.





Despite this monthly drop, the forecast of non-OPEC supply growth for 2014 has been raised marginally by about 40 kb/d from last month's *Report*, to 1.75 mb/d which resulted from lower 2013 baseline due to data revisions. In contrast, non-OECD growth rates have been trimmed from last month by about 20 kb/d for 2014.

OECD

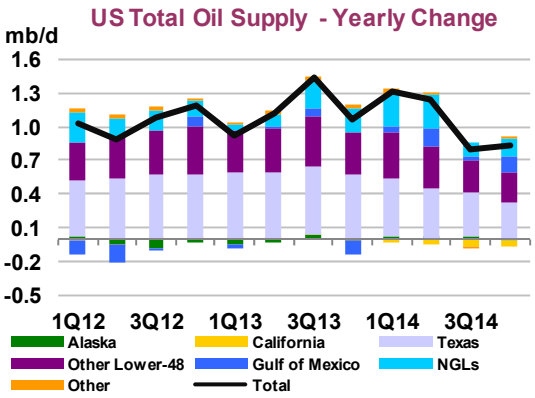
North America

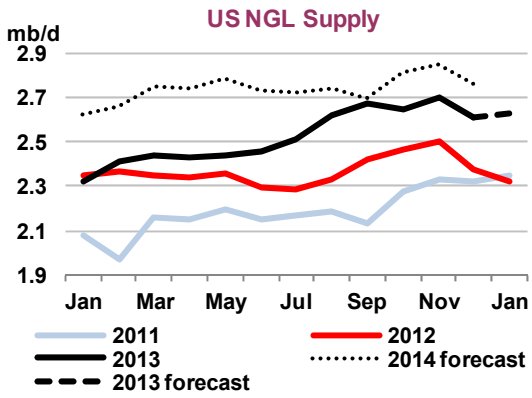
US – December preliminary, Alaska actual, others estimated: Total US production in November stood at 10.8 mb/d, about 170 kb/d lower than the estimate published in last month's *Report*, as final production data indicated a smaller-than-previously-estimated output for the month. Crude oil output in November rose only by 15 kb/d m-o-m, to 7.77 mb/das technical issues that resulted in production decreases in the Gulf of Mexico nearly offsetting gains elsewhere. In the Gulf of Mexico, production averaged 1.18 mb/d in November, the lowest output since June 2013, as a number of platforms saw output declines due to pipeline operating issues.

North Dakota's Bakken production rose above 900 kb/d in November for the first time and production inched further up in December, albeit at a smaller rate (about 10 kb/d) than the average growth rate recorded in between June and December 2013 (more than 20 kb/d). Although final December production data are still outstanding for Texas, a number of companies have reported lower output for 4Q13 than 3Q13 as severe weather in the western part of the state caused power outages, equipment freezing, and access problems to drilling and production facilities. Apache, Energen, and Pioneer were among the producers that reported lower q-o-q output from their Permian Basin operations. Pioneer alone shut in 7 000 wells in the Sparberry/Wolfcamp play. Permian Basin operations returned to normal for the most part by the end of January.

Overall, US oil output increased by 1.1 mb/d in 2013, to 10.3 mb/d. The annual average for 2013 was lowered from last month's *Report* due to revisions to 4Q13 production estimates in the Lower 48, mainly November production numbers.

Preliminary estimates indicate that US crude oil production averaged nearly 8 mb/d in January, down slightly from December, marking the first monthly crude oil output decline in three months. The January output fall is at least in part due to cold weather conditions that have affected production in Texas, and to a lesser extent in North Dakota's Bakken shale formation. Despite these declines, US total liquids production (excluding biofuels and refinery processing gain) is expected to rise by 1.04 mb/d in 2014, with crude oil accounting for roughly 800 kb/d of the increase. NGL production, which grew by about 150 kb/d in 2013 is expected to add another 220 kb/d this year to reach 2.78 mb/d, the highest y-o-y growth since at least the early 1990s, spurred by expanding ethane and propane production.





The seemingly relentless increase in US production continues to highlight our belief that additional transport infrastructure will be required. A number of midstream infrastructure projects to ease crude oil bottlenecks are in planning and construction phases. In the latest such development, TransCanada started delivering crude oil through its new Gulf Coast pipeline from Cushing, Oklahoma to refineries in Texas. The 784-kilometre, 700-kb/d pipeline started deliveries of light, sweet crude oil on 22 January, although as part of the larger Keystone XL system, it had been planned to transport heavier crude sourced from Alberta's oil sands.

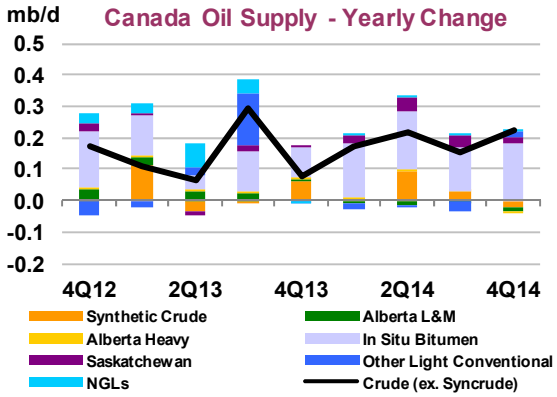
Meanwhile, crude oil producers will continue to rely heavily on rail for transport within North America. Since our last *Report* (see *'Rail Transport of Crude Oil in the Spotlight in North America'* in January 2014 OMR), which included a special focus on rail transport of crude in North America, there has been a flurry of activity among regulators and industry participants to address crude-by-rail safety concerns. Transport officials from the US and Canada issued a series of joint non-binding recommendations in late January in response to recent crude-by-rail incidents. The proposed rules include recommendations on crude oil shipments routes (avoid populated and sensitive areas), classification and treatment of the cargo (make it more akin to that of dangerous cargo), and security and safety (develop spill-response plans).

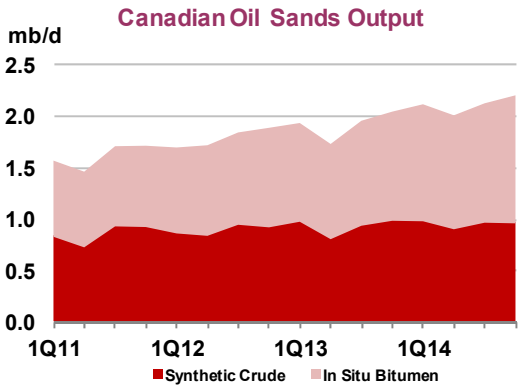
There also seems to be an increase in scrutiny of cargoes transported via rail, with US Department of Transportation's Pipeline and Hazardous Materials Safety Administration issuing notices of cargo classification violations in early February to three companies. Hess Corp., Marathon Oil Corp. and Whiting Gas and Oil Corp. were fined $93 000 for misclassifying crude oil transported from the Bakken to rail facilities. The shippers, too, are taking proactive steps. US refiner Tesoro announced that it would replace its older cars ahead of potentially tighter standards and shift all of its rail transport to newer DOT-111 crude railcars.

The US Department of Commerce has authorised limited re-exports of crude oil to Europe, the first time such permits were issued since 2008. Two licences were issued for re-exports to the UK and two to Italy, while one application for re-exports to Germany remains under review by the department. The licences allow for re-exports of foreign crude oil, not of domestically-sourced supply. While 120 licences to ship crude overseas have been approved since January 2013, nearly all of these were issued for exports of

US crude to Canada. US crude oil exports to Canada have increased in 2013, with November 2013 exports exceeding 200 kb/d for the first time since April 1999.

Canada – November actual: Oil production recovered from the declines recorded in September and October, climbing by 325 kb/d in November, more than offsetting the previous two months' dips. The recovery occurred as Alberta's bitumen production rose by about 50 kb/d m-o-m, and output in Saskatchewan increased by about 45 kb/d during the month. Production of synthetic crudes in Canada rose by 80 kb/d to slightly over 1 mb/d. NGL production also recovered, rising by more than 60 kb/d to 670 kb/d in November, the highest NGL production level since February 2013.

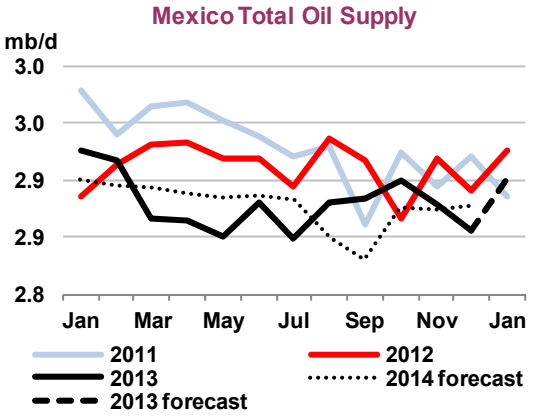




Estimated total production rose further in December and January from the 4.15 mb/d level reached in November due to an increase in bitumen and synthetic crude output. However, the growth rate for 2014 has been revised downwards this month because of lower projected output at a number of oil-sands projects, including the Kearl site. The 110-kb/d project produced less than half of its capacity in 4Q13, and we expect it to remain below capacity through 2014. This month's lowered forecast also reflects the recently announced maintenance schedule at Suncor's projects, including a six-week turnaround at Upgrader 1 and nine-week maintenance at Upgrader 2, which will affect 90 kb/d and 45 kb/d of output, respectively, for the duration of the work. Additionally, the Terra Nova and the Husky Energy/Suncor-operated White Rose projects offshore Newfoundland will undergo maintenance in August and July.

Meanwhile, the Alberta Energy Regulator has placed five oil sands projects on hold as it works on new rules related to the extraction of shallow in-situ bitumen in the Wabiskaw-McMurray deposit in the Athabasca oil-sands area. The five projects affected are Ivanhoe's 20-kb/d Tamarack facility; the 18-kb/d Phase 2 McKay project of Southern Pacific Resources; Value Creations' 15-kb/d Advanced Tristar facility; Grizzly Oil Sands' 12 -kb/d Thickwood unit and Silver Willow's 12-kb/d Audet facility. The review was initiated due to concerns that steam and reservoir fluids could flow to the surface when the resources are mined. Projects that can demonstrate sufficient cap rock thickness across the entire area so that steam and heated fluids cannot seep to the surface will be allowed to proceed.

Mexico – December actual: Mexico's total oil production stood about 20 kb/d lower in December than the month prior, totalling 2.87 mb/d, but still exceeding last year's level at this time by nearly 35 kb/d. Much like in 2012, Mexico's production has remained relatively stable in 2013, declining only by approximately 30 kb/d to an average of 2.89 mb/d for the year. Ku-Maloob-Zaap (KMZ) production increased slightly in 2013 to average 859 kb/d. Cantarell's output declined only slightly by



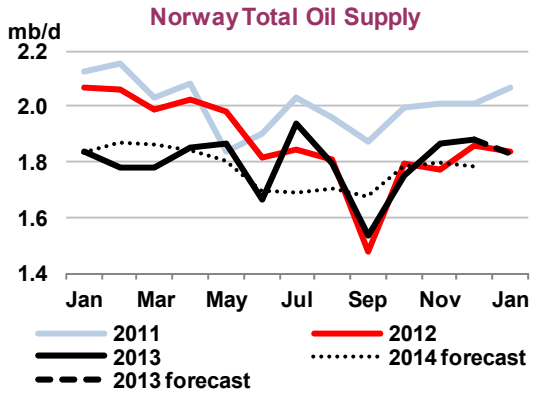
about 10 kb/d to 445 kb/d, marking the second year in a row that the field has seen essentially stable output. Preliminary January production data show a m-o-m rise of roughly 45 kb/d in production, with Mexico's total output reaching 2.91 mb/d.

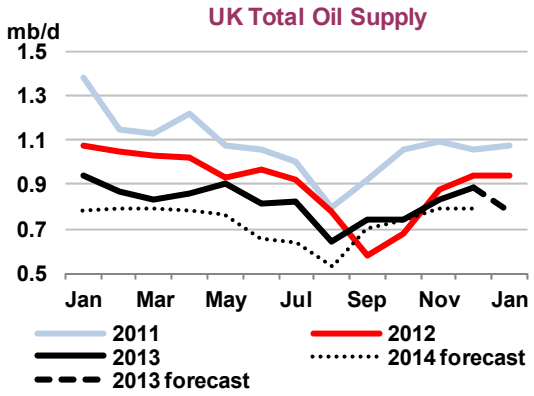
North Sea

Norway – November actual, December preliminary: Total liquids production stood at 1.90 mb/d in November, increasing by 115 kb/d m-o-m, as output from some fields recovered from planned and unplanned maintenance. The Haltenbanken system production rose to 335 kb/d during the month, recovering from the two-decade-low production level in September.

December production rose slightly m-o-m to 1.92 mb/d, based on preliminary estimates. Production was affected by continued technical problems and repair work at the Draugen, Heidrun, Norne, Skarv and Sklud fields. Given the latest data, Norway's total production for 2013 averaged 1.84 mb/d, falling by about 80 kb/d y-o-y. Meanwhile, January 2014 estimates show that production fell by about 45 kb/d to 1.87 mb/d during the month. Production from Statoil's Statfjord C offshore platform was suspended for four days at the end of January due to an oil leak, which resulted in a release of about 200 barrels of oil into the North Sea. Statfjord produced an average of 28 kd/d during 2013.

In a continued effort to stem further production declines, the Norwegian Petroleum Directorate conducted its annual permit awards during the second half of January, granting a record 65 licences to 48 companies in the North Sea, the Norwegian Sea and the Barents Sea. These areas had been offered for exploration and development previously and are located near the Sleipner, Oseberg, Gullfaks, Gjoa and Ula fields in the North Sea, and the Norne, Åsgard, Heidrun, Njord and Draugen fields in the Norwegian Sea.

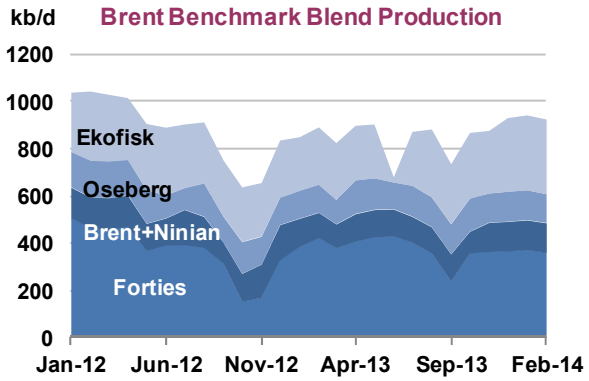




UK – October actual, November preliminary: Crude oil production in October fell to 720 kb/d compared with the previous month, offsetting increases in NGL production, with total output averaging 784 kb/d, flat from September. November preliminary estimates indicate that production rose by 90 kb/d to an average of 874 kb/d, mainly due to an increase from the Forties system. Total UK production is estimated at 869 kb/d in 2013 and it is expected to decline by roughly another 100 kb/d to 773 kb/d in 2014. The declines in UK production are at least in part due to larger-than-expected maintenance at the Buzzard oilfield. The field is expected to undergo a total of nine weeks of maintenance in May, August, and September 2014. The maintenance in May and August will lower production by 55 kb/d, while the work in September will affect 15 kb/d of output.

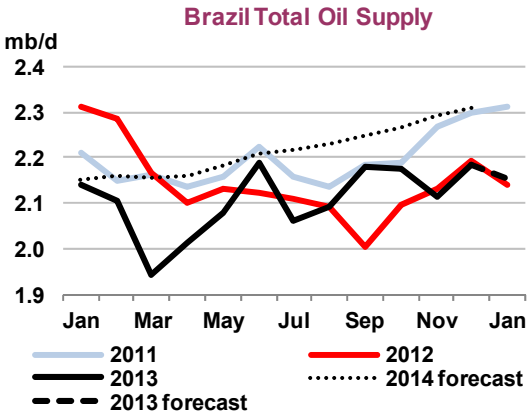
Meanwhile, the unplanned outages at Buzzard continue. The latest and reportedly fourth unplanned outage of 2014 occurred in early February. However, Nexen, the Buzzard field operator announced on 10 February that that the field was returning to normal operating level.

BFOE production decreased to 940 kb/d in January, and loadings for the month approximately equalled production. Four cargoes of Ekofisk crude were delayed from late January to early February due to lower production. The four deferred cargoes boosted February loadings to 990 kb/d, despite production increasing only marginally to 940 kb/d compared with January.



Non-OECD

Latin America

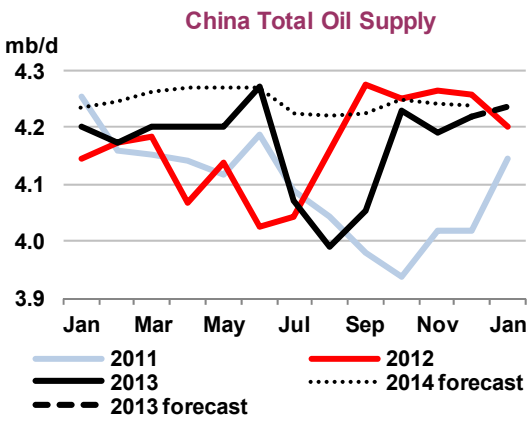


Brazil – December actual: Output of crude oil and NGLs in 4Q13 averaged 2.17 mb/d and is expected to remain at approximately the same level in 1Q14. Production of crude oil totalled 2.11 mb/d in December, rising by about 75 kb/d m-o-m. Consistent with normal seasonal patterns, Brazil's ethanol production fell by approximately 330 kb/d during the month. The increase in December crude oil production came amid higher output at the Lula, Marlim, and Marlim Sul fields. Overall, the Campos Basin accounted for 50 kb/d of the m-o-m increase, while Santos Basin production rose by more than 20 kb/d. The newly-started Papa Terra field continued to ramp up its production and it is estimated to have produced 7 kb/d in December. We expect the field to reach 20 kb/d of production by the end of 1Q2014. Brazil's January production was estimated to have fallen to 2.16 mb/d due to a drop in crude oil output. Ethanol production meanwhile was estimated at a little over 70 kb/d during the month.

In January, Petrobras announced it reached a new pre-salt output record at more than 390 kb/d. Total pre-salt production includes all fields operated by the company in the Campos and Santos Basins. The new record is at least in part due to a second oil-production well that was linked to the Cidade de Paraty FPSO. Petrobras plans to connect a total of 17 wells in the Santos Basin to existing FPSOs, further boosting total pre-salt production in 2014.

Asia

China – December actual: China's oil production inched up by 30 kb/d in December to 4.23 mb/d and January preliminary estimates indicate a further, albeit smaller, increase, to 4.25 mb/d. With full-year 2013 data now available, China's production looks to have remained flat at 4.18 mb/d compared with 2012. The main driver of the y-o-y decline is the huge output drop during the summer 2013, which pulled down the average production for the year. Production form the Peng-Lai field continues to lag its pre-shut in production level. The field was shut-in in mid-2011 following a leak of oil and drilling mud, and some production has come back online since then. Pre-shut-in production capacity likely will be reached again pending government approvals.

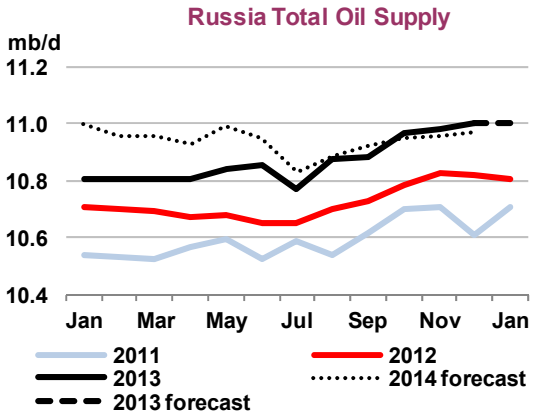


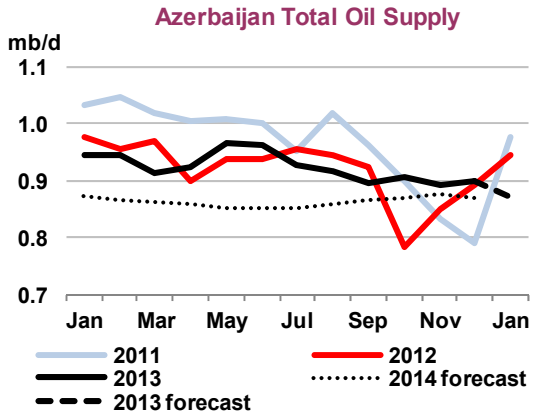
CNOOC, China's third-largest oil company and majority interest holder in the Peng-Lai field, released its output targets for 2014 and aims to increase its production by about 5% as it plans to start seven to ten new projects during the year. The company announced that its capital expenditures will total between 105 billion yuan and 120 billion yuan, including 19% of that slated for Canadian subsidiary Nexen, which the company acquired in early 2013.

Former Soviet Union

Russia – December actual, January preliminary: Russia's production broke 11.0 mb/d in December for the first time in more than two decades, posting a gain of 20 kb/d for the month. Preliminary data indicate that total output fell in January for the first time since July 2013, albeit by only about 5 kb/d. Despite the slight dip, production was 195 kb/d higher y-o y – an all the more impressive gain in view of the extreme weather that affected Russia's main producing region, with temperatures falling to minus 40 degrees during the last 10 days of the month. The severe temperatures caused power outages and resulted in problems with drilling and well workovers. Rosneft saw decreases in output in its legacy fields, with newer fields like Uvat and Priobskoye barely offsetting the natural declines at brownfields. Despite the cold snap, Vankorneft managed to increase production during the month.

For 2014, liquids production is forecast to increase by about 80 kb/d compared with the 2013 average of 10.87 mb/d. The limited growth in 2014 is due to the increased costs and difficulty of stemming brownfield declines, and to lower-than-hoped-for volumes produced from newer fields. This is a particular concern for Rosneft, which has seen its output drop in 2013 despite its acquisition of TNK-BP assets. The company had not anticipated output declines until 2015, and its recently announced plans to stem the brownfield declines are meant to complement production from newer developments. These include the increased use of horizontal drilling with multi-stage fracking, as well as development of the remaining areas of the Yugansk producing fields. Rosneft also plans on maintaining Vankor production at 440 kb/d by developing the Ryabchik formation.





Azerbaijan – December actual: Production at the ACG fields rose to 645 kb/d in December, with Azerbaijan's total production averaging around 860 kb/d. With the full-year data complete, Azerbaijan's 2013 production was 885 kb/d, flat from 2012. Production in 2013 failed to increase despite relatively strong output in the first half of the year (Jan-Jun average production was 903 kb/d), as declines in the last six months of the year nearly offset the earlier gains. However, it took a significant amount of investment by operator BP to maintain steady production.

During the last week of January, production began from BP's West Chirag platform at the ACG complex (part of the $6-billion Chirag Oil Project), which may help limit the declines at the ACG fields. The platform's production capacity is 185 kb/d and six wells are planned by the end of this year. Despite the new production at West Chirag we expect overall total liquids output for Azerbaijan in 2014 to fall by about 60 kb/d to 823 kb/d.

Kazakhstan – December actual, January preliminary: Liquids production remained flat at approximately 1.73 mb/d in December and January preliminary data indicate that production remained at about the same level during that month as well. Overall production for 2013 stood at 1.68 mb/d, about 60 kb/d higher than the year prior. The increase in 2013 production was led by Chevron's Tengiz field, which saw its output increase by 60 kb/d y-o-y. Production has not restarted yet at the Kashagan field. The outlook for Kashagan continues to be negative, with recent reports indicating that in addition to gas pipelines, oil infrastructure may also have defects. Pending any further announcement related to resolutions of the various problems associated with the Kashagan field, Kazakhstan's overall production is still projected to average 1.73 mb/d in 2014, nearly 50 kb/d higher than in 2013.

FSU net oil exports dropped by a seasonal 140 kb/d to 9.0 mb/d in December, their lowest volume in a year. Tumbling crude shipments caused the fall with Russian exports through the Transneft network sliding 300 kb/d and deliveries from other FSU states dropping by a further 110 kb/d. An increase in product exports of 260 kb/d provided some offset. On an annual average basis, total crude exports remained at 6.39 mb/d in 2013, level with 2012. Following rising Russian demand and a ramp-up in Russian refinery throughputs, Transneft crude exports fell by 140 kb/d compared to 2012. On the same basis, refined product deliveries inched up by 20 kb/d compared to the previous year. Moreover, the increasing complexity of regional refineries following the upgrading of a number of facilities is reflected in increased gasoil (+50 kb/d) and 'other products' (+60 kb/d) exports compared to falling fuel oil shipments (-90 kb/d).

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	1Q2013	2Q2013	3Q2013	4Q2013	Oct 13	Nov 13	Dec 13	Latest month vs. Nov 13	Latest month vs. Dec 12
Crude											
Black Sea	1.81	1.78	1.80	1.80	1.75	1.78	1.83	1.80	1.70	-0.10	-0.04
Baltic	1.67	1.57	1.60	1.68	1.44	1.58	1.73	1.62	1.39	-0.23	-0.11
Arctic/FarEast	0.65	0.80	0.78	0.80	0.81	0.82	0.78	0.84	0.85	0.01	0.06
BTC	0.66	0.64	0.58	0.71	0.65	0.61	0.58	0.67	0.58	-0.10	-0.03
Crude Seaborne	**4.79**	**4.80**	**4.76**	**5.00**	**4.65**	**4.79**	**4.93**	**4.93**	**4.51**	**-0.42**	**-0.13**
Druzhba Pipeline	1.08	1.03	0.99	1.02	1.06	1.05	1.03	1.05	1.08	0.03	0.11
Other Routes	0.52	0.56	0.55	0.54	0.56	0.60	0.63	0.59	0.57	-0.02	0.02
Total Crude Exports	**6.39**	**6.39**	**6.31**	**6.55**	**6.27**	**6.44**	**6.59**	**6.57**	**6.16**	**-0.41**	**0.02**
Of Which: Transneft[1]	4.22	4.07	4.09	4.15	3.98	4.07	4.22	4.14	3.85	-0.29	-0.10
Products											
Fuel oil[2]	1.72	1.62	1.61	1.77	1.68	1.44	1.44	1.40	1.48	0.08	-0.07
Gasoil	0.79	0.84	0.97	0.86	0.81	0.73	0.67	0.72	0.81	0.09	-0.02
Other Products	0.44	0.50	0.48	0.48	0.53	0.53	0.48	0.50	0.59	0.09	0.14
Total Product	**2.95**	**2.97**	**3.06**	**3.11**	**3.02**	**2.70**	**2.59**	**2.62**	**2.88**	**0.26**	**0.04**
Total Exports	**9.34**	**9.36**	**9.36**	**9.66**	**9.29**	**9.14**	**9.17**	**9.19**	**9.05**	**-0.15**	**0.06**
Imports	0.09	0.08	0.07	0.06	0.10	0.09	0.10	0.09	0.08	-0.01	-0.01
Net Exports	**9.25**	**9.28**	**9.29**	**9.60**	**9.20**	**9.05**	**9.08**	**9.10**	**8.97**	**-0.14**	**0.07**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

December crude exports were characterised by deliveries via the ESPO system being largely maintained at previous levels of 770 kb/d while shipments via Baltic and Black Sea ports dropped by a combined 310 kb/d. However, volumes shipped to European customers via the Druzhba pipeline rose to 1.1 mb/d, their highest level since May 2012, with Poland taking the lion's share of the increase. Producers preferentially chose the Druzhba line rather than exporting via Baltic ports after their netbacks fell as tanker freight rates surged to a peak of $14/mt. With Russian Urals and fuel oil recently being exported via Baltic ports to a number of long-distance customers in Asia and the Americas, the regional tanker pool has tightened considerably as vessels are being tied-up for longer. Freight rates surging to close to $20/mt in early-January could cap Baltic exports in the short term.

OECD STOCKS

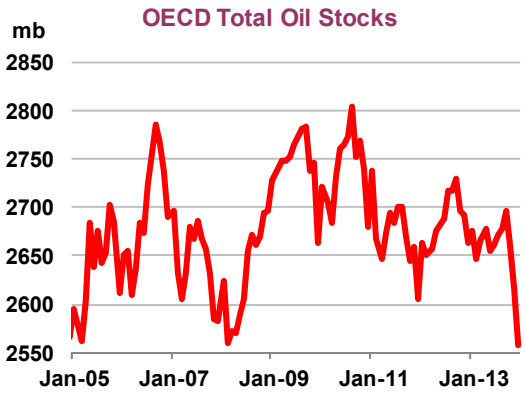
Summary

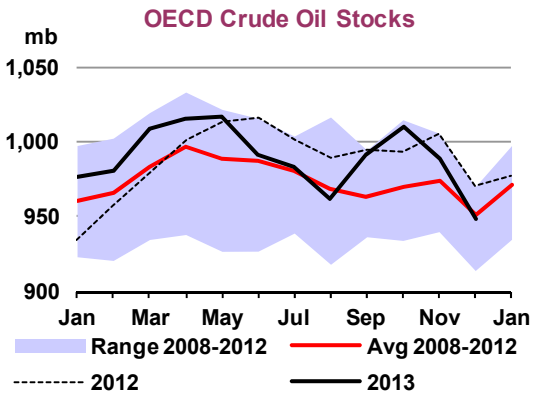
- **Following steep draws in crude and 'other products', OECD commercial total oil inventories drew by a stronger-than-seasonal 56.8 mb to stand at 2 559 mb at end-December**. Refined products covered 28.8 days of forward demand at month-end, level with end-November.

- **OECD inventories drew by 1.5 mb/d over 4Q13, the steepest quarterly decline since 4Q99**. The deficit to five-year average levels widened to 103 mb, the first time the 100 mb level was exceeded in nearly a decade.

- **Preliminary data indicate that OECD inventories rose by a slight 1.3 mb in January**, far less than the 43.7 mb five-year average gain for the month after a sharply unseasonal draw in the US tempered stock builds.

- **Recent harsh winter weather in the US has sent stocks of distillates and propane plummeting**, in turn pushing prices higher and drawing in supplies from as far away as Europe and the FSU.





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

OECD commercial total oil inventories continued their downward trend in December, drawing by 56.8 mb, a much steeper drop than typical for that time of year. This marked the third consecutive monthly decline in inventories, bringing their plunge to a whopping 137 mb (1.5 mb/d) over the fourth quarter, the steepest quarterly decline since 4Q99. Over 2013 as a whole, commercial inventories drew by a shallower 0.2 mb/d, as 2Q13 and 4Q13 draws were partly offset by builds of 0.2 mb/d and 0.4 mb/d in the first and third quarters, respectively.

Preliminary Industry Stock Change in December 2013 and Fourth Quarter 2013

	December 2013 (preliminary) *(million barrels)*				December 2013 (preliminary) *(million barrels per day)*				Fourth Quarter 2013 *(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-29.2**	**-3.6**	**-6.6**	**-39.3**	**-0.94**	**-0.11**	**-0.21**	**-1.27**	**-0.26**	**-0.03**	**-0.18**	**-0.46**
Gasoline	11.7	1.3	-1.1	11.9	0.38	0.04	-0.03	0.38	0.10	0.01	-0.01	0.10
Middle Distillates	9.6	1.3	1.9	12.8	0.31	0.04	0.06	0.41	-0.07	-0.10	-0.04	-0.21
Residual Fuel Oil	2.8	-1.3	0.9	2.4	0.09	-0.04	0.03	0.08	0.03	-0.06	-0.01	-0.03
Other Products	-24.6	-0.8	-6.1	-31.5	-0.79	-0.03	-0.20	-1.02	-0.55	-0.04	-0.10	-0.69
Total Products	**-0.5**	**0.4**	**-4.4**	**-4.5**	**-0.02**	**0.01**	**-0.14**	**-0.14**	**-0.50**	**-0.19**	**-0.15**	**-0.83**
Other Oils[1]	-6.7	-1.3	-5.0	-13.0	-0.22	-0.04	-0.16	-0.42	-0.16	0.02	-0.06	-0.20
Total Oil	**-36.4**	**-4.4**	**-16.0**	**-56.8**	**-1.17**	**-0.14**	**-0.52**	**-1.83**	**-0.91**	**-0.20**	**-0.38**	**-1.50**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

At the end of December commercial inventories stood at 2 559 mb, their lowest absolute level since 2008. Moreover, the stock deficit to five-year average levels widened slightly to 103 mb, the first time the 100 mb level was exceeded since mid-2004. December inventories were pressured lower by a 39.3 mb plunge in crude oil holdings, driven primarily by a surge in US refinery throughputs. Product stocks edged down seasonally by 4.5 mb but demand cover rose to 28.8 days at month-end, ; level with end-November. 'Other products' stocks plummeted by 31.5 mb led by US propane stocks on strong winter heating demand. Some offset was provided by motor gasoline (+11. 9 mb) and middle distillates (+12.8 mb) which built more than normal for the season. Despite the monthly build, the deficit of middle distillate inventories versus seasonal levels remained at a hefty 54 mb at end-month. On a region-by-region basis, inventories in the Americas fell by a steep 36.4 mb while those in Asia Oceania and Europe fell seasonally by 16.0 mb and 4.4 mb, respectively.

Upon the receipt of revised data, an upward adjustment of 8.6 mb was made to November OECD inventories. Europe (+3.5 mb) and the Americas (+3.2 mb) led the revisions, while Asia Oceania is now seen 1.9 mb higher. Total products accounted for the bulk of the upward adjustments (+14.8 mb), including revisions of 9.2 mb for middle distillates and 7.6 mb for 'other products.'

Revisions versus 21 January 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Oct-13	Nov-13	Oct-13	Nov-13	Oct-13	Nov-13	Oct-13	Nov-13
Crude Oil	**-1.9**	**-6.1**	**0.2**	**0.6**	**0.0**	**1.8**	**-1.7**	**-3.7**
Gasoline	0.0	-0.7	-0.1	1.9	0.0	0.0	-0.1	1.1
Middle Distillates	-0.2	6.1	0.5	2.9	0.0	0.1	0.3	9.2
Residual Fuel Oil	0.0	-1.2	0.0	-1.8	0.0	-0.2	0.0	-3.1
Other Products	0.0	8.3	0.3	-0.7	0.2	0.0	0.5	7.6
Total Products	**-0.2**	**12.5**	**0.7**	**2.3**	**0.2**	**0.0**	**0.7**	**14.8**
Other Oils[1]	0.1	-3.2	0.0	0.6	0.0	0.1	0.1	-2.5
Total Oil	**-1.9**	**3.2**	**0.9**	**3.5**	**0.2**	**1.9**	**-0.9**	**8.6**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary data indicate that OECD inventories rose by a slight 1.3 mb in January, far less than the 43.7 mb five-year average build for the month. An unseasonal 22.0 mb draw in the US, led by declines in heating fuels following freezing weather, tempered stock builds. Elsewhere, inventories in Europe and Asia Oceania rose by 8.2 mb and 15.1 mb, respectively.

Freezing Weather Causes Chaos in US Heating Fuel Markets

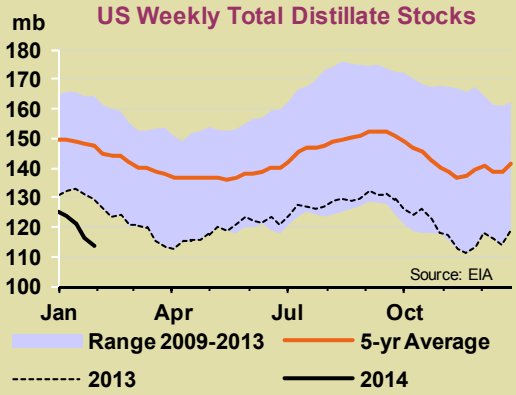
The arrival of the so-called 'polar vortex' in the US during January (see *Winter Freeze* in the Report dated 21 January 2014) sent temperatures and inventories of heating fuels plummeting. Although most US homes now use electricity and natural gas for space heating, oil is still used to that end in parts of the US (please see *The Changing Seasonality of Oil Demand* in the *Report* dated 11 December 2013). The liquid fuels of choice for space heating in the US are 15 parts per million (ppm) gasoil, used mostly in the Northeast, and propane, the dominant heating fuel in the Midwest.

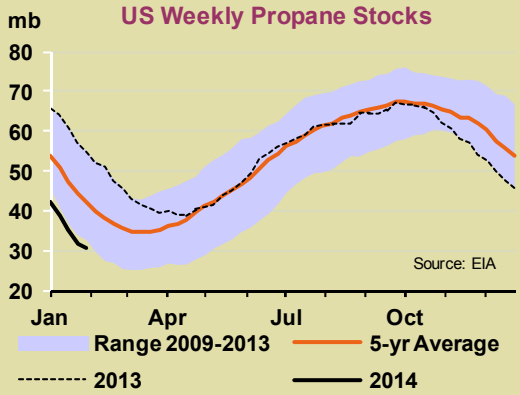
As US exports of propane took off in 2013, stocks flipped from a surplus to a deficit against seasonal levels. An additional drain in 4Q13 came from high demand for crop drying following a bumper corn crop and a particularly wet harvest. Since the start of 2014, national stocks have drawn by approximately 12 mb to stand at 31 mb, their lowest level since 2011, and approximately 24 mb and 11 mb below year-ago and five-year-average levels, respectively. The majority of this draw was concentrated in the midcontinent (PADD 2, 3.5 mb) and the Gulf Coast (PADD 3, -5.6 mb). PADD 2, where inventories have sunk to their lowest level since 2008, has been especially hit hard by cold weather throughout January, which has seen demand remain strong. Aside from high demand, logistical issues have also weighed heavily on the PADD 2 propane market as the pipeline network is configured to evacuate product from PADD 2 to PADD 3 but not vice versa. This has seen distributers move to trucks to evacuate product from the PADD 3 Mont Belvieu, Texas storage

Freezing Weather Causes Chaos in US Heating Fuel Markets (continued)

hub northwards. Moreover, a number of emergency orders were issued relaxing the strict laws on working hours governing truck drivers to further aid distribution.

These supply issues have pushed propane prices at the Conway, Kansas, storage hub to a record premium to Mont Belvieu. During mid-January, US propane exports hit a record high of close to 400 kb/d which prompted a number of Members of Congress to petition the White House to curtail exports. However, the redistribution of propane to Northern states has also been restricted by a lack of available Jones Act compliant barges. This has resulted in an unusual open arbitrage for supplies coming from Europe. The high prices at Conway have also spurred some midstream companies holding pipeline assets to consider reversing pipelines running from PADD 3 to PADD 2. Although these moves are currently only being mooted, with a few months of winter left to run the likelihood of reversals would increase if the price differential between Conway and Mont Belvieu remained wide.





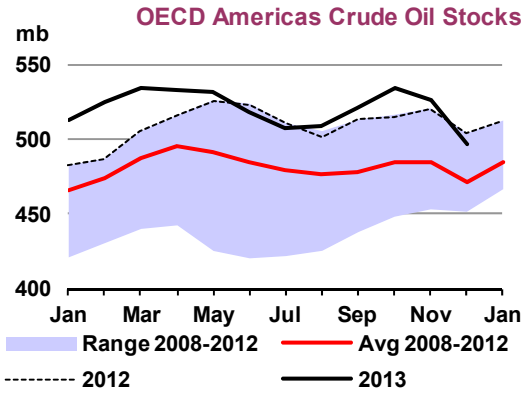
The cold weather also caused US and especially Northeast (PADD 1) middle distillate inventories to tighten at end-2013 and to fall to a steep deficit to average levels. Similar to propane, 15-ppm ULSD stocks were drawn significantly over January due to cold weather. US distillate stocks dropped by 9 mb over the month on surging space heating demand, led by an 8.0 mb draw in PADD 1, where at end-month stocks stood at 30 mb, down 12 mb and 24 mb on year-earlier and five-year average levels, respectively. As in PADD 2 with propane, logistical issues hindered the replenishment of depleted PADD 1 ULSD inventories, with transfers to the region from the US Gulf limited by capacity constraints on pipelines and a shortage of available Jones Act tankers. Meanwhile, data suggest that there is no shortage of distillates in the Gulf Coast region with exports running at close to 1.3 mb/d in January, near record levels. The distillate tightness in PADD 1 has sent NYMEX ULSD futures and New York Harbour spot prices soaring (see *Product Prices* section). This has opened the arbitrage to move gasoil from Europe to the US. Reports also suggest that additional supplies are being drawn in from the FSU. With latest data from the US Energy Information Administration for PADD 1 indicating a further 2 mb draw in the last week of January and distillate imports remaining at under 20 kb/d, it is evident that tightness is persisting while the region awaits the armada arriving from across the Atlantic.

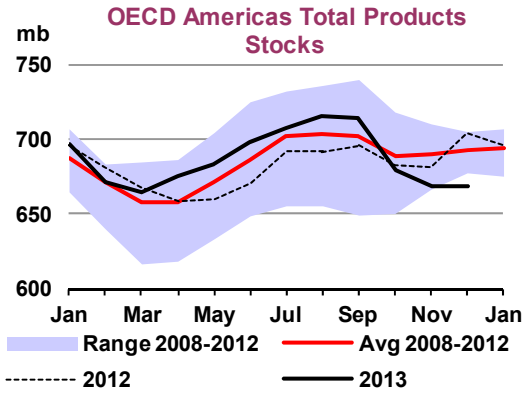
Recent OECD Industry Stock Changes

OECD Americas

Commercial inventories in the OECD Americas dropped by 36.4 mb in December, steeper than the 22.3 mb five-year average draw for the month. Crude oil led stocks downwards, plunging by 29.2 mb, more than twice the seasonal draw, as high refining margins lifted regional throughputs by 500 kb/d. Despite these strong runs, refined products only inched up by 0.5 mb as regional demand strengthened and US exports hit new records. The 'other products' category was especially affected by these issues as freezing temperatures boosted heating demand for propane while US exports hit a record 290 kb/d. Consequently, 'other products' stocks plummeted by 24.6 mb, more than twice the seasonal draw. Some offset was provided by broadly seasonal builds in motor gasoline (11.7 mb) and middle distillates

(9.6 mb). Despite their increase, middle-distillate stocks remained 29 mb in deficit to the five-year average at end-month. All told, at end-December, regional refined products covered 27.8 days of forward demand, an increase of 0.1 days on end-November.

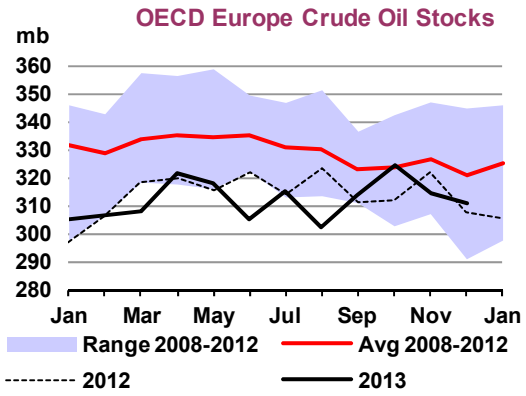


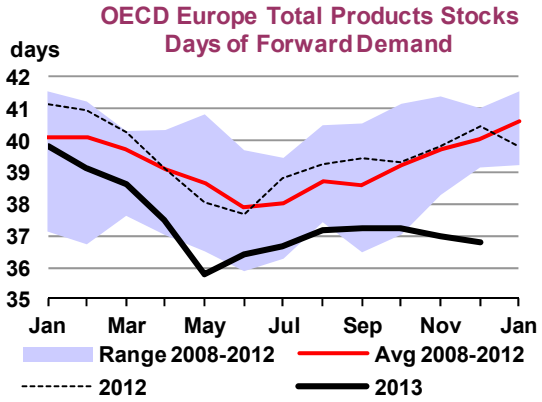


Preliminary weekly data from the US EIA point to a further 22.0 mb drop in commercial inventories in January, compared to an average build of 15.7 mb in the last five years for the month. As a result, the region's deficit versus seasonal levels ballooned to 32 mb. Plunging middle distillate and 'other products' inventories (see *Freezing Weather Causes Chaos in US Heating Fuel Markets*) led refined product stocks lower by a counter-seasonal 24.7 mb while crude stocks inched down by 1.0 mb.

OECD Europe

OECD European commercial inventories slipped by 4.4 mb in December, slightly more than the 2.4 mb five-year average draw. Crude stocks slipped by 3.6 mb, weaker than the 6.1 mb seasonal draw. Since crude production and refinery runs remained flat, regional crude imports likely slipped. Meanwhile, NGLs and other feedstocks fell by a seasonal 1.3 mb. Refined products inched up 0.4 mb, muted in comparison to the 5.6 mb five-year average build. Days of forward demand covered by refined products stood at 36.8 days, 0.2 days less than at end-November. Stocks of middle distillates and motor gasoline each posted seasonal builds of 1.3 mb, keeping the former's deficit to seasonal levels at close to 30 mb. Fuel oil posted an unseasonal 1.3 mb draw amid reports of healthy trade to Singapore and the US.

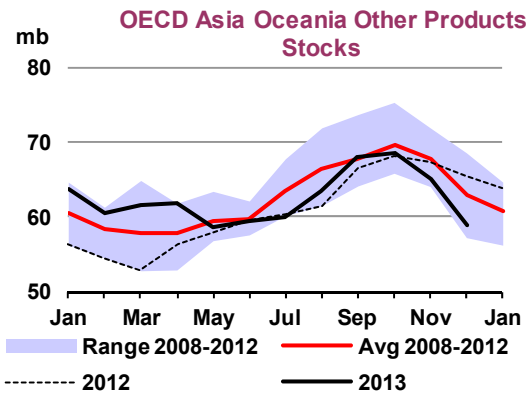


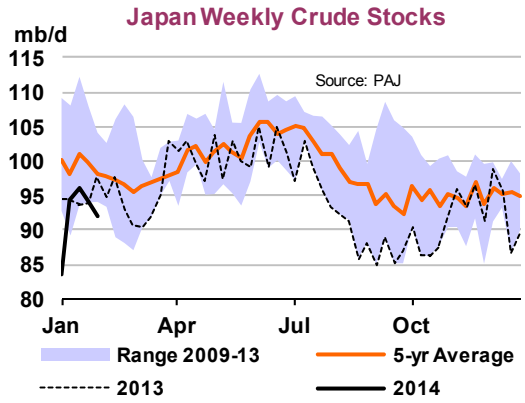


Preliminary data from Euroilstock indicate that European inventories rose by 8.2 mb in January, significantly weaker than the 22.3 mb seasonal build. Gains were tempered by crude oil, which inched down by a counter-seasonal 0.4 mb. Refined products built by a weak 8.5 mb. Middle distillates posted a 5.6 mb increase which amounted to less than half the average seasonal build. Meanwhile, information pertaining to refined products held in independent storage in Northwest Europe point to all oil categories building. Moreover, amid reports of healthy distillate trade to the US East coast, gasoil actually built on the month as arrivals from the US Gulf Coast and Russia remained high.

OECD Asia Oceania

Industry inventories in OECD Asia Oceania dipped by 16.0 mb, a shallower drop than the 20.0 mb five-year average draw. Crude oil slipped by a weak 6.6 mb, a draw concentrated in Korea (-6.0 mb) after crude imports (notably from Qatar, Kuwait and the UAE) fell month-on-month while refinery runs remained relatively stable. NGLs and other refinery feedstocks also drew by a seasonally steep 5.0 mb. Refined products slid by 4.4 mb, a fraction of the 12.8 mb seasonal draw for the month. Products were dragged lower by a 6.1 mb drop in 'other products' with stocks of LPG and naphtha decreasing on the month, likely in response to high regional petrochemical demand. Middle distillates increased by an unseasonal 1.9 mb. As such, stocks moved to a 5.0 mb surplus versus the five-year average, from a deficit one month earlier. All told, refined products covered 19.2 days of forward demand at end-December, 0.1 day above end-November.

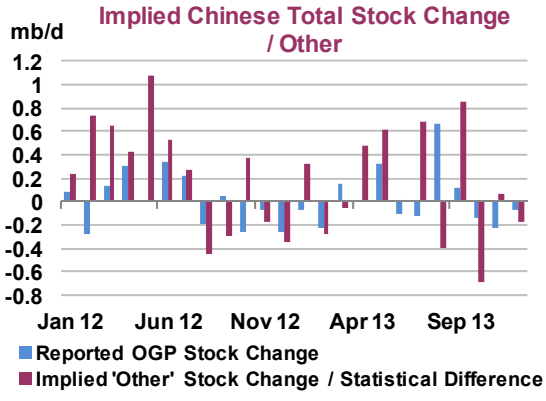




Preliminary data from the Petroleum Association of Japan indicate that stocks there surged by 15.1 mb in January with all oil categories bar fuel oil posting builds. Despite a number of Japanese refineries being earmarked for closure in 1Q14, these refineries do not appear to be running down their feedstocks, with stocks of crude building by 3.9 mb and those of NGLs and other feedstocks surging by 5.3 mb over the month. Product stocks built by 6.0 mb, led by seasonal increases of 3.6 mb, 1.5 mb and 1.4 mb in middle distillates, fuel oil and motor gasoline, respectively.

Recent Developments in Singapore and China Stocks

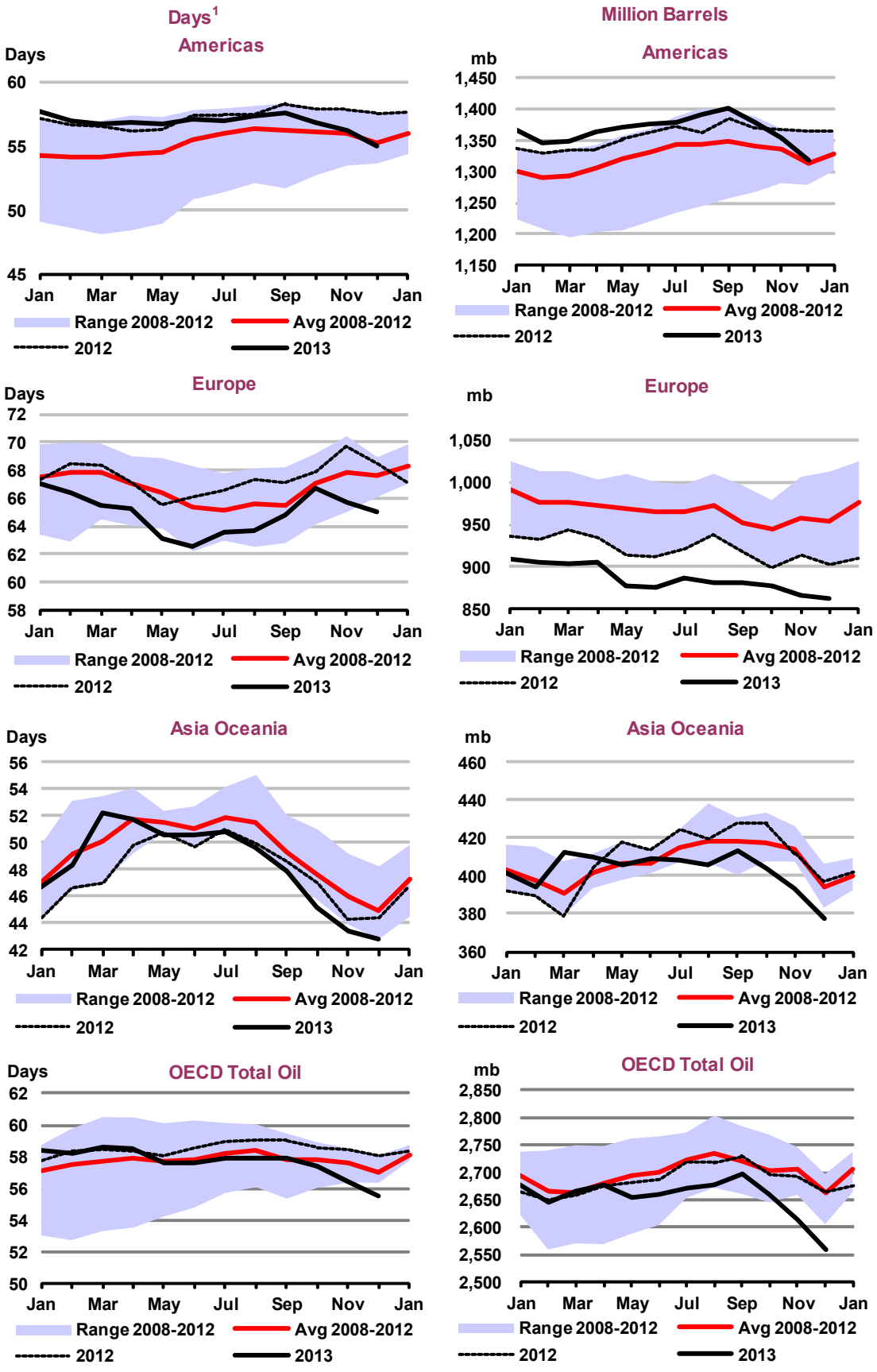
Data from *China, Oil, Gas and Petrochemicals* (*China OGP)* indicate that Chinese commercial crude inventories fell by 2.0 mb (0.9%) in December. Complete data for 2013 imply that commercial crude inventories drew by 13.0 mb over the year. There is little evidence to suggest that China added large volumes to its SPR in 2013. Indeed, the gap between crude supply (production and net imports) and disposition (refinery throughputs) leaves less than 10 kb/d unaccounted for. On the products side, December gasoil stocks rose by 1.1 mb, bringing to a halt five consecutive monthly declines, while motor gasoline and kerosene posted builds of 1.6 mb and 1.2 mb, respectively.



Data from *International Enterprise* pertaining to the land-based storage of refined products in Singapore indicate that inventories increased by 1.4 mb in January as builds of 2.5 mb and 0.7 mb in middle and light distillates, respectively, offset a 1.7 mb draw in fuel oil. By end-January, middle distillates had increased to their highest level since October 2011 after the arrival of a number of Korean cargoes while demand from elsewhere in Southeast Asia remained tepid.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

Summary

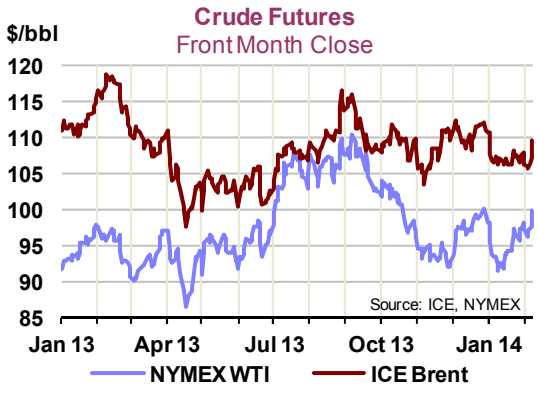
- **Oil markets rallied in mid-January on bitterly cold weather in the US and strong distillate demand, reversing earlier declines, but on average benchmark futures prices weakened month-on-month.** The upcoming seasonal refinery maintenance put downward pressure on prices in Europe and Asia in the second half of January before rebounding in early February, with ICE Brent futures last trading at $109.25/bbl and NYMEX WTI at $101.25/bbl.

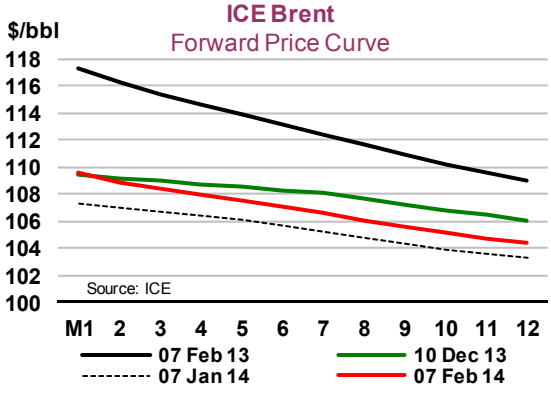
- **Hedge funds increased their long exposure to NYMEX heating oil to a five-month high in January**, as New York ultra-low sulphur diesel (ULSD) reached a mid-day high of over $140/bbl on the back of exceptionally cold US weather. Since May 2013, NYMEX heating oil futures are being based on 15 ppm ULSD in New York Harbour. January trading volumes for New York heating oil futures surged to peaks unseen since October 2012 on NYMEX and posted an all-time high on ICE exchange.

- **Spot crude oil prices weakened in January month-on-month**, in part due to expectations of weaker demand heading into the spring refinery turnaround season as well as earlier-than-expected throughputs rate cuts in non-OECD Asia.

- **While spot product prices in surveyed markets generally fell in January, Northeast US ULSD markets tightened on extreme cold weather.** ULSD spot prices in the Northeast surged to a premium over Rotterdam, which opened an otherwise increasingly rare arbitrage to move product from Europe.

- **Crude tanker rates experienced a volatile month in January** with benchmark rates surging early in the month on high Asian demand, tight tonnage and weather-related delays. High levels proved unsustainable as rates fell back from mid-month onwards as fundamentals softened.





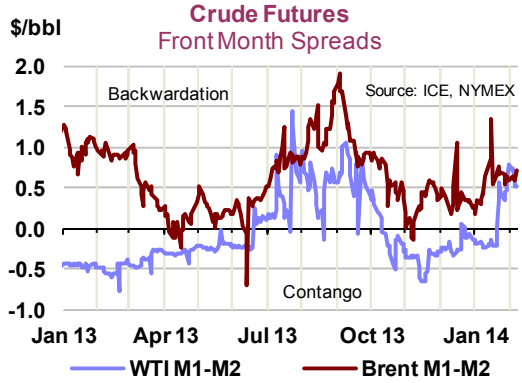
Market Overview

Oil markets rallied in mid-January on bitterly cold weather in the US and strong distillate demand, reversing earlier declines, but on average benchmark futures prices weakened month-on-month. Oil markets eased in January on expectations of weaker demand for crude ahead of the upcoming seasonal refinery maintenance amid a perception of oversupply. Futures prices in January for Brent declined by about $3.60/bbl to an average $107.11/bbl while WTI fell by a smaller $3/bbl to $94.86/bbl. By early February, however, benchmark crudes resumed their upward path, with Brent last trading at $109.25/bbl and WTI at $101.25/bbl.

Relatively stronger US futures prices helped reduce the price differential to Brent, with the spread narrowing to under $10/bbl in early February compared with $12.25/bbl on average in January and

$12.80/bbl in December. The diminishing gap may partly reflect investors pulling out of heavy positioning in the spread because of reportedly large losses in the second half of the year. The 22 January start-up of the 700 kb/d TransCanada Gulf Coast Project, which initially will carry 300 kb/d from the congested Cushing, Oklahoma storage hub to the US Gulf Coast refining centre, also helped strengthen WTI relative to Brent as well as propel the WTI M1-M2 price spread into backwardation. The spread widened in early February to around +$0.65/bbl from +$0.05/bbl in January, around -$0.20/bbl in December and -$0.41/bbl in November. The Brent M1-M2 strengthened on intermittent supply outages in the North Sea, to an average $0.60/bbl in January from around $0.35/bbl in December.





The arrival of the so-called 'polar vortex' in the US during January sent temperatures and inventories of heating fuels plummeting. Tight distillate supply in the US Northeast, or PADD 1, has sent NYMEX ULSD spot prices soaring. This has opened the arbitrage to move gasoil from Europe to the US. Reports also suggest that additional supplies are being drawn in from the FSU (see Stocks, '*Freezing Weather Causes Chaos in US Heating Fuel Markets*').

While refiners are expected to curb crude purchases significantly as they head into the seasonally weaker second quarter, the exceptional drawdown in OECD commercial inventories at year-end may temper downward price moves. OECD commercial total oil inventories underwent a much steeper drop than typical for December and reached their lowest absolute level since 2008.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec Avg Chg	% Chg	Week Commencing: 06 Jan	13 Jan	20 Jan	27 Jan	03 Feb
NYMEX										
Light Sweet Crude Oil	93.93	97.89	94.86	-3.03	-3.2	92.76	93.38	96.42	97.24	97.74
RBOB	110.30	114.32	111.12	-3.20	-2.9	111.66	110.03	111.54	110.88	111.58
No.2 Heating Oil	123.30	127.75	127.30	-0.44	-0.3	123.56	124.80	128.80	133.49	126.27
No.2 Heating Oil ($/mmbtu)	21.75	22.53	22.45	-0.08	-0.3	21.79	22.01	22.72	23.54	22.27
Henry Hub Natural Gas ($/mmbtu)	3.64	4.28	4.55	0.28	6.1	4.18	4.34	4.76	5.08	5.00
ICE										
Brent	107.90	110.70	107.11	-3.59	-3.4	106.97	106.77	107.36	107.26	106.97
Gasoil	122.94	125.98	122.71	-3.27	-2.7	122.08	122.01	123.22	123.40	121.70
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-13.97	-12.81	-12.25	0.56		-14.21	-13.39	-10.94	-10.02	-9.23
NYMEX No.2 Heating Oil - WTI	29.37	29.86	32.44	2.59		30.80	31.42	32.38	36.25	28.53
NYMEX RBOB - WTI	16.37	16.43	16.26	-0.17		18.90	16.65	15.12	13.64	13.84
NYMEX 3-2-1 Crack (RBOB)	20.71	20.90	21.65	0.75		22.87	21.57	20.87	21.18	18.74
NYMEX No.2 - Natural Gas ($/mmbtu)	18.11	18.25	17.90	-0.35		17.62	17.68	17.96	18.47	17.27
ICE Gasoil - ICE Brent	15.04	15.28	15.60	0.32		15.11	15.24	15.86	16.14	14.73

Source: ICE, NYMEX.

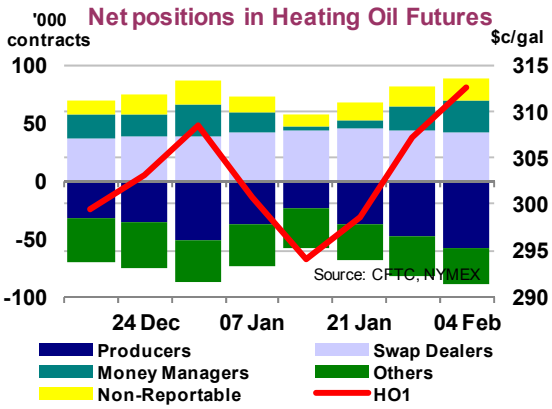
Futures Markets

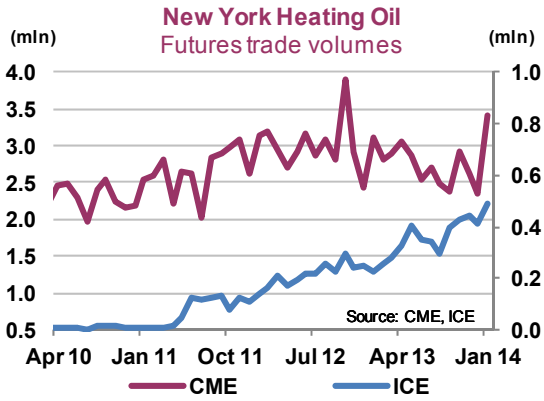
Activity Levels

Between 31 December and 4 February, hedge funds ramped up their NYMEX heating oil long exposure to a five-month high, as New York ultra low sulphur diesel (ULSD) climbed to over $140/bbl. The arrival of the so-called 'polar vortex' in the US during January sent temperatures and inventories of heating fuels plummeting (see OECD Stocks, *'Freezing Weather Causes Chaos in US Heating Fuel Markets'*).

Since May 2013, NYMEX heating oil futures are being based on 15 ppm New York Harbour ULSD. January trading volumes for New York heating oil futures surged to peaks unseen since October 2012 on NYMEX and posted an all-time high on ICE exchange.

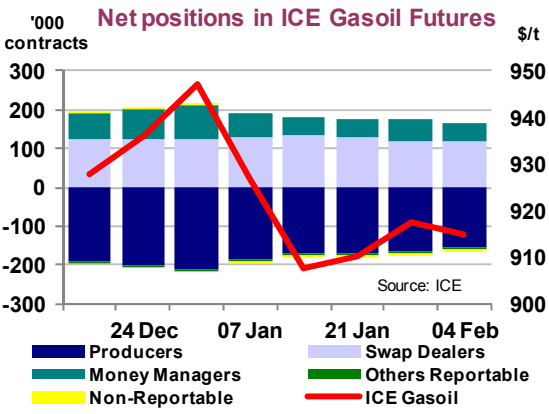
Meanwhile in Europe, ICE gasoil futures managed money positions were little changed and trading volumes in line with seasonal expectations, as prices were stable throughout January, after a steep year-end drop.

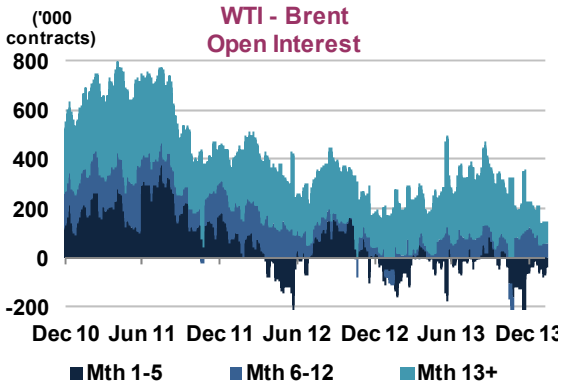




NYMEX RBOB gasoline saw little changes in hedge funds positioning as it moved in a narrow $0.10/gal range amid thin trading volumes, showing signs of recovery only in early February.

On the crude side, both benchmarks' outstanding positions remained almost unchanged on the year, with increments under 1%. Brent was the most traded crude benchmark globally in January, having alternated with WTI for the lead since August 2013. Both grades' trading volumes were seasonally up on the month. While WTI volumes were down on a year-on-year basis on both sides of the Atlantic, a more than twofold increase in NYMEX Brent volumes kept global trades of the North Sea benchmark in positive territory.





Positions on ICE Brent Crude Futures

Thousand Contracts

04 February 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	623.1	829.3	-206.2	*Short*	↑ 15.5	↑ 15.5
Swap Dealers' Positions	470.5	291.1	179.4	*Long*	↓ -4.7	↑ 34.8
Money Managers' Positions	256.8	170.3	86.4	*Long*	↓ -11.9	↓ -44.3
Others' Positions	111.4	166.1	-54.7	*Short*	↑ 3.2	↑ 3.6
Non-Reportable Positions	33.1	37.9	-4.9	*Short*	↓ -2.0	↓ -9.6
Open Interest			**1494.8**		↑ 18.4	↑ 51.8

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

04 February 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	238.6	269.0	-30.4	*Short*	↓ -2.3	↓ -19.8
Swap Dealers' Positions	284.2	617.8	-333.6	*Short*	↓ -7.8	↑ 25.6
Money Managers' Positions	556.7	287.0	269.7	*Long*	↑ 19.4	↑ 7.4
Others' Positions	398.5	307.9	90.5	*Long*	↓ -10.3	↓ -2.4
Non-Reportable Positions	83.3	79.4	3.8	*Long*	↑ 1.0	↓ -10.7
Open Interest			**1561.2**		↓ -30.8	↓ -54.7

Source: CFTC

Financial Regulation

On 24 January, the European Parliament's Industry, Research and Energy Committee (ITRE) published its opinion on the proposed EU regulation on financial indices and benchmarks, recommending that physical commodities be excluded from the scope of the current draft, if the benchmark is complying with the '*Principles for Oil Price Reporting Agencies*' issued by IOSCO (International Organization of Securities Commissions). The draft is now back to the Economic Affairs committee, which will vote on 17 February. The document will then be presented in the EU Parliament plenary session on 4 April.

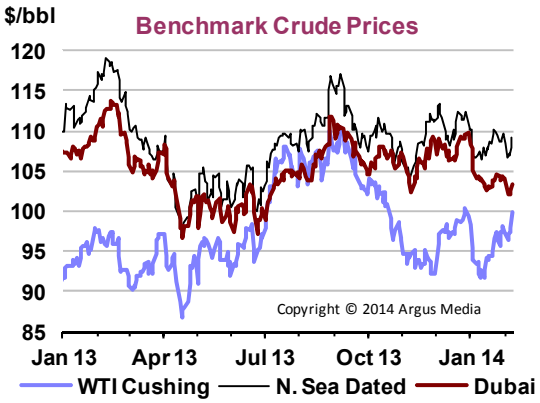
The European Commission issued its '*Proposal on banking structural reform*' on 29 January, proposing a ban on proprietary trading by banks as in the US Volcker rule and that supervisors be given powers to require separation of risky trading activities. The proposal would apply to banks of 'systemic importance', often referred to as 'too big to fail', and would become effective in January 2017. A final vote is expected no earlier than end-2014.

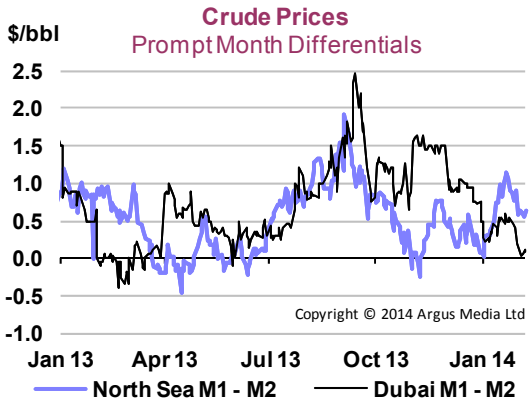
On 12 February, new derivatives reporting rules came into force in Europe under the European Market Infrastructure Regulation EMIR regulation. Both exchange and over-the-counter transactions will have to be reported to one of six EU-approved trade data repositories.

The European Court of Justice (ECJ) has dismissed a UK challenge to the EU's short-selling regulation, allowing the European Securities and Markets Authority (ESMA) to ban short selling in "*market emergencies*", clarifying that the EU financial markets watchdog mandate has the power to require the ban. The UK is also challenging plans for a financial transaction tax and a cap on pay bonuses for bankers.

Spot Crude Oil Prices

Spot crude oil prices weakened in January month-on-month, with Atlantic basin benchmarks off $2.65/bbl to $3.40/bbl, to $108.17/bbl for North Sea Dated and $94.86/bbl for WTI. Mideast Dubai, a heavier crude grade than Brent and WTI, declined by a steeper $3.88/bbl to an average $104.02/bbl for January. Expectations of weaker demand heading into the spring refinery turnaround season, added downward pressure on prices, with global refinery throughputs forecast to plummet by 2.5 mb/d from 77.4 mb/d in January to 74.9 mb/d in April (*see Refining*). However, prices strengthened in second half January, with new pipeline flows lifting WTI and intermittent supply disruptions in the North Sea as well as fresh outages in Libya supporting Brent.

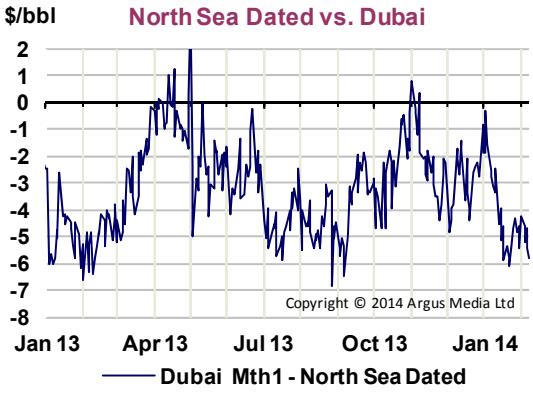


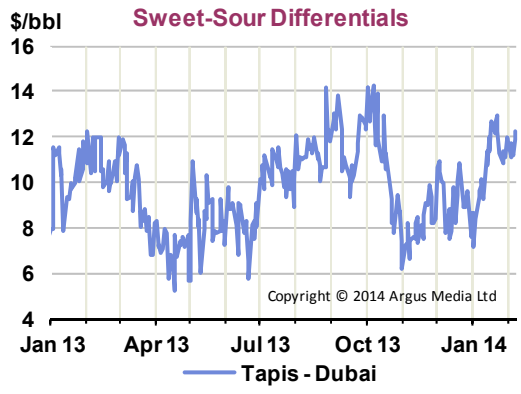


Spot prices for Dubai weakened on ample supply of Mideast and African crudes into Asia, with the M1-M2 differential narrowing to around $0.05/bbl by early February, compared with around $0.40/bbl in January, $0.90/bbl in December and $1.50/bbl in November.

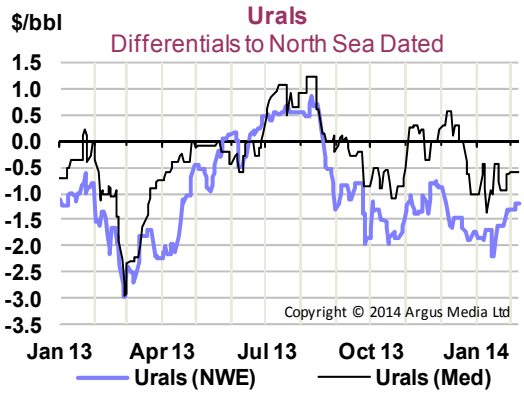
In line with the downturn in spot prices, Saudi Aramco lowered March oil prices for Asian customers, who buy around two-thirds of the country's output, by more than expected amid weak refining margins. Saudi Aramco reduced the March official selling price (OSP) differential for Arab Light to an eight-month low of $1.75/bbl over the average of Oman and Dubai, compared to a $2.45/bbl premium for February sales. Dubai's price discount to Brent widened to around $5.15/bbl in early February from $4.15/bbl in January and $2.90/bbl in December.

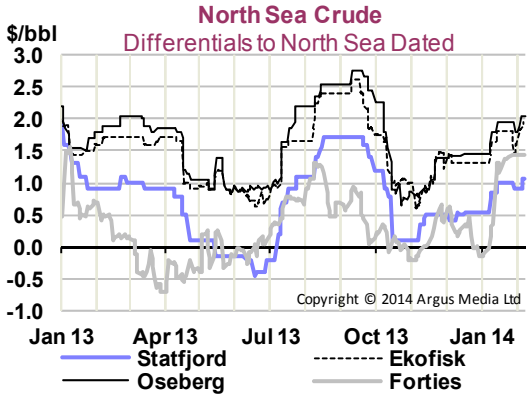
Relatively milder winter weather in key Asian buyers China and Japan, coupled with upcoming seasonal refinery maintenance in 2Q14, added downward pressure on Middle Eastern grades like Dubai in January. Refiner demand for heavier Middle East grades in Asia is expected to remain under pressure for the next several months, but differentials for lighter grades like Malaysian Tapis against Brent have strengthened, to -$6.72/bb in January compared with around -$6.32/bbl in December.



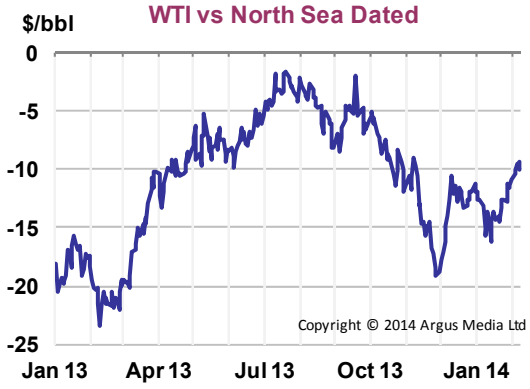


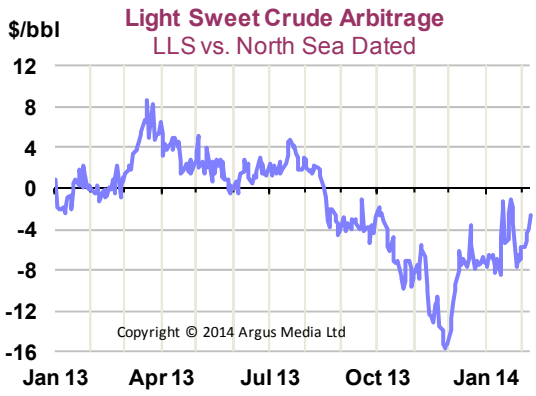
Dated Brent spot prices and differentials ebbed and flowed over the month with sporadic supply outages in the North Sea and conflicting reports regarding the supply of Libyan crude to markets. The differential between Urals and Brent in the Mediterranean widened in January to $0.80/bbl from $0.02/bbl in December. Demand from European refiners has been weak given continuing low margins.





The WTI-Brent price spread narrowed to an average of about $9.85/bbl for the first week of February, from an average of about $13.30/bbl in January. The Brent premium to WTI fell as cold weather hit the US. In addition, a 1.6 mb draw at the Cushing, Oklahoma storage hub in the last week of January helped prop up WTI. This was the first weekly draw since the last week of December, and came as TransCanada's Gulf Coast Pipeline started commercial service on 22 January. This was expected by market participants but nonetheless drove WTI prices higher as North Sea Dated (Brent) prices held steady.



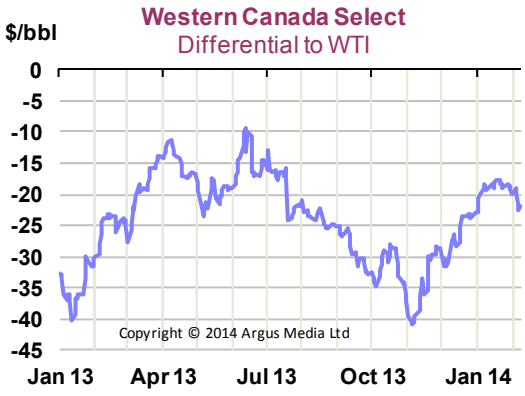


With increased transport outlets for Permian and Midcontinent crudes, WTI is expected to gradually approach global prices for similar grades, such as Brent. Over the past 12 months steady increases in domestic production pressured prices lower relative to Brent. The spread between the two grades topped $20/bbl in early 2013, but narrowed as the Seaway and Permian Express pipeline expansions and the reversal of the Longhorn Pipeline came online over the year (see *'The Crude Wall and US Crude Exports*' in the *Report* dated 21 January 2014).

Western Canadian Select's (WCS) differential to WTI narrowed sharply in recent months on robust demand for oil sands crude following the ramp up of BP's 405 kb/d Whiting, Indiana, refinery in February, which is designed to process the cheaper, heavy Canadian crude, and expectations of a relatively light refinery maintenance schedule this spring. The WCS-WTI price differential averaged about $19.05/bbl in January, $26.30/bbl in December and $34.25/bbl in November. January was the first month when differentials dropped below $20/bbl since July. Surging oil sands output in 2013, combined with limited transport capacity aimed exclusively at the US market, put pressure on WCS, with prices

falling below $60/bbl by the end of October. According to the Canadian Association of Petroleum Producers, oil sands (bitumen and synthetics) production exceeded pipeline offtake capacity by an average of 530 kb/d in 2013.

Massive investments in rail, however, have partially offset the pipeline shortage. The decrease in the differential from its peak in early November of over $40/barrel has come as the West Coast of the US, particularly California, has imported increasing volumes of Canadian crude by rail, and several US Midwestern refineries have also been able to increase purchases. Still, bottlenecks remain, and recent increases in the differential reflect this. Differentials in inland North American crudes can also reflect temporary factors affecting production, such as temporarily reduced output on the Bakken due to weather that spiked prices and sharply lowered the differential in early January.



Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec Avg Chg	%	Week Commencing: 06 Jan	13 Jan	20 Jan	27 Jan	03 Feb
Crudes										
North Sea Dated	108.00	110.80	108.17	-2.63	-2.4	106.90	107.82	109.46	108.82	107.60
Brent (Asia) Mth 1	108.17	110.96	107.95	-3.01	-2.7	107.46	106.85	108.34	108.48	106.41
WTI (Cushing) Mth 1	93.94	97.85	94.86	-2.99	-3.1	92.76	93.38	96.45	97.24	97.74
Urals (Mediterranean)	108.05	110.78	107.36	-3.41	-3.1	106.14	106.95	108.64	108.13	107.00
Dubai	105.90	107.90	104.02	-3.88	-3.6	104.06	102.99	103.97	104.13	102.47
Tapis (Dated)	113.91	117.11	114.89	-2.23	-1.9	113.70	114.62	116.20	115.44	114.10
Differential to North Sea Dated										
WTI (Cushing)	-14.05	-12.95	-13.31	-0.36		-14.14	-14.44	-13.01	-11.58	-9.86
Urals (Mediterranean)	0.05	-0.02	-0.80	-0.78		-0.76	-0.87	-0.82	-0.69	-0.60
Dubai	-2.10	-2.90	-4.15	-1.25		-2.84	-4.83	-5.49	-4.69	-5.13
Tapis (Dated)	5.91	6.32	6.72	0.40		6.80	6.80	6.74	6.62	6.50
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.36	0.31	0.70	0.39		0.39	0.81	1.04	0.79	0.60
Forward WTI Cushing Mth1-Mth2	-0.43	-0.24	0.02	0.26		-0.20	-0.19	0.03	0.53	0.62
Forward Dubai Mth1-Mth2	1.50	0.90	0.41	-0.49		0.33	0.46	0.52	0.38	0.06

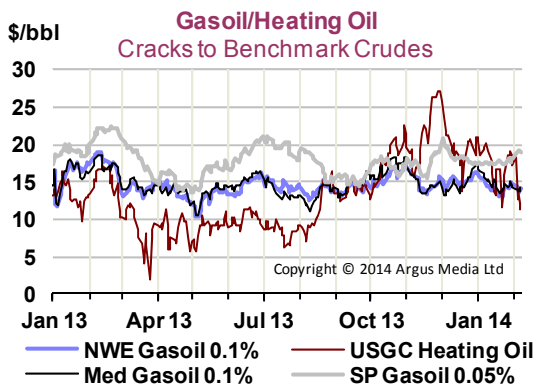
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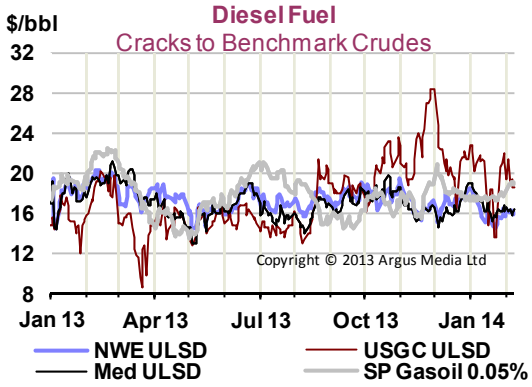
Spot Product Prices

Surveyed spot product prices softened across the board in January. The one exception was gasoline in the US Gulf Coast (USGC), prices of which were driven higher by healthy regional demand. In the USGC, product cracks retreated by $1.90/bbl on average after severe cold weather constrained US crude production mid-month, buoying LLS prices. In Northwest Europe, falling product prices outstripped declines in Brent, with cracks subsequently weakening by $0.80/bbl on average. It was a different story in the Mediterranean where Urals softened against Brent and cracks improved by $0.30/bbl. The best performing market was Singapore where Dubai crude dropped by $3.90/bbl over the month and outstripped falls in product prices, causing cracks to gain $1.60/bbl over the month.

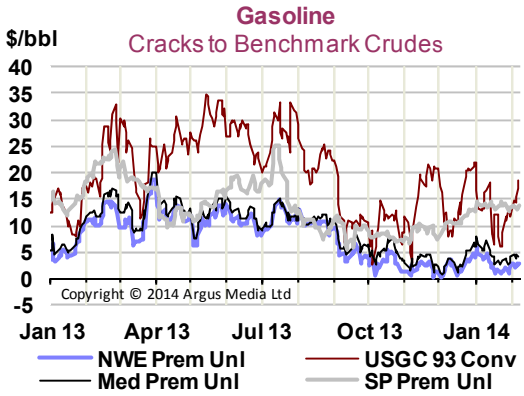
In January, 15-ppm ultra-low-sulphur diesel (ULSD) markets in the Northern US tightened considerably in the wake of extremely cold weather which depleted inventories and caused logistical chaos as suppliers scrambles to acquire extra product (see *'Freezing Winter Causes Chaos in US Heating Fuels Markets'* in the OECD Stocks section). Consequently, spot ULSD prices surged to over $144/bbl at the time of writing,

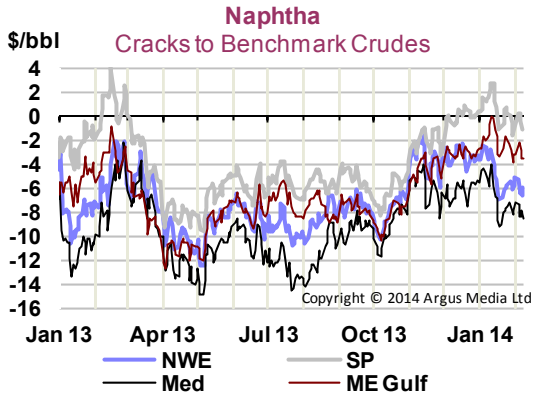
a premium of over $20/bbl on comparable USGC prices. Moreover, it surged to a rare premium of $20/bbl above Rotterdam prices, which opened a wide arbitrage to ship product from Europe to the US East Coast. Despite this trading opportunity, cracks in both Northwest Europe and the Gulf Coast remained subdued as product prices weakened, thereby indicating that the volumes required by US East coast markets may have been relatively small.



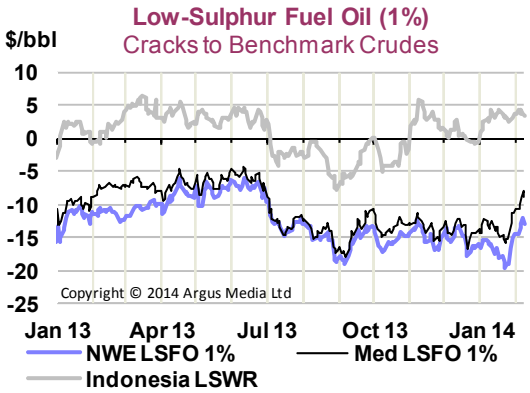


Gasoline cracks remained below year-ago levels in Europe, as spot prices stayed under pressure from relatively high inventories both in Europe and in the US. Nonetheless, at end-month and into February, European spot prices firmed in tandem with an uptick of imports into PADD 1 as well as Latin America. In the US, despite severe winter weather in the North and midcontinent limiting gasoline demand, USGC cracks firmed in late-month as regional demand rose.





European naphtha cracks remain firmly in the red as spot prices steadily weakened over the month. Since naphtha traded at a $2.70/bbl discount to NWE in the Mediterranean, Asian petrochemical producers preferentially shipped the product from Mediterranean refiners to Korea and Singapore where naphtha crackers were reportedly running at close to full utilisation. Following high Asian LPG prices, naphtha has replaced LPG as the petrochemical feedstock of choice. Moreover, with such strong Asian demand, Singapore cracks were pushed into positive territory in January for the first time in almost a year. In the US, the crack was buttressed by firm demand for naphtha as a pipeline diluent to ship heavy crudes.



European fuel oil cracks surged in late-January following healthy exports to the US and Asia where demand for low-sulphur vacuum gasoil (VGO) to be used as a feedstock is high. Meanwhile the Singapore crack rose by $3.60 in January, following tight bunker supplies as shipping demand picked up ahead of the end-month Chinese new year holiday. Further upward pressure to cracks came from a 1.7 mb draw in land-based Singaporean residual fuel oil inventories over the month.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec		Week Commencing:					Nov	Dec	Jan
				Chg	%	06 Jan	13 Jan	20 Jan	27 Jan	03 Feb			
Rotterdam, Barges FOB											**Differential to Dated Brent**		
Premium Unl 10 ppm	109.93	113.01	110.83	-2.18	-1.9	110.97	110.09	110.89	110.65	110.34	1.93	2.21	2.66
Naphtha	104.42	107.44	103.29	-4.15	-3.9	103.87	102.21	103.35	103.15	101.46	-3.58	-3.36	-4.88
Jet/Kerosene	123.60	126.37	123.28	-3.09	-2.4	123.27	122.81	123.27	123.36	121.76	15.60	15.58	15.11
ULSD 10ppm	124.81	127.86	124.11	-3.75	-2.9	123.51	123.38	124.37	124.82	123.66	16.81	17.07	15.95
Gasoil 0.1%	122.88	125.87	122.56	-3.31	-2.6	121.83	121.88	123.05	123.33	121.63	14.88	15.08	14.40
LSFO 1%	93.28	95.59	91.50	-4.09	-4.3	91.01	90.48	90.70	93.69	94.43	-14.72	-15.21	-16.67
HSFO 3.5%	88.42	89.22	85.70	-3.52	-3.9	85.66	84.98	84.97	86.52	86.17	-19.58	-21.58	-22.47
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	111.24	114.01	111.81	-2.20	-1.9	112.02	111.08	111.84	111.59	111.28	3.20	3.23	4.45
Naphtha	102.13	104.53	100.56	-3.97	-3.8	101.10	99.51	100.65	100.46	98.88	-5.91	-6.25	-6.80
Jet Aviation fuel	122.33	124.75	121.85	-2.91	-2.3	121.74	121.38	121.90	122.02	120.53	14.28	13.98	14.48
ULSD 10ppm	124.37	127.21	124.06	-3.15	-2.5	123.62	123.36	124.44	124.56	123.13	16.32	16.44	16.70
Gasoil 0.1%	122.82	125.54	122.18	-3.35	-2.7	121.62	121.51	122.72	122.62	120.93	14.77	14.76	14.82
LSFO 1%	94.62	97.04	94.08	-2.96	-3.1	93.21	92.97	93.47	96.80	97.77	-13.42	-13.74	-13.29
HSFO 3.5%	87.80	88.48	85.40	-3.08	-3.5	85.22	84.64	84.74	86.47	86.24	-20.24	-22.29	-21.96
US Gulf, FOB Pipeline											**Differential to LLS**		
Super Unleaded	112.26	117.40	114.63	-2.77	-2.4	114.22	115.51	114.73	113.89	119.26	15.09	14.51	11.94
Unleaded	102.95	105.74	107.12	1.38	1.3	107.33	107.22	107.52	107.12	108.83	5.77	2.86	4.43
Jet/Kerosene	118.50	124.16	122.00	-2.16	-1.7	121.88	121.42	122.13	122.53	121.35	21.32	21.28	19.31
ULSD 10ppm	119.83	124.09	121.78	-2.31	-1.9	120.98	121.15	122.41	122.86	122.61	22.66	21.20	19.09
Heating Oil	118.20	122.65	119.80	-2.85	-2.3	119.13	118.93	121.03	120.40	116.91	21.03	19.76	17.11
No. 6 3%*	89.50	91.86	88.25	-3.61	-3.9	87.71	88.07	88.18	88.91	89.22	-7.68	-11.02	-14.44
Singapore, FOB Cargoes											**Differential to Dubai**		
Premium Unleaded	114.64	118.77	117.83	-0.94	-0.8	117.85	116.83	117.83	117.61	116.02	8.75	10.87	13.81
Naphtha	103.81	107.85	104.50	-3.35	-3.1	105.83	103.49	103.96	103.34	102.00	-2.09	-0.05	0.48
Jet/Kerosene	122.67	126.63	121.64	-4.99	-3.9	121.91	120.34	121.16	121.85	121.12	16.78	18.73	17.62
Gasoil 0.05%	123.27	126.32	121.57	-4.75	-3.8	121.52	120.43	121.46	122.06	121.45	17.37	18.42	17.55
LSWR Cracked	108.98	108.46	107.24	-1.21	-1.1	107.29	106.80	107.16	107.35	106.33	3.09	0.56	3.22
HSFO 180 CST	95.35	96.83	96.53	-0.30	-0.3	95.70	96.34	96.83	97.22	95.76	-10.55	-11.07	-7.49
HSFO 380 CST 4%	94.64	95.79	95.38	-0.41	-0.4	94.53	94.90	95.56	96.61	95.11	-11.26	-12.11	-8.64

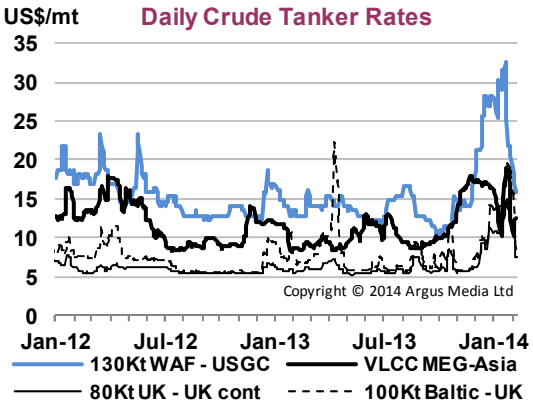
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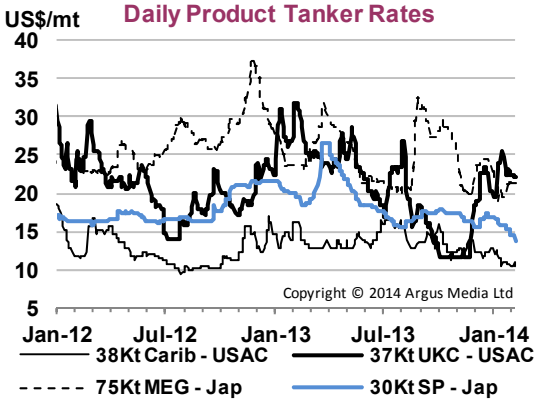
Freight

Rates for very large crude carriers (VLCCs) on voyages out of the Middle East Gulf experienced a volatile month in January. Early-month demand for regional grades waned ahead of the Chinese New Year and combined with lengthening tonnage lists to pressure rates down to a low of $10/mt. Post-Chinese New Year, activity picked up as more cargoes entered the market, quickly mopping up the excess tonnage with rates propelled to a high of $19/mt. However, these levels proved unsustainable as excess vessels once again dragged rates back down in early February.

High demand for African crudes, tight tonnage lists and weather-related delays propelled rates on the benchmark Suezmax West Africa – USGC trade to the lofty heights of $32/mt in mid-January. However, these levels proved short-lived as they tumbled towards end-month as demand for African crudes from Asian refiners weakened. Tonnage lists also built as a number of ships ballasted to the region from the Middle East Gulf.

A similar boom-and-bust picture was evident in Northwest Europe where early-month bad weather and scarce vessel availability pushed rates on the cross-UK Aframax trade to a high of $15/mt in mid-month but as the weather improved and vessels returned from long distance voyages the rate plummeted back to under $8/mt by early-February. In the Baltic, despite regional crude exports remaining at a relatively subdued 1.3 mb/d in January, rates to the UK surged to a high of $20/mt in mid-month but fell back to $8/mt by early-February as low export volumes started to weigh heavy on the tonnage list.





Product tanker markets experienced a mixed month. In the Atlantic Basin, product exports from Europe to the US Atlantic Coast remained high. Subsequently, rates peaked at $26/mt in late-month. Reports suggest that the bulk of cargoes were not gasoline but rather ULSD as freezing weather in the US Northeast depleted inventories and pushed up spot prices. Accordingly, a rare arbitrage to move ULSD westwards opened. Asian product tanker markets benefitted from high naphtha demand in the petrochemical industry with large volumes reportedly being shipped from the Middle East Gulf. Consequently, rates for 75 Kt vessels on voyages between the Middle East Gulf and Japan strengthened from mid-January onwards to a high of over $21/mt at the time of writing.

REFINING

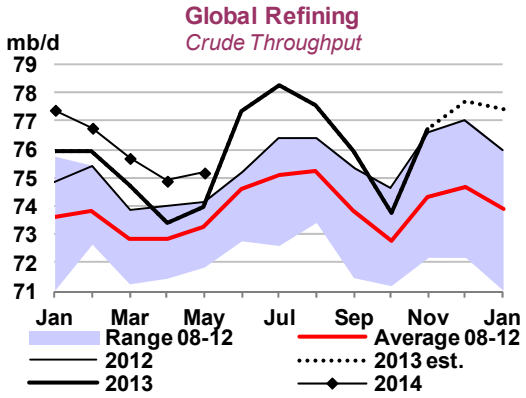
Summary

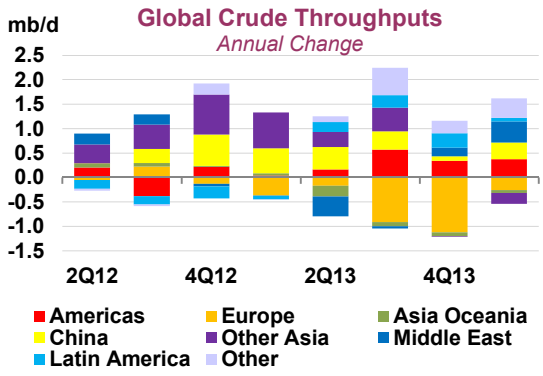
- **The forecast of global refinery crude oil runs for 1Q14 has been trimmed by 0.2 mb/d since last month's *Report,* on a weaker outlook for non-OECD Asian throughputs.** Recent year-on-year (y-o-y) contractions in India, Chinese Taipei, the Philippines and Singapore could be extended into early 2014, on poor margins and extensive refinery maintenance. Global 1Q14 throughputs are now estimated at 76.6 mb/d, up from 76.0 mb/d in 4Q13.

- **With nearly complete 2013 data now available, 4Q13 global refinery crude oil demand looks to have contracted y-o-y for the first time since 4Q09.** Sharply lower OECD throughputs (especially in Europe) were only partly offset by an 860 kb/d increase in non-OECD runs, resulting in a 20 kb/d overall decline. Growth in global refinery throughputs is nevertheless expected to reach 1.1 mb/d in 1Q14, as the European contractions is forecast to ease while growth continues apace in the US and non-OECD countries.

- **OECD refinery crude oil throughputs rose by 0.5 mb/d in December month-on-month (m-o-m), to 37.2 b/d on average, with the OECD Americas accounting for the majority of the gains**. Runs in OECD Europe and Asia Oceania were largely unchanged. Total OECD runs stood 0.6 mb/d below year-earlier levels, as a 0.5 mb/d annual gain in the Americas only partly offset drops in Europe and, to a lesser extent, Asia Oceania.

- **Refinery margins were mixed in January, but generally remained weak or even negative for simple refinery configurations.** Refiners processing Urals, WTI and Dubai crude saw their margins improve as prices for these grades fell sharply. US Gulf Coast margins plummeted in mid-January as record-high throughputs in December put downward pressure on product prices. European margins deteriorated further on weak regional demand and high import flows, while Singapore margins improved on higher gasoline and fuel oil cracks.





Global Refinery Overview

The outlook for global refinery crude throughputs for 1Q14 has been cut by 0.2 mb/d since last month's *Report,* to 76.6 mb/d, on a lower forecast for non-OECD Other Asian activity. Recent data for a number of countries, including India, Chinese Taipei, Singapore and the Philippines have shown activity levels below a year earlier, due to relatively poor margins and a string of planned and unplanned outages. After four quarters of average annual growth of close to 0.6 mb/d, non-OECD Asian regional runs contracted by 15 kb/d in 4Q13 and could contract by as much as 220 kb/d in 1Q14. Refinery maintenance in India, Thailand and the Philippines is set to curb runs in early 2014, albeit from exceptionally high 1Q13 levels.

Global throughput estimates for 4Q13 have also been lowered, upon the receipt of more complete monthly data, to an average 76.0 mb/d. Minor adjustments to a number of countries for November and December lowered OECD runs by a total of 140 kb/d compared with our previous forecast, while non-OECD throughputs were revised down by 190 kb/d on lower Other Asian activity. Global crude processed is now assessed slightly below year-earlier levels in 4Q13, as a 1.1 mb/d contraction in OECD Europe more than offset gains in the US and the non-OECD. Within the non-OECD, gains stemmed from Latin America, the Middle East, the FSU and Africa.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

	3Q2013	Oct 13	Nov 13	Dec 13	**4Q2013**	Jan 14	Feb 14	Mar 14	**1Q2014**	Apr 14	May 14
Americas	**19.0**	17.9	18.7	19.2	**18.6**	18.4	17.9	17.9	**18.1**	18.1	18.6
Europe	**11.7**	10.3	11.1	11.1	**10.8**	11.3	11.4	11.3	**11.3**	11.3	11.1
Asia Oceania	**6.7**	6.3	6.8	6.9	**6.7**	7.1	7.1	6.8	**7.0**	6.4	6.2
Total OECD	**37.3**	34.5	36.7	37.2	**36.1**	36.8	36.5	36.0	**36.4**	35.8	35.9
FSU	**6.9**	6.5	7.1	7.1	**6.9**	7.1	7.0	6.7	**6.9**	6.4	6.7
Non-OECD Europe	**0.5**	0.4	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.4
China	**9.4**	9.7	9.8	9.9	**9.8**	10.2	10.0	10.1	**10.1**	9.8	9.7
Other Asia	**9.8**	9.6	9.7	9.8	**9.7**	9.9	9.9	9.5	**9.8**	9.6	9.5
Latin America	**4.9**	4.6	4.9	4.8	**4.8**	4.8	4.8	4.8	**4.8**	4.7	4.8
Middle East	**6.0**	6.1	5.9	6.1	**6.0**	6.1	6.0	5.8	**6.0**	5.9	6.1
Africa	**2.3**	2.2	2.3	2.3	**2.2**	2.2	2.1	2.3	**2.2**	2.2	2.2
Total Non-OECD	**39.9**	39.2	40.1	40.5	**39.9**	40.6	40.3	39.7	**40.2**	39.1	39.3
Total	**77.3**	73.7	76.7	77.7	**76.0**	77.4	76.8	75.7	**76.6**	74.9	75.2

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

Growth in global refinery activity is expected to recover in 1Q14, to an average 1.1 mb/d. Gains in non-OECD runs are set to accelerate to 1.0 mb/d, as new capacity in China and the Middle East ramps up. Two new refineries, with a combined capacity of 440 kb/d, started trial runs in China in January, and the 400 kb/d Jubail refinery in Saudi Arabia is expected to reach full capacity sometime in 1H14. In the OECD, we expect the sharp contractions recently seen in Europe to abate, despite dismal refinery margins at the start of the year, while US refinery activity comes off the high levels seen at the turn of the year. Indeed, the latest weekly data for January show runs plummeted by more than 1 mb/d over the month, in line with our previous forecast.

Refinery Margins

Refinery margins were mixed in January, but generally remained weak or indeed negative for simple refinery configurations. Refiners processing Urals, WTI and Dubai crude saw their margins improve as these grades fell sharply. US Gulf Coast margins plummeted in mid-January as record-high throughputs in December put downward pressure on product prices. European margins deteriorated further on weak demand and high import flows, while Singapore margins improved on higher gasoline and fuel oil cracks.

Northwest Europe remains the worst performing of all surveyed markets, as margins retreated by $1.00/bbl on average from December's levels, though diverging trends emerged depending on the crude processed. Refiners running Urals saw their margins hold better than those processing Brent as the latter was propped up by ongoing supply disruptions in Libya and to the Buzzard field. Moreover, simple refiners are now seeing their margins languish at levels not seen since 2006. Further downward pressure came from product prices, which weakened in line with low seasonal demand due to mild weather, coupled with comfortable stocks of gasoline and high distillate imports from the US, Asia and the FSU.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Oct 13	Nov 13	Dec 13	Jan 14	Jan 14-Dec 13	10 Jan	17 Jan	24 Jan	31 Jan	07 Feb
NW Europe										
Brent (Cracking)	1.62	1.54	1.42	0.21	-1.21	1.82	-0.12	-1.46	-0.36	0.48
Urals (Cracking)	2.65	1.84	2.17	1.51	-0.66	3.06	1.33	-0.02	0.66	0.78
Brent (Hydroskimming)	-3.64	-3.64	-3.95	-5.35	-1.41	-3.93	-5.72	-7.21	-5.38	-4.14
Urals (Hydroskimming)	-3.57	-4.56	-4.80	-5.52	-0.71	-4.04	-5.65	-7.23	-6.16	-5.89
Mediterranean										
Es Sider (Cracking)	3.61	3.50	3.26	2.18	-1.08	3.88	1.26	0.28	2.52	3.18
Urals (Cracking)	3.55	2.63	2.63	2.78	0.15	4.07	2.55	1.41	2.17	2.17
Es Sider (Hydroskimming)	-2.05	-2.04	-2.46	-3.44	-0.98	-1.95	-4.46	-5.45	-2.52	-1.37
Urals (Hydroskimming)	-4.52	-5.61	-6.25	-6.05	0.20	-4.82	-6.31	-7.60	-6.40	-6.11
US Gulf Coast										
50/50 HLS/LLS (Cracking)	5.76	9.18	6.10	5.97	-0.13	8.35	4.72	1.28	8.21	7.48
Mars (Cracking)	1.95	6.05	2.44	0.26	-2.17	2.63	-0.89	-3.61	1.48	0.68
ASCI (Cracking)	1.94	6.02	2.05	0.07	-1.98	2.28	-1.04	-4.09	1.74	0.73
50/50 HLS/LLS (Coking)	6.92	10.21	7.37	7.27	-0.11	9.68	5.95	2.60	9.46	8.88
50/50 Maya/Mars (Coking)	4.38	8.54	6.53	6.55	0.02	8.23	5.64	4.06	7.64	6.49
ASCI (Coking)	5.90	9.99	6.33	5.23	-1.10	7.42	4.00	1.30	7.00	5.90
US Midcon										
WTI (Cracking)	7.20	10.42	7.71	12.71	5.00	14.57	13.00	11.74	11.94	12.44
30/70 WCS/Bakken (Cracking)	20.16	25.00	17.14	14.73	-2.41	16.35	14.46	13.83	14.49	15.89
Bakken (Cracking)	19.61	24.05	17.33	16.27	-1.06	17.70	15.72	15.84	16.57	17.51
WTI (Coking)	8.53	11.63	8.87	14.09	5.22	15.93	14.20	13.18	13.46	14.19
30/70 WCS/Bakken (Coking)	22.33	27.47	19.10	17.60	-1.50	19.07	16.98	16.88	17.92	19.49
Bakken (Coking)	19.86	24.24	17.46	16.53	-0.93	17.96	15.89	16.11	16.93	18.00
Singapore										
Dubai (Hydroskimming)	-3.19	-3.69	-3.00	-1.30	1.70	-1.27	-0.72	-1.88	-0.91	-0.22
Tapis (Hydroskimming)	-6.36	-1.42	-1.89	-2.93	-1.04	-1.50	-3.53	-4.47	-3.57	-3.24
Dubai (Hydrocracking)	2.57	2.66	4.11	4.95	0.84	5.26	5.42	4.28	4.97	5.73
Tapis (Hydrocracking)	-3.07	0.97	1.74	0.14	-1.60	1.59	-0.55	-1.42	-0.56	-0.33

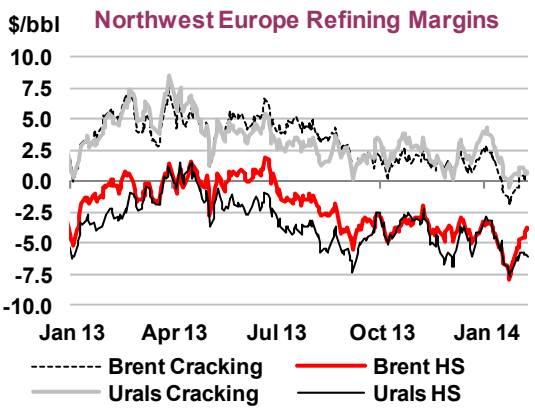
1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. Consequently, reported margins should 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 crude for pricing purposes.

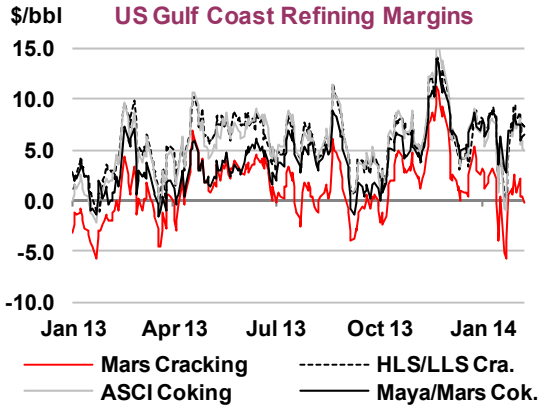
Source: IEA, KBC Advanced Technologies (KBC)

On an absolute basis, refiners on the US Gulf Coast fared worse than those in the US midcontinent. Gulf Coast margins retreated by $0.90/bbl on average, as product prices were capped by volume constraints on the Colonial Pipeline which hindered the shipment of extra product to the weather-hit Northeast (see '*Freezing Weather Hits US Heating Fuels Markets*' in OECD Stocks Section). However, refiners running Mars and crudes priced off ASCI were worse off than those priced off relatively-weaker LLS. Indeed, their margins briefly turned negative mid-month, after bad weather in the Gulf delayed Mexican exports with both grades strengthening accordingly. Midcontinent margins were also mixed in January, with WTI margins increasing by approximately $5/bbl as its price tumbled by $3/bbl over the month and refiners processing Bakken and WCS seeing margins weaken over the month as these grades held their prices in the wake of freezing weather affecting their production (for more on this, see *Prices*). Midcontinent margins remain approximately $4/bbl below year-ago levels, averaging between $12/bbl and $17/bbl.

Singapore margins also saw diverging trends, with refiners running Dubai crude, which was pressured lower amid strong competition from similar Middle Eastern and African grades, seeing their margins firm by $1.30/bbl on average. In comparison, those running Malaysian Tapis saw margins drop by the same

amount. Margins received a boost from improving gasoline and fuel oil cracks, as the latter moved further into positive territory on strong regional bunker demand and a draw in Singapore inventories.





OECD Refinery Throughput

OECD refinery crude throughputs surged by another 0.5 mb/d in December, to average 37.2 mb/d. The month-on-month increase stemmed mostly from the US, which saw refinery runs rise by 0.48 mb/d to eight-year highs. In Europe and Asia Oceania, refinery throughputs were relatively unchanged from a month earlier, though this masked country-level contrasts. In Europe, steeply lower French refinery activity, due to industrial action, offset higher runs in the UK, where refineries returned from outages. In Asia Oceania, a 180 kb/d increase in Japanese throughputs partly offset reduced throughputs in South Korea. Overall, OECD runs were 0.6 mb/d lower than year-earlier levels, with a 0.5 mb/d year-on-year increase in North America providing only a partial offset to sharply lower runs in Europe and, to a lesser degree, Asia Oceania.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

							Change from		Utilisation rate[1]	
	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	*Nov 13*	*Dec 12*	Dec 13	Dec 12
US[2]	16.04	15.80	15.63	14.99	15.65	16.14	0.48	0.81	90.0%	86.1%
Canada	1.71	1.84	1.75	1.63	1.71	1.66	-0.06	-0.21	86.6%	97.7%
Chile	0.18	0.17	0.19	0.16	0.15	0.17	0.03	0.00	75.7%	77.7%
Mexico	1.27	1.25	1.13	1.09	1.16	1.19	0.02	-0.08	71.9%	76.6%
OECD Americas	**19.20**	**19.07**	**18.69**	**17.88**	**18.67**	**19.15**	**0.48**	**0.51**	**88.2%**	**86.4%**
France	1.28	1.21	1.06	0.93	1.14	0.96	-0.18	-0.16	68.7%	71.7%
Germany	1.92	1.88	1.86	1.97	1.96	1.89	-0.07	-0.07	93.3%	92.0%
Italy	1.41	1.33	1.26	1.24	1.33	1.27	-0.06	-0.11	63.1%	65.9%
Netherlands	0.99	1.01	0.91	0.76	0.92	0.97	0.05	-0.03	75.1%	77.3%
Spain	1.21	1.13	1.13	1.06	1.06	1.12	0.06	-0.13	73.6%	82.1%
United Kingdom	1.30	1.32	1.14	0.95	1.00	1.19	0.20	-0.11	69.2%	75.6%
Other OECD Europe	4.03	3.94	3.73	3.37	3.75	3.70	-0.05	-0.27	74.3%	80.2%
OECD Europe	**12.14**	**11.83**	**11.10**	**10.29**	**11.15**	**11.10**	**-0.05**	**-0.88**	**74.3%**	**78.4%**
Japan	3.22	3.39	3.21	2.88	3.33	3.51	0.18	-0.01	78.5%	76.3%
South Korea	2.47	2.47	2.40	2.51	2.61	2.48	-0.13	-0.20	81.1%	87.5%
Other Asia Oceania	0.94	0.98	0.91	0.93	0.91	0.93	0.03	-0.02	77.5%	82.5%
OECD Asia Oceania	**6.62**	**6.84**	**6.52**	**6.32**	**6.84**	**6.92**	**0.07**	**-0.22**	**79.3%**	**81.0%**
OECD Total	**37.96**	**37.73**	**36.31**	**34.48**	**36.67**	**37.17**	**0.50**	**-0.59**	**81.9%**	**82.7%**

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

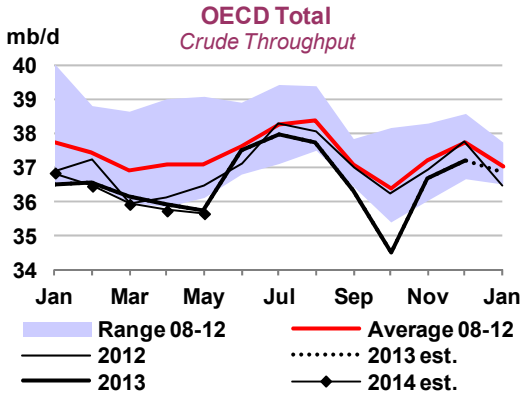
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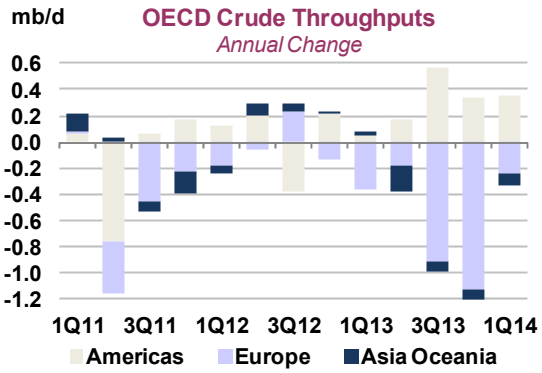
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

The outlook for OECD runs in 1Q14 is largely unchanged since last month's *Report.* Total OECD crude throughputs are expected to increase to an average 36.4 mb/d, from a downwardly revised 4Q13 level of 36.1 mb/d. The bulk of the gain is set to come from Europe where operating rates sank to record lows in 4Q13. On the back of dismal refinery margins, European throughputs are expected to remain weak, at an average 11.3 mb/d in 1Q13, only slightly higher than December's level. While European refinery runs are still forecast to contract y-o-y, by 0.3 mb/d in 1Q14, this marks a notable improvement from the 1.0 mb/d y-o-y contraction seen in 2H13.

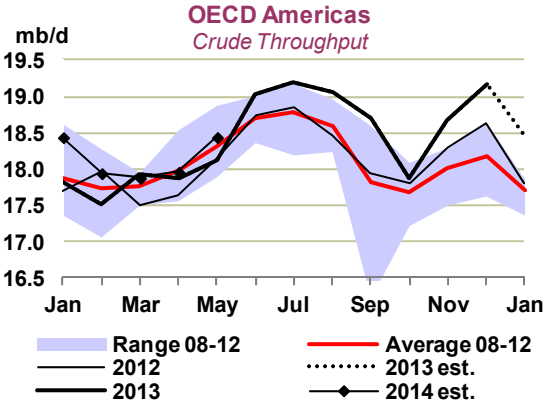
Throughputs in the OECD Asia Oceania region are also expected to increase seasonally in 1Q14, to average 7.0 mb/d, from 6.7 mb/d in 4Q13. Regional runs continue to see structural contraction, due to lacklustre regional demand and increased competition for export markets. Providing further downward pressure, Japanese refinery capacity is set to drop by a further 0.5 mb/d at the end of the quarter, as discussed in previous editions of this *Report*.

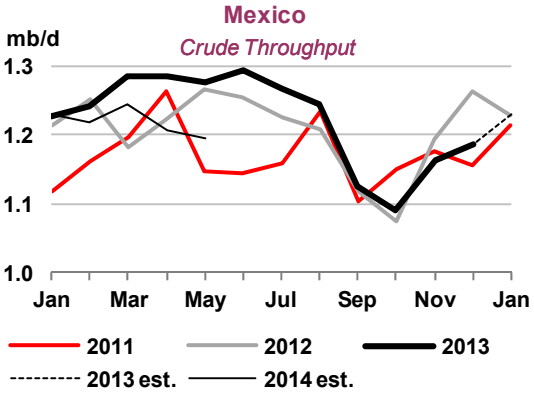
In contrast, refinery activity in the OECD Americas is expected to fall seasonally in 1Q14, to average 18.1 mb/d, from 18.6 mb/d in 4Q13. While year-on-year gains of around 0.3 mb/d are expected for both quarters, US runs are forecast to come off their recent highs. Indeed, preliminary weekly US data show sharp declines over the month of January, in line with our previous expectations. Further curbs are expected in February and March as plants undergo seasonal maintenance.





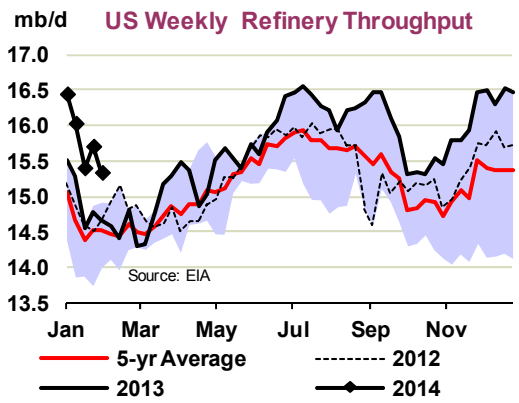
Refinery crude intake in **OECD Americas** surged by another 0.5 mb/d in December, to average 19.15 mb/d. Runs stood 0.5 mb/d above year-earlier levels, with a 0.8 mb/d gain in the US partly offset by dips in Canada and Mexico. After relatively robust refinery runs in the first half of 2013, since September refinery runs in Mexico have been weaker than expected due to maintenance and unplanned outages. Canadian throughputs were also trending below year-earlier levels recently. According to preliminary weekly data from the National Energy Board, Canadian crude runs averaged 1.7 mb/d in both December and January, 0.2 mb/d and 0.1 mb/d less than the same months a year earlier, respectively.

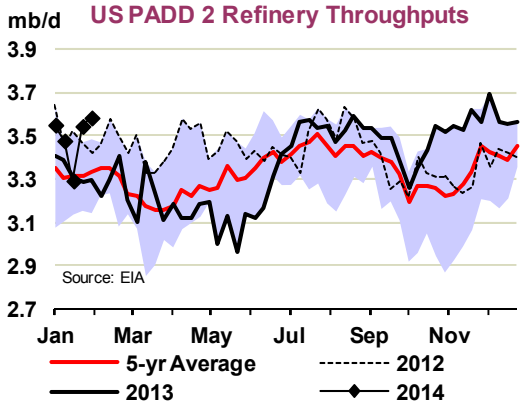




As discussed in last month's *Report*, **US** crude throughputs surged to eight-year highs in December, averaging 16.1 mb/d. Surging regional feedstock supply, an unexpected recovery in domestic end-user demand and continued high product exports underpinned the gains. According to preliminary weekly data from the EIA, US refinery crude intake plummeted by 1.1 mb/d from end December to end-January, and by 730 kb/d for the month on average. As much as 60% of the monthly decline came from refiners on the US Gulf Coast, who likely reacted to a collapse in margins in December. US Gulf Coast margins fell by more than $10/bbl from 22 November to 19 December, and by $3.20/bbl on average for the month, on a collapse in gasoline cracks. Margins fell further in January, with cracking margins negative mid-month, before a partial recovery at month-end. Throughputs fell by about 100 kb/d in each of the other PADDs, except for PADD 4 (the Rockies) which saw runs unchanged month-on-month.

In the week ending 17 January, US midcontinent (PADD 2) throughputs dipped to 3.3 mb/d, but quickly rebounded to 3.6 mb/d by end-month. A power outage caused Husky to suspend operations at its 155 kb/d Lima, Ohio refinery, while a fire at the JV Phillips-Cenovus Wood River, Illinois, refinery shut down the coking unit and likely curbed crude runs temporarily. BP announced in early February that production continues to ramp up at its 405 kb/d Whiting, Indiana refinery in February. The company completed a $4 billion upgrade in the fourth quarter, allowing it to process cheaper, heavy Canadian crude oil.



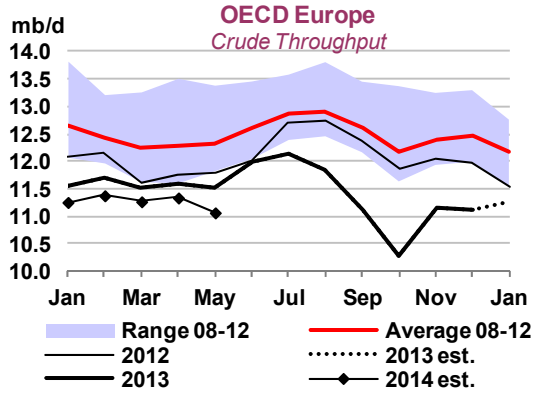


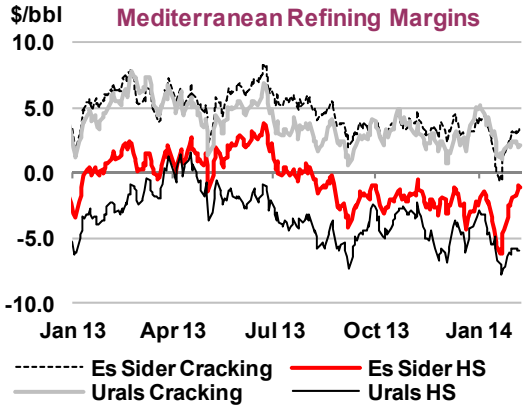
Despite the steep monthly decline, total US crude runs were still 835 kb/d higher y-o-y in January, up from annual growth of 805 kb/d in December and 565 kb/d in November. Runs are expected to come down in February and March, however, due to both weaker margins and seasonal maintenance. US refinery maintenance normally peaks in March.

In early February, Flint Hills Resources LLC announced it intends to permanently shut its 220 kb/d North Pole refinery in Alaska in May due to poor economics and the "enormous" cost of cleaning up soil and groundwater. The company had already shut the plant's Number 1 crude unit in early 2012 due to challenging economic conditions.

OECD European throughputs fell by 50 kb/d m-o-m in December, to average 11.1 mb/d, a drop of some 880 kb/d from a year earlier. French runs were 180 kb/d lower m-o-m, in line with expectations, due to a strike at Total's domestic refineries. UK refinery runs rebounded by 200 kb/d, however, from sharply lower runs over October and November. Refinery margins remained weak in January, suggesting limited uptick in operating levels in early 2014.

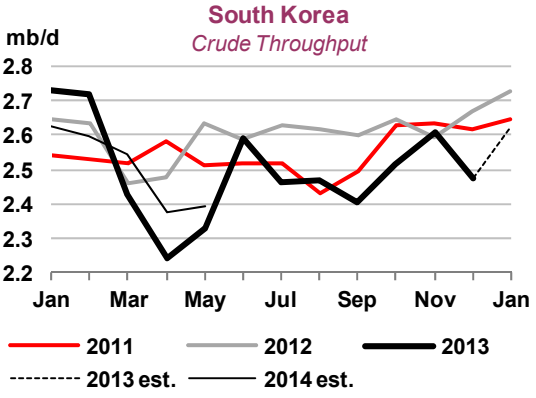
Regional refinery runs are expected to fall seasonally through April as maintenance picks up. API's Falconara refinery is scheduled to shut for 20 days from March 18, while Saras' Sarroch refinery will also start work in March. On the other hand, in Spain, Cepsa's Tenerife refinery reportedly restarted on 20 January. The plant halted operations on a few occasions in 2013 on poor margins. In Turkey, Tupras shut its Izmit refinery in January to carry out work on its upgrading project

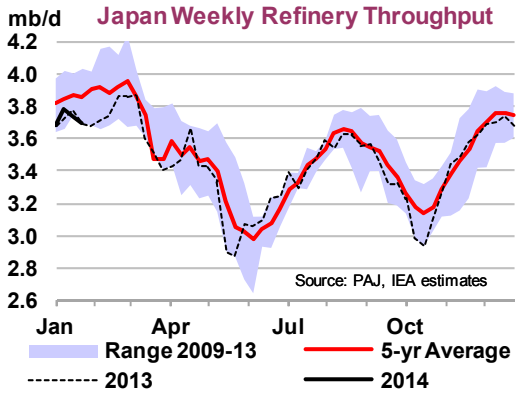




Preliminary data from Euroilstocks, released on 11 February, show an improvement in runs for January with the 15 European Union countries plus Norway raising throughputs by 115 kb/d, largely in line with our previous forecast.

In **OECD Asia Oceania**, crude throughputs were slightly weaker than expected in December, due to lower South Korean runs. Since the start of the second quarter of 2013, Korean refiners have felt the pressure of increased competition for export markets and weak regional demand, and have curbed runs by an average 150 kb/d year-on-year. South Korea's top refiner, SK Innovation, reported 4Q13 throughputs fell 18.7% from a year earlier. As much as 61.1% of the company's products supplied are exported. The company operated its 1.1 mb/d of capacity at 75% in 4Q13 and plans maintenance at its Ulsan refinery some time in 2Q14-3Q14. GS Caltex reportedly plans a 30-day shutdown of a 180 kb/d CDU at its Incheon refinery in 2Q14.



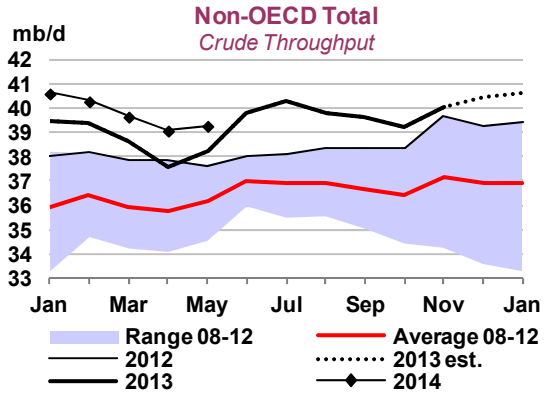


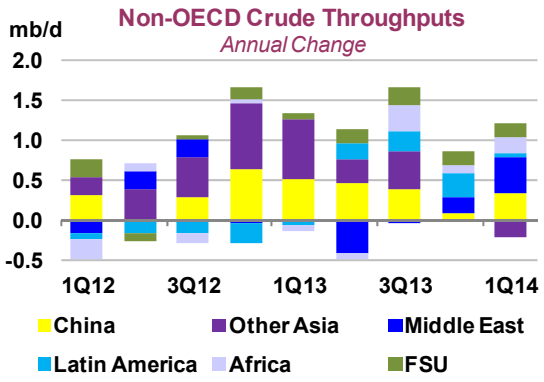
Japanese refinery crude intake in January averaged 3.5 mb/d, unchanged from December and in line with expectations. Runs were 60 kb/d higher than a year earlier. Japan's largest refiner, JX Nippon, announced that it will cut runs by 5% from a year earlier in February due to maintenance at the 127 kb/d Marifu refinery from 12 February to 26 March. At the same time, the company announced that it plans to double product exports in the face of weaker domestic demand. The February planned exports are still lower than in January, which saw company product exports surge fourfold compared with the previous year.

Non-OECD Refinery Throughput

Non-OECD refinery throughput estimates for 4Q13 and 1Q14 have been slightly lowered since last month's *Report*, to average 39.9 mb/d and 40.2 mb/d, respectively. The downward revisions largely stem from non-OECD Asian countries, based on weaker than expected throughputs in November and December. With more complete data for 4Q13 now available, non-OECD Asia (excluding China) looks to have contracted year-on-year for the first time since 3Q10, in contrast to annual growth of almost

0.6 mb/d over the previous four quarters. In particular, Indian crude runs contracted annually in each of the three consecutive months through December, after robust year-on-year gains over the past few years. Chinese Taipei's refinery runs contracted by 160 kb/d on average over the four months from August to November, while the deadly typhoon hitting the Philippines on 8 November further curbed regional runs. Non-OECD Asian runs are expected to remain below year-earlier levels in 1Q14 on a string of planned maintenance shutdowns, though Chinese runs are expected to gain as new capacity starts up. The Middle East, FSU and Africa will further add to growth, lifting total non-OECD runs by 1.0 mb/d over year-earlier levels in 1Q14, from 0.8 mb/d in 4Q13.





Demand Worries Curb Chinese Refinery Expansion Boom

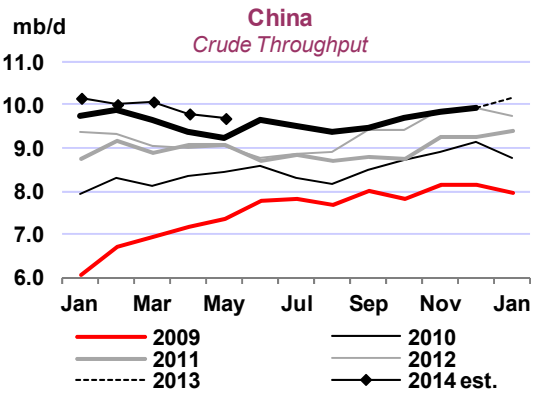
With Chinese oil demand growth dropping to a six-year low in 2013, of some 280 kb/d (or 2.8%), Chinese and international oil majors are reconsidering their refinery investment plans. Less than a year ago, some 4.3 mb/d of new primary distillation capacity was scheduled for completion by 2018, by far exceeding expected demand growth even at that time. Growing concerns over the risks of oversupply in the Chinese fuels market have led at least four projects to be cancelled in recent months.

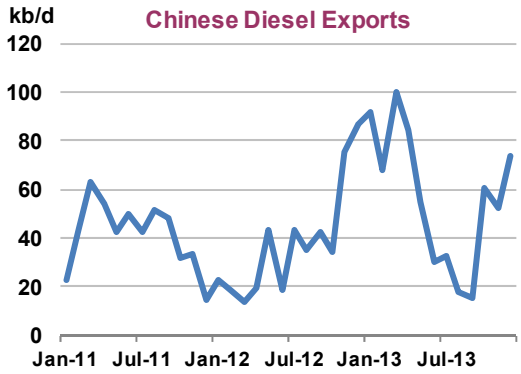
The latest headline came in late January, when news emerged that BP had dropped plans to invest in a refinery in China and was dismantling the team asssigned to the project. BP had considered investing in PetroChina's 200 kb/d Qinzhou refinery, which started operations in 2010, and is currently being upgraded to handle a wider feedstock slate.

PetroChina also announced in January that it had put off starting up two new refineries and delayed the expansion of another due to the threat of overcapacity. The company now plans to start its 200 kb/d Kunming refinery in the Yunnan province in 2016, two years later than originally scheduled. The proposed 400 kb/d Jieyang refinery in Guangdong province, a joint venture with Venezuelan state oil company PDVSA, is now slated for completion in 2017, compared with an earlier target of 2013. The 100 kb/d expansion of the company's Huabei refinery has also been postponed from 2014 to 2015, according to officials.

The latest news follows a number of project delays and cancellations over 2013. Sinochem's 240 kb/d Quanzhou refinery and PetroChina's 200 kb/d Pengzhou only started trial runs in January this year, after numerous delays. PetroChina's plans to build a refinery and petrochemical complex in east China with Royal Dutch Shell and Qatar Petroleum also stalled last year due to land issues and as PetroChina decided to cut back on refinery spending. The proposed 400 kb/d Taizhou refinery and the 1.2 mt/y ethylene plant were to cost $13 billion and would have been the largest downstream investment so far by PetroChina.

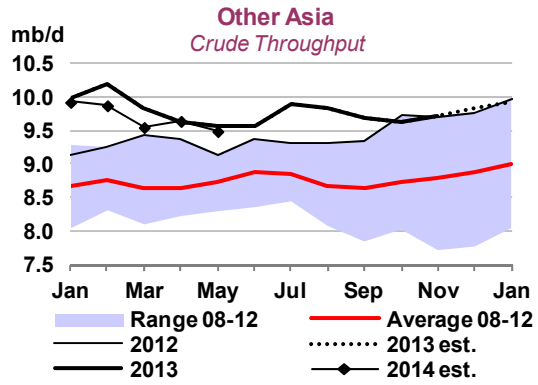
With no new data available for **Chinese** refinery operations since the release of last month's *Report,* our forecast for Chinese refinery throughputs remain unchanged, averaging 9.8 mb/d in 4Q13 and 10.1 mb/d in 1Q14. Newly commissioned refinery capacity is expected to underpin throughput growth in early 2014, and as domestic demand growth has slowed, an increasing share of refinery output is expected to be exported. Indeed, the Chinese government recently granted new, record-high diesel export quotas. The diesel quota for 1Q14 was raised to 154 kb/d, up from 138 kb/d in 4Q13. Average diesel exports in 4Q13 averaged only 62 kb/d however. It is likely that diesel exports were also below the allowed levels in January as suppliers replenished domestic stocks ahead of the Lunar New Year.

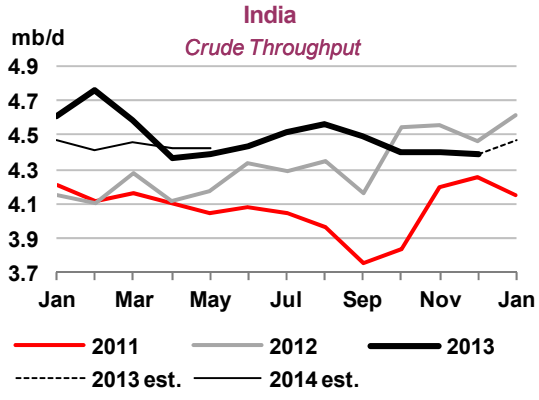




The latest data available for '**Other non-OECD Asian'** countries has led us to revise down regional crude throughputs for 4Q13 by 130 kb/d since last month's *Report*. In November, runs in the Philippines were 75 kb/d lower than expected; those in Chinese Taipei were 50 kb/d below expectations and 25 kb/d below forecast in Indonesia. December throughputs have been revised down by 235 kb/d, largely on weaker-than-expected Indian runs. Regional runs are now assessed at 9.8 mb/d for 4Q13, largely unchanged from the year earlier, and in sharp contrast to year-on-year growth of some 0.6 mb/d over the previous four quarters. The contraction stems in large part from India.

Indian refiners processed 1.7% less crude oil in December compared with a year earlier, the third consecutive month of y-o-y contraction. At 4.4 mb/d, crude intake was largely unchanged from November. Reliance's 660 kb/d Jamnagar 1 plant saw runs slump by 110 kb/d due to a power failure in mid-December, while IOC's Mathura refinery resumed runs after maintenance over the two previous months. Reliance was scheduled to restart a 300 kb/d crude unit at its Jamnagar 1 complex in February, after two weeks of maintenance.

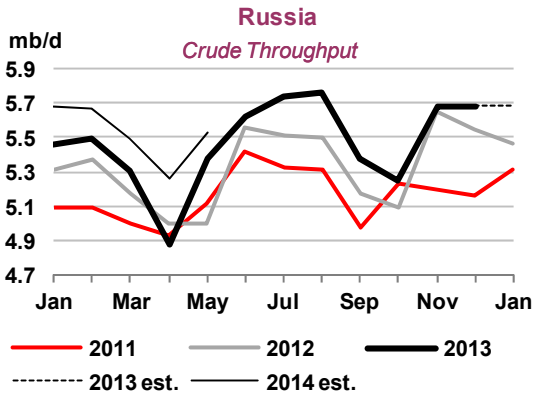


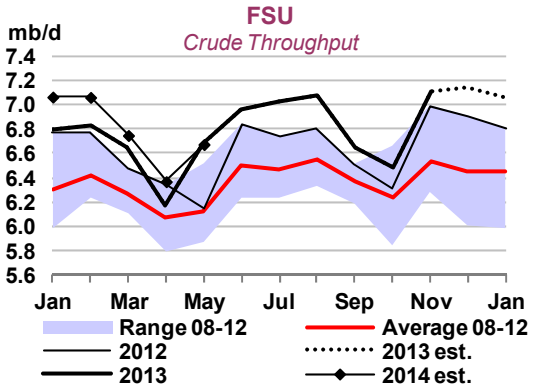


Regional runs are expected to be curbed further in early 2014 by maintenance in Thailand, the Philippines and Vietnam. Thailand's Star Petroleum will shut a 150 kb/d refinery for 40 days starting in February. Petron will shut its 180 kb/d Limay refinery in the Philippines for two to three weeks in 1Q14 and PetroVietnam is scheduled to shut its 140 kb/d Dung Quat refinery for 50 days starting in May.

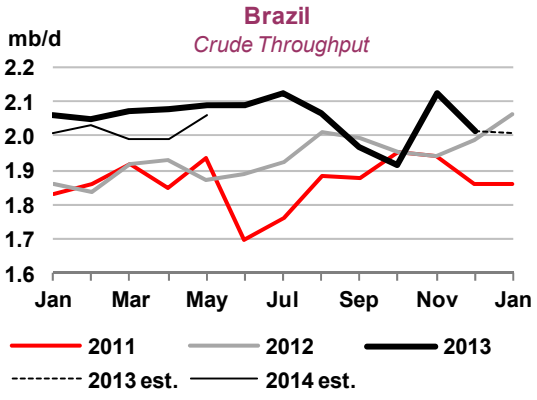
In the **FSU**, preliminary data show Russian refiners processed 5.7 mb/d in January, unchanged from a month earlier and 220 kb/d higher y-o-y. Official monthly statistics for December show refinery throughputs in that month rising some 140 kb/d year-on-year. While regional runs are expected to decline seasonally through April, as maintenance activity picks up, healthy refinery margins are expected to support year-on-year growth in 2014. Our 1Q14 growth forecast for FSU runs remain unchanged since last month's *Report* at 175 kb/d, to average 6.9 mb/d.

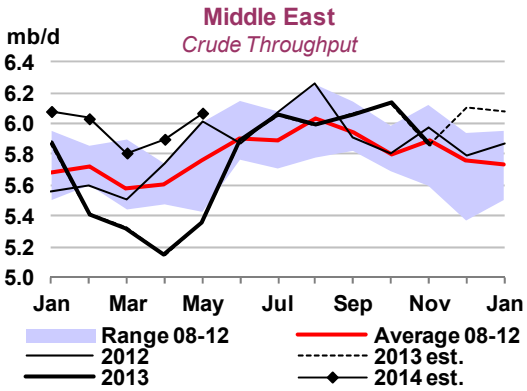
On 3 January 2014, the Russian government amended the structure of the fuel oil export duties for 2014. Instead of raising the fuel oil duty to 75% of that of crude oil as previously announced, the government left it unchanged at 66%. The planned increase of the duty to parity with crude oil in 2015 was reaffirmed. The lower duty improves the profit margin of simple refineries with high fuel oil yields. Russian throughput growth could see further support from lower turnarounds this year compared with last. The most recent Energy Ministry data showed that Russian companies plan to take offline 305 kb/d of primary distillation capacity for maintenance in 2014, compared with 350 kb/d in 2013.





Brazilian crude runs averaged 2.0 mb/d in December, down 110 kb/d from November, and 25 kb/d higher than the previous year. The monthly decline was less sharp than expected. Petrobras' Repar refinery, which was shut due to a fire for most of the month, processed only 65 kb/d of crude in December, compared with 207 kb/d a year earlier, though other plants partly made up for the loss.





In the **Middle East**, a power outage forced all three of **Kuwait**'s refineries to shut in January. The three plants, which have a combined capacity of 930 kb/d, halted operations for several days before output could be gradually restored by month-end. The latest monthly data for **Saudi Arabian** refinery output, for November, suggest a steep drop in refinery operations from October to November, compared with the expectations of an increase in runs as the new 400 kb/d Jubail refinery ramped up. Separately, Saudi Arabia's oil minister announced in January that the 400 kb/d YASREF Yanbu refinery, a joint venture between Saudi Arabia and China's Sinopec, was on schedule to be operational in 3Q14. The plant will process heavy crude oil from the Manifa oilfield, as will the recently commissioned Jubail refinery, and produce 263 kb/d of 10 ppm ULSD and 90 kb/d of gasoline. As noted in last month's *Report*, **Abu Dhabi**'s 415 kb/d Ruwais refinery is also slated for completion before the end of 2014. The refinery will process Abu Dhabi's Murban crude. State-run **Kuwait** National Petroleum Company announced on 10 February that the Kuwaiti government had approved $12 billion worth of bids to upgrade and expand its two of its refineries. The Clean Fuels Project, which intends to lift capacity at the two plants by 264 kb/d to 800 kb/d by 2018, has faced numerous delays due in large part to political instability.

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

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.2	24.3	24.0	24.0	23.9	24.2	24.4	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.8	13.2	13.8	14.0	13.6	13.7	13.2	13.6	13.9	13.7	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.7	8.4	8.8	7.7	8.0	8.5	8.3
Total OECD	47.0	46.5	46.3	45.5	45.9	46.2	46.0	45.9	45.5	46.3	46.5	46.1	46.0	45.3	46.1	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Europe	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	0.7
China	8.9	9.3	9.5	9.6	9.9	10.3	9.8	10.0	10.0	10.1	10.2	10.1	10.2	10.4	10.5	10.7	10.4
Other Asia	10.7	11.0	11.2	11.4	11.1	11.5	11.3	11.7	11.7	11.3	11.7	11.6	11.9	12.1	11.7	12.0	11.9
Latin America	6.1	6.2	6.2	6.4	6.5	6.6	6.4	6.4	6.6	6.7	6.7	6.6	6.5	6.8	7.0	6.9	6.8
Middle East	7.3	7.4	7.3	7.8	8.2	7.5	7.7	7.5	7.9	8.3	7.6	7.8	7.7	8.1	8.5	7.9	8.1
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Total Non-OECD	41.4	42.5	42.8	43.9	44.6	44.9	44.1	44.3	45.2	45.7	45.6	45.2	45.2	46.7	47.2	47.2	46.6
Total Demand[4]	88.4	89.0	89.1	89.4	90.5	91.2	90.0	90.2	90.8	92.0	92.2	91.3	91.3	92.0	93.3	93.8	92.6
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	17.8	17.2	18.3	18.3	18.4	18.8	18.4
Europe[2]	4.1	3.8	3.8	3.6	3.1	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.3	3.2	3.0	3.2	3.2
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Total OECD	18.9	19.0	19.9	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.6	20.9	22.0	22.0	21.9	22.7	22.2
NON-OECD SUPPLY																	
FSU	13.5	13.5	13.7	13.6	13.5	13.7	13.6	13.8	13.8	13.8	14.0	13.8	14.0	13.9	13.8	14.0	13.9
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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.3	4.3	4.2	4.3	4.3
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.3	4.3	4.4	4.5	4.4
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.5	2.5	2.6	2.5	2.5
Total Non-OECD	29.9	29.9	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.8	29.6	29.9	30.0	30.0	30.3	30.0
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.5	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.1	2.0	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC[5]	52.6	52.8	53.4	52.9	53.0	54.1	53.3	53.8	54.2	55.0	55.7	54.7	55.8	56.2	56.5	57.2	56.4
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.5					
NGLs	5.6	5.9	6.2	6.2	6.3	6.4	6.3	6.3	6.4	6.5	6.4	6.4	6.4	6.5	6.7	6.7	6.6
Total OPEC[5]	34.7	35.8	37.5	37.9	37.8	37.1	37.6	36.8	37.3	37.1	36.2	36.8					
Total Supply[9]	87.4	88.6	90.9	90.8	90.8	91.2	90.9	90.6	91.5	92.0	92.0	91.5					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4	-1.5	-0.2					
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0					
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.4	-1.5	-0.2					
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2	0.3	0.1					
Miscellaneous to balance[10]	-0.9	0.0	1.6	0.8	-0.1	0.6	0.7	0.0	0.9	-0.6	1.0	0.3					
Total Stock Ch. & Misc	-1.0	-0.3	1.8	1.4	0.3	0.1	0.9	0.4	0.7	0.0	-0.2	0.2					
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.2	30.2	29.5	30.3	31.2	30.7	30.4	30.0	30.2	30.6	30.0	30.2	29.0	29.2	30.1	29.9	29.6

4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1	0.1	0.1	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	0.1	-	-	-	-	0.1	0.1	-0.1	0.1	0.1	0.1	0.1
Total Demand	-	-	-	-	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
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-	-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	-0.1							
Total Stock Ch. & Misc	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	-	0.1	0.2	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.61	23.73	23.77	23.62	23.73	23.78	24.18	24.31	24.00	23.98	23.95	24.19	24.35	24.12
Europe[2]	14.28	13.72	13.82	13.85	13.69	13.77	13.22	13.84	13.99	13.56	13.65	13.24	13.60	13.92	13.74	13.63
Asia Oceania[3]	8.23	9.17	8.06	8.32	8.79	8.58	8.94	7.91	8.09	8.68	8.40	8.81	7.75	8.01	8.49	8.26
Total OECD	46.47	46.27	45.49	45.90	46.25	45.98	45.88	45.53	46.26	46.55	46.06	46.03	45.30	46.12	46.59	46.01
Asia	20.35	20.74	21.03	20.97	21.81	21.14	21.69	21.72	21.39	21.92	21.68	22.12	22.46	22.13	22.72	22.36
Middle East	7.43	7.27	7.81	8.21	7.53	7.71	7.52	7.90	8.35	7.62	7.85	7.66	8.13	8.54	7.91	8.07
Latin America	6.17	6.16	6.36	6.52	6.57	6.40	6.38	6.60	6.74	6.74	6.62	6.50	6.77	6.96	6.90	6.78
FSU	4.39	4.30	4.42	4.62	4.61	4.49	4.29	4.51	4.85	4.82	4.62	4.42	4.65	4.91	4.92	4.73
Africa	3.49	3.64	3.63	3.63	3.73	3.66	3.79	3.83	3.72	3.81	3.79	3.86	3.98	3.94	4.03	3.95
Europe	0.66	0.68	0.68	0.66	0.68	0.67	0.65	0.68	0.69	0.71	0.68	0.68	0.71	0.69	0.71	0.70
Total Non-OECD	42.49	42.80	43.92	44.60	44.93	44.07	44.32	45.24	45.73	45.63	45.24	45.24	46.71	47.17	47.20	46.59
World	88.96	89.06	89.42	90.50	91.17	90.04	90.20	90.77	92.00	92.18	91.29	91.28	92.00	93.30	93.79	92.60
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.67	19.13	19.32	18.95	18.98	18.89	19.06	19.19	19.03
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.28	8.26	8.07	8.16	8.02	8.07	8.19	8.13	8.10
China	9.32	9.50	9.60	9.87	10.30	9.82	10.03	10.04	10.13	10.20	10.10	10.24	10.40	10.46	10.69	10.45
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.75	4.56	4.91	4.00	4.19	4.52	4.40
India	3.20	3.36	3.45	3.18	3.40	3.35	3.43	3.46	3.16	3.42	3.37	3.48	3.55	3.26	3.53	3.45
Russia	3.21	3.19	3.23	3.40	3.35	3.29	3.18	3.32	3.64	3.52	3.42	3.31	3.45	3.68	3.61	3.51
Brazil	2.87	2.87	2.93	3.03	3.12	2.99	2.99	3.08	3.15	3.20	3.10	3.04	3.17	3.26	3.27	3.19
Saudi Arabia	2.79	2.57	3.00	3.32	2.79	2.92	2.72	3.05	3.33	2.82	2.98	2.79	3.16	3.42	2.92	3.07
Canada	2.27	2.18	2.22	2.34	2.37	2.28	2.28	2.31	2.30	2.25	2.29	2.29	2.27	2.36	2.35	2.31
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.38	2.31	2.37	2.23	2.26	2.40	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.04	2.13	2.10	2.14	2.10
Iran	1.77	1.80	1.83	1.74	1.73	1.78	1.77	1.77	1.74	1.74	1.76	1.80	1.81	1.78	1.78	1.79
Total	61.86	61.94	61.83	62.67	63.20	62.41	62.59	62.52	63.50	63.74	63.09	63.26	63.11	64.03	64.52	63.73
% of World	69.5%	69.5%	69.1%	69.2%	69.3%	69.3%	69.4%	68.9%	69.0%	69.2%	69.1%	69.3%	68.6%	68.6%	68.8%	68.8%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.7	1.9	2.3	1.6	1.1	0.7	0.0	0.2	0.5
Europe[2]	-2.8	-3.5	-2.2	-5.7	-2.8	-3.6	-3.6	0.1	1.1	-0.9	-0.8	0.2	-1.7	-0.5	1.4	-0.2
Asia Oceania[3]	0.5	5.6	7.6	2.8	1.5	4.3	-2.5	-1.9	-2.7	-1.3	-2.1	-1.5	-2.0	-1.0	-2.2	-1.7
Total OECD	-1.2	-1.6	0.3	-2.1	-0.9	-1.1	-0.8	0.1	0.8	0.7	0.2	0.3	-0.5	-0.3	0.1	-0.1
Asia	3.5	2.5	3.1	4.3	5.6	3.9	4.6	3.3	2.0	0.5	2.6	2.0	3.4	3.5	3.7	3.1
Middle East	2.0	3.6	4.9	4.3	1.8	3.7	3.4	1.1	1.7	1.2	1.8	1.9	3.0	2.3	3.8	2.8
Latin America	1.5	3.6	3.6	2.8	4.9	3.7	3.7	3.9	3.4	2.6	3.4	1.8	2.6	3.2	2.4	2.5
FSU	6.3	5.9	2.0	0.9	0.6	2.2	-0.3	2.2	5.0	4.7	3.0	2.9	2.9	1.4	2.1	2.3
Africa	-1.2	3.8	3.3	7.1	5.3	4.9	4.0	5.5	2.6	2.3	3.6	2.0	4.0	5.8	5.7	4.4
Europe	-0.4	3.6	2.7	1.0	-0.6	1.6	-3.6	0.8	4.1	4.5	1.4	4.6	4.0	0.0	0.6	2.2
Total Non-OECD	2.7	3.3	3.4	3.9	4.2	3.7	3.6	3.0	2.5	1.6	2.7	2.1	3.2	3.1	3.5	3.0
World	0.7	0.7	1.8	0.8	1.6	1.2	1.3	1.5	1.7	1.1	1.4	1.2	1.4	1.4	1.8	1.4
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.11	-0.38	-0.14	-0.34	0.35	0.17	0.45	0.54	0.38	0.25	0.16	0.01	0.04	0.12
Europe[2]	-0.41	-0.50	-0.30	-0.84	-0.39	-0.51	-0.50	0.02	0.15	-0.13	-0.11	0.03	-0.24	-0.07	0.19	-0.02
Asia Oceania[3]	0.05	0.49	0.57	0.23	0.13	0.35	-0.23	-0.16	-0.23	-0.11	-0.18	-0.13	-0.16	-0.08	-0.19	-0.14
Total OECD	-0.55	-0.73	0.15	-1.00	-0.41	-0.49	-0.38	0.03	0.37	0.30	0.08	0.15	-0.23	-0.14	0.04	-0.05
Asia	0.69	0.51	0.63	0.87	1.15	0.79	0.95	0.69	0.42	0.11	0.54	0.43	0.74	0.74	0.81	0.68
Middle East	0.14	0.25	0.37	0.34	0.14	0.27	0.24	0.09	0.14	0.09	0.14	0.15	0.24	0.20	0.29	0.22
Latin America	0.09	0.21	0.22	0.18	0.30	0.23	0.23	0.25	0.22	0.17	0.22	0.11	0.17	0.22	0.16	0.17
FSU	0.26	0.24	0.09	0.04	0.03	0.10	-0.01	0.10	0.23	0.22	0.13	0.13	0.13	0.07	0.10	0.11
Africa	-0.04	0.13	0.12	0.24	0.19	0.17	0.14	0.20	0.09	0.09	0.13	0.08	0.15	0.22	0.22	0.17
Europe	0.00	0.02	0.02	0.01	0.00	0.01	-0.02	0.01	0.03	0.03	0.01	0.03	0.03	0.00	0.00	0.02
Total Non-OECD	1.14	1.37	1.44	1.68	1.80	1.57	1.53	1.32	1.13	0.70	1.17	0.92	1.46	1.44	1.58	1.35
World	0.59	0.64	1.59	0.68	1.39	1.08	1.14	1.36	1.50	1.01	1.25	1.07	1.23	1.30	1.61	1.31
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	-0.04	0.01	0.01	0.04	0.04	0.02	0.03
Europe[2]	0.00	0.03	0.03	0.03	0.02	0.03	0.03	0.03	0.00	-0.04	0.01	-0.01	0.03	0.05	0.08	0.03
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.01	0.00	0.01	0.01	0.04	0.02
Total OECD	0.00	0.02	0.03	0.03	0.02	0.03	0.03	0.03	0.06	-0.03	0.03	-0.01	0.08	0.10	0.15	0.08
Asia	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.02	0.03	0.00	-0.07	0.00	0.01	0.01	-0.01
Middle East	0.00	0.00	0.01	0.05	0.05	0.03	0.04	0.03	0.04	0.03	0.04	0.04	0.05	0.05	0.07	0.05
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	-0.01	0.00	0.01	0.02	0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	-0.03	-0.01	-0.03	-0.02	0.00	-0.01	-0.02
Africa	0.00	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.01	0.04	0.01	-0.01	0.01	0.01	0.03	0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Total Non-OECD	0.00	0.01	0.02	0.05	0.06	0.03	0.03	0.05	0.04	0.09	0.05	-0.07	0.06	0.10	0.12	0.05
World	0.00	0.03	0.05	0.08	0.08	0.06	0.07	0.08	0.10	0.06	0.08	-0.08	0.14	0.20	0.27	0.13
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.03	0.04	0.09	0.08	0.06	0.04	0.04	0.02	-0.02	0.02	-0.15	0.06	0.09	0.21	0.05

1 As of the August 2012 OMR, includes Chile.

2 As of the August 2012 OMR, includes Estonia and Slovenia.

3 As of the August 2012 OMR, includes Israel.

* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	4Q12	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13 [2]	Latest month vs. Oct 13	Latest month vs. Nov 12
Americas[3]											
LPG&Ethane	3.14	3.29	3.36	3.64	2.98	3.01	3.01	3.33	3.56	0.23	0.22
Naphtha	0.34	0.39	0.35	0.37	0.39	0.40	0.39	0.37	0.38	0.01	0.02
Motor Gasoline	10.34	10.44	10.18	10.05	10.58	10.72	10.56	10.48	10.40	-0.09	0.25
Jet/Kerosene	1.65	1.68	1.62	1.58	1.68	1.77	1.69	1.71	1.69	-0.02	0.04
Gasoil/Diesel Oil	4.96	5.05	4.99	5.16	5.01	4.89	4.92	5.35	5.13	-0.22	-0.01
Residual Fuel Oil	0.78	0.70	0.72	0.75	0.68	0.76	0.65	0.69	0.59	-0.10	-0.14
Other Products	2.42	2.45	2.53	2.18	2.46	2.64	2.80	2.44	2.68	0.24	0.18
Total	23.62	24.00	23.77	23.73	23.78	24.18	24.02	24.37	24.43	0.06	0.56
Europe[4]											
LPG&Ethane	0.94	1.04	0.91	1.05	1.11	1.04	1.02	1.01	0.87	-0.14	-0.03
Naphtha	1.20	1.18	1.20	1.24	1.15	1.22	1.14	1.07	1.18	0.11	-0.04
Motor Gasoline	1.99	1.93	1.93	1.80	1.96	2.06	1.99	1.97	1.88	-0.10	-0.05
Jet/Kerosene	1.21	1.22	1.18	1.11	1.23	1.33	1.35	1.27	1.18	-0.09	0.03
Gasoil/Diesel Oil	5.95	5.98	6.14	5.78	6.00	5.96	6.06	6.42	6.16	-0.26	-0.12
Residual Fuel Oil	1.09	0.97	1.03	1.02	0.99	0.95	0.95	0.94	0.92	-0.02	-0.13
Other Products	1.39	1.33	1.30	1.22	1.39	1.43	1.41	1.36	1.36	-0.01	0.05
Total	13.77	13.65	13.69	13.22	13.84	13.99	13.92	14.04	13.53	-0.50	-0.31
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.85	0.94	0.82	0.79	0.76	0.77	0.87	0.11	0.05
Naphtha	1.78	1.82	1.83	1.83	1.72	1.81	1.81	1.78	1.94	0.16	0.06
Motor Gasoline	1.61	1.59	1.63	1.54	1.56	1.67	1.57	1.53	1.60	0.07	-0.01
Jet/Kerosene	0.88	0.87	1.02	1.13	0.69	0.68	0.70	0.78	1.00	0.22	0.02
Gasoil/Diesel Oil	1.76	1.77	1.83	1.80	1.72	1.72	1.68	1.76	1.90	0.14	0.04
Residual Fuel Oil	0.91	0.76	0.86	0.91	0.67	0.73	0.67	0.68	0.77	0.09	-0.07
Other Products	0.77	0.74	0.78	0.78	0.73	0.70	0.68	0.68	0.79	0.11	0.07
Total	8.58	8.40	8.79	8.94	7.91	8.09	7.87	7.97	8.86	0.89	0.15
OECD											
LPG&Ethane	4.96	5.19	5.12	5.63	4.90	4.84	4.79	5.11	5.30	0.19	0.25
Naphtha	3.32	3.38	3.38	3.44	3.26	3.42	3.34	3.22	3.50	0.28	0.04
Motor Gasoline	13.93	13.97	13.74	13.39	14.11	14.45	14.12	13.98	13.87	-0.11	0.18
Jet/Kerosene	3.74	3.77	3.82	3.82	3.60	3.78	3.74	3.75	3.87	0.12	0.09
Gasoil/Diesel Oil	12.67	12.80	12.96	12.74	12.74	12.56	12.65	13.52	13.18	-0.34	-0.10
Residual Fuel Oil	2.77	2.43	2.62	2.67	2.34	2.44	2.28	2.30	2.27	-0.03	-0.35
Other Products	4.58	4.52	4.61	4.19	4.58	4.77	4.89	4.49	4.83	0.34	0.29
Total	45.98	46.06	46.25	45.88	45.53	46.26	45.81	46.38	46.82	0.44	0.41

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2012	2013	4Q12	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13 [2]	Latest month vs. Oct 13	Latest month vs. Nov 12
United States[3]											
LPG	2.26	2.43	2.44	2.68	2.11	2.20	2.23	2.52	2.71	0.19	0.32
Naphtha	0.24	0.28	0.26	0.28	0.28	0.28	0.27	0.27	0.27	0.00	0.01
Motor Gasoline	8.69	8.78	8.53	8.42	8.91	9.03	8.92	8.83	8.76	-0.07	0.26
Jet/Kerosene	1.41	1.43	1.38	1.35	1.43	1.50	1.42	1.46	1.43	-0.03	0.04
Gasoil	3.74	3.82	3.74	3.93	3.77	3.67	3.72	4.10	3.87	-0.23	0.02
Residual Fuel Oil	0.37	0.32	0.27	0.37	0.26	0.36	0.34	0.30	0.32	0.02	0.01
Other Products	1.83	1.89	1.86	1.62	1.90	2.08	2.24	1.85	2.07	0.23	0.23
Total	18.54	18.95	18.48	18.66	18.67	19.13	19.14	19.32	19.44	0.11	0.89
Japan											
LPG	0.52	0.50	0.51	0.59	0.46	0.44	0.40	0.42	0.50	0.08	0.02
Naphtha	0.71	0.76	0.73	0.77	0.70	0.75	0.74	0.75	0.84	0.09	0.10
Motor Gasoline	0.98	0.97	0.99	0.92	0.94	1.03	0.97	0.93	0.97	0.04	0.00
Jet/Kerosene	0.54	0.54	0.65	0.77	0.38	0.37	0.39	0.44	0.64	0.20	0.02
Diesel	0.43	0.44	0.45	0.43	0.42	0.44	0.43	0.45	0.47	0.02	0.03
Other Gasoil	0.40	0.39	0.41	0.45	0.35	0.35	0.36	0.36	0.42	0.06	0.01
Residual Fuel Oil	0.56	0.45	0.54	0.57	0.38	0.44	0.40	0.40	0.45	0.05	-0.06
Other Products	0.58	0.52	0.57	0.57	0.49	0.50	0.46	0.45	0.55	0.10	0.08
Total	4.73	4.56	4.86	5.08	4.11	4.32	4.15	4.20	4.84	0.64	0.19
Germany											
LPG	0.10	0.11	0.09	0.11	0.12	0.11	0.11	0.10	0.09	0.00	0.00
Naphtha	0.38	0.39	0.40	0.42	0.39	0.38	0.36	0.37	0.40	0.03	-0.01
Motor Gasoline	0.43	0.43	0.42	0.39	0.44	0.45	0.45	0.45	0.41	-0.03	-0.01
Jet/Kerosene	0.19	0.18	0.18	0.16	0.19	0.20	0.20	0.19	0.17	-0.02	-0.01
Diesel	0.70	0.71	0.69	0.64	0.72	0.75	0.74	0.76	0.74	-0.02	0.00
Other Gasoil	0.38	0.40	0.47	0.40	0.45	0.35	0.38	0.45	0.40	-0.05	-0.08
Residual Fuel Oil	0.13	0.12	0.13	0.13	0.12	0.12	0.11	0.13	0.12	-0.01	-0.02
Other Products	0.08	0.07	0.07	0.04	0.08	0.09	0.09	0.09	0.08	-0.01	0.00
Total	2.39	2.41	2.44	2.30	2.51	2.44	2.44	2.54	2.42	-0.12	-0.13
Italy											
LPG	0.11	0.11	0.11	0.13	0.10	0.10	0.10	0.11	0.12	0.01	0.01
Naphtha	0.09	0.09	0.09	0.09	0.10	0.08	0.06	0.06	0.08	0.02	-0.01
Motor Gasoline	0.22	0.21	0.21	0.19	0.19	0.23	0.22	0.23	0.21	-0.02	0.00
Jet/Kerosene	0.09	0.09	0.08	0.08	0.09	0.11	0.10	0.10	0.09	-0.01	0.01
Diesel	0.45	0.42	0.44	0.40	0.42	0.43	0.43	0.45	0.40	-0.04	-0.03
Other Gasoil	0.11	0.12	0.12	0.12	0.11	0.11	0.12	0.14	0.12	-0.02	0.00
Residual Fuel Oil	0.10	0.07	0.09	0.07	0.08	0.07	0.07	0.08	0.06	-0.02	-0.05
Other Products	0.20	0.19	0.18	0.19	0.18	0.21	0.23	0.23	0.19	-0.04	0.02
Total	1.35	1.30	1.33	1.28	1.28	1.33	1.32	1.38	1.26	-0.12	-0.04
France											
LPG	0.11	0.11	0.11	0.14	0.10	0.08	0.08	0.10	0.11	0.01	-0.01
Naphtha	0.13	0.14	0.09	0.15	0.15	0.15	0.13	0.10	0.08	-0.01	0.01
Motor Gasoline	0.16	0.16	0.15	0.14	0.16	0.17	0.16	0.16	0.14	-0.02	-0.02
Jet/Kerosene	0.15	0.15	0.15	0.14	0.16	0.17	0.16	0.16	0.15	-0.01	0.00
Diesel	0.68	0.68	0.69	0.65	0.69	0.70	0.69	0.73	0.66	-0.07	-0.05
Other Gasoil	0.28	0.29	0.30	0.34	0.27	0.26	0.29	0.32	0.28	-0.04	-0.01
Residual Fuel Oil	0.07	0.06	0.06	0.07	0.06	0.05	0.05	0.06	0.06	0.01	0.00
Other Products	0.15	0.15	0.15	0.13	0.16	0.16	0.15	0.14	0.15	0.00	0.00
Total	1.74	1.73	1.71	1.75	1.75	1.76	1.72	1.77	1.63	-0.14	-0.08
United Kingdom											
LPG	0.11	0.10	0.09	0.10	0.13	0.10	0.10	0.07	0.08	0.01	0.00
Naphtha	0.02	0.03	0.03	0.04	0.03	0.03	0.03	0.02	0.02	0.00	0.00
Motor Gasoline	0.32	0.31	0.31	0.31	0.31	0.31	0.31	0.30	0.32	0.02	0.00
Jet/Kerosene	0.31	0.32	0.32	0.31	0.30	0.32	0.35	0.33	0.33	0.00	0.02
Diesel	0.45	0.46	0.47	0.44	0.47	0.47	0.48	0.46	0.51	0.05	0.03
Other Gasoil	0.12	0.12	0.12	0.12	0.13	0.13	0.13	0.12	0.11	0.00	-0.01
Residual Fuel Oil	0.05	0.04	0.04	0.05	0.04	0.04	0.04	0.03	0.03	0.00	-0.01
Other Products	0.12	0.13	0.10	0.13	0.14	0.13	0.11	0.12	0.11	-0.01	0.01
Total	1.50	1.51	1.47	1.50	1.54	1.52	1.55	1.45	1.52	0.07	0.03
Canada											
LPG	0.41	0.41	0.46	0.49	0.43	0.36	0.34	0.35	0.39	0.03	-0.09
Naphtha	0.09	0.09	0.09	0.08	0.09	0.09	0.09	0.08	0.09	0.01	0.00
Motor Gasoline	0.74	0.76	0.72	0.73	0.78	0.80	0.80	0.74	0.74	0.00	0.00
Jet/Kerosene	0.12	0.13	0.13	0.12	0.13	0.15	0.16	0.13	0.15	0.01	0.00
Diesel	0.30	0.30	0.29	0.32	0.30	0.30	0.29	0.28	0.29	0.01	-0.01
Other Gasoil	0.22	0.24	0.25	0.22	0.23	0.25	0.29	0.26	0.28	0.01	0.02
Residual Fuel Oil	0.06	0.04	0.06	0.04	0.05	0.04	0.05	0.03	0.05	0.01	-0.03
Other Products	0.32	0.30	0.38	0.29	0.30	0.30	0.31	0.32	0.34	0.02	-0.04
Total	2.28	2.29	2.37	2.28	2.31	2.30	2.33	2.21	2.31	0.10	-0.14

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)

	2012	2013	2014	3Q13	4Q13	1Q14	2Q14	3Q14	Nov 13	Dec 13	Jan 14
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.84	9.51				9.49	9.56	9.50
Iran	3.00	2.68		2.64	2.71				2.71	2.75	2.78
Iraq	2.95	3.08		3.04	3.08				3.10	3.13	2.99
UAE	2.65	2.76		2.80	2.73				2.66	2.76	2.76
Kuwait	2.46	2.55		2.56	2.53				2.52	2.55	2.52
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.73				0.72	0.73	0.72
Angola	1.78	1.72		1.71	1.64				1.59	1.64	1.65
Nigeria	2.10	1.95		1.97	1.91				1.89	1.92	1.94
Libya	1.39	0.90		0.62	0.30				0.22	0.23	0.50
Algeria	1.17	1.15		1.15	1.14				1.13	1.15	1.12
Ecuador	0.50	0.51		0.52	0.52				0.52	0.53	0.53
Venezuela	2.50	2.50		2.52	2.47				2.48	2.44	2.46
Total Crude Oil	31.30	30.45		30.61	29.80				29.53	29.91	29.99
Total NGLs[1]	6.28	6.40	6.60	6.45	6.42	6.43	6.55	6.71	6.42	6.42	6.43
Total OPEC	37.58	36.85		37.06	36.22				35.95	36.32	36.42
NON-OPEC[2]											
OECD											
Americas[6]	15.86	17.18	18.44	17.41	17.81	18.26	18.28	18.38	17.89	18.08	18.11
United States[5]	9.18	10.32	11.36	10.54	10.85	11.11	11.30	11.33	10.84	10.98	10.98
Mexico	2.92	2.89	2.89	2.88	2.89	2.91	2.90	2.86	2.89	2.87	2.91
Canada	3.75	3.96	4.19	3.98	4.07	4.23	4.07	4.18	4.15	4.22	4.21
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.45	3.28	3.17	3.17	3.32	3.31	3.17	2.96	3.37	3.43	3.29
UK	0.94	0.86	0.77	0.78	0.86	0.83	0.78	0.66	0.87	0.93	0.82
Norway	1.91	1.84	1.82	1.80	1.87	1.89	1.82	1.73	1.90	1.92	1.87
Others	0.59	0.59	0.58	0.59	0.59	0.60	0.58	0.57	0.60	0.59	0.60
Asia Oceania[8]	0.56	0.48	0.54	0.51	0.47	0.47	0.54	0.58	0.47	0.52	0.47
Australia	0.48	0.40	0.45	0.43	0.40	0.39	0.46	0.48	0.40	0.44	0.39
Others	0.08	0.07	0.09	0.07	0.07	0.08	0.09	0.10	0.06	0.08	0.08
Total OECD	19.87	20.94	22.15	21.09	21.60	22.05	21.99	21.92	21.73	22.03	21.87
NON-OECD											
Former USSR	13.62	13.85	13.93	13.78	14.02	13.97	13.92	13.83	14.02	14.04	14.01
Russia	10.73	10.88	10.95	10.85	10.99	10.98	10.97	10.89	10.99	11.01	11.01
Others	2.89	2.97	2.98	2.93	3.02	2.99	2.95	2.94	3.03	3.02	3.00
Asia	7.82	7.71	7.75	7.50	7.68	7.77	7.78	7.71	7.67	7.69	7.75
China	4.18	4.18	4.26	4.05	4.22	4.26	4.28	4.23	4.20	4.23	4.25
Malaysia	0.67	0.66	0.66	0.64	0.64	0.65	0.65	0.66	0.67	0.64	0.65
India	0.91	0.90	0.90	0.89	0.90	0.91	0.91	0.90	0.91	0.91	0.91
Indonesia	0.89	0.84	0.79	0.82	0.81	0.81	0.80	0.77	0.81	0.80	0.81
Others	1.17	1.14	1.14	1.10	1.10	1.14	1.14	1.15	1.09	1.11	1.14
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	4.18	4.18	4.37	4.19	4.22	4.25	4.33	4.40	4.19	4.24	4.21
Brazil[5]	2.16	2.12	2.23	2.12	2.17	2.17	2.19	2.24	2.13	2.20	2.16
Argentina	0.66	0.63	0.61	0.63	0.63	0.62	0.62	0.61	0.63	0.62	0.62
Colombia	0.95	1.01	1.12	1.02	1.00	1.05	1.10	1.14	1.01	1.01	1.01
Others	0.42	0.42	0.41	0.42	0.42	0.42	0.42	0.41	0.42	0.42	0.41
Middle East[3]	1.46	1.36	1.33	1.36	1.34	1.33	1.33	1.33	1.34	1.32	1.32
Oman	0.92	0.95	0.96	0.96	0.96	0.95	0.95	0.96	0.96	0.95	0.96
Syria	0.17	0.06	0.03	0.05	0.03	0.03	0.03	0.02	0.03	0.03	0.03
Yemen	0.18	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.12	0.13
Others	0.18	0.21	0.21	0.21	0.21	0.21	0.21	0.20	0.21	0.21	0.21
Africa	2.27	2.33	2.52	2.35	2.44	2.47	2.49	2.55	2.46	2.46	2.47
Egypt	0.72	0.70	0.66	0.69	0.68	0.67	0.67	0.66	0.68	0.68	0.68
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.61	1.41	1.52	1.56	1.58	1.66	1.54	1.54	1.55
Total Non-OECD	29.48	29.57	30.04	29.33	29.84	29.94	29.98	29.98	29.84	29.89	29.90
Processing Gains[4]	2.14	2.18	2.21	2.20	2.18	2.21	2.19	2.24	2.20	2.20	2.21
Global Biofuels[5]	1.85	2.00	2.03	2.35	2.13	1.65	2.05	2.37	2.25	1.91	1.65
TOTAL NON-OPEC	53.35	54.68	56.44	54.97	55.74	55.84	56.21	56.51	56.02	56.02	55.64
TOTAL SUPPLY	90.93	91.53		92.03	91.96				91.97	92.35	92.06

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Aug2013	Sep2013	Oct2013	Nov2013	Dec2013*	Dec2010	Dec2011	Dec2012	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	508.8	520.5	534.5	526.0	496.9	479.9	466.9	503.6	0.35	-0.18	0.03	-0.26
Motor Gasoline	253.9	253.4	246.5	250.6	262.2	253.7	259.0	265.7	-0.06	0.00	-0.07	0.10
Middle Distillate	205.3	205.8	188.8	189.5	199.1	241.3	226.6	211.5	-0.20	0.03	0.11	-0.07
Residual Fuel Oil	42.6	43.1	43.5	43.4	46.2	50.2	41.8	42.9	0.03	0.00	-0.03	0.03
Total Products[3]	715.2	714.0	678.6	668.7	668.2	699.6	690.7	703.9	-0.43	0.37	0.17	-0.50
Total[4]	1391.3	1402.2	1377.7	1354.6	1318.2	1328.9	1308.5	1365.2	-0.17	0.31	0.28	-0.91
OECD Europe												
Crude	302.3	313.5	324.2	314.3	310.8	325.0	290.4	307.7	0.06	-0.03	0.09	-0.03
Motor Gasoline	86.5	86.9	85.3	86.3	87.6	97.5	95.4	92.3	0.08	-0.11	-0.02	0.01
Middle Distillate	259.2	255.3	244.3	245.0	246.2	280.7	272.5	260.1	0.02	-0.10	0.10	-0.10
Residual Fuel Oil	74.8	72.2	68.9	68.0	66.7	83.3	75.0	78.4	0.03	-0.03	-0.05	-0.06
Total Products[3]	514.1	504.5	488.2	486.8	487.2	563.9	547.5	534.8	0.09	-0.27	-0.06	-0.19
Total[4]	880.6	881.2	877.6	867.2	862.7	959.2	905.1	902.2	0.21	-0.32	0.07	-0.20
OECD Asia Oceania												
Crude	151.2	157.3	151.7	147.7	141.2	157.4	156.4	158.5	0.09	0.01	-0.12	-0.18
Motor Gasoline	26.4	24.9	25.1	25.4	24.4	23.6	22.9	24.6	0.04	0.00	-0.03	-0.01
Middle Distillate	69.8	70.2	68.4	65.0	66.9	60.2	61.8	60.7	0.04	-0.03	0.10	-0.04
Residual Fuel Oil	22.2	20.0	19.4	18.4	19.2	19.0	19.1	19.7	0.00	-0.01	0.00	-0.01
Total Products[3]	181.6	182.9	181.3	173.7	169.3	163.7	165.9	170.4	0.03	-0.06	0.17	-0.15
Total[4]	405.9	413.1	404.3	393.7	377.7	390.8	392.2	396.9	0.18	-0.04	0.04	-0.38
Total OECD												
Crude	962.2	991.3	1010.4	988.1	948.8	962.3	913.6	969.7	0.50	-0.19	0.00	-0.46
Motor Gasoline	366.8	365.2	356.8	362.3	374.1	374.8	377.3	382.5	0.06	-0.11	-0.12	0.10
Middle Distillate	534.2	531.3	501.5	499.4	512.2	582.2	561.0	532.3	-0.15	-0.11	0.32	-0.21
Residual Fuel Oil	139.6	135.2	131.8	129.7	132.1	152.4	135.8	141.0	0.06	-0.03	-0.07	-0.03
Total Products[3]	1411.0	1401.4	1348.0	1329.2	1324.7	1427.1	1404.1	1409.1	-0.31	0.03	0.28	-0.83
Total[4]	2677.7	2696.6	2659.5	2615.4	2558.6	2678.9	2605.8	2664.2	0.21	-0.06	0.39	-1.50

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			
	Aug2013	Sep2013	Oct2013	Nov2013	Dec2013*	Dec2010	Dec2011	Dec2012	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	696.0	696.0	696.0	696.0	696.0	726.6	696.0	695.3	0.01	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	2.0	0.7	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	205.8	205.7	204.6	206.7	206.3	186.5	186.7	196.3	0.02	0.03	-0.02	0.01
Products	263.1	262.6	262.2	260.6	258.2	239.0	238.1	238.7	0.07	-0.04	0.03	-0.05
OECD Asia Oceania												
Crude	384.9	384.9	385.7	385.8	386.5	389.6	393.6	393.6	-0.04	-0.04	-0.01	0.02
Products	23.6	28.3	29.9	30.1	30.3	20.0	20.0	21.0	0.02	0.00	0.06	0.02
Total OECD												
Crude	1286.7	1286.5	1286.2	1288.4	1288.8	1302.5	1276.2	1285.2	-0.02	-0.01	-0.03	0.03
Products	287.6	291.9	293.2	291.7	289.4	261.0	258.8	260.7	0.10	-0.04	0.09	-0.03
Total[4]	1578.5	1582.6	1583.1	1584.3	1582.4	1564.8	1536.3	1547.3	0.08	-0.04	0.05	0.00

* 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 2012		End March 2013		End June 2013		End September 2013		End December 2013 [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
OECD Americas										
Canada	174.1	76	171.3	73	173.5	75	183.3	-	-	-
Chile	8.9	25	9.5	25	9.3	26	11.2	-	-	-
Mexico	47.5	23	48.7	23	50.0	24	50.0	-	-	-
United States[4]	1808.8	97	1794.2	96	1818.7	95	1832.6	-	-	-
Total[4]	2061.4	87	2045.9	86	2073.6	86	2099.2	86	2015.2	84
OECD Asia Oceania										
Australia	37.5	34	37.5	33	39.7	35	36.6	-	-	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	590.6	116	591.3	144	587.9	136	590.7	-	-	-
Korea	175.4	76	187.6	82	182.3	81	190.7	-	-	-
New Zealand	7.8	49	9.0	60	8.8	60	8.2	-	-	-
Total	811.5	91	825.4	104	818.7	101	826.3	95	794.5	90
OECD Europe[5]										
Austria	22.9	95	22.5	82	22.0	79	21.2	-	-	-
Belgium	38.7	58	40.3	64	38.6	58	41.0	-	-	-
Czech Republic	20.2	118	20.3	107	18.5	95	20.3	-	-	-
Denmark	21.6	149	23.7	154	22.1	139	21.3	-	-	-
Estonia	1.5	55	1.6	65	1.5	50	1.4	-	-	-
Finland	26.3	136	36.6	188	38.2	193	41.1	-	-	-
France	162.3	93	160.9	92	165.5	94	166.1	-	-	-
Germany	287.1	125	290.5	116	288.4	118	286.9	-	-	-
Greece	30.8	112	32.2	111	26.6	84	26.7	-	-	-
Hungary	15.1	123	16.6	123	15.4	111	15.7	-	-	-
Ireland	10.3	74	10.1	73	10.4	77	10.2	-	-	-
Italy	125.5	98	130.3	102	125.7	94	126.2	-	-	-
Luxembourg	0.7	11	0.7	11	0.6	10	0.7	-	-	-
Netherlands	121.3	128	132.5	129	123.1	122	120.7	-	-	-
Norway	27.9	126	26.9	105	24.2	103	27.9	-	-	-
Poland	63.9	139	63.3	132	61.0	111	61.9	-	-	-
Portugal	21.3	97	23.1	93	21.7	83	22.1	-	-	-
Slovak Republic	8.5	119	8.7	120	8.6	104	8.3	-	-	-
Slovenia	5.3	111	5.0	96	5.2	106	5.3	-	-	-
Spain	120.1	101	123.8	104	117.1	96	120.3	-	-	-
Sweden	27.6	91	28.7	88	27.6	88	25.8	-	-	-
Switzerland	36.8	147	36.5	142	36.7	145	37.2	-	-	-
Turkey	62.0	104	62.0	86	63.9	82	63.2	-	-	-
United Kingdom	80.9	54	79.6	51	83.9	55	81.8	-	-	-
Total	1338.7	102	1376.3	99	1346.4	96	1353.7	100	1331.3	101
Total OECD	4211.6	92	4247.5	93	4238.7	92	4279.1	92	4141.0	90
DAYS OF IEA Net Imports[6]	-	148	-	149	-	160	-	161	-	-

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 2013 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]		
4Q2010	4244	1565	2679	90	33	57
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4212	1547	2664	92	34	58
1Q2013	4248	1581	2666	93	35	59
2Q2013	4239	1578	2661	92	34	58
3Q2013	4279	1583	2697	92	34	58
4Q2013	4141	1582	2559	90	34	56

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 4Q2013 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2010	2011	2012	3Q12	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13	Year Earlier Nov 12	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.69	0.76	0.67	0.69	0.66	0.85	0.95	0.76	0.78	0.69	0.09
Europe	0.66	0.83	0.85	0.97	0.67	0.88	0.86	0.91	0.79	0.82	0.74	0.08
Asia Oceania	1.21	1.24	1.26	1.21	1.22	1.20	1.16	1.08	1.10	1.32	1.25	0.07
Saudi Medium												
Americas	0.36	0.37	0.44	0.41	0.44	0.44	0.44	0.42	0.43	0.49	0.43	0.06
Europe	0.00	0.02	0.05	0.05	-	0.02	0.02	0.00	0.03	0.02	0.06	-0.04
Asia Oceania	0.34	0.40	0.45	0.48	0.49	0.34	0.43	0.48	0.51	0.40	0.47	-0.06
Iraqi Basrah Light[2]												
Americas	0.36	0.29	0.49	0.46	0.56	0.26	0.40	0.41	0.35	0.30	0.42	-0.13
Europe	0.09	0.11	0.26	0.42	0.18	0.26	0.34	0.24	0.17	0.22	0.21	0.01
Asia Oceania	0.29	0.34	0.33	0.39	0.35	0.35	0.30	0.31	0.19	0.25	0.38	-0.13
Kuwait Blend												
Americas	0.09	0.08	0.22	0.20	0.29	0.23	0.30	0.25	0.30	0.26	0.29	-0.03
Europe	0.07	0.08	0.09	0.15	0.08	0.11	0.12	0.06	0.10	0.02	0.07	-0.05
Asia Oceania	0.55	0.57	0.65	0.68	0.65	0.62	0.63	0.69	0.70	0.59	0.58	0.00
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.24	0.23	0.12	0.05	0.10	0.10	0.06	0.05	0.05	0.04	0.04	-0.01
Asia Oceania	0.04	0.04	0.02	0.01	0.01	-	0.01	-	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.49	0.55	0.16	0.08	0.02	0.01	0.04	0.04	0.04	0.04	0.07	-0.03
Asia Oceania	0.52	0.51	0.33	0.11	0.39	0.25	0.31	0.39	0.23	0.21	0.31	-0.10
Venezuelan 22 API and heavier												
Americas	0.86	0.76	0.69	0.77	0.60	0.62	0.61	0.65	0.60	0.56	0.73	-0.18
Europe	0.06	0.05	0.08	0.11	0.06	0.08	0.10	0.11	0.02	0.09	0.03	0.06
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.91	0.82	0.73	0.76	0.63	0.67	0.70	0.69	0.77	0.79	0.71	0.07
Europe	0.11	0.12	0.14	0.13	0.15	0.16	0.14	0.13	0.19	0.13	0.18	-0.05
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	0.97	1.25	1.41	1.38	1.57	1.44	1.44	1.49	1.54	1.50	1.50	0.00
Europe	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	0.00	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.14	0.06	0.02	0.01	0.04	0.03	0.02	0.04	0.03	-	-	-
Europe	0.72	0.64	0.55	0.54	0.47	0.42	0.52	0.54	0.37	0.48	0.64	-0.15
Asia Oceania	-	0.02	0.07	0.10	0.11	0.04	0.02	-	-	-	-	-
Russian Urals												
Americas	0.08	0.01	0.00	0.01	-	0.02	-	-	-	-	-	-
Europe	1.80	1.69	1.86	1.97	1.85	1.93	1.64	1.59	1.82	1.62	1.98	-0.36
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.07	0.06	0.07	0.09	0.07	0.02	0.09	0.07	0.07	0.03	0.07	-0.03
Europe	0.64	0.62	0.53	0.49	0.59	0.60	0.59	0.58	0.58	0.55	0.57	-0.02
Asia Oceania	-	-	-	-	-	0.01	-	-	-	-	-	-
Libya Light and Medium												
Americas	-	-	0.03	0.09	-	0.01	-	-	-	-	-	-
Europe	1.08	0.29	0.88	1.00	0.86	0.78	0.42	0.13	0.34	0.19	1.01	-0.82
Asia Oceania	-	0.01	0.04	0.02	0.05	0.03	0.02	-	-	0.06	-	-
Nigerian Light[4]												
Americas	0.60	0.53	0.24	0.25	0.14	0.15	0.01	-	-	-	0.16	-
Europe	0.34	0.45	0.58	0.72	0.65	0.46	0.46	0.51	0.60	0.50	0.59	-0.09
Asia Oceania	-	0.05	0.04	0.03	0.02	0.05	0.03	0.03	0.03	-	0.06	-

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2010	2011	2012	4Q12	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13	Year Earlier Nov 12	% change
Crude Oil												
Americas	7494	6870	6101	5610	5039	5273	5494	5419	4774	4514	5960	-24%
Europe	9072	8988	9346	9286	8942	9242	9112	8706	8657	8258	9543	-13%
Asia Oceania	6473	6609	6761	6702	6999	6242	6465	6693	6147	6621	6450	3%
Total OECD	23038	22468	22208	21597	20980	20757	21071	20818	19578	19393	21953	-12%
LPG												
Americas	34	30	20	17	36	14	4	6	12	10	16	-37%
Europe	285	318	287	297	353	400	361	379	457	371	304	22%
Asia Oceania	565	568	620	615	598	547	524	506	534	519	604	-14%
Total OECD	884	916	927	929	986	961	890	891	1003	900	924	-3%
Naphtha												
Americas	36	42	20	15	21	20	16	16	19	9	12	-21%
Europe	399	298	381	376	348	275	305	331	381	256	338	-24%
Asia Oceania	908	884	900	961	954	939	866	885	881	1001	1021	-2%
Total OECD	1344	1224	1301	1352	1324	1235	1187	1232	1281	1266	1370	-8%
Gasoline[3]												
Americas	801	762	730	652	610	806	636	534	644	528	717	-26%
Europe	187	222	212	188	140	109	148	146	19	155	144	8%
Asia Oceania	84	95	86	89	96	91	72	84	82	76	75	1%
Total OECD	1073	1079	1028	928	846	1006	857	764	745	758	936	-19%
Jet & Kerosene												
Americas	76	77	73	86	51	83	93	73	128	94	90	4%
Europe	418	397	398	465	314	411	498	440	522	502	466	8%
Asia Oceania	45	58	62	82	107	56	53	46	71	79	97	-18%
Total OECD	539	532	533	634	472	550	644	559	720	675	654	3%
Gasoil/Diesel												
Americas	100	72	59	69	83	81	46	16	16	27	75	-63%
Europe	1071	1044	984	1074	1068	968	1170	1342	1584	1227	1090	12%
Asia Oceania	103	147	185	203	177	166	137	145	157	205	237	-14%
Total OECD	1275	1263	1227	1347	1328	1215	1352	1503	1757	1459	1402	4%
Heavy Fuel Oil												
Americas	277	268	206	181	163	150	193	188	162	178	228	-22%
Europe	464	537	521	439	541	512	613	645	476	631	344	84%
Asia Oceania	123	153	224	241	260	197	221	172	246	288	220	31%
Total OECD	864	958	951	860	965	859	1027	1005	884	1096	792	38%
Other Products												
Americas	807	871	813	829	735	864	901	932	915	727	780	-7%
Europe	692	700	636	654	841	777	772	671	915	720	658	9%
Asia Oceania	367	366	356	317	381	372	404	437	364	401	278	44%
Total OECD	1866	1937	1805	1800	1956	2013	2077	2040	2195	1848	1716	8%
Total Products												
Americas	2132	2122	1921	1849	1700	2018	1889	1765	1896	1573	1917	-18%
Europe	3516	3516	3419	3493	3605	3452	3867	3954	4354	3861	3344	15%
Asia Oceania	2197	2271	2432	2509	2572	2368	2278	2276	2335	2569	2532	1%
Total OECD	7845	7909	7773	7851	7877	7839	8034	7995	8585	8003	7794	3%
Total Oil												
Americas	9625	8993	8022	7458	6739	7291	7383	7185	6670	6087	7877	-23%
Europe	12588	12504	12765	12779	12547	12694	12979	12660	13011	12119	12887	-6%
Asia Oceania	8670	8880	9194	9210	9572	8611	8743	8969	8482	9190	8983	2%
Total OECD	30883	30377	29981	29448	28857	28596	29105	28813	28163	27396	29746	-8%

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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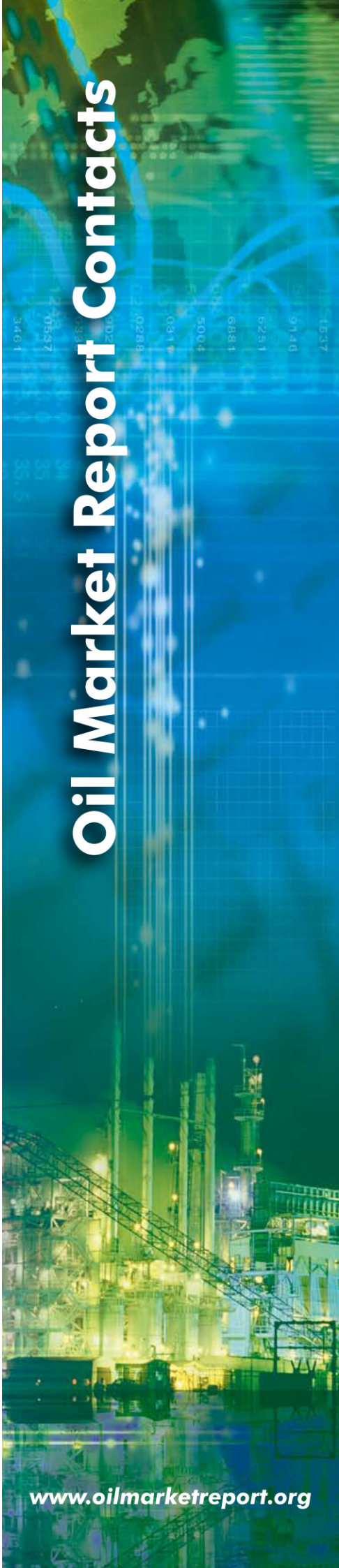
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 9 August 2013), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 13 March 2014





International Energy Agency

14 March 2014

HIGHLIGHTS

- **Oil prices edged higher in February with gains in WTI far outpacing ICE Brent. WTI futures traded above $100/bbl** for the first time in five months on bitterly cold weather and strong refiner demand. Both benchmarks trended lower again in early March ahead of planned refinery turnarounds, with WTI last trading at $98.20/bbl and Brent at $108/bbl.

- **Global supplies rose by 600 kb/d in February to 92.81 mb/d, led by a 500 kb/d jump in OPEC crude output.** Total non-OPEC supplies grew by 1.3 mb/d in 2013 and are expected to increase by a further 1.7 mb/d in 2014, the highest rate of growth since at least the early 1990s, driven primarily by the US and Canada. Russia, China and Brazil will contribute.

- **OPEC crude supplies in February breached the 30 mb/d mark for the first time in five months, led by a surge in Iraqi output to 35-year highs.** OPEC supply rose by 500 kb/d to 30.49 mb/d. The 'call on OPEC crude and stock change' was lowered by 100 kb/d to 28.9 mb/d for 1Q14 but was raised by 250 kb/d to 30.2 mb/d for 2H14.

- **Global oil demand growth of around 1.4 mb/d is forecast for 2014, to 92.7 mb/d, as the macroeconomic backdrop improves.** Emerging markets, despite their recent volatility, are forecast to provide the majority of this growth, with non-OECD Asia accounting for roughly half of the gain.

- **OECD total oil inventories dropped counter-seasonally by 13.2 mb in January to 2 551 mb**, as unusually cold weather in North America drew stocks of heating fuels. The deficit of inventories to the seasonal average widened to 154 mb at end-December while refined product cover dropped by 0.2 days to 29.0 days.

- **The US Department of Energy said on 12 March that it would sell 5 mb of crude from the Strategic Petroleum Reserve** to test the capabilities of the reserve system infrastructure. Deliveries are expected in April.

- **Global refinery crude throughputs are on track to expand by 1 mb/d in 1Q14, to 76.6 mb/d.** Robust growth in the US, the Middle East and Russia is partly offset by contracting runs in Asia and Europe. Seasonal maintenance is set to curb refinery activity to a low of 74.8 mb/d in April, taking global runs to 75.9 mb/d on average for 2Q14, or up 1 mb/d year-on-year.

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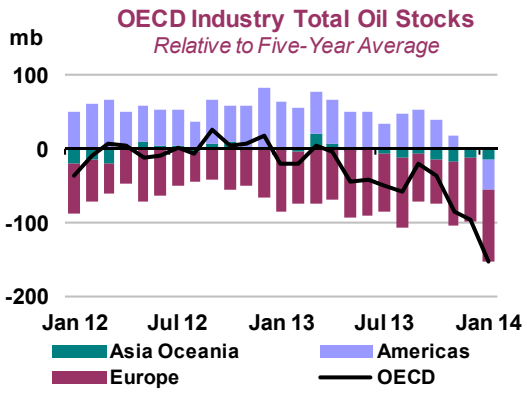
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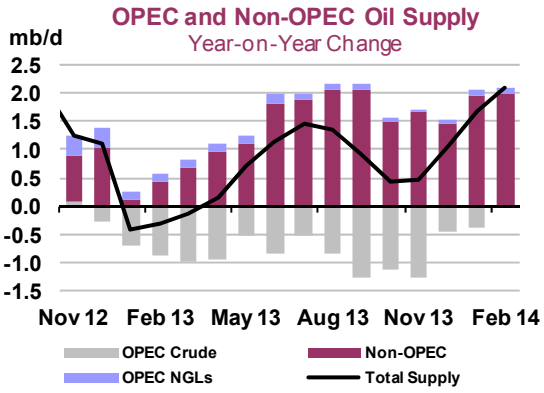
MARKETS REMAIN CALM

Aside from a brief and short-lived spike in oil prices on 3 March, oil markets so far have taken the standoff between Russia and the West over Ukraine in their stride. At the time of writing, oil futures prices were actually down on their February close. One factor in the market's relative calm is almost certainly the fact that Ukraine is not a major transit country for Russian-origin oil sold to the West.

Despite the "Asian pivot" of Russian oil companies that has had the effect of gradually redirecting some of Russian crude exports from the Atlantic to the Pacific, Russia and the West are closely linked in a producer-consumer relationship that remains very important to both parties. In 2013, OECD Europe still received as much as 36% of its net crude imports from Russia, which in turn relied on Europe for 71% of its crude exports. A 7% dip in Russian crude exports to OECD Europe versus 2012 levels was largely offset by a rise in net product exports, which jumped by 15%.

The latest trend in oil fundamentals points to other reasons that may explain the market's calm. On the surface, headline draws in OECD commercial oil inventories are staggering: a cold snap in the US led a further, counter-seasonal drop of 13 mb in oil stocks in January, extending their 4Q13 plunge reported last month, and leaving their deficit to the seasonal average at a whopping 154 mb, its widest in more than a decade.





But an improving supply outlook partly offsets these recent draws. Not only is non-OPEC supply set to soar by as much as 2 mb/d in 1Q14, but OPEC itself managed a surprise 500 kb/d surge in production last month, bouncing back over the 30 mb/d mark for the first time in four months, and bringing the steady year-on-year decline of 2013 to a sudden halt. A new dip in Libyan output was more than offset by an unexpected jump in Iraqi production volumes, which surged to their highest in 35 years. After many false starts, one of the major bottlenecks at Iraq's southern terminals was finally removed, allowing a long-awaited increase in exports to materialise. Whether this gain can be extended or even sustained is an open question, as Baghdad continues to face formidable above-ground challenges. But the latest spike in Iraqi exports proves that even in the face of these obstacles, Iraq's huge potential as supplier cannot be dismissed.

Meanwhile, the cold weather that dug into stocks in January has abated. Product demand in general is dropping seasonally while refining maintenance looks set to curb global crude demand by some 700 kb/d in 2Q14 from 1Q14, allowing stocks to rebuild. After record-high US oil exports in December, US crude runs, despite their seasonal dip, have remained nearly 900 kb/d above last year. Recent US crude price drops, on the back of weekly stock builds and the first test sale of crude from the US Strategic Petroleum Reserve since the Gulf War, have helped margins and may keep runs historically elevated. While international tensions may be on the rise, pressure on oil markets, *ceteris paribus,* seems set to ease.

DEMAND

Summary

- **Global oil demand rose by 1.3 mb/d to 91.3 mb/d in 2013**, according to the latest, now near-complete set of data for the year. This estimate is 45 kb/d over the assessment carried in last month's *Report*. Demand in non-OECD economies expanded by 1.2 mb/d, while OECD deliveries inched slightly upwards, following two consecutive years of decline.

- **Demand for 2014 is forecast to expand by 1.4 mb/d, to 92.7 mb/d** (95 kb/d above last month's *Report*). Growth momentum is expected to benefit from a more robust global economic backdrop. The pace of growth will likely build through the year, as underlying macroeconomic conditions improve, but the standoff in Ukraine has increased downside risk to the forecast.

Global Oil Demand (2012-2014)

(million barrels per day)

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Americas	29.5	30.0	30.2	30.3	30.0	30.1	30.4	30.9	31.0	30.6	30.4	30.7	31.2	31.3	30.9
Asia/Pacific	29.9	29.1	29.3	30.6	29.7	30.6	29.6	29.5	30.6	30.1	30.8	30.2	30.2	31.2	30.6
Europe	14.4	14.5	14.5	14.4	14.4	13.9	14.5	14.7	14.3	14.3	13.9	14.3	14.6	14.4	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.5	4.7	4.9	4.9	4.7
Middle East	7.3	7.8	8.2	7.6	7.7	7.5	7.9	8.4	7.7	7.9	7.7	8.2	8.6	8.0	8.1
World	**89.1**	**89.4**	**90.5**	**91.2**	**90.1**	**90.2**	**90.8**	**92.0**	**92.2**	**91.3**	**91.2**	**92.1**	**93.4**	**93.9**	**92.7**
Annual Chg (%)	0.7	1.8	0.8	1.6	1.1	1.3	1.5	1.7	1.1	1.4	1.1	1.4	1.5	1.9	1.5
Annual Chg (mb/d)	0.6	1.6	0.7	1.4	1.0	1.2	1.4	1.5	1.0	1.3	1.0	1.3	1.4	1.7	1.4
Changes from last OMR (mb/d)	0.01	0.00	0.03	0.04	0.02	0.06	0.03	0.06	0.03	0.04	-0.05	0.09	0.16	0.15	0.09

- **US demand growth continues to show signs of strengthening.** US demand expanded by a steep 5.2% in December year-on-year (y-o-y), the latest data confirm. Early indications point to continued y-o-y growth in 1Q14, albeit likely at a somewhat slower pace.

- **In contrast, Chinese demand growth continues to slow.** Having fallen, in y-o-y terms, in both November and December, a further modest decline is foreseen for January. This slowdown reflects a combination of weaker underlying economic growth, as the government attempts to redirect the economy from heavy reliance on exports to domestic consumption, and, at the margin, environmental measures designed to curb air pollution.

Global Overview

This month's *Report* includes for the first time a near-complete set of demand data for 2013. Based on these figures, the estimate of global oil demand for the year has been revised slightly upwards, to 91.3 mb/d. Demand growth for the year is now estimated at 1.3 mb/d (or 1.4%), with the total 2013 demand number now 45 kb/d above last month's estimate, as December demand exceeded expectations along side some baseline revisions. While non-OECD demand continued to lead the growth, rising by 1.2 mb/d for the year, this gain reflects a somewhat slower growth rate than seen in recent years.

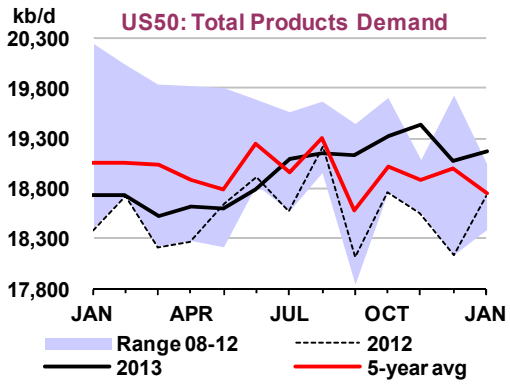
For 2014, global oil demand is expected to average about 92.7 mb/d, up by 1.4 mb/d (or 1.5%) on the year earlier. All of the growth is forecast to be attributable to non-OECD in 2014, with non-OECD Asia the greatest likely contributor, accounting for roughly half the global gain. Overall demand momentum is forecast to accelerate, albeit modestly, in 2014, supported by a strengthening global macroeconomic backdrop. The International Monetary Fund's *World Economic Outlook* dated January 2014 forecasts global economic growth of 3.7% in 2014, 70 basis points above the 3.0% gain seen in 2013.

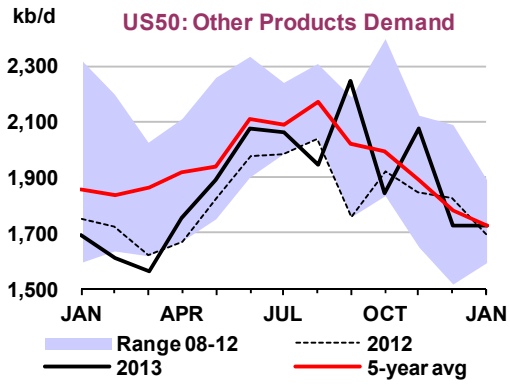
The 4Q13 global demand estimate was adjusted upwards by 35 kb/d since last month's *Report*, to 92.2 mb/d, reflecting a combination of some raised historical numbers and on balance stronger than expected deliveries in December. Several countries accounted for the bulk of the upwards adjustments for December, including Russia (+65 kb/d), Turkey (+45 kb/d), Iran (+35 kb/d) and Switzerland (+25 kb/d). The US provided a partial offset with a downward adjustment of 115 kb/d, as did Germany (-50 kb/d) and Sweden (-35 kb/d).

Top 10 Consumers

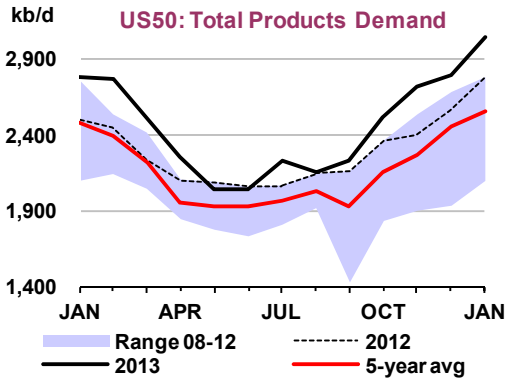
US

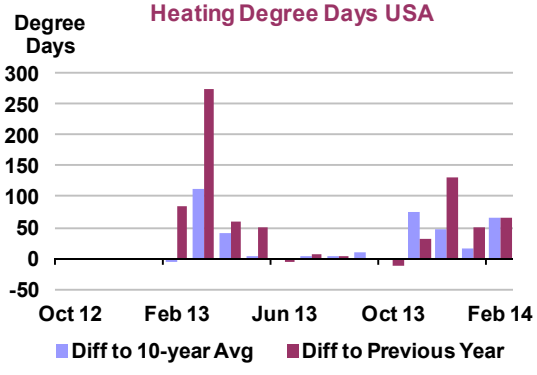
The US demand estimate for December has been revised down by 115 kb/d since last month's *Report*, based on the latest official monthly data. US demand is now estimated at 19.1 mb/d for the month, with deliveries of both LPG and 'other products' significantly below preliminary estimates. Despite this downward adjustment, US demand jumped by a steep 950 kb/d (or +5.2%) in December y-o-y.





Based on the latest weekly data from the US Energy Information Administration (EIA), US demand growth remained remarkably steep in early 2014. Strong gains in LPG and gasoil/diesel, driven by exceptionally cold weather, offset dips in fuel oil, gasoline and naphtha. The latest US heating degree-day statistics show increases over the year earlier for November-through-February. Despite ongoing colder weather conditions, early estimates of US demand in February point towards demand growth tapering out somewhat, to below +1% y-o-y once again, and our forecast for the year as a whole thus remains essentially unchanged. Growth of around 0.5% is forecast in US oil demand in 2014, to 19.0 mb/d.



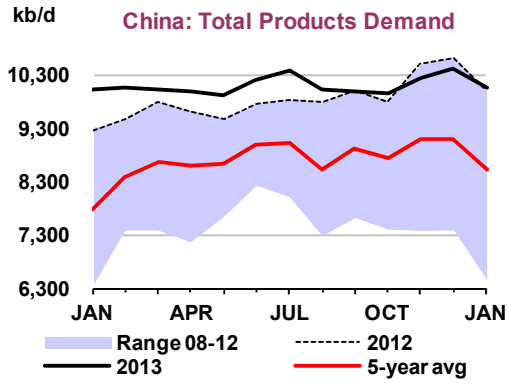


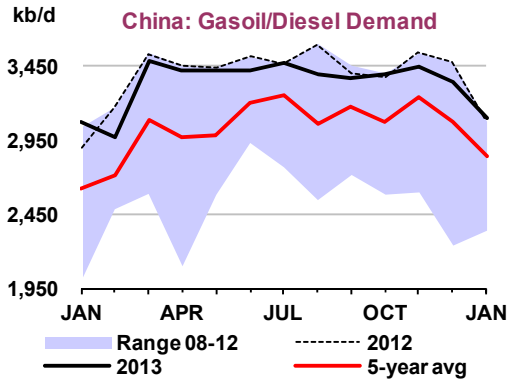
US Energy Secretary Ernest Moniz on 19 February said that the US intends to take a "three-pronged" approach to lowering its oil dependence, emphasising the importance of improving vehicle efficiency standards and widening the electric vehicle fleet. This appears consistent with our forecast of an average decline rate of around 0.6% per annum in US gasoline demand in the next five years. Dr. Moniz outlined

plans for the Department of Energy to work alongside the private sector to develop long-term fuel economy standards for medium- and heavy-trucks, noting that in an ideal world, the efficiency of Class 8 long-haul trucks (*i.e.* trucks that weigh 33 000 lbs, 14 969 kg, or more) would be improved by 50%.

China

The forecast of Chinese demand has been modestly curtailed since last month's *Report*, on account of a reduced 1Q14 estimate. The estimate for January has been adjusted down by 80 kb/d, to 10.0 mb/d, reflecting stronger-than-expected Chinese product stock builds that month. Once again gasoil demand was relatively weak, as industrial growth eases back and less gasoil is reportedly needed to move coal across the country. In contrast, gasoline demand remained relatively strong, supported by hefty car sales, while demand for jet/kerosene extended the steep growth shown in recent months. Looking forward, it is these two transportation fuels, along with naphtha and LPG, that will likely provide the bulk of Chinese demand support through 2014.

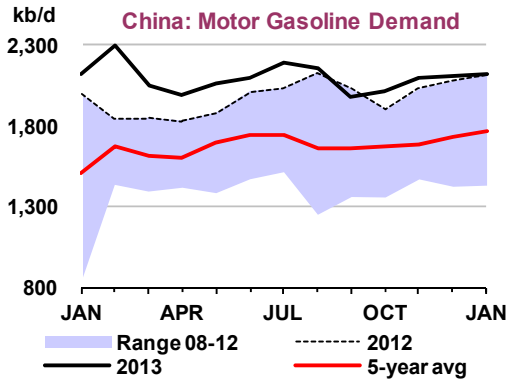


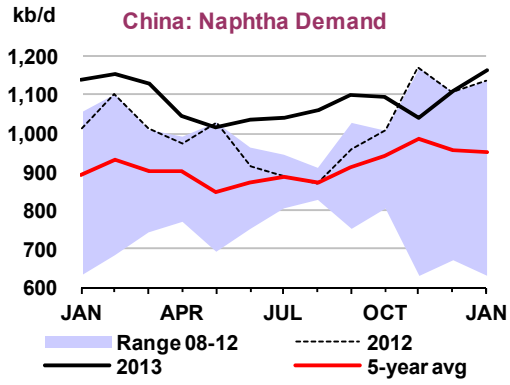


China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	764	786	812	22	26	2.8	3.2
Naphtha	1,004	1,080	1,140	76	60	7.6	5.6
Motor Gasoline	1,967	2,095	2,225	129	129	6.5	6.2
Jet Fuel & Kerosene	435	479	501	44	22	10.0	4.6
Gas/Diesel Oil	3,409	3,355	3,438	-54	83	-1.6	2.5
Residual Fuel Oil	504	464	481	-40	17	-7.9	3.7
Other Products	1,737	1,840	1,846	103	7	5.9	0.4
Total Products	**9,820**	**10,099**	**10,443**	**278**	**344**	**2.8**	**3.4**





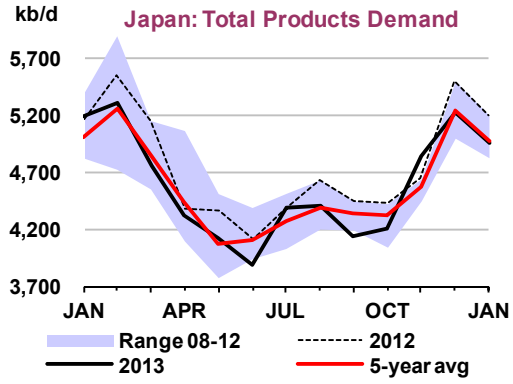
Top-10 Oil Consumers

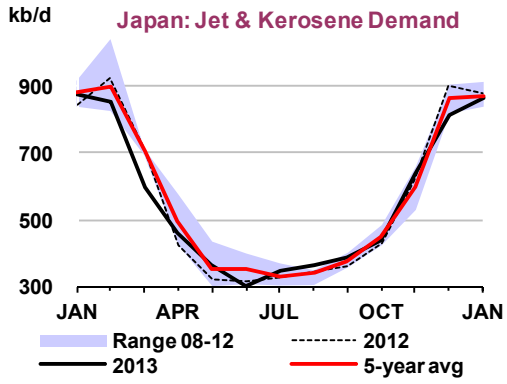
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Dec-13	2013	2014	Dec-13	2013	2014	Dec-13	2013	2014
US50	19,081	18,938	19,034	950	396	96	5.2	2.1	0.5
China	10,424	10,099	10,443	-199	278	344	-1.9	2.8	3.4
Japan	5,223	4,563	4,397	-271	-163	-166	-4.9	-3.5	-3.6
Russia	3,583	3,432	3,535	208	133	104	6.2	4.0	3.0
India	3,475	3,368	3,449	23	18	81	0.7	0.5	2.4
Brazil	3,109	3,105	3,193	65	119	88	2.1	4.0	2.8
Saudi Arabia	2,707	2,983	3,074	85	61	91	3.2	2.1	3.0
Korea	2,466	2,305	2,312	34	4	6	1.4	0.2	0.3
Canada	2,199	2,289	2,313	-147	11	24	-6.3	0.5	1.1
Germany	2,155	2,405	2,420	-57	16	15.4	-2.6	0.7	1.1
% global demand	60%	59%	58%						

Japan

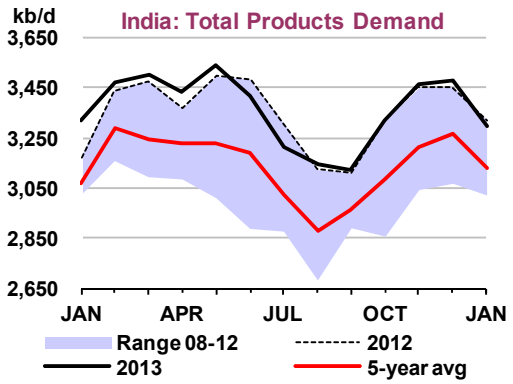
Japanese oil demand for January averaged roughly 5.0 mb/d, 35 kb/d below our month-earlier forecast and down 240 kb/d (or 4.6%) y-o-y. Unusually mild winter weather helped suppress kerosene and heating oil deliveries, while the ongoing power-sector movement out of oil products further dampened demand. The country's 10 major power companies used 82.5% y-o-y less fuel oil in January, according to the Federation of Electric Power companies. The demand estimate for December was adjusted marginally upwards by 15 kb/d to 5.2 mb/d, still down by 270 kb/d (or -4.9%) y-o-y. Thus for 2013, deliveries averaged about 4.6 mb/d, down 3.5% y-o-y, with a similar decline expected for 2014, to 4.4 mb/d, as the power sector makes further adjustments out of oil products. LPG demand should remain relatively muted through 1Q14, as Tokyo Electric Power Company, for one, is not expecting to purchase any more LPG in March.

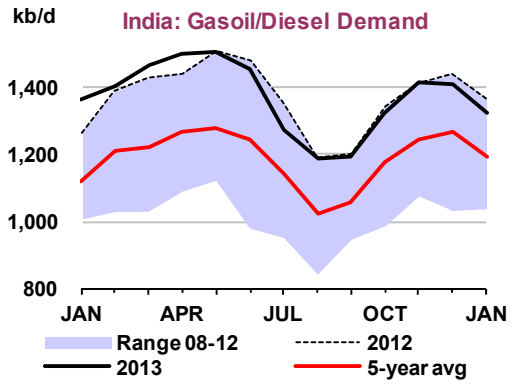




India

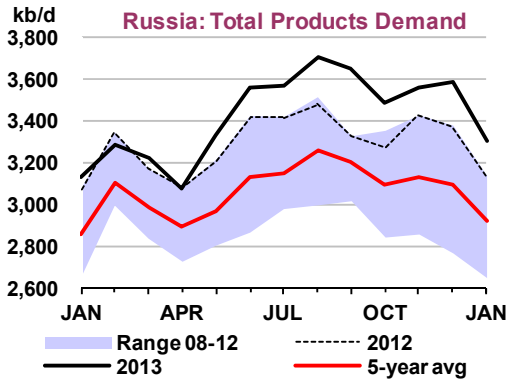
Preliminary estimates of Indian demand for January show a near 1% y-o-y contraction, led by dips in gasoil, naphtha, kerosene and fuel oil. Reductions in diesel subsidies have helped slash Indian gasoil demand by nearly 3% y-o-y. Diesel requirements further suffered as electricity supplies became somewhat more reliable, thus curbing the use of emergency diesel-powered generators. The reported peak-hour power deficit fell to 4%, from 11.4% a year earlier. Having expanded by a downwardly revised 0.5% in 2013 (last month +0.6%), to 3.4 mb/d, Indian demand looks likely to accelerate, albeit modestly, by 2.4% in 2014, supported by an expected uptick in macroeconomic activity.

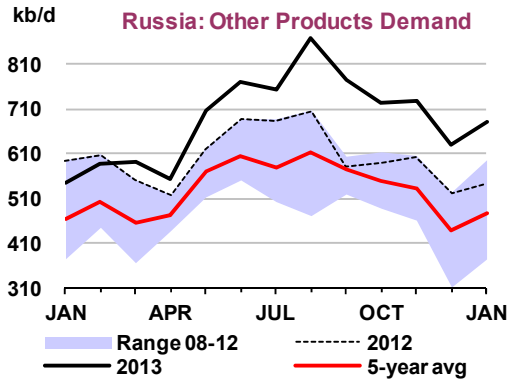




Russia

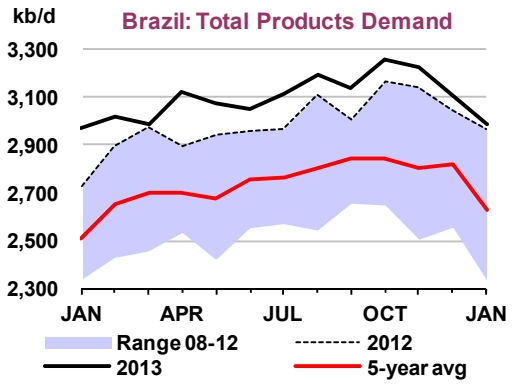
Deliveries of around 3.3 mb/d were seen in January, with steep gains in gasoil/diesel, 'other products', fuel oil and jet/kerosene. Based on these preliminary Russian demand estimates, January deliveries rose by approximately 175 kb/d (or 5.5%) y-o-y, and exceeded expectations by 90 kb/d. As a result, the forecast for the year as a whole has been revised upwards to 3.0% growth, versus 2.7% last month. The largest additions over the previous forecast for January demand were seen in gasoline and 'other products', which includes bitumen used for road building, likely reflecting building activity spurred by the Winter Olympic Games. Estimates for 2012 and 2013 have been raised by 5 kb/d and 10 kb/d respectively.

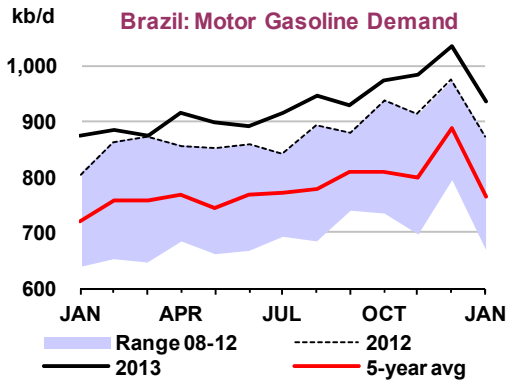




Brazil

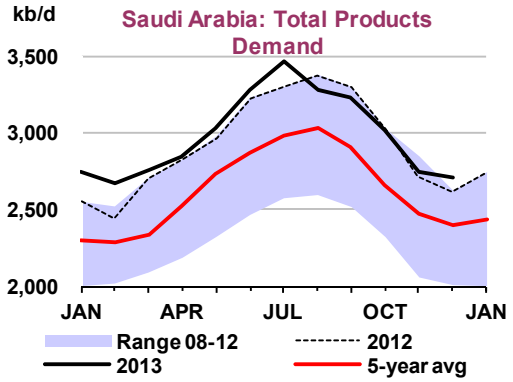
Brazilian demand in January was higher than expected, reaching approximately 3.0 mb/d or 40 kb/d more than our month-earlier forecast. The projection for 2014, as a whole, has been marginally increased over previous editions of this *Report*. Brazilian oil demand growth of around 2.8% is now being forecast for 2014, up on the previous 2.7% projection, with transport fuels leading the growth. Having risen by an estimated 7.0% in January, gasoline demand in Brazil is forecast to also lead the way in 2014, rising by around 4.6% to 970 kb/d, while both gasoil/diesel and jet/kerosene are forecast to post 3.8% gains on the year, respectively to 1.1 mb/d and 130 kb/d. These Brazilian transportation fuel gains have themselves been underpinned by the resilient, and seemingly now strengthening, consumer sector, as the *Confederacao Nacional da Industria's* consumer confidence indicator depicted sentiment rising to an eight-month high of 113.9 in January.

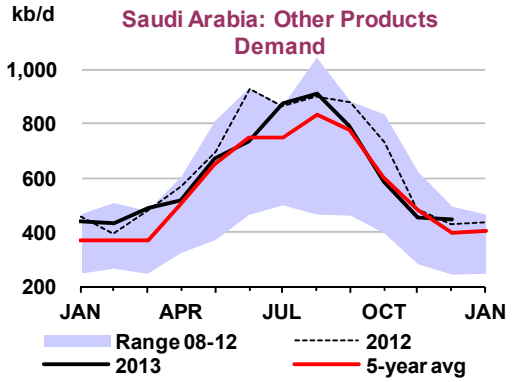




Saudi Arabia

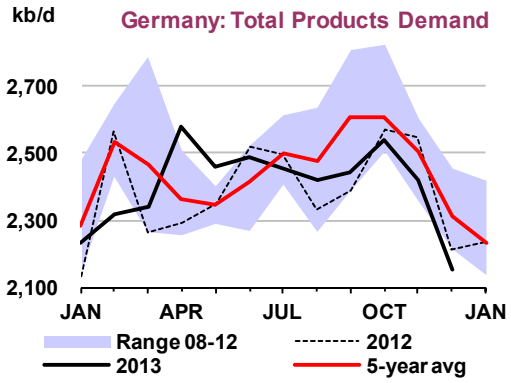
Saudi demand for December was estimated at 2.7 mb/d, in line with expectations. This month saw further evidence of the Saudi government's bid to diversify its power sector away from oil. Direct crude burn for power generation carries an opportunity cost for the Saudi government, as barrels used for power generation fail to bring export revenues. The latest potential evidence of a further future diversification away from oil in the Saudi Arabian power sector comes from the Saudi Electricity Company which has announced plans for a 600 megawatt independent power project, due to run on a combination of solar and natural gas.

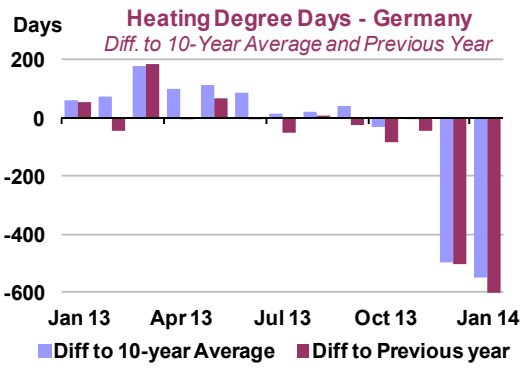




Germany

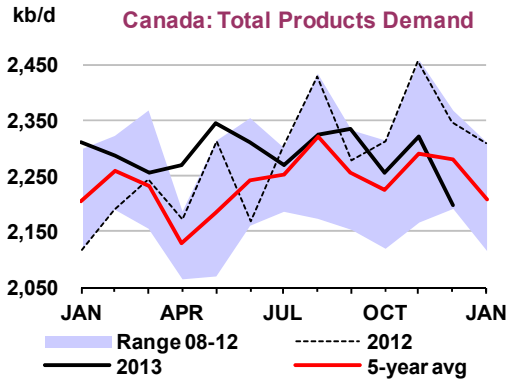
Unusually mild early winter weather helped keep the overall German demand estimate suppressed at around 2.2 mb/d in December. Total gasoil demand came in at around 935 kb/d in December, 8.8% down on the year earlier and 90 kb/d less than the forecast carried in last month's *Report*. Preliminary estimates of January demand, however, hint at a bounce, as absolute demand growth is forecast to return, supported by particularly robust gains in transportation fuel demand.

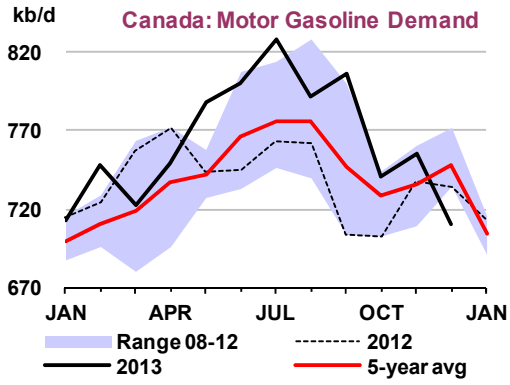




Canada

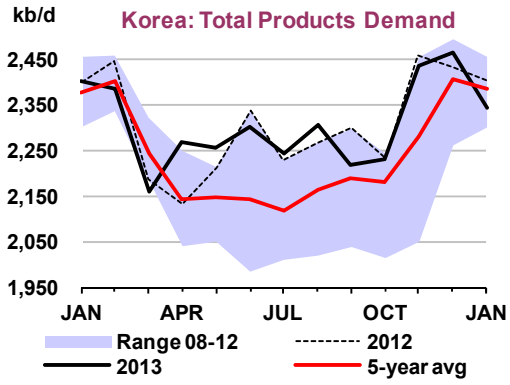
Canadian oil deliveries averaged 2.2 mb/d in December, causing a slight upward adjustment to the 2013 Canadian demand estimate, to around 2.3 mb/d. Demand in December was 6.3% below year earlier levels, the sharpest decline for one-and-a-half years. A combination of weak business confidence (at a five-month low), exceptionally cold weather and escalating concerns about job stability curbed oil deliveries. Despite such concerns, demand momentum should pick-up in 2014, as macroeconomic conditions solidify once more. As in 2013, the transport fuels will provide the majority of the upside momentum, more than offsetting the forecast absolute declines in fuel oil (a momentum that will likely particularly accelerate towards the end of the year as marine bunkers increasingly switch to lower sulphur gasoil.

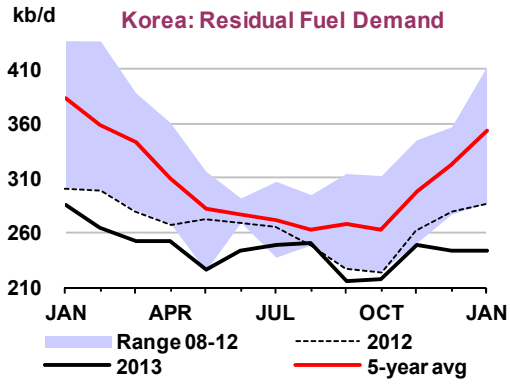




Korea

With Korean business confidence still hamstrung in negative territory at the turn of the year, January demand was estimated at 2.3 mb/d, down on the month and 55 kb/d lower than forecast. Fuel oil and LPG led the downward revisions. Demand for both fuels fell sharply y-o-y, by 14.6% and 9.7%, respectively. Total Korean demand came out 2.4% below the year earlier. Weak business sentiment, with the Bank of Korea's gauge falling to a four-month low of 76 in January, at least partially explained the contraction, as did a reduced number of working days on account of the Lunar New Year. Tracking forward, relatively flat, +0.3%, demand growth is projected for 2014, to around 2.3 mb/d.





OECD

Having risen in both November and December, OECD demand fell back in January y-o-y, led by European demand. Two key factors played a dominant role in January's OECD decline: (a) unseasonably warm weather outside of the Americas; and (b) the continued frailness of the OECD economic momentum.

Americas

Demand in the OECD Americas expanded for a fifth consecutive month, to an estimated 24.0 mb/d in January. Not only is this 1.0% up on the year earlier but it is also a rise underlined by absolute gains in all of the main product categories, bar gasoline and fuel oil. For 1Q14 we anticipate demand averaging out at around 23.9 mb/d, equivalent to a gain of roughly 0.8% on the year earlier, while growth of around 0.5% is forecast for the year as a whole.

Europe

Preliminary OECD European oil deliveries, at around 12.8 mb/d in January, were down by around 1.0% on the year earlier. December's 0.2% rise is, thus, little more than a temporary break from trend, with the long-entrenched downwards trend forecast to return through the majority of 2014, albeit only modestly declining for the year as a whole.

OECD Demand based on Adjusted Preliminary Submissions - January 2014

(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 Americas*	**9.75**	**-0.7**	**1.64**	**5.2**	**4.50**	**0.8**	**0.90**	**10.4**	**0.63**	**-14.6**	**6.62**	**3.30**	**24.03**	**1.0**
US50	8.17	-0.7	1.38	5.4	3.61	1.2	0.56	14.7	0.39	4.0	5.06	6.17	19.16	2.3
Canada	0.71	-0.1	0.13	6.9	0.30	-4.4	0.27	13.3	0.04	-1.1	0.80	-8.83	2.26	-2.3
Mexico	0.74	-1.3	0.07	4.3	0.38	-2.4	0.05	-16.3	0.10	-53.1	0.64	-1.14	1.98	-7.0
OECD Europe	**1.71**	**-1.7**	**1.09**	**1.3**	**3.93**	**2.9**	**1.62**	**-9.8**	**0.98**	**-6.0**	**3.46**	**0.37**	**12.78**	**-1.0**
Germany	0.38	1.2	0.16	1.9	0.63	3.5	0.37	-8.4	0.12	-12.3	0.59	4.97	2.24	0.3
United Kingdom	0.29	-7.6	0.31	2.4	0.45	16.2	0.11	-16.6	0.05	-19.3	0.27	5.98	1.49	1.9
France	0.12	-6.5	0.13	5.5	0.63	1.2	0.30	-13.7	0.06	-9.0	0.39	-0.76	1.63	-3.0
Italy	0.17	6.2	0.08	-3.0	0.39	2.1	0.10	-12.6	0.07	4.1	0.39	-8.88	1.20	-2.7
Spain	0.09	-1.6	0.09	2.7	0.39	0.3	0.18	-6.6	0.14	-10.5	0.28	3.60	1.16	-1.5
OECD Asia & Oceania	**1.49**	**-0.2**	**1.24**	**-3.0**	**1.14**	**-1.2**	**0.55**	**-7.2**	**0.79**	**-17.8**	**3.59**	**-1.24**	**8.80**	**-3.4**
Japan	0.89	0.9	0.86	-1.6	0.38	-1.4	0.42	-3.4	0.48	-20.3	1.91	-4.42	4.96	-4.6
Korea	0.19	-2.8	0.18	-15.1	0.27	2.0	0.11	-17.0	0.24	-14.6	1.35	2.94	2.34	-2.4
Australia	0.29	-1.2	0.14	4.3	0.37	-1.2	0.00	0.0	0.03	17.2	0.23	-3.77	1.07	-0.7
OECD Total	**12.95**	**-0.8**	**3.96**	**1.5**	**9.57**	**1.4**	**3.07**	**-4.2**	**2.40**	**-12.4**	**13.67**	**1.33**	**45.62**	**-0.4**

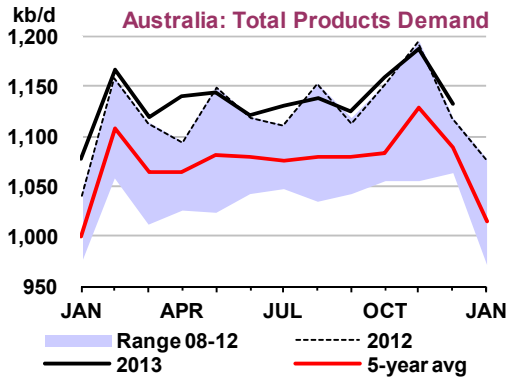
* Including US territories

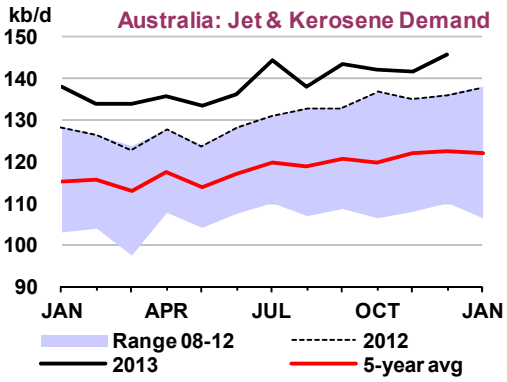
The latest **UK** oil demand figure, down 3.8% y-o-y to an estimated 1.5 mb/d in December, came out in-line with the forecast of last month's *Report*. The December product-mix, however, varied with higher-than-anticipated gasoil and fuel oil demand near-perfectly counterbalanced by lower jet/kerosene, 'other products' and LPG demand. For 2013 as a whole a flat demand trend was seen, as deliveries averaged 1.5 mb/d, with gasoil/diesel demand performing particularly well, up by 2.3% on the year, to 590 kb/d, reflecting raised vehicle activity, itself a function of the recent improvements in the wellbeing of the UK economy. GDP rose by an estimated 1.8% in 2013, supporting this additional transport demand but with the unfortunate side effect of increased road congestion, as confirmed in a study by traffic consultant INRIX. Congestion levels soared by around 3.5% in 2013, as UK drivers spent on average 30 hours stuck in traffic jams, with a near 14% increase seen in the capital. London ranked as second, only to Brussels, in the unwanted battle for the prize as Europe's most congested city, at an average of 82 hours in traffic in 2013, versus 83 hours for Brussels.

Asia Oceania

In OECD Asia Oceania demand fell by 3.4% y-o-y in January, to 8.8 mb/d, consequential on sharply contracting (y-o-y) Japanese power sector oil-needs. Fuel oil, previously a key source of Japanese power-sector use, logically led January's downside, although absolute declines were seen across most of the key product categories in the OECD Asia Oceania region in January. The forecast decline rate for 1Q14 is

tempered, at around -1.8% y-o-y, with a similarly pace drop forecast to hold for the year as a whole, as Korean oil demand is forecast to remain roughly unchanged in 2014, while Japanese oil deliveries are forecast to fall relatively sharply. Official data for **Australia** confirmed our own, month earlier, forecast at 1.1 mb/d in December, with deliveries of jet/kerosene posting a near 7% y-o-y gain.





Non-OECD

Recent months have proved particularly testing for emerging markets, with absolute non-OECD oil demand growth easing back to a near-five year low of 1.6% y-o-y in 4Q13. Even in barrel terms this was still a near-five year low, as only approximately 725 kb/d of additional non-OECD deliveries were thought likely to have been added in 4Q13, compared to 4Q12. Notable sub-trend growth was seen in the Middle East and non-OECD Asia in 4Q13, with flat-to-falling Chinese demand proving particularly culpable (mainly Chinese gasoil/diesel). Having likely overcome this flat-spot in 4Q13, non-OECD demand momentum is forecast to accelerate once again in 2014, starting with a forecast gain of 2.0% in 1Q14. Non-OECD oil demand growth is then forecast to average out at around 3.1% for the year as a whole, or 1.4 mb/d.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			ınual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
Africa	3,723	3,810	3,864	84	76	2.3	2.0
Asia	21,390	21,922	22,036	106	348	0.5	1.6
FSU	4,846	4,843	4,467	228	152	4.9	3.5
Latin America	6,738	6,751	6,513	178	127	2.7	2.0
Middle East	8,405	7,663	7,689	100	149	1.3	2.0
Non-OECD Europe	685	702	671	28	30	4.2	4.6
Total Products	**45,788**	**45,691**	**45,240**	**724**	**881**	**1.6**	**2.0**

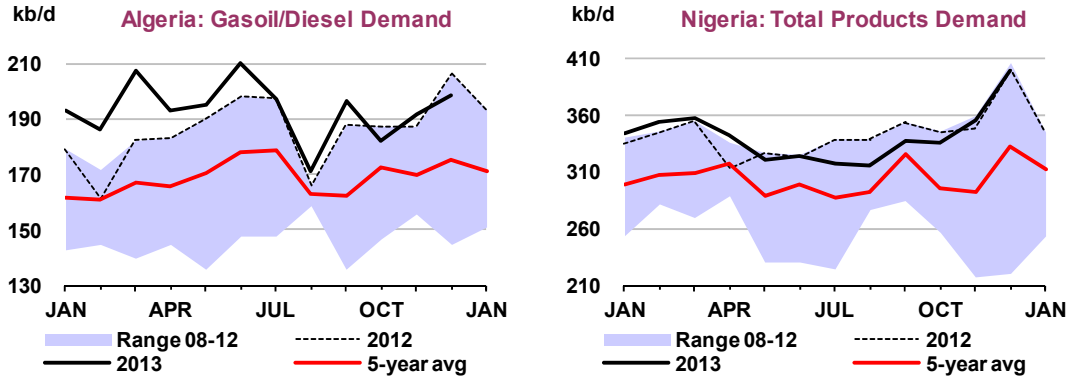
Looking specifically at emerging market product demand, the recent weakness in gasoil/diesel deliveries has been the most noteworthy take-away. The 0.8% y-o-y gain in non-OECD gasoil demand in 4Q13 being a mere fraction of the previous near-5% five-year trend (2007-12), as Chinese demand in particular reversed. An absolute decline was also seen in non-OECD residual fuel oil demand in 4Q13, but as total fuel oil deliveries traditionally account for a much smaller share of oil demand than gasoil, plus it is a sector that is not immune to occasional dips, the reported 1.9% y-o-y drop in non-OECD fuel oil demand came as less of a surprise. Weak petrochemical sector demand, coupled with a reduced Indian fertiliser needs, meanwhile accounted for relatively flat non-OECD naphtha deliveries in 4Q13. All of the main non-OECD product categories are forecast to return to rising demand trends in 1Q14.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
LPG & Ethane	4,845	4,921	4,949	159	141	3.3	2.9
Naphtha	3,002	3,066	3,153	-2	41	0.0	1.3
Motor Gasoline	9,445	9,482	9,453	266	223	2.9	2.4
Jet Fuel & Kerosene	2,851	2,926	2,860	88	81	3.1	2.9
Gas/Diesel Oil	14,174	14,191	13,843	110	188	0.8	1.4
Residual Fuel Oil	5,479	5,489	5,606	-109	72	-1.9	1.3
Other Products	5,992	5,616	5,378	202	134	3.7	2.6
Total Products	**45,788**	**45,691**	**45,240**	**724**	**881**	**1.6**	**2.0**

The recent trend, away from oil in the non-OECD power-sector, seemingly continues. Various reports of additional countries investing in non-oil power-sector projects are likely to reduce the medium-to-long power-sector's dependence upon oil. This change is anticipated across the non-OECD region, but particularly in the Middle East and Africa. Indeed, notable plans have been announced recently in **Algeria**, with 930 megawatts of renewable capacity due to come online by 2016. This is up sharply from 2011, the last year for which the IEA has complete data, when the Algerian power-sector was completely dominated by gasoil use, at roughly 0.8 mb/d, itself up dramatically from the year earlier (0.3 mb/d in 2010) as shortages of natural gas increased the need for diesel.



Nigerian oil demand averaged 340 kb/d in 2013, with growth of 4.7% forecast for 2014 with notably strong gains envisaged in the transportation fuel markets. The changing make-up of domestic price subsidies, however, remains a potential wild-card to the sharply rising Nigerian oil demand forecast, as it has been speculated recently that the sacking of the head of the central bank may not have been completely unrelated to its publication of a report documenting the full costs of the ongoing subsidy programme.

SUPPLY

Summary

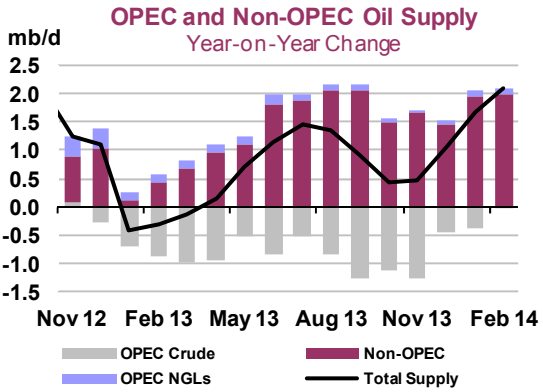
- **Global supplies jumped by 600 kb/d in February to 92.89 mb/d, led by a significant rise in OPEC crude output of 500 kb/d.** Compared with a year ago, February production stood 2.03 mb/d higher, with non-OPEC supply up by 2 mb/d and OPEC crude output nearly unchanged (-5 kb/d).

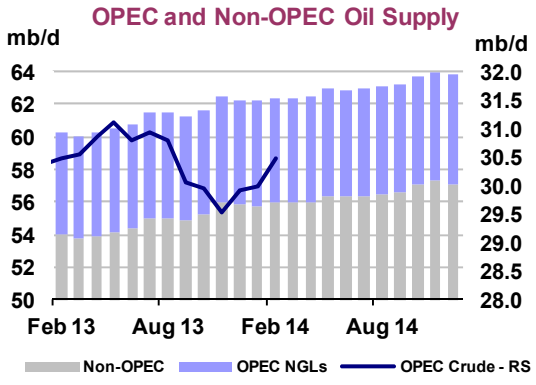
- **Non-OPEC oil production rose by 100 kb/d to 55.9 mb/d in February, led by marginally higher output in Canada and the US.** Output barely rose outside of North America, with a meaningful rise occurring only in Latin American countries, most notably Colombia.

- **Total non-OPEC supplies grew by 1.3 mb/d in 2013 and are expected to increase by a further 1.7 mb/d in 2014,** the highest growth rate since at least the early 1990s. The projected 2014 increase in non-OPEC supply is expected to be driven by relentless growth in US and Canadian supplies and gains in Russia, China and Brazil.

- **OPEC crude supplies in February breached the 30 mb/d mark for the first time in five months, led by a surge in Iraqi output.** OPEC supply rose by 500 kb/d to 30.49 mb/d, as a downturn in Libyan production only partially offset the jump in Iraqi volumes as well as increased output from Saudi Arabia. The 'call on OPEC crude and stock change' was lowered by 100 kb/d, to 28.9 mb/d, for 1Q14 but was raised by 250 kb/d to 30.2 mb/d for 2H14.

- **Iraqi crude oil production in February surged to the highest level in 35 years**, up around 15% over January levels, to 3.62 mb/d. After a protracted delay, one of the major bottlenecks at Iraq's southern export terminals was removed, allowing shipments to rise more than half a million barrels per day.



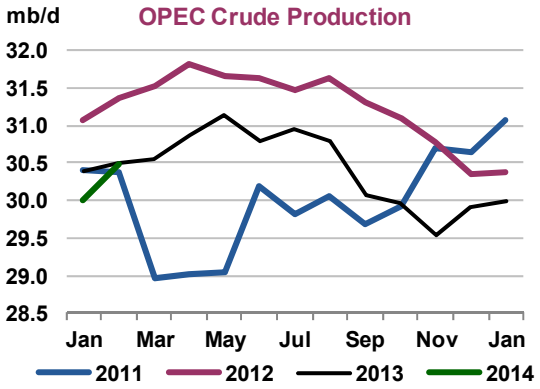


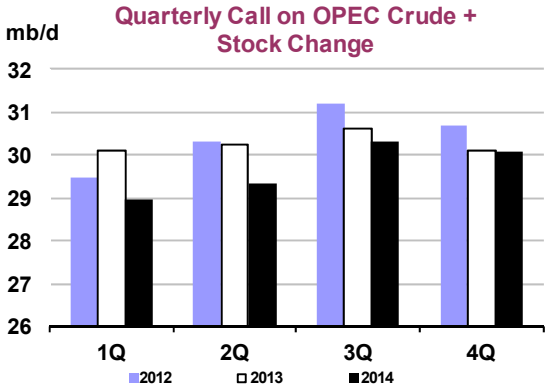
All world oil supply data for February discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary February supply data.

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 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 to -400 kb/d for non-OPEC as a whole.

OPEC Crude Oil Supply

Crude oil supplies from OPEC in February breached the 30 mb/d mark for the first time in five months, led by a surge in Iraqi output. OPEC supply rose by 500 kb/d to 30.49 mb/d, with a downturn in production from beleaguered Libya only partially offsetting the surprise jump in Iraqi volumes as well as increased output from Saudi Arabia and Nigeria. After a protracted delay, one of the major bottlenecks at Iraq's southern export terminals was removed, allowing shipments to rise a half a million barrels per day (see *'Stars Align to Propel Iraqi Crude Production to 35-Year Highs'*).

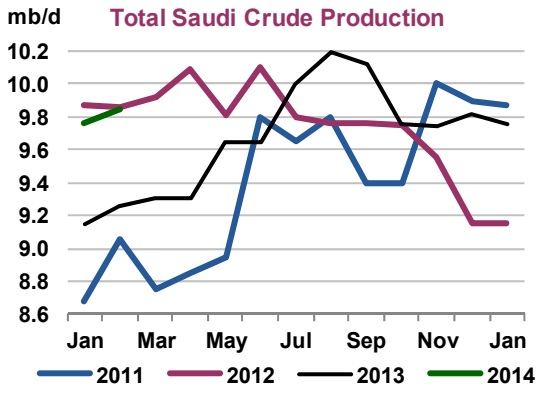


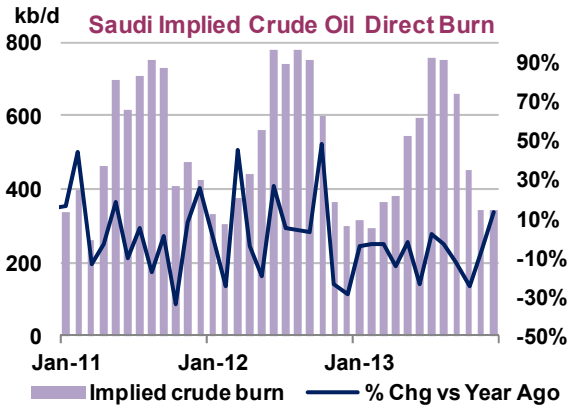


The 'call on OPEC crude and stock change' was lowered by 100 kb/d, to 28.9 mb/d for 1Q14 but was raised by 250 kb/d for 2H14 on higher forecast demand and reduced OPEC NGLs. The 'call' on OPEC supplies for 2H14 is now estimated at an average 30.2 mb/d. OPEC's 'effective' spare capacity in February was estimated at 3.18 mb/d, up from 3.15 mb/d in January, largely on increased Iraqi crude oil production capacity.

Saudi crude oil production in February rose by 90 kb/d to 9.85 mb/d. Saudi supplies to the market, which include sales from domestic and overseas storage facilities, were reported at 9.9 mb/d in February, around 15 kb/d below the previous month. In February, Saudi Arabia renewed for a further three years its crude oil storage arrangement with Japan and significantly raised the agreed volumes, to 6.3 mb from 1.3 mb previously. The agreement provides cost-free storage to Saudi Aramco and allows Japan first rights to crude held at the facility in Okinawa in the event of an emergency. Saudi Aramco also has 3.9 mb of storage in Rotterdam.

The market had expected a decline in Saudi output last month given reduced crude burn at power plants, which typically dips to seasonal lows of around 300 kb/d in January and February before ramping up in the spring ahead of peak summer cooling demand. Crude burn averaged 660 kb/d during the May-September demand period last year, about double the January-to-February averages.



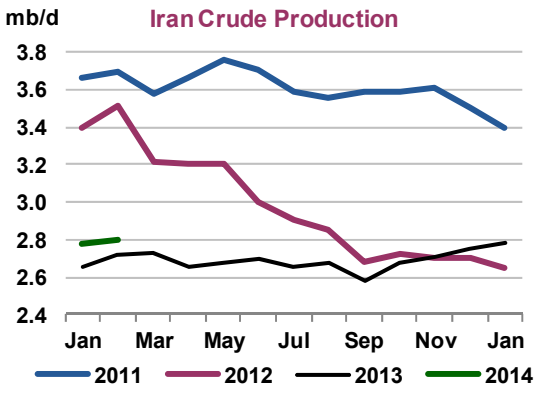


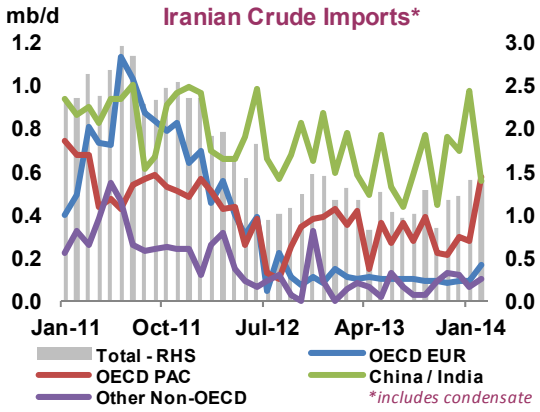
Relatively high Saudi production in February may in part reflect increased demand from the country's new Jubail refinery. The ramp-up of capacity at the 400 kb/d Jubail refinery has been underway since the end-2013 and is designed to process heavy oil crude from the Manifa field. The offshore, shallow-water 900 kb/d Manifa field started production of the first tranche of 500 kb/d in April 2013. The second tranche of 400 kb/d is expected online at end-2014.

Iranian crude oil production was estimated unchanged in February at 2.78 mb/d. Production so far in 2014 is about 100 kb/d above the 2013 average of 2.68 mb/d. Crude oil held in floating storage rose to about 32 mb at end-February, up 2 mb from end-January levels, latest tanker data show.

Global imports of Iranian oil, which includes condensates, peaked at one-year highs, of 1.41 mb/d in both January and February. That compares with average imports of 1.1 mb/d in 2013. January import volumes were revised up by 90 kb/d on more complete data. India posted the largest change in January, up around 175 kb/d to 415 kb/d, while Japan and China's estimates were reduced by about 45 kb/d and 40 kb/d, respectively. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.

Higher Iranian imports in recent months reflect, in large part, increased sales of condensates to Asian buyers. Imports of condensate from Iran's Asaluyeh terminal averaged around 315 kb/d in December and 255 kb/d in January. That compares with an average 100 kb/d for 2013. Preliminary data for February are incomplete but expected to be similar to January levels. Almost all of Iran's condensate is bought by China and Japan, with the recent increase in shipments attributed to stronger Asian naphtha demand. In 2013, India, Turkey and Taiwan each took one cargo.





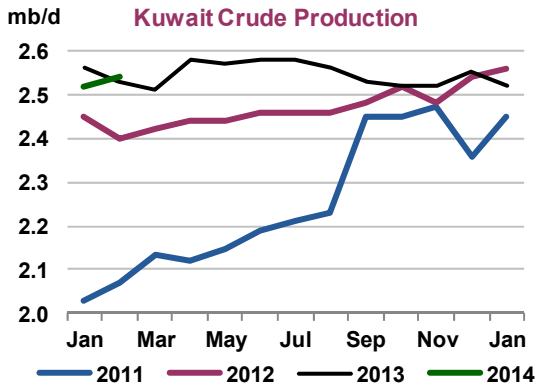
In February, Chinese imports of Iranian oil fell by 180 kb/d to 385 kb/d, but shipping sources report that there are still three VLCCs of Iranian crude anchored off the country's coast. In addition, this month tanker trackers report about 70 kb/d arrived at Indonesia's Batam Island, which has frequently been used as a ship-to-ship transfer point for Iranian supplies to China. As a result, Chinese imports are likely to be revised upward next month on final data.

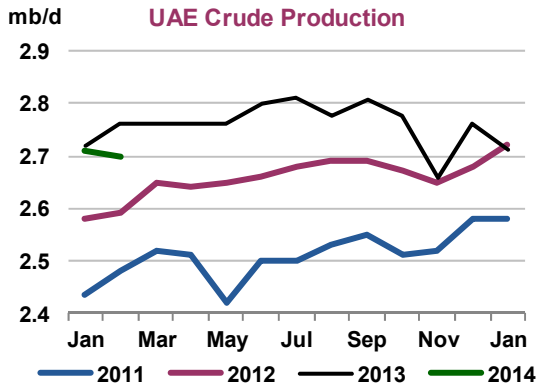
India, the second-largest importer of Iranian crude in 2013, also reduced volumes in February, by 240 kb/d to 175 kb/d, after imports had surged in January. In February, the US reportedly requested that India reduce imports from Iran to end-2013 levels. India imported 200 kb/d in 4Q13 from Iran. At a meeting in India, US officials emphasised the importance of limiting Iranian exports to around 1 mb/d as part of the interim agreement known as the Joint Plan of Action signed on 24 November between Iran and international powers and implemented in January.

By contrast, imports of Iranian oil surged in Japan and South Korea, albeit from exceptionally low January levels. Japanese imports jumped by 155 kb/d to 365 kb/d, while South Korea's rose by around 145 kb/d

to 210 kb/d. Turkey also increased volumes, by 80 kb/d to 170 kb/d in February. Syria imported approximately 34 kb/d in February, compared to none in January. In 2013 Syria imported on average 30 kb/d.

Meanwhile, expert level meetings between Iranian officials and delegates representing the so-called P5+1 – the five UN Security Council members plus Germany and the EU – took place in mid-February and early March. Officials reported that the talks over Tehran's nuclear programme were "substantive and useful" ahead of the next formal meeting of political negotiations on 18 March. Building on the interim Joint Plan of Action, Iran and the international community have set a deadline of late July to reach a final agreement. The Joint Plan of Action is explicitly intended as a temporary measure to allow breathing space for negotiations toward a permanent agreement. While the political will to achieve a resolution appears strong, major issues and differences over Iran's nuclear programme remain and success is far from assured.





Kuwaiti crude oil production was unchanged at 2.78 mb/d in February, though export volumes were sharply higher following power outages at all three of the country's refineries in January and into February (see *Refining* section). Crude supplies from the **UAE** and **Qatar** were down a small 20 kb/d in February, to 2.7 mb/d and 700 kb/d, respectively. The UAE's Abu Dhabi National Oil Company (ADNOC) has scheduled field maintenance at the Upper Zakum field in April. The Upper Zakum field is undergoing enhanced oil recovery work to raise production capacity from 650 kb/d to 800 kb/d by end-2014. Qatar is also undergoing in March partial maintenance at the 300 kb/d offshore al-Shaheen field.

OPEC Crude Production

(million barrels per day)

	Dec 2013 Supply	Jan 2014 Supply	Feb 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Feb 2014 Supply	2013 Crude Supply	OPEC Supply 2013 vs 2012
Algeria	1.15	1.08	1.10	1.15	0.05	1.15	-0.02
Angola	1.64	1.65	1.68	1.70	0.02	1.72	-0.07
Ecuador	0.53	0.53	0.52	0.53	0.01	0.51	0.01
Iran	2.75	2.78	2.78	2.90	0.12	2.68	-0.32
Iraq	3.13	3.09	3.62	3.65	0.03	3.08	0.13
Kuwait[2]	2.81	2.78	2.78	2.90	0.12	2.81	0.07
Libya	0.23	0.50	0.36	1.20	0.84	0.90	-0.49
Nigeria[3]	1.92	1.92	1.98	2.25	0.27	1.95	-0.15
Qatar	0.73	0.72	0.70	0.75	0.05	0.73	-0.01
Saudi Arabia[2]	9.82	9.76	9.85	12.40	2.55	9.66	-0.12
UAE	2.76	2.72	2.70	2.90	0.20	2.76	0.11
Venezuela[4]	2.44	2.46	2.42	2.60	0.18	2.50	0.00
Total OPEC	**29.91**	**29.99**	**30.49**	**34.93**	***4.44***	**30.45**	**-0.85**
(excluding Iraq, Nigeria, Libya and Iran)					***3.18***		

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 435 kb/d in February.

Stars Align to Propel Iraqi Crude Production to 35-Year Highs

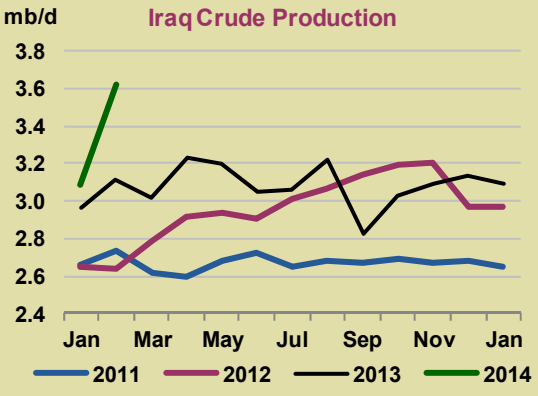
Iraqi crude oil production in February surged by 530 kb/d to 3.62 mb/d, as upgrading of infrastructure projects in the country's southern oil-producing region and debottlenecking at its Gulf export facilities converged to boost output to the highest level since 1979. It was also smooth sailing for tankers, as adverse weather, a chronic cause of shipping delays that regularly curb southern exports, lifted in February.

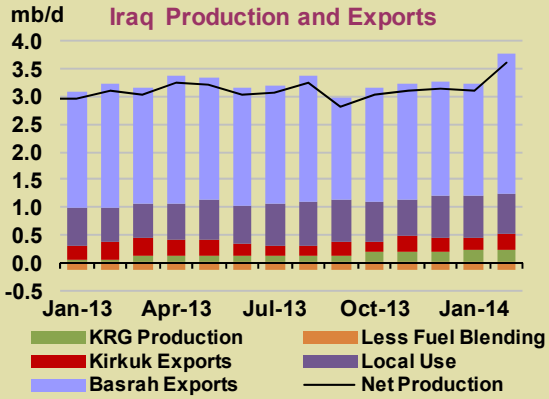
Crude oil exports soared by 572 kb/d to 2.8 mb/d in February. Basrah shipments posted an exceptional increase of 470 kb/d to 2.51 mb/d, spurred higher by the mid-February start-up of dual loading at two of the offshore single point moorings (SPMs). Previously, only one of two operational SPMs could load at once due to pressure problems related to the delayed installation of gas-fuelled turbine pumps. Work is ongoing at a third SPM but is not expected to be completed until mid-2014 at the earliest.

Loading programmes for March indicate liftings are expected to fall back to around 2.15 mb/d, or more than 300 kb/d below February's record level, before recovering to around 2.5 mb/d in April.

Northern exports of Kirkuk crude to the Mediterranean port of Ceyhan, Turkey, rose by 100 kb/d to 293 kb/d. Crude exports from the KRG region to the Kirkuk-Ceyhan pipeline remain suspended due to ongoing payment and contract disputes between Irbil and Baghdad. Trucked exports of Kirkuk crude oil to Jordan also remain suspended due to security issues in Anbar province.

In February, KRG production, which Baghdad does not include in its official data, was estimated at 240 kb/d. Approximately 80 kb/d to 100 kb/d is being exported via trucks, with higher volumes fuelled by attractive price discounts on crude. Truckers are reportedly buying the pipeline-constrained KRG crude for as little as $60/bbl for Tawke crude and $75/bbl for Taq Taq oil. The remainder is processed at several refineries, including at the growing number of teapots in the region. Conflicting reports emerged in early March that Baghdad and Erbil had reached an agreement on a payment mechanism that would allow the KRG to export crude through a new pipeline that ties into the Iraq-Turkey Pipeline (ITP) at Fishkabur but these appear overstated and no deal has been reached yet.

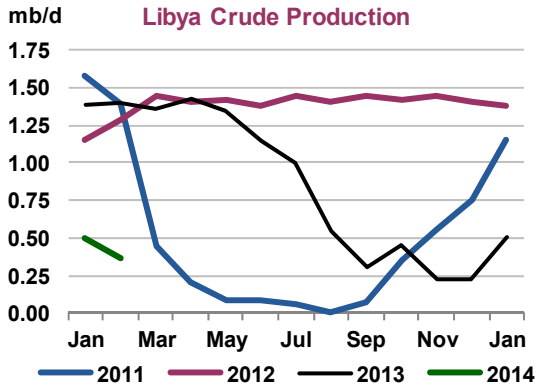




The exceptional increase in February's exports has been an unexpected boost for the country, which has struggled to meet production targets over the past five years. For 2014, Iraq has set an export target of 3.4 mb/d, which includes 400 kb/d from the KRG. The figures suggest the country is aiming for total production of 4 mb/d once domestic use at refineries and crude burned at power plants is factored in. Iraqi production averaged around 3.1 mb/d in 2013 and sceptics believe an increase of 900 kb/d to be overly optimistic. Iraq continues to struggle with chronic problems expanding its capacity, in large part due to limited institutional capacity to manage its ambitious plans. Upcoming elections in April are expected to see the reappointment of Prime Minister Nouri al-Maliki, but building a coalition is expected to be an arduous process that could take months to agree upon, which will likely cause further delays to project timelines.

Nonetheless, increased export capacity and the start-up of new production in the south holds the promise of higher output this year. The start-up of several major fields, including West Qurna 2, Majnoon and Halfaya, is expected to add more than 500 kb/d by the end of the year. West Qurna 2 operator Lukoil has moved forward its start-up schedule to end-March versus May as previously planned. Lukoil is aiming to bring on 300 kb/d of capacity this year.

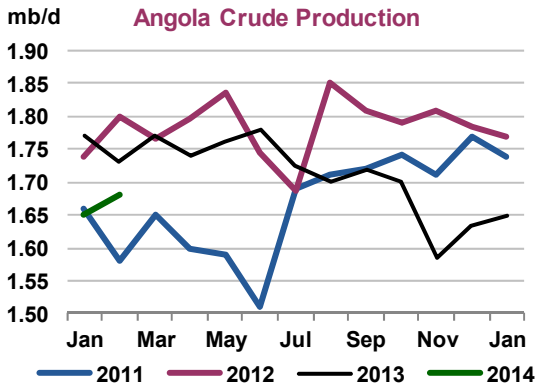
Libyan crude supplies ebbed again in February, down by 140 kb/d to an average 360 kb/d last month. Unrest and protests by separatist militias seeking a greater share of the country's oil wealth and disgruntled ethnic groups have held hostage the country's eastern production for eight months against a backdrop of a weak and battered central government. In a sharp escalation of the pandemonium gripping the country, an eastern-based separatist militia grouping led by Ibrahim al-Jathran loaded a North Korean-flagged tanker with $30 million worth of crude at the Es Sider port. Prime Minister Ali Zeidan ordered the government forces to seize the vessel but after a failed attempt by the latter to do so, the vessel departed for international waters, with its destination unknown. The North Korean flag is often used to conceal the vessel's ownership.

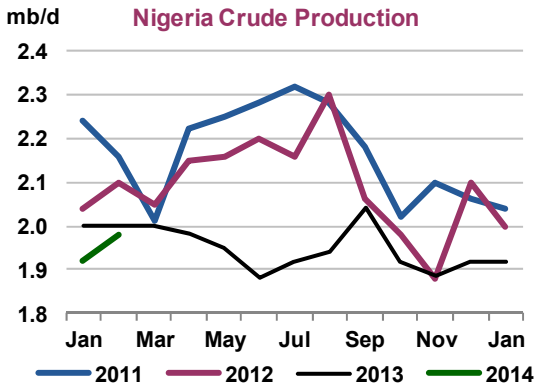


The rebels successful effort to export oil via the rogue tanker prompted Parliament to vote the prime minister out of office on 11 March and heightened fears that the fragile country is at a breaking point. Defence Minister Abdallah al-Thinni was temporarily appointed to replace Mr Zeidan, with a new prime minister slated to be elected by deputies within the next several weeks. Former Prime Minister Zeidan reportedly fled to Europe, underscoring the increasingly dangerous political climate gripping the country.

The latest developments put in further doubt a recovery in Libya's oil production near-term. Rebel militias currently control the major ports of Es Sider, Ras Lanuf and Zueitina. In the western region, the 350 kb/d El Sharara field was shut down on 12 February after an armed group shutdown the pipeline to Zawiya. Production resumed on 10 March after protesters suspended the blockade, with output reaching 200 kb/d by 12 March.

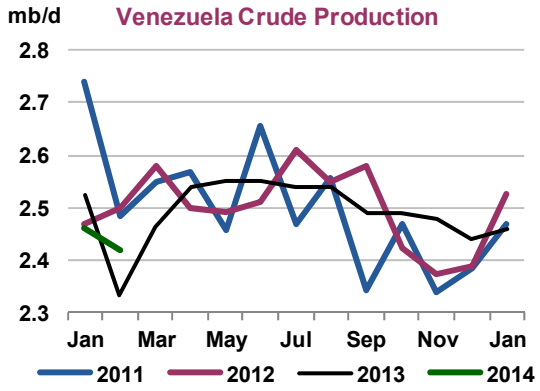
Angolan crude oil output edged up 30 kb/d in February, to 1.68 mb/d but production is still stymied by operational issues plaguing the Greater Plutonio floating production, storage and offloading facility. Apparently, a marlin fish punctured a hose, which connects the Greater Plutonio floating production storage and offloading facility FPSO to an oil tanker. Operator BP declared *force majeure* on Plutonio for five days before lifting it on 18 February. Production is expected to fall to more than two and a half-year lows again in March due to extensive maintenance scheduled at the 180 kb/d Greater Plutonio fields.





Crude oil production from **Nigeria** rose by 60 kb/d to 1.98 mb/d in February. Nonetheless, theft and sabotage continue to undermine the country's output. Once again, operator Shell was forced to close on 22 February the Nembe Creek Trunk oil pipeline to stop leakage caused by theft. The pipeline carries benchmark Bonny.

Venezuelan oil production declined by around 40 kb/d, to 2.42 mb/d, in February. The worsening political situation in Caracas has so far had a negligible impact on oil markets, not least because the country's oil production, refineries and export facilities are situated far from the city centres where the protests are taking place. Reports suggest that Venezuela's oil operations are functioning normally. Protests by disgruntled civilians and opposition groups against Venezuela's chronic economic woes and escalating crime rate and an ever-growing shortage of food and other basic staples have led to widespread calls for the resignation of President Maduro.

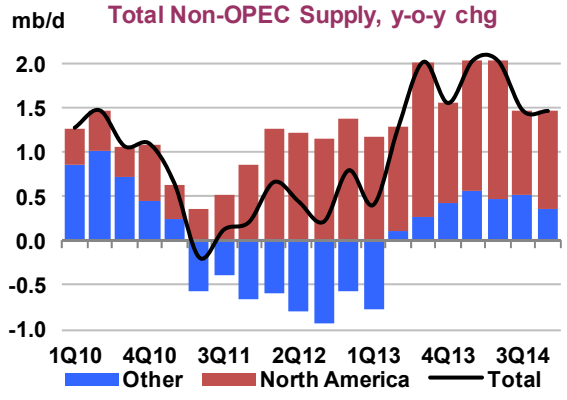


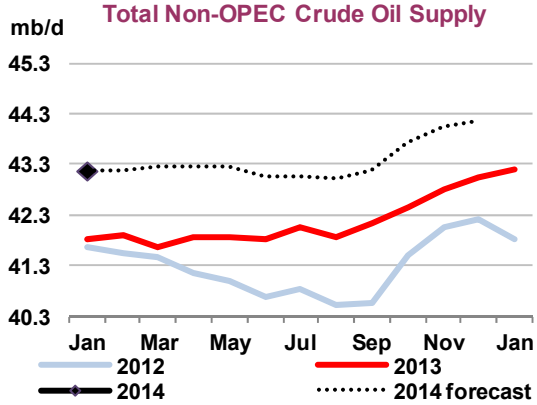
The government, however, appears to have remained firmly in control of the major blocs of power, including the military, Congress and the oil sector (state-owned Petroleos de Venezuela, or PDVSA, is mostly staffed by regime loyalists since a 2002 general strike). For the time being, analysts and observers agree that the current level of unrest is unlikely to lead to regime change in Venezuela in the short term.

Non-OPEC Overview

Non-OPEC oil production is estimated to have risen by about 100 kb/d to 55.9 mb/d in February, led by higher output in North America. Growth in North American supplies was somewhat lower than the recent average, as adverse weather hampered production in the US midcontinent and Texas. Overall, US production rose about 65 kb/d m-o-m, while Canada posted an increase of 75 kb/d in February. Outside of North America, non-OPEC output growth was scarce, and a meaningful rise occurred only in Colombia.

Although non-OPEC production grew overall, a number of countries saw declines in February due to adverse weather, technical problems and civil unrest. Output in Russia fell slightly as weather-related production problems persisted into February. Outages at offshore facilities in Brazil's Campos Basin affected February supply, compounding the effect of seasonal biofuels production declines. Pipeline attacks in Yemen and unrest in South Sudan led to lower output for the month. The breakdown in negotiations between the South Sudanese factions in late February led to the evacuation of foreign workers from the oilfields in the Malakal area.





Non-OPEC output is expected to grow by 1.7 mb/d y-o-y in 2014, with relentless growth in US and Canadian supplies leading the increase. Production is also forecast to grow in Russia, China and Brazil. Since last month, our overall non-OPEC supply estimates for 2013 and 2014 have remained relatively unchanged. Minor downward revisions to US and UK output were offset by slight increases in production in Canada, Russia, and other FSU.

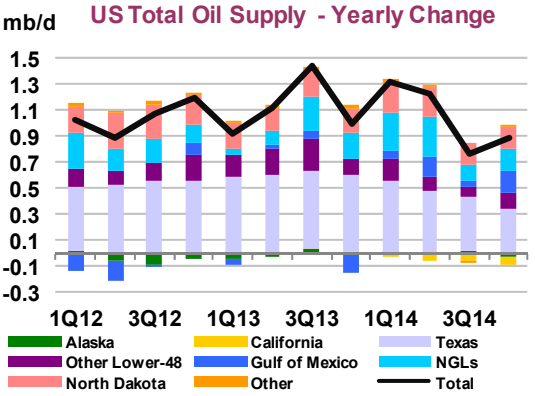
OECD

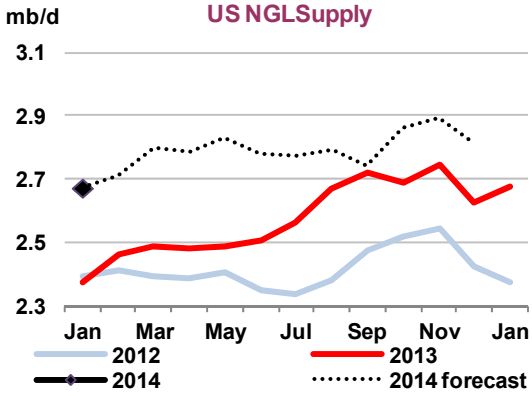
North America

US – February preliminary, Alaska actual, others estimated: In December, production totalled 10.8 mb/d, of which 7.9 mb/d was crude oil and 2.6 mb/d was NGL output. The final December 2013 data showed that production stood nearly 1 mb/d higher than one year prior, but that it declined slightly month-on-month (m-o-m), undoubtedly due to freezing weather in the Gulf of Mexico and North Dakota. Overall US output averaged 10.3 mb/d in 2013. This figure reflects final production data for December, which were revised downwards by about 200 kb/d from last month's *Report* as preliminary estimates based on weekly numbers were too high. Production of LTO in North Dakota's Bakken formation averaged 863 kb/d in December, down about 50 kb/d m-o-m. Bakken production averaged 794 kb/d in 2013 and is expected to reach just shy of 1 mb/d in 2014.

US crude oil production stood at 8.1 mb/d in February, according to preliminary data, roughly in line with expectations. Total US production rose to about 11.1 mb/d in February and the 2014 output is projected to average 11.4 mb/d, an increase of more than 1 mb/d y-o-y.

Gulf of Mexico production increased slightly in February, where Shell started production from the Olympus platform at its Mars B development six months ahead of schedule. The new platform's design capacity is 100 kb/d and it is the company's largest deep-water platform in the Gulf. Shell expects that the platform will help extend the Mars basin development to 2050 or beyond. In February, North Dakota's state regulators approved new safety and environmental requirements, including provisions aimed at reducing natural gas flaring at the Bakken formation. These requirements will be imposed on new drilling permits and are expected to result in limiting gas flaring during well completion and well workovers.





The continued development of LTO is expected to drive projected US growth in 2014. Several companies have announced expansion of their operations in the near future. Pioneer Natural Resources thus plans to more than double the number of horizontal rigs in West Texas directed at the Spraberry/Wolfcamp formations. Non-LTO production will also see a boost in investment. BP, the operator of the Prudhoe Bay field, announced that it will raise its investment in Alaska by 25% in 2014, including activities designed to increase production. According to BP, higher investment was incentivised by recently-enacted oil tax reforms in Alaska, which provide more attractive terms to oil companies.

Meanwhile, in response to recent incidents involving crude oil transported by rail, the US Department of Transportation (DOT) issued an emergency order in late February, requiring all shippers of Bakken crude oil to test and properly classify loaded cargoes, in essence, necessitating that all Bakken crude be transported on DOT-111 tank cars setting this type of rail car as the new minimum standard. Although this order likely will not materially affect current flows of Bakken crude via rail as the order bans only about 3% of the rail fleet that handles the crude, it imposes new rules on labelling, spill response plans,

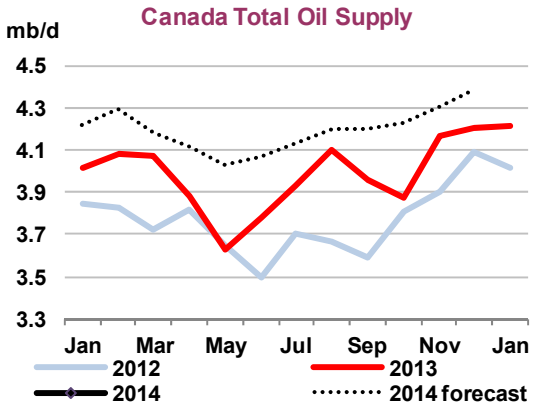
and first responder notification. DOT likely will issue a more comprehensive rule on crude-by-rail transport by the end of 2014.

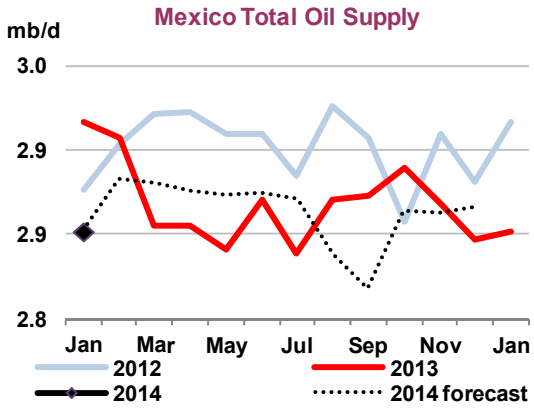
Canada – December actual: Oil production rose to an all-time high of 4.2 mb/d in December. Although production remained relatively flat m-o-m in January, preliminary data indicate that it rose another 75 kb/d in February, to approximately 4.3 mb/d, thanks mostly to higher bitumen, NGL, and light conventional output, which rose about 100 kb/d combined. In contrast, total synthetic crude production fell by 20 kb/d m-o-m. Overall Canadian production in 2014 is expected to reach 4.2 mb/d, rising by about 220 kb/d y-o-y.

The continued increase in Canada's production and the need for southward transportation capacity are prompting pipeline companies to mull various projects, pending the still-unsettled outcome of Keystone XL's protracted approval process. In order to avoid another lengthy permitting process and the need for Presidential approval, Enbridge is considering a complete replacement of its existing Line 3 between Alberta and Wisconsin. The plan would increase the pipeline's capacity to 2.85 mb/d, from 390 kb/d currently. Enbridge is also in the midst of the approval process for its Alberta Clipper pipeline, the cross-border capacity of which it seeks to increase to 570 kb/d from 450 kb/d.

Canada's National Energy Board in February approved Enbridge's Line 9B reversal and expansion project, which will run from Westover, Ontario to refineries in Montreal, Quebec, where approximately 20% of Canada's refining capacity is located. Currently, the pipeline flows from Quebec to Ontario at 60 kb/d. The proposed expansion would increase the pipeline's capacity to 300 kb/d.

Meanwhile, TransCanada reported delivering the first batch of heavy Canadian crude in late February from Alberta to Texas via its 700 kb/d Gulf Coast pipeline, which runs between Cushing, Oklahoma and Nederland, Texas. The Alberta crude was delivered via the existing Keystone pipeline to Cushing prior to making the rest of the journey on the new line. Gulf Coast pipeline was initially planned as the southern leg of an integrated system with the Keystone XL line. TransCanada expects that shipments on the line will average 525 kb/d in 2014. This line has been a proximate cause of a decline in stocks in Cushing, Oklahoma and build in the US Gulf Coast, affecting price differentials. For more on this, see the sections on *Stocks* and *Prices*.

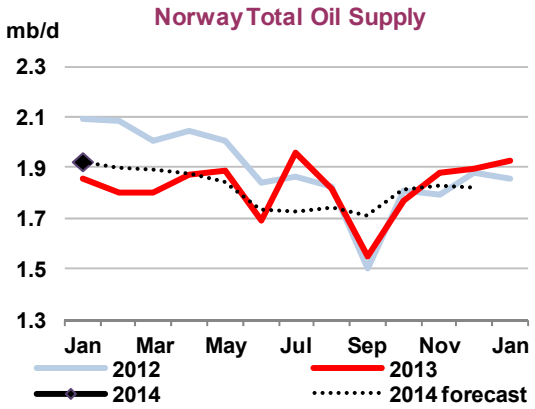


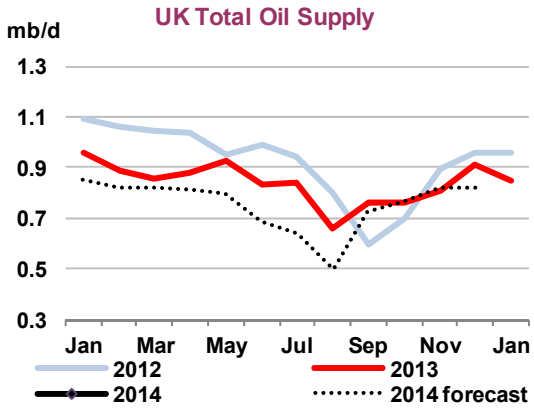


Mexico – January actual: Mexico's oil production remained relatively flat in January compared with the month prior and preliminary data for February show that total output rose by about 30 kb/d to 2.9 mb/d. Of the 2.9 mb/d total, approximately 2.5 mb/d was crude and about 380 kb/d NGLs. In January, total liquids production fell short of last year's by approximately 65 kb/d but we expect total 2014 production to only be about 10 kb/d lower than 2013 output. The Ku-Maloop-Zaap (KMZ) and Cantarell fields produced approximately 860 kb/d and 430 kb/d, respectively in January. KMZ's production is expected to average around this level for the year, while Cantarell's output is forecast at about 420 kb/d in 2014.

North Sea

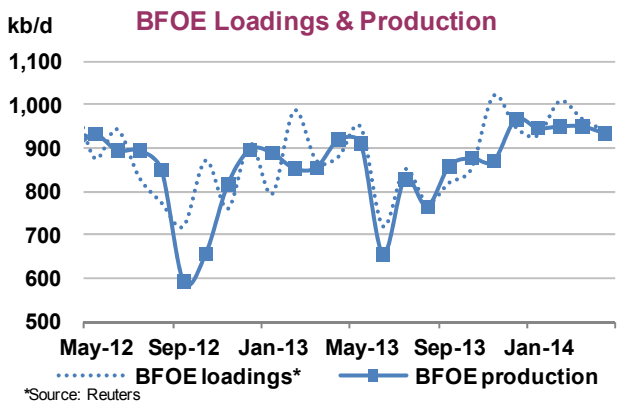
Norway – December actual, January preliminary: Norway's total liquids production averaged 1.9 mb/d in December, increasing about 10 kb/d m-o-m. Preliminary data published by the Norwegian Petroleum Directorate (NPD) indicated a further increase of approximately 30 kb/d in January, as the Heidrun, Norne and Skarv fields returned to normal operating levels. However, Draugen, Ekofisk, Gullfaks and Sklud saw reduced production rates in January due to various technical problems. The Haltenbanken system, which includes Åsgard, Draugen, Morvin and Tyrihans fields produced about 330 kb/d in January. Norway's total output is expected to average 1.8 mb/d in 2014, only slightly higher than the average production of 2013.





UK – November actual, December preliminary: Average production in November stood at 830 kb/d, up by about 50 kb/d m-o-m, as Buzzard and other UK fields saw a rebound in production. December preliminary data show that UK production rose to 928 kb/d, mainly driven by an increase in output at the Forties System. Including the latest data, UK's total 2013 production is estimated to have averaged 865 kb/d, a decline of about 75 kb/d y-o-y, and we expect total production to decline by a further 85 kb/d in 2014.

Following a very tough start to 2014 for the Buzzard field, the UK's largest, output finally returned to normal levels in February. However, a newly released maintenance schedule points at more severe outages in both length and magnitude than originally expected for 2014. Buzzard is expected to undergo up to nine weeks of maintenance in 2014. Starting in late July, the field will be offline for 25 days of planned maintenance, which coincides with the 14-day shutdown of the Forties Pipeline system. The 25-day shut-down of Buzzard is in addition to the maintenance planned for May and September. Given the new timeframe for the July/August maintenance, we expect that Buzzard output will fall to 165 kb/d in 2014. The North Sea Enoch field restart was delayed to 2Q14, following extensive maintenance work and an extended outage. The field was shut down in early 2012 due to mechanical issues related to subsea equipment. While repairs took place through 2012 and 2013, the field cannot resume production until pipeline connection and inspections have been completed.



Preliminary data for 1Q14 indicate that production of Brent-Forties-Oseberg-Ekofisk (BFOE) rose by about 45 kb/d compared with the previous quarter. However, production of the stream underlying the North Sea Dated price remained flat at 949 kb/d, about 60 kb/d lower than loadings, as some cargoes that were

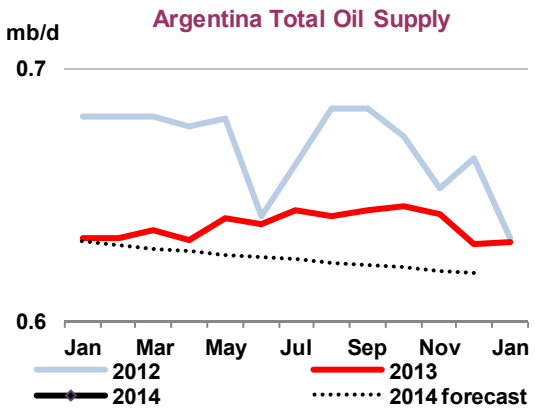
scheduled for January actually loaded in February. The BFOE March schedule indicates a decrease in loadings of about 40 kb/d, with production remaining at roughly the same level as in February.

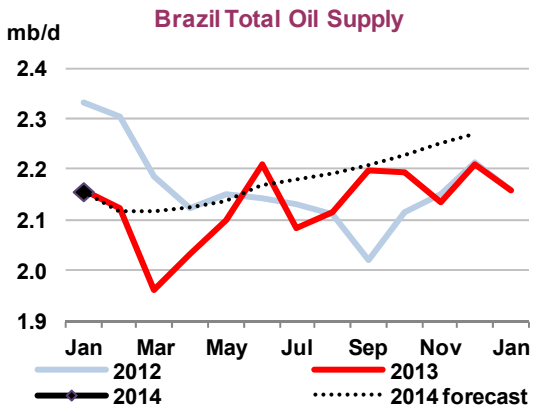
Non-OECD

Latin America

Argentina – December actual: Oil production in Argentina totalled 620 kb/d in December, falling approximately 15 kb/d m-o-m. Crude output averaged approximately 520 kb/d with the remainder produced as NGLs. Preliminary data for January indicate that production remained relatively flat for the month. The country's total oil production averaged 628 kb/d in 2013, a decrease of about 30 kb/d y-o-y, and we expect that Argentina's production will decrease by about another 10 kb/d in 2014.

Argentina's YPF announced that it added 284 million barrels of oil equivalent to its proved reserves in 2013, the company's best reserve replacement in more than a decade. The reserves are about evenly divided between liquids (crude oil, condensate, and NGLs) and natural gas. The reserve additions occurred amid development of the country's unconventional oil and gas resources in the Vaca Muerta shale play, located in the Neuquen Basin. Possibly paving the way to further the development of the Vaca Muerta shale play, Argentina's government, which expropriated the majority stake in YPF from Repsol in 2012, finally reached a compensation agreement with the company. Under the agreement, Repsol will receive a package of dollar-denominated government bonds and sovereign debt valued at approximately $4.76 billion; in exchange, it will forego any legal claims against YPF. In March 2014, YPF contracted for 10 new rigs to work the Vaca Muerta play, with deliveries over the next few quarters.





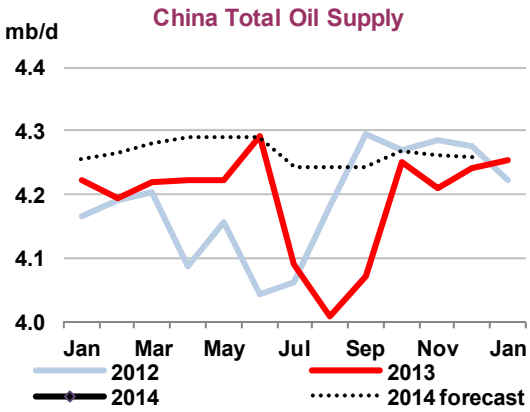
Brazil – January actual: Brazil's total output fell by about 50 kb/d in January, mainly as a result of decreased ethanol production, although crude oil also fell during the month. Output totalled 2.2 mb/d in January, approximately unchanged from prior-year levels. Preliminary data for February indicate that production fell by another 70 kb/d to 2.1 mb/d. Two shut-in offshore units in the Campos basin, the Marlim field's P-20 and FPSO Brasil, likely affected the January and February output. The Marlim field P-20 platform was producing 22 kb/d prior to its shut-in; Petrobras announced that it will return to production before the end of 1Q14. The P-20 platform was shut-in to repair fire damage. The FPSO Brazil is being decommissioned, resulting in a decrease of 29 kb/d of oil production in January. However, the wells that were connected to the FPSO are being connected to platforms at the Roncador field and the shut-in production was expected to come online during March.

Petrobras' full-year 2013 output fell for the second year in a row due to delays in production from new units in the Campos basin and challenges related to the installation of riser buoy systems at two of its pre-salt fields. The production delays in 2013 in the Campos basin occurred at the Roncador, Parque das Baleias and Papa-Terra fields. Meanwhile, its new five-year investment plan, released in late February,

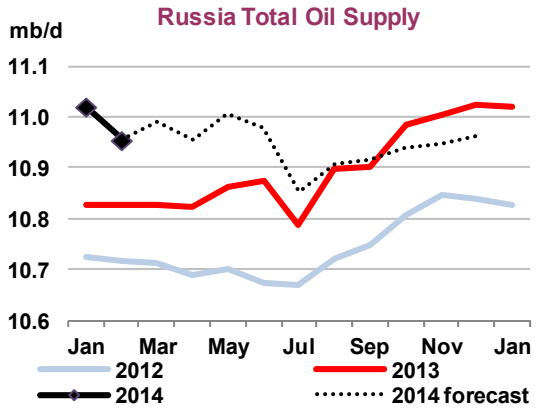
reduced planned expenditures by $16 billion to a total investment of $221 billion between 2014 and 2018. The decrease in planned investment is due to rapidly expanding debt and lower company profits, as noted in the October 2013 *Report*. Increased domestic demand for gasoline produced by Petrobras and sold at administered prices well below market value has taken a deep bite out of its profits, adding to its debt and prompting it to revise its investment and strategic plan.

Asia

China – January preliminary: Total oil production in China rose slightly in January and February, averaging approximately 4.3 mb/d in February. Overall, we expect that production in 2014 will reach 4.3 mb/d as the Peng Lai field continues to recover to its pre shut-in level and several other fields continue to ramp up production. The ConocoPhillips-operated Peng Lai field offshore China, which consists of the main Peng Lai 19-3 field, 19-9 and 26-6, produced a total of about 80 kb/d in 2013. The field was producing approximately 120 kb/d before a leak of oil and drilling mud shut in Peng Lai 19-3 in mid-2011. Although the Chinese government has approved the resumption of operations, the field has yet to reach its previous production level.



Former Soviet Union



Russia – January actual, February preliminary: Russia's total oil production in January remained above the 11 mb/d mark, although very slight production declines were apparent in both January and February. Extreme weather that affected production in January continued into the first two weeks of February, with severe temperatures causing power outages and drilling problems. For the second month in a row, Rosneft's legacy oil fields saw significant declines, resulting in a decrease of the company's output of 2% m-o-m to 3.7 mb/d in February. This large decrease in production occurred despite increases in output from its newer fields. Although Russia's total liquids production lags behind that of the US, it produced the highest volume of crude oil of any OPEC or non-OPEC producers.

Given the fairly large decline rates in its legacy fields, Rosneft plans to invest approximately $83 billion over the next decade in new East Siberian upstream projects in an effort to increase production to more than 1 mb/d by 2025. The bulk of the spending will be aimed at a number of fields including the Vankorskoye, Suzunskoye, Tagulskoye and Lodochnoye fields. In 2013, Rosneft produced less than 600 kb/d in East Siberia, out of a total of about 3 mb/d in Russia. Lukoil, too, is attempting to boost domestic production. The company has already commenced drilling in its recently-acquired Western Siberia Imilorskoye field, six months ahead of the original schedule, with pipelines, roads, and a bridge already constructed to facilitate drilling and production. The field is estimated to have 1.4 billion barrels of recoverable reserves and is one of the very few undeveloped fields in Western Siberia. Lukoil expects to produce first oil at the field sometime in 2015.

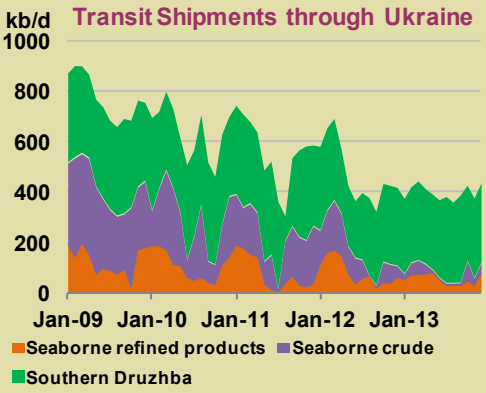
Ukraine's Oil Transit Role in Focus

The recent events in Ukraine have raised concerns about the risks of disruption in Russian energy exports, especially given its importance as a transit corridor to Europe. Ukraine's vital role as a transit country for Russian gas exports already came to the fore when Russia briefly halted gas exports through Ukraine in 2006 and again in 2009. Russia is as important an oil exporter to Europe (of both crude and refined products) as it is a gas exporter, but unlike for gas, only a relatively small portion of its overall oil exports to Europe transit through Ukraine. Crude exports through Ukraine loom large, however, in the energy supply of three European countries: the Slovak Republic, Hungary and the Czech Republic. Ukraine itself has also historically relied on Russia for much of its imports of refined products. Yet both for Ukraine and for the Slovak Republic, Hungary and the Czech Republic, alternative supply sources can be found.

To date, there has been no disruption in physical oil and gas supplies to or through Ukraine. Europe imports natural gas from Russia through a number of different routes, but gas flows through Ukraine to Europe totalled about 82 billion cubic metres (bcm) in 2013, roughly half of all Russian flows to Europe. Alternative supplies and routes to replace the 82 bcm of gas may be limited, depending on available pipeline capacity and timing of the disruption.

Ukraine itself is very dependent on Russian oil. In 2013, Ukraine produced an average of about 65 kb/d of crude oil and petroleum liquids, and consumed 280 kb/d. Most of Ukraine's consumption was met by petroleum products from Russia, estimated at about 190 kb/d, but petroleum products also came in from Poland, Greece, Italy, and Hungary (for a total of about 20 kb/d). Overall, only about 25% of Ukraine's consumption was met by domestically refined products, as only a fraction of Ukraine's refining capacity was operational in 2013 (see *Ukraine's Refinery Hopes Fall Victim of Crisis* in the *Refining* section).

Beyond Ukraine, other countries rely to varying degrees on Russian oil that shipped via the Druzhba pipeline. Of the more than 3 mb/d of crude exported by Russia to Europe in 2013, about 300 kb/d travelled via the southern spur of the Druzhba pipeline, which runs through northern Ukraine from near the town of Ovruch to Uzhgorod. Crude volumes shipped through Ukraine via that 400 kb/d-capacity pipeline spur have declined in 2012 and 2013 by over 100 kb/d as Russia's deliveries of crude oil to Baltic ports increased. Due in part to a lack of cost-effective alternatives for land-locked states along the pipeline route, further declines seemed unlikely prior to the recent events in Ukraine. The Slovak Republic imports 100% of its crude requirements via the Druzhba, while Russian crudes account for 94% and 65% of imports to Hungary and the Czech Republic, respectively. In addition, Bosnia reportedly imports a small amount of crude via the Druzhba spur.

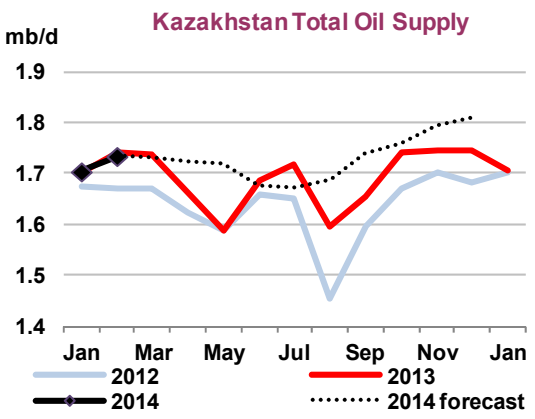


Alternative supply routes exist in the event of a disruption to the southern leg of the Druzhba line. Hungary can potentially import crude via the 200 kb/d Adria pipeline running to the Croatian port of Omisalj. There is an onward link from Hungary to the Bratislava refinery in Slovakia. Reports suggest that this 90 kb/d line remains closed but has been maintained in a serviceable condition. Czech refineries are also fed by the Ingolstadt-Kralupy-Litvonov (IKL) pipeline which permits them to import a maximum of 180 kb/d via Germany.

While flows through the southern Druzhba have remained stable, crude volumes shipped via Ukrainian ports have fallen from an average 300 kb/d in 2009 to 30 kb/d in 2013. Shipments of Russian crudes have dropped accordingly following Moscow's policy of diverting oil exports away from transit states while those from Kazakhstan have declined in light of the reportedly unfavourable economics of Ukrainian ports compared to other outlets. Data indicate that Odessa is now the only Black Sea port routinely used for crude exports with cargoes sent via the Crimean port of Feodosiya drying up in April 2013.

Similarly, volumes of refined products delivered via Ukrainian terminals have also been cut from an average of 120 kb/d in 2009 to 50 kb/d in 2013 with the bulk of these products being residual fuel oil. The two main ports used for exports are Odessa and Sevastopol, the latter of which is in Crimea. Moreover, a portion of the fuel oil delivered to the Odessa terminal in 4Q13 was likely domestically produced by the Odessa refinery, although reports suggest that crude processing at this refinery has now halted due to a payment dispute over crude supplies. Meanwhile, the refinery has been transferred to VTB bank as the previous owner was unable to repay the debts.

Kazakhstan – January actual, February preliminary: Total liquids production in January fell by about 40 kb/d to 1.7 mb/d, driven by declines in crude oil production. Preliminary data for February indicate that Kazakhstan's production bounced back by about 30 kb/d m-o-m. In January, crude oil and NGL output declined by 40 kb/d (to 806 kb/d) and by 15 kb/d (to 325 kb/d), respectively. Kazakhstan's total production is expected to average 1.7 mb/d in 2014, about 40 kb/d higher y-o-y, with Kashagan contributing marginal volumes to the total production and only in the last quarter of the year.



Kazakhstan's oil minister recently revealed that welding problems might have caused the pipeline leaks that forced Kashagan to shut down only weeks after start-up. However, no official announcement has been made related to the possible restart date of the field's production although some suggest that the resolution to the pipeline leak may take another year. Meanwhile, the field partners face more bad news: the Environment and Water Resources Ministry in a statement said that the consortium may have to pay $727 million for illegal gas flaring that occurred in the aftermath of the field's shutdown in September and October 2013. On 12 March, the Minister of Economy and Budget Planning announced that Kazakhstan's crude export duties will increase from $60/ton to $80/ton. The new rates will take effect on 1 April.

FSU net exports increased by 220 kb/d to 9.2 mb/d in January. A 180 kb/d hike in product deliveries, driven by gasoil, took the lion's share of the rise in net exports. Crude shipments rose by 60 kb/d, led by flows through the Transneft network, which rose by 80 kb/d. In contrast, cargoes shipped from Baltic and Black Sea ports contracted by a further 30 kb/d and 60 kb/d, respectively. The latest data thus appear to show an ongoing shift in export direction, with the extra oil being shipped almost exclusively eastwards. Volumes transported via Kozmino rose by 70 kb/d m-o-m to over 500 kb/d. Meanwhile, following the start-up of new term contracts between Rosneft and Chinese refiners, total exports to China via the Transneft network, hit a record 470 kb/d, of which about 320 kb/d was shipped through the ESPO spur.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	1Q2013	2Q2013	3Q2013	4Q2013	Nov 13	Dec 13	Jan 14	Latest month vs. Dec 13	Latest month vs. Jan 13
Crude											
Black Sea	1.81	1.78	1.80	1.80	1.75	1.78	1.80	1.70	1.67	-0.03	0.09
Baltic	1.67	1.57	1.60	1.68	1.44	1.58	1.62	1.39	1.33	-0.06	-0.34
Arctic/FarEast	0.65	0.80	0.78	0.80	0.81	0.82	0.84	0.85	0.92	0.07	0.14
BTC	0.66	0.64	0.58	0.71	0.65	0.61	0.67	0.58	0.58	0.00	0.01
Crude Seaborne	**4.79**	**4.80**	**4.76**	**5.00**	**4.65**	**4.79**	**4.93**	**4.51**	**4.50**	**-0.01**	**-0.09**
Druzhba Pipeline	1.08	1.03	0.99	1.02	1.06	1.05	1.05	1.08	1.02	-0.06	0.08
Other Routes	0.52	0.56	0.55	0.54	0.56	0.60	0.59	0.57	0.71	0.14	0.15
Total Crude Exports	**6.39**	**6.39**	**6.31**	**6.55**	**6.27**	**6.44**	**6.57**	**6.16**	**6.23**	**0.06**	**0.14**
Of Which: Transneft[1]	4.22	4.07	4.09	4.15	3.98	4.07	4.14	3.85	3.93	0.08	-0.07
Products											
Fuel oil[2]	1.72	1.62	1.61	1.77	1.68	1.44	1.40	1.48	1.48	-0.01	-0.14
Gasoil	0.79	0.84	0.97	0.86	0.81	0.73	0.72	0.81	0.95	0.13	0.06
Other Products	0.44	0.50	0.48	0.48	0.53	0.53	0.50	0.59	0.64	0.05	0.15
Total Product	**2.95**	**2.97**	**3.06**	**3.11**	**3.02**	**2.70**	**2.62**	**2.88**	**3.06**	**0.18**	**0.08**
Total Exports	**9.34**	**9.36**	**9.36**	**9.66**	**9.29**	**9.14**	**9.19**	**9.05**	**9.29**	**0.24**	**0.22**
Imports	0.09	0.08	0.07	0.06	0.10	0.08	0.09	0.06	0.08	0.02	0.01
Net Exports	**9.25**	**9.29**	**9.29**	**9.60**	**9.20**	**9.06**	**9.10**	**8.99**	**9.21**	**0.22**	**0.20**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

Russia's Oil Trade with Europe

OECD Europe imports of Russian crude oil in 2013 averaged about 3.05 mb/d, accounting for approximately 36% of total net crude oil imports into the region. Although OECD Europe receives a large share of its imports from Russia, the importance of the European market for Russia is also very high, as 71% of the country's crude oil exports and 36% of petroleum product exports were destined for OECD Europe in 2013. Although OECD Europe exports large amounts of products as well, particularly gasoline, and is, hence, only a relatively small overall net product importer (about 530 kb/d in 2013), gasoil imports from Russia are quite important to the European market. Of total net gasoil imports of about 620 kb/d, some 69% on a net basis were from Russia. Overall, oil from Russia, whether crude, products, or other feedstocks and NGLs, represented about 44% of net oil imports into OECD Europe in 2013.

Import dependence from Russia for crude oil is higher on an absolute basis than for products, although Russia's share of net product imports is higher. Overall, net Russian oil imports represented about 32% of OECD European demand in 2013.

Russian Oil Exports - 2013

(million barrels per day)

	World	OECD Europe	OECD Europe as a % of total
Crude Oil	4.30	3.05	71%
Products	2.80	1.02	36%
Total	**7.10**	**4.07**	**57%**

In 2013, Russian net crude oil exports to Europe declined by about 7%, or 240 kb/d. Market participants expect further declines ahead. Russian state oil company Rosneft last year tied up a significant proportion of future production in a prepayment deal with China's CNPC, causing additional Russian crude export volumes to head east rather than west (see *'A New Supermajor: How the TNK-BP Acquisition Could Affect Trade Flows'* in the April 2013 *Report*). As noted above, transneft shipments to China have reached record levels of late. In addition, Russia's tax policy is increasingly designed to incentivise product exports at the expense of crude exports, even as Europe's crude import requirements are set to decline on the back of falling domestic demand and reductions in regional refining capacity and throughputs. Nevertheless, Russia and OECD Europe remain closely linked as oil trading partners: on the one hand, Russian crude export volumes to Europe, despite their decline, remain extremely large and Europe continues to rely on Russia for a large share of its crude import needs. On the other hand, falling crude exports to Europe have been largely offset by rising product exports, and the 2013 experience of increased net product exports to Europe can be expected to continue. Net product exports from Russia into OECD Europe grew about 15% in 2013, or by 130 kb/d.

OECD Europe Net Oil Imports from Russia 2011 - 2013

	2011		2012		2013	
	mb/d	% of total	mb/d	% of total	mb/d	% of total
Crude oil	3.29	38%	3.29	36%	3.05	36%
Refined products	0.90	<100%*	0.88	<100%*	1.01	<100%*
Gas/diesel	0.34	58%	0.33	64%	0.43	69%
Net oil including NGLs and feedstocks	4.37	45%	4.35	44%	4.33	44%
Total OECD Europe oil demand (Russian imports as a %)	14.28	31%	13.77	32%	13.65	32%

*Due to export volumes of petroleum products, European imports of Russian volumes exceed total net imports from the world as a whole

OECD STOCKS

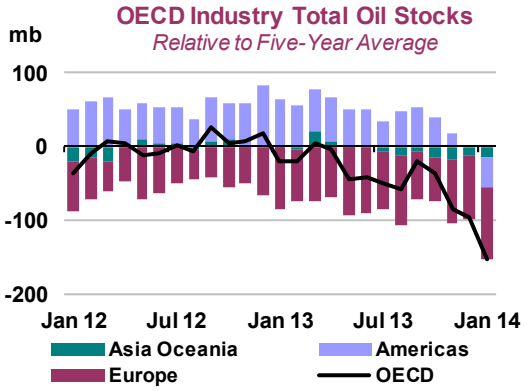
Summary

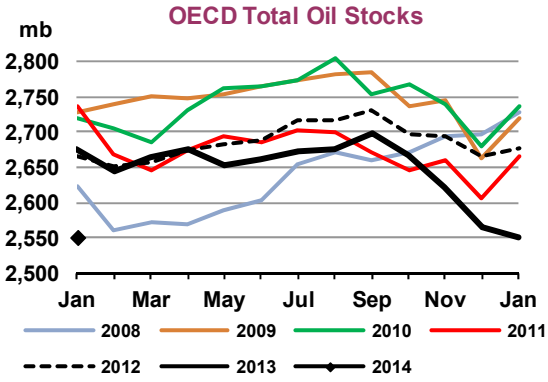
- **OECD total oil inventories dropped counter-seasonally by a further 13.2 mb in January** to 2 551 mb, as unusually cold weather in North America steeply drew stocks of heating fuels. The deficit of inventories to the seasonal average expanded to 154 mb, its widest since February 2003, from 97 mb at end-December.

- I**nventories of refined products covered 29.0 days of forward demand at end-January**, 0.2 days lower than at end-December.

- **OECD total oil inventories remained about flat in February**, based on preliminary data. A 16.6 mb aggregate gain in crude oil, NGLs and feedstocks, centred in OECD Americas, offset a 16.7 mb fall in refined products, also centred in the Americas.

- **On 12 March, the US Department of Energy offered 5 mb of crude from the US Strategic Petroleum Reserve up for sale** to test the capabilities of the reserve system infrastructure. Potential buyers had until 14 March to submit bids for the oil, with delivery planned from 1-30 April, the DOE said.





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

OECD total oil inventories dropped by a further 13.2 mb in January, extending their steep 4Q13 losses, and in sharp contrast to the 43.4 mb five-year average build for that month. Stocks ended the month at 2 551 mb. Since the draw was counter-seasonal, the deficit of inventories to the five-year average grew to 154 mb from 97 mb at end-December. This gap is now at its widest since February 2003 with all OECD regions standing in deficit. Moreover, inventories in the OECD Americas sank to a 40 mb deficit from an upwardly revised 2 mb surplus at end-December. The monthly draw in OECD inventories appears even more staggering when considering that restocking has taken place during every January since 2008. However, this year, January was characterised by extreme cold weather in North America that saw refined product inventories there plummet (see *Freezing Weather Causes Chaos in US Heating Fuel Markets* in *Report* dated 13 February 2013). All told, OECD American inventories contracted by 26.6 mb in January, while holdings in Europe and Asian Oceania adhered to seasonal patterns; rising by 9.3 mb and 4.1 mb, respectively.

On a product-by-product basis, 'other products' accounted for the bulk of the monthly draw with a dip of 24.4 mb, while middle distillates slipped by 2.0 mb. At end-January, refined products covered 29 days of forward demand, 0.2 days lower than at end-December. Meanwhile, crude inventories fell by a counter-seasonal 5.6 mb, centred in OECD Europe after refinery throughputs rose.

Revisions versus 21 January 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Nov-13	Dec-13	Nov-13	Dec-13	Nov-13	Dec-13	Nov-13	Dec-13
Crude Oil	**-0.5**	**2.9**	**-1.2**	**-8.9**	**2.2**	**3.7**	**0.5**	**-2.2**
Gasoline	0.0	-1.2	0.8	3.3	0.0	0.0	0.8	2.0
Middle Distillates	0.4	-1.9	5.8	8.9	0.0	1.0	6.2	7.9
Residual Fuel Oil	0.1	-0.6	0.0	-1.2	0.0	0.1	0.1	-1.7
Other Products	-0.5	5.0	-0.9	4.1	0.0	-0.3	-1.4	8.8
Total Products	**0.0**	**1.3**	**5.8**	**15.1**	**0.0**	**0.7**	**5.7**	**17.0**
Other Oils[1]	0.3	-7.8	-1.0	-1.4	0.0	0.0	-0.8	-9.2
Total Oil	**-0.3**	**-3.5**	**3.5**	**4.8**	**2.2**	**4.3**	**5.5**	**5.6**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Upon the receipt of revised data, November and December inventories were adjusted upwards by 5.5 mb and 5.6 mb, respectively. The upward revision to December refined products was led by an 8.9 mb adjustment to European middle distillates. 'Other products' were also revised up by 8.8 mb. Both of these adjustments helped to cancel out a 9.2 mb downward revision in 'other oils' concentrated in the OECD Americas. Despite these revisions, the stock draws for 4Q13 and for 2013 as a whole remain at 1.5 mb and 0.2 mb, respectively, unrevised from last month's *Report.*

Preliminary data indicate that OECD inventories remained relatively stable in February, inching down by just 0.1 mb. An aggregate 16.6 mb gain in crude oil, NGLS and other feedstocks, centred in OECD Americas, offset a 16.7 mb fall in refined products, also centred in the Americas, where the recent slide in heating fuels was arrested by end-month. All refined product categories drew on the month, notably 'other products' (-4.8 mb) and motor gasoline (-4.4 mb).

Preliminary Industry Stock Change in December 2013 and Fourth Quarter 2013

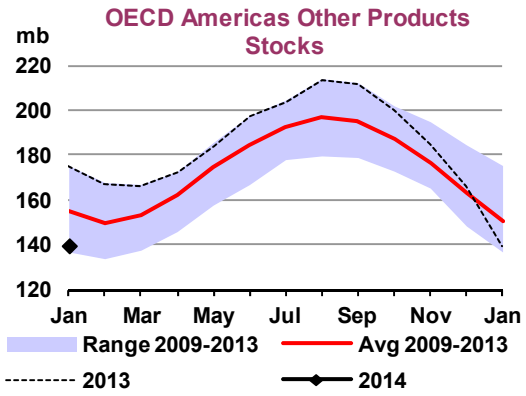
	December 2013 (preliminary) *(million barrels)*				December 2013 (preliminary) *(million barrels per day)*				Fourth Quarter 2013 *(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-0.7**	**-5.8**	**0.9**	**-5.6**	**-0.02**	**-0.19**	**0.03**	**-0.18**	**-0.22**	**-0.10**	**-0.14**	**-0.46**
Gasoline	7.7	2.0	1.5	11.3	0.25	0.07	0.05	0.36	0.08	0.01	-0.01	0.09
Middle Distillates	-11.7	10.7	-1.0	-2.0	-0.38	0.34	-0.03	-0.06	-0.09	-0.05	-0.03	-0.17
Residual Fuel Oil	-0.2	1.4	0.8	1.9	-0.01	0.04	0.03	0.06	0.03	-0.07	-0.01	-0.05
Other Products	-26.1	2.0	-0.2	-24.4	-0.84	0.06	-0.01	-0.79	-0.50	0.01	-0.10	-0.59
Total Products	**-30.3**	**16.1**	**1.1**	**-13.1**	**-0.98**	**0.52**	**0.04**	**-0.42**	**-0.48**	**-0.10**	**-0.14**	**-0.72**
Other Oils[1]	4.4	-1.0	2.1	5.5	0.14	-0.03	0.07	0.18	-0.24	0.02	-0.06	-0.29
Total Oil	**-26.6**	**9.3**	**4.1**	**-13.2**	**-0.86**	**0.30**	**0.13**	**-0.43**	**-0.95**	**-0.18**	**-0.34**	**-1.47**

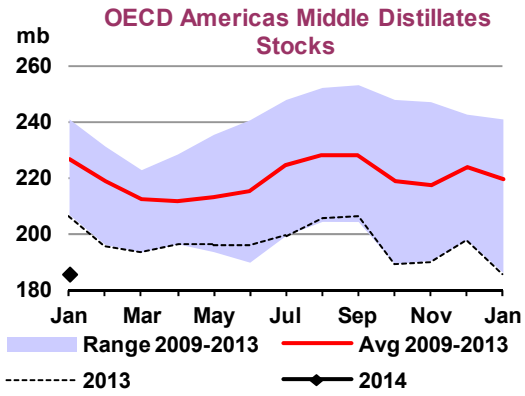
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Recent OECD Industry Stock Changes

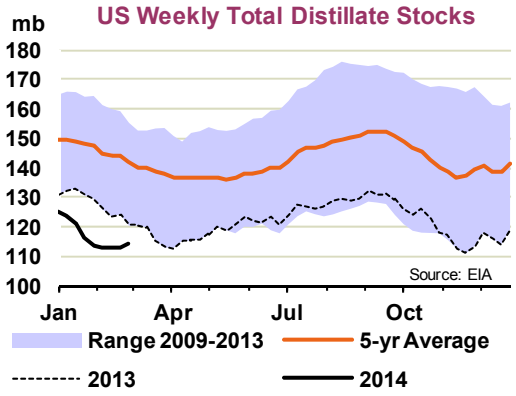
OECD Americas

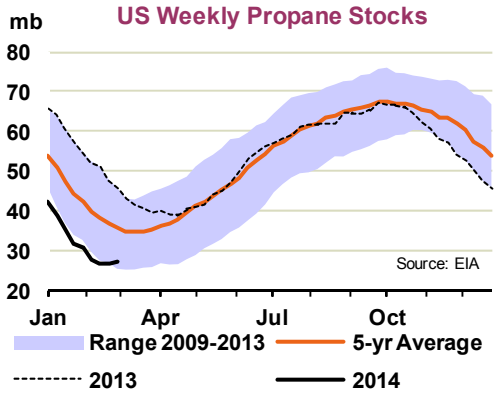
Commercial oil inventories in OECD Americas drew by 26.6 mb, counter-seasonal to the 14.9 mb five-year average draw for the month. High heating demand, in the wake of extremely cold weather, rapidly depleted inventories of heating fuels, including propane and 10-ppm distillate fuel oil. Consequently, stocks of 'other products' (including propane) plunged by 26.1 mb, as high midcontinent demand combined with strong exports. This draw leaves 'other products' holdings towards the bottom of the five-year range, a remarkable turnaround considering that they sat above the seasonal range at end-3Q13. Middle distillates drew by 11.7 mb on the month to leave inventories below the seasonal range in both absolute and days-of-forward-demand terms. All told, regional refined products fell by a counter-seasonal 30.3 mb to cover 26.8 days of forward demand at end-January, 1.2 days lower than one month earlier. Meanwhile, crude oil stocks inched down by 0.7 mb, compared with their 13.4 mb five-year average build, as regional refinery throughputs remained 600 kb/d above year-ago levels.





Preliminary data from the US Energy Information Administration (EIA) indicate that US industry stocks remained relatively stable during February, increasing by a slight 1.2 mb. As cold weather abated, data indicate stocks of distillate fuel oil and propane reversed their steep draws in the second half of February. Distillate fuel oil posted its first build for some time in the week ending 21 February and propane in the following week. Meanwhile, despite cold weather reportedly tempering driving demand, US gasoline stocks drew by a steep 6.0 mb as net-imports fell below 400 kb/d in February.

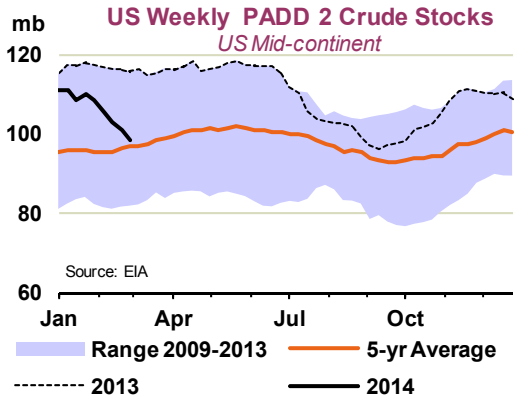


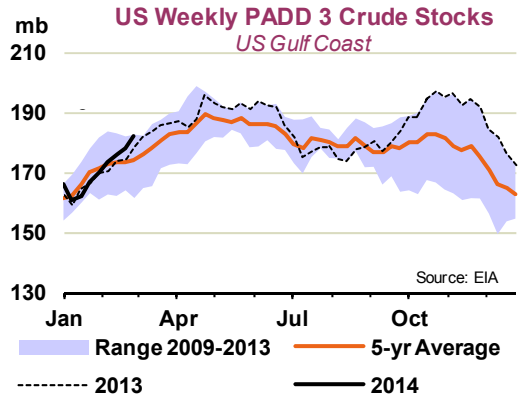


Following the recent commissioning of new pipelines from PADD 2 to PADD 3, notably TransCanada's 700 kb/d Gulf Coast pipeline, crude oil inventories at the Cushing, Oklahoma, storage hub have been on a steep downward trajectory throughout February. Stocks at the hub fell by 8.1 mb to 32.1 mb over the course of February to sit close to the seasonal low by end-month. Pipeline capacity out of the Midwest to the Gulf Coast is now estimated at 1.5 mb/d. This drain had supported WTI prices, which have seen their discount to coastal grades such as LLS narrow considerably over February.

Conversely, stocks in PADD 3 rose by 12.3 mb on the month, to 182 mb, despite refinery throughputs there remaining at 7.8 mb/d, approximately 0.7 mb/d above year-earlier levels. According to the most recent EIA working storage survey, commercial crude storage capacity at refineries and tank farms in PADD 3 stood at 273 mb as of September 2013. Current inventory levels thus amount to 66% fill, indicating that there is plenty of scope for these stocks to rise further.

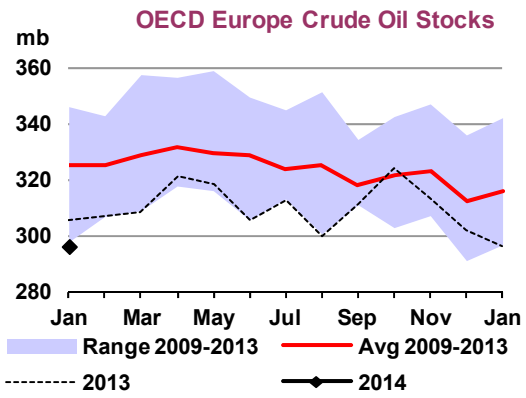
On 12 March, the US DOE offered 5 mb of crude from the US SPR up for sale to test the capabilities of the reserve's infrastructure. The SPR oil is stored in 62 salt caverns located at four sites in Texas and Louisiana. The DOE will release 4 mb from West Hackberry, Louisiana, with the remaining 1 mb coming from Big Hill, Texas. Potential buyers have until 14 March to submit bids for the oil, with delivery planned from 1 -30 April.

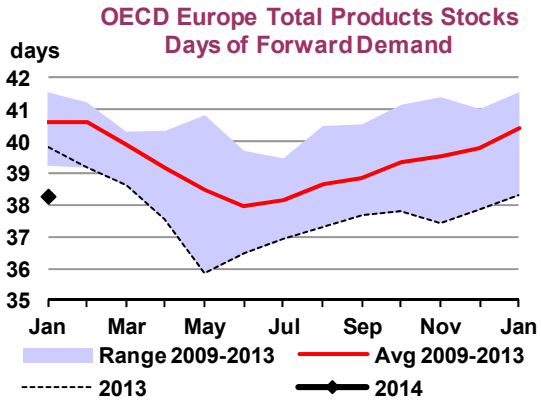




OECD Europe

Industrial inventories in OECD Europe rose by 9.3 mb in January, weaker than the 22.1 mb five-year average build for the month. Consequently, the region's deficit versus the five year average level widened to 100 mb from 87 mb one month earlier. Crude oil drew by an unseasonal 5.8 mb after refinery throughputs rose by 100 kb/d. Stocks of refined products built by a seasonal 16.1 mb to cover 38.3 days of forward demand at end-month, 0.5 days above one month earlier. Rising middle distillate inventories (+10.7 mb), as the weather remained unseasonably warm throughout most of Europe, accounted for the lion's share of the refined product build. Nonetheless, German end-user heating oil consumer stocks reportedly drew by 3% to stand at 55% of capacity by early February.





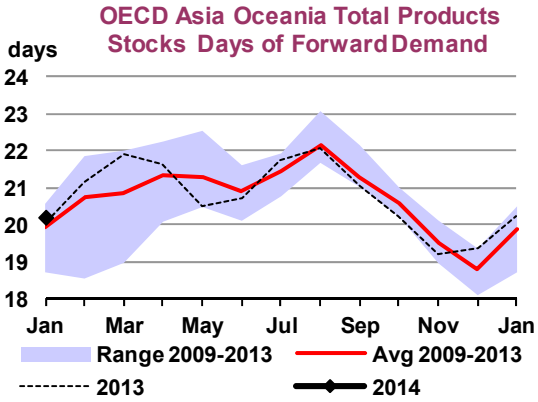
Preliminary data from Euroilstock indicate that inventories rose by a further 1.5 mb in February, counter-seasonal to the 10.7 mb five-year average draw. Increasing crude oil stocks (+2.4 mb) offset a 1.0 mb draw in refined products driven by a 2.0 mb contraction in fuel oil. Meanwhile, motor gasoline and middle distillates rose counter-seasonally by 0.7 mb and 0.4 mb, respectively.

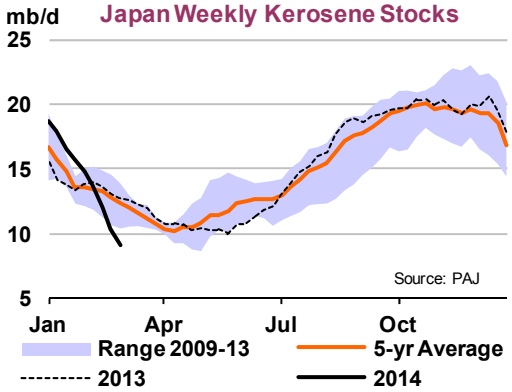
OECD Asia Oceania

Total oil stocks in Asia Oceania rose by a seasonal 4.1 mb over January to leave inventories 14.2 mb in deficit to five-year average levels. Crude oil inched up by a weak 0.9 mb while NGLs and other feedstocks built by a combined 2.1 mb. Refined products increased by a slim 1.1 mb to cover 20.2 days at end-month, 0.9 days above end-December. Product builds were tempered by middle distillates which fell by 1.0 mb despite warmer-than-usual weather.

Preliminary data from the Petroleum Association of Japan (PAJ) indicate that total industry stocks fell by 2.8 mb in February, led by a 4.4 mb drop in refined product stocks, which more than offset a 3.8 mb build in crude. A steep 5.2 mb draw in kerosene pressured refined products lower. Indeed,

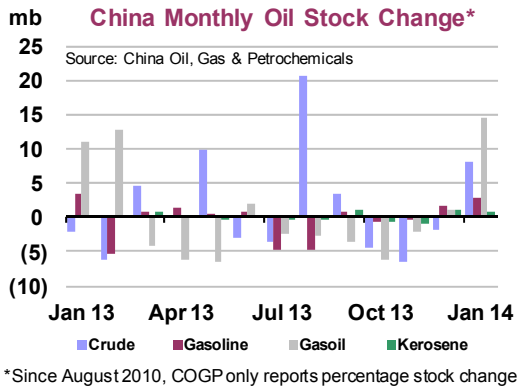
kerosene stocks now stand below their seasonal range. Reports suggest this was driven by high exports. The draw is somewhat counter-intuitive, given that unseasonably warm weather kept Japanese heating demand exceptionally low for most of the month. These preliminary data remain subject to revision pending the release of official data next month.

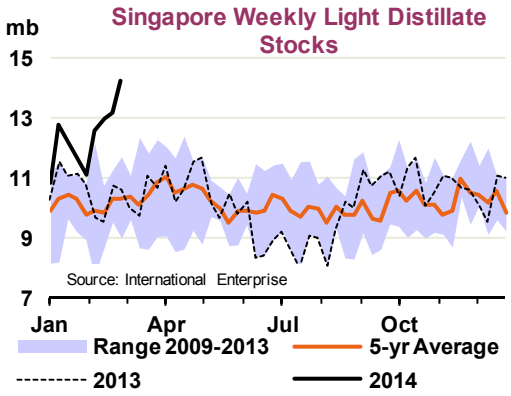




Recent Developments in Singapore and China Stocks

Data from *China Oil, Gas and Petrochemicals* (*China OGP*) indicate that Chinese commercial crude stocks rose by 8.0 mb in January, largely after imports reached a record 6.7 mb/d. Companies upped purchases from Iran, Oman, Venezuela and Colombia ahead of the Lunar New Year holiday, which this year fell at end-January. Product inventories surged by 18.1 mb, their steepest build since February 2011. Despite relatively high exports, gasoil stocks built by a sharp 14.4 mb while motor gasoline and kerosene rose by 2.9 mb and 0.2 mb, respectively.

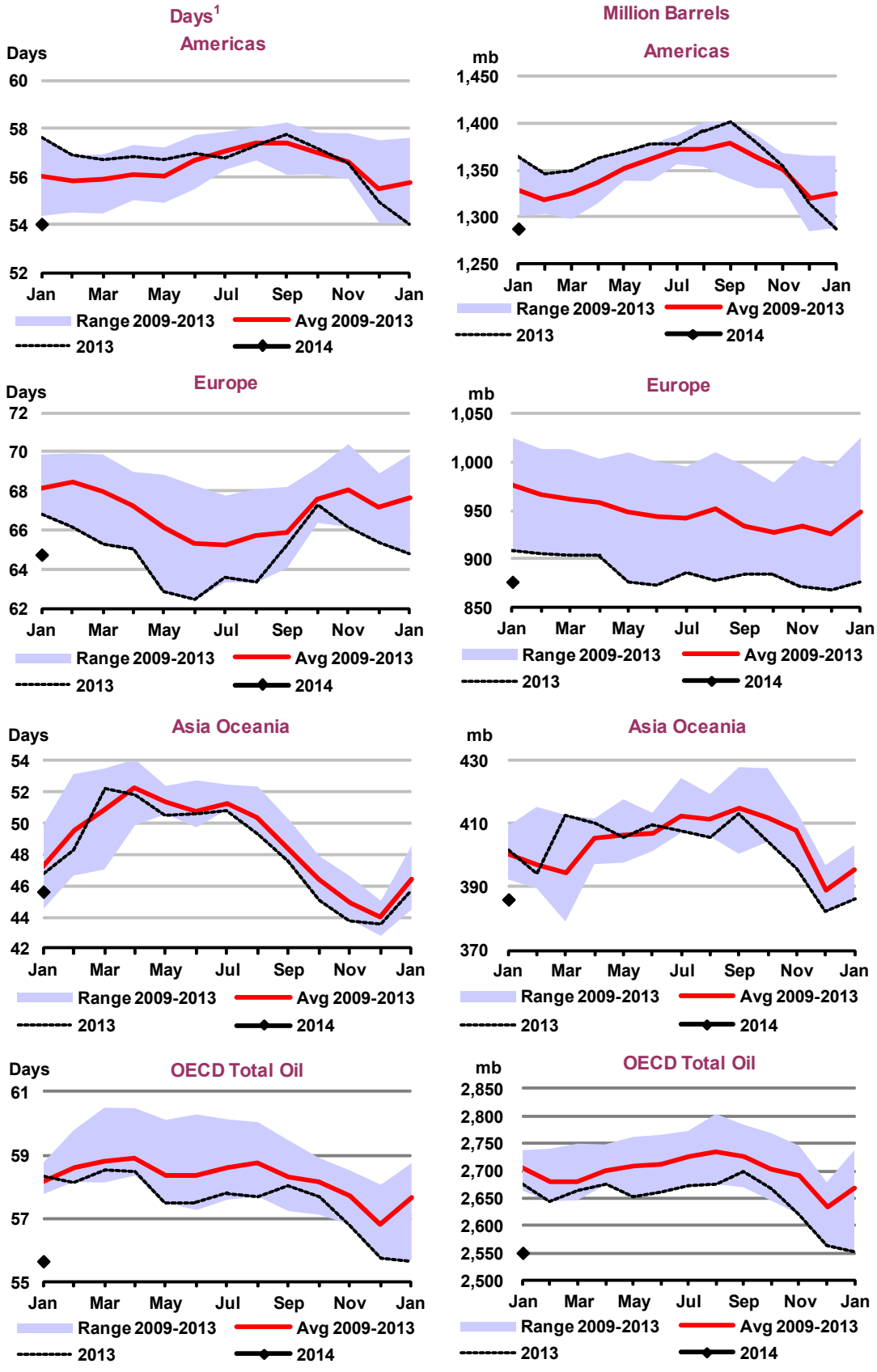




Weekly data from International Enterprise pertaining to the land-based storage of refined products in Singapore indicate that inventories rose by 4.2 mb in February and continued to trend close to five-year average levels. Light distillate stocks (including gasoline, reformate, naphtha but excluding gases) accounted for 2.7 mb of the build as they surged to 14.3 mb, the highest since records began in 1998. Meanwhile, middle distillates rose by 1.6 mb as arrivals, notably of Japanese kerosene, remained high, offsetting reportedly buoyant import demand from Malaysia, the Philippines and Vietnam. On the other hand, stocks of residual fuel oil drew by 0.2 mb.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

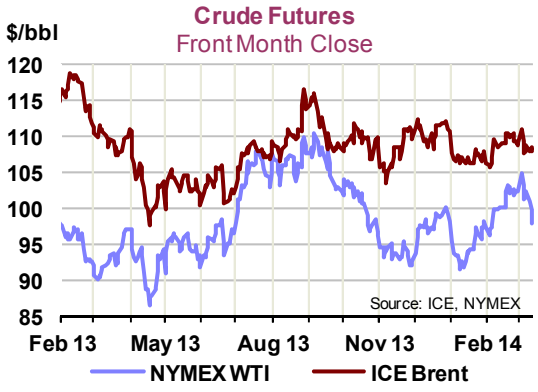
Summary

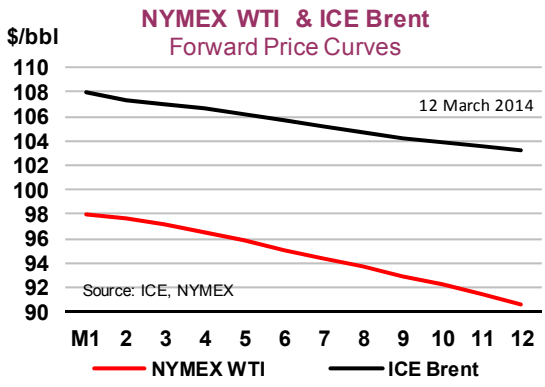
- **Oil prices edged higher in February with gains on the NYMEX WTI contract far outpacing ICE Brent futures.** WTI front month futures surged above the $100/bbl mark for the first time in five months on exceptionally cold weather, robust refiner demand and a draw in stocks at the Cushing, Oklahoma delivery point for NYMEX crude futures. Brent posted smaller gains month-on-month, with continued outages in Libya and the unfolding crisis in Ukraine providing support. By early March, however, both benchmark crudes eased again, with WTI last trading at $98.20/bbl and Brent at $108/bbl.

- **Fund managers increased net long positions in NYMEX WTI futures to record highs** between 28 January and 4 March. Fund managers raised their stake for eight consecutive weeks in line with higher WTI prices. The ratio between long and short hedge fund positions is now well above the 2 to 1 threshold, a level unseen since May 2011. Money managers were bullish on ICE Brent as well, particularly in the last two weeks of February, bringing their long exposure to a five-month high.

- **Most surveyed spot product prices rebounded from January's slump, firming on a monthly average basis in February.** Crack spreads were mixed, with European product price increases outstripping gains in crudes. In the US, increases were tempered by the narrowing differential of LLS to Brent and the end of the recent cold-weather spell.

- **Rates for crude carriers experienced a poor month with refinery turnarounds, few weather delays and plentiful vessel supply capping gains**. Meanwhile, product tanker markets experienced a mixed month with rates on trades East of Suez firming gently while Atlantic Basin markets remained volatile.





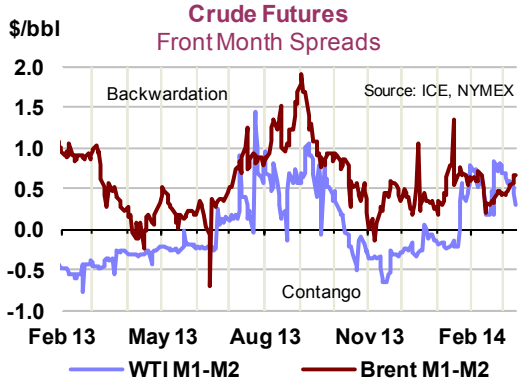
Market Overview

Oil prices edged higher in February with gains on the NYMEX WTI contract far outpacing ICE Brent futures. WTI front month futures surged above the $100/bbl mark for the first time in five months on exceptionally cold weather, strong refiner demand and a drawdown in stocks at the Cushing, Oklahoma delivery point for NYMEX. WTI rose $5.82/bbl to an average $100.68/bbl. WTI prices trended lower again in early March ahead of scheduled refinery turnarounds, last trading at $98.25/bbl, or $2.45/bbl below the February average. ICE Brent futures posted smaller gains of $1.72/bbl to $108.83/bbl with continued outages in Libya and the unfolding crisis in Ukraine providing support. By early March, Brent, like WTI, eased again, last trading at $108.25/bbl.

Despite the persistent supply outages and volatile geopolitical developments, Brent futures prices have remained remarkably stable for the past eight months, trading in a $3.80/bbl range. A sharp increase in

US crude production has proved a critical buffer against reduced Libyan output, as lighter grades typically earmarked for the US, such as Nigerian grades, are backed out and diverted to Europe and China. Libyan output plummeted on a sharp escalation in tensions between militias and the central government in Tripoli, pushing production down to just 360 kb/d in February from last April's high of 1.42 mb/d, or a cumulative supply loss of almost 250 million barrels over the period. In addition, in February Iraq boosted exports by around 500 kb/d to the highest levels since 1979, which also muted the impact of lost Libyan supplies (see OPEC Supply, *'Stars Align to Propel Iraqi Crude Production to 35-Year Highs')*.





The disparate gains in WTI and Brent saw the price spread plummet to around $7.15/bbl in early March compared with an average of $8.15/bbl in February and $12.25/bbl in January. An ongoing increase in pipeline and railroad flows within North America, and especially a January ramp up in TransCanada's 700 kb/d Gulf Coast pipeline, has led to a steady drawdown in Cushing stocks and greatly reduced downward pressure on the landlocked crude. Inventories at the Cushing storage hub fell by 8.1 mb to 32.1 mb over the course of February, to sit close to the seasonal low by the end of the month.

The stronger price structure for US crudes also led to the WTI M1-M2 time spread moving out of contango and into backwardation in late January. The spread strengthened further in February, to $0.55/bbl, compared with -$0.23/bbl in January. By contrast, in line with the weaker Brent price gains, the Brent M1-M2 price spread narrowed to around $0.45/bbl in February compared with $0.60/bbl in January.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Dec	Jan	Feb	Feb-Jan Avg Chg	% Chg	Week Commencing: 10 Feb	17 Feb	24 Feb	03 Mar	10 Mar**
NYMEX										
Light Sweet Crude Oil	97.89	94.86	100.68	5.82	5.8	100.20	102.71	102.45	102.77	99.71
RBOB	114.32	111.12	115.89	4.77	4.1	116.11	119.04	117.45	124.87	124.21
No.2 Heating Oil	127.75	127.30	128.65	1.35	1.1	127.24	131.52	130.16	126.91	123.95
No.2 Heating Oil ($/mmbtu)	22.53	22.45	22.69	0.24	1.1	22.44	23.20	22.96	22.38	21.86
Henry Hub Natural Gas ($/mmbtu)	4.28	4.55	5.16	0.61	11.8	4.93	5.98	4.90	4.59	4.58
ICE										
Brent	110.70	107.11	108.83	1.72	1.6	108.78	110.05	109.54	109.07	108.22
Gasoil	125.98	122.71	123.66	0.95	0.8	123.56	125.23	124.16	123.26	121.96
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-12.81	-12.25	-8.15	4.10		-8.58	-7.34	-7.09	-6.30	-8.50
NYMEX No.2 Heating Oil - WTI	29.86	32.44	27.97	-4.47		27.04	28.81	27.71	24.14	24.24
NYMEX RBOB - WTI	16.43	16.26	15.21	-1.05		15.91	16.33	15.00	22.10	24.50
NYMEX 3-2-1 Crack (RBOB)	20.90	21.65	19.46	-2.19		19.62	20.49	19.24	22.78	24.41
NYMEX No.2 - Natural Gas ($/mmbtu)	18.25	17.90	17.53	-0.37		17.51	17.22	18.05	17.79	17.28
ICE Gasoil - ICE Brent	15.28	15.60	14.83	-0.77		14.78	15.18	14.62	14.19	13.74

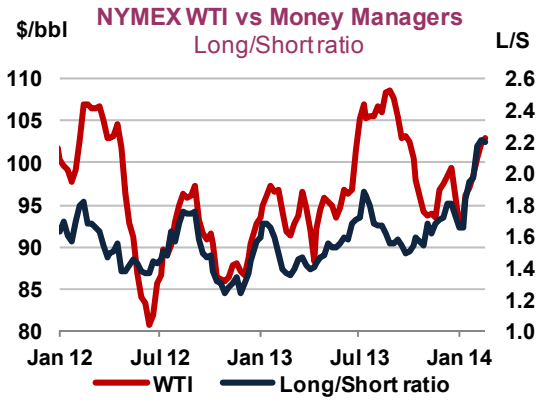
Source: ICE, NYMEX. ** Includes prices through 12 March

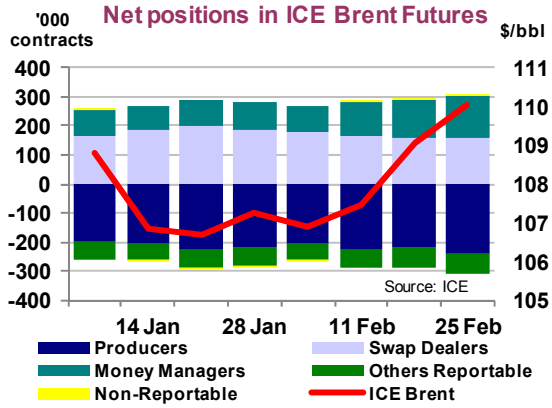
Futures Markets

Activity Levels

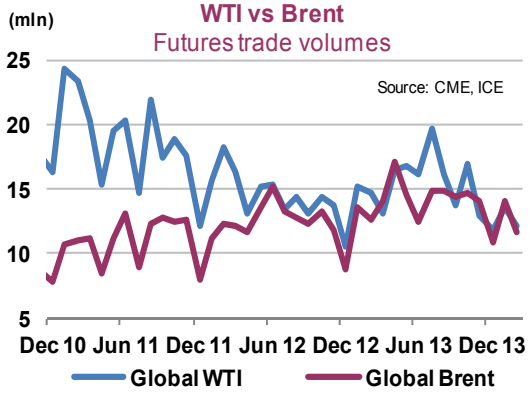
Managed money increased net long positions in NYMEX WTI futures to all time highs between 28 January and 4 March. Fund managers raised their stake for eight consecutive weeks in line with higher WTI prices. The ratio between long and short hedge funds' positions is now well above the 2 to 1 threshold, a level unseen since May 2011. Money managers were bullish on ICE Brent as well, particularly in the last two weeks of February, bringing their long exposure to a five-month high.

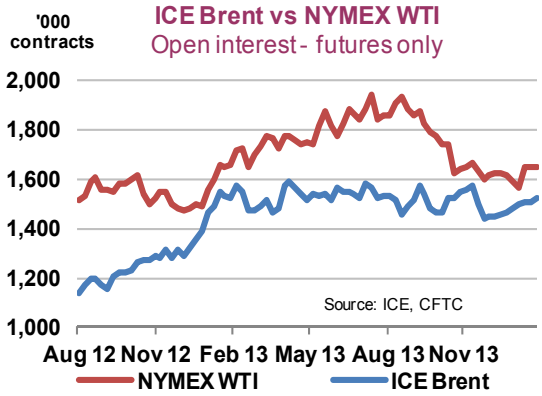
In terms of outstanding contracts, both WTI and Brent fell below 1% year on year, but both remained up about 3% on the month, leaving the spread between the two benchmarks unchanged. Trading volumes kept trending lower in tandem on the year, alternating for the lead for seven consecutive months.





On the product side, hedge funds increased their long stance in both RBOB gasoline and NYMEX heating oil. Particularly in heating oil, long managed-money positions consistently grew throughout the period, to settle to levels higher than during the January freeze, on the back of rebounding price markers. Funds also raised their exposure to ICE gasoil, though less aggressively.





Positions on ICE Brent Crude Futures

Thousand Contracts

04 March 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	613.2	857.1	-243.9	*Short*	↓ -1.8	↓ -22.2
Swap Dealers' Positions	441.2	286.8	154.3	*Long*	↓ -4.6	↓ -29.8
Money Managers' Positions	334.4	181.5	152.9	*Long*	↑ 7.0	↑ 54.5
Others' Positions	139.1	207.8	-68.7	*Short*	↓ -3.4	↓ -10.8
Non-Reportable Positions	36.9	31.6	5.4	*Long*	↑ 2.8	↑ 8.2
Open Interest			**1564.8**		↑ 45.6	↑ 88.5

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

04 March 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	261.3	312.0	-50.7	*Short*	↓ -5.6	↓ -22.6
Swap Dealers' Positions	262.5	657.6	-395.1	*Short*	↓ -6.9	↓ -69.2
Money Managers' Positions	622.0	282.7	339.3	*Long*	↑ 10.1	↑ 89.0
Others' Positions	441.5	354.9	86.5	*Long*	↓ -0.8	↓ -14.3
Non-Reportable Positions	100.5	80.5	20.0	*Long*	↑ 3.2	↑ 17.2
Open Interest			**1687.8**		↑ 43.9	↑ 95.8

Source: CFTC

Financial Regulation

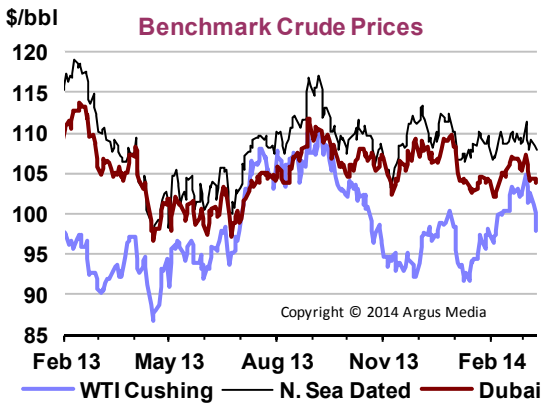
Mandated trading of swaps contracts on electronic exchanges, called swaps execution facilities (SEFs), started on 15 February. A key component of the Dodd-Frank reform, the rule for the moment encompasses certain interest-rate swaps. The US Commodity Futures Trading Commission (CFTC) granted no-action letters and exemptions in order to phase in the transition. Two days before deadline, the CFTC granted no-action to US entities trading on European platforms not registered as SEFs, provided some minimum requirements were met. US banks had previously sued the CFTC in December 2013, claiming that the US agency had no jurisdiction over US entities' business overseas.

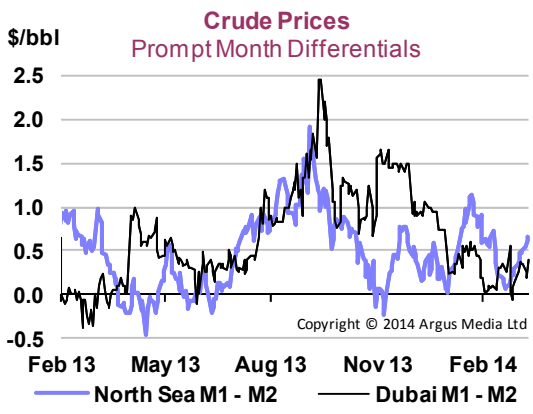
Meanwhile, a vote on the EU benchmark regulation (formally *'Indices used as benchmarks in financial instruments and financial contracts'*) was postponed until the EU Parliament elections in May. The vote would likely not take place until new European Commissioners are appointed after the end of the current term on 31 October.

The European Securities and Markets Authority (ESMA) has sent a letter to the European Commission asking them to clarify the definition of physically-settled commodity forward. ESMA pointed out how different definitions across EU Member States would lead national authorities not to implement the related provisions in the European market infrastructure regulation (EMIR).

Spot Crude Oil Prices

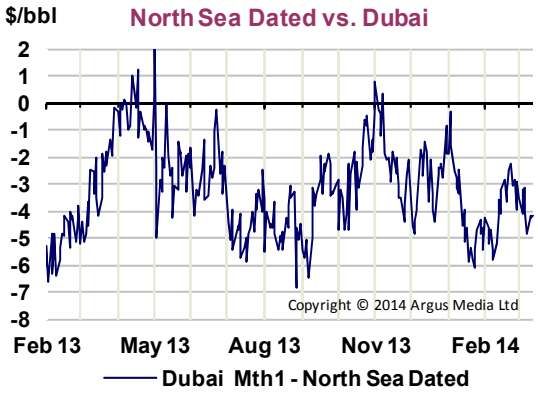
Spot prices for benchmark crudes posted uneven gains in February, with WTI rising by 6.2% to an average $100.72/bbl on blustery winter weather, exceptionally strong refiner demand and new pipeline capacity to evacuate crude from the landlocked Cushing, Oklahoma storage hub to the US Gulf Coast refining centre. By contrast, North Sea Brent was up by a meagre 0.6% to $108.84/bbl, with the escalating supply outages in Libya and the Russia-Ukraine crisis in the second half of February offsetting early month weakness. Spot prices for Dubai were up about $1/bbl to $105/bbl, with support coming from healthy demand for heavier grades in Asia, especially from China.

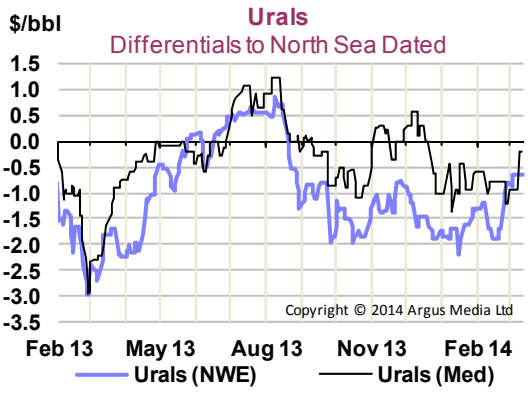




The relative strength of crude prices in February was expected to ease on weaker demand going into the spring refinery turnaround season, with global refinery throughputs forecast to plummet by 2.1 mb/d to a seasonal low of 74.8 mb/d in April from January levels (*see Refining*).

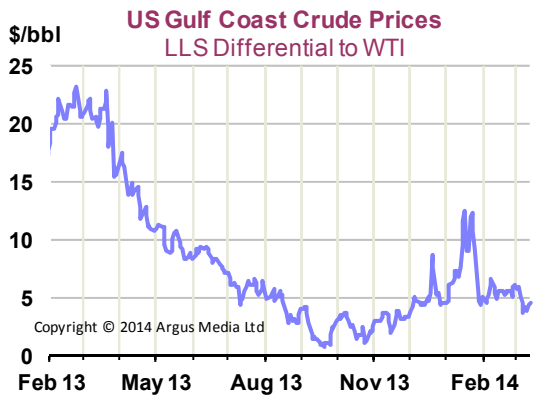
The discount of Dubai crude to Brent narrowed in February on more robust demand in Asia for heavier, sour grades, with the price spread between the two narrowing to $3.84/bbl in February compared with around $4.15/bbl in January.

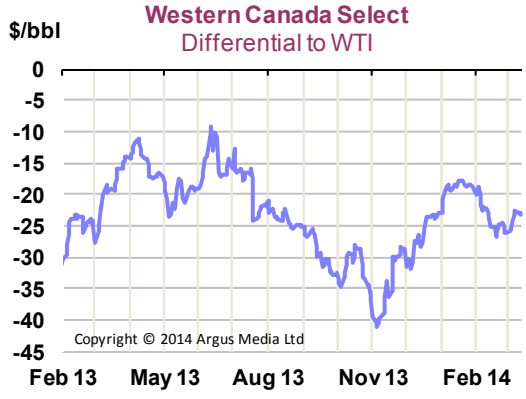




In Europe, the Brent-Urals price spread in the Mediterranean was largely unchanged month-on-month at around $0.80/bbl, with the continued loss of Libyan crude supplies already built into the differential. That compares with a narrower -$0.02/bbl in December when Libyan supplies were on the rise.

US crude oil markets went from strength to strength in February due to a combination of robust domestic refinery throughputs and continued cold weather across the Midwest and Atlantic coast seaboard. US refinery runs have eased seasonally but are still almost 1 mb/d above year-ago levels in February. Increased flows through the new 700 kb/d Gulf Coast pipeline also lifted WTI prices previously under pressure in the US Midcontinent. The evacuation of crude oil from the Midcontinent to the Gulf Coast refining centre that has supported WTI prices has also led to a narrowing of its discount to other domestic grades used at the regional refining hub. The WTI-LLS price spread contracted by $2.25/bbl over February, to an average of around -$5.50/bbl in February compared with -$7.75/bbl in January.





The price discount for Western Canadian Select (WCS) compared with WTI deepened again in February ahead of refinery turnarounds after strengthening in January on robust demand, when it fell below $20/bbl for the first time in more than six months. The WCS-WTI price differential widened in February to just under $24/bbl compared with $19.05/bbl in January, $26.30/bbl in December and $34.25/bbl in November. The ongoing expansion of capacity at BP's 405 kb/d Whiting, Indiana, refinery may help

narrow the price spread again. The plant is currently running at 350 kb/d, which includes 160 kb/d of Canadian heavy oil. BP plans to further increase processing of Canadian heavy oil to 280 kb/d over the next several months, which is expected to lend further support the grade.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Dec	Jan	Feb	Feb-Jan Avg Chg	%	Week Commencing: 10 Feb	17 Feb	24 Feb	03 Mar	10 Mar**
Crudes										
North Sea Dated	110.80	108.17	108.84	0.67	0.6	109.08	109.47	109.19	109.26	108.28
Brent (Asia) Mth 1	110.96	107.95	108.75	0.79	0.7	108.79	109.95	109.83	109.24	108.12
WTI (Cushing) Mth 1	97.85	94.86	100.72	5.86	6.2	100.20	102.80	102.56	102.77	99.71
Urals (Mediterranean)	110.78	107.36	108.02	0.66	0.6	108.22	108.67	108.20	108.31	108.08
Dubai	107.90	104.02	105.00	0.98	0.9	105.03	106.57	105.93	105.40	104.08
Tapis (Dated)	109.36	107.11	107.65	0.54	0.5	108.23	108.16	107.45	107.22	106.28
Differential to North Sea Dated										
WTI (Cushing)	-12.95	-13.31	-8.11	5.19		-8.88	-6.67	-6.63	-6.50	-8.56
Urals (Mediterranean)	-0.02	-0.80	-0.81	-0.01		-0.86	-0.80	-0.99	-0.95	-0.20
Dubai	-2.90	-4.15	-3.84	0.31		-4.05	-2.89	-3.27	-3.87	-4.20
Tapis (Dated)	-1.43	-1.06	-1.19	-0.13		-0.85	-1.31	-1.74	-2.04	-2.00
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.31	0.70	0.34	-0.36		0.41	0.13	0.22	0.44	0.61
Forward WTI Cushing Mth1-Mth2	-0.24	0.02	0.49	0.47		0.41	0.33	0.58	0.61	0.43
Forward Dubai Mth1-Mth2	0.90	0.41	0.16	-0.25		0.12	0.30	0.15	0.32	0.28

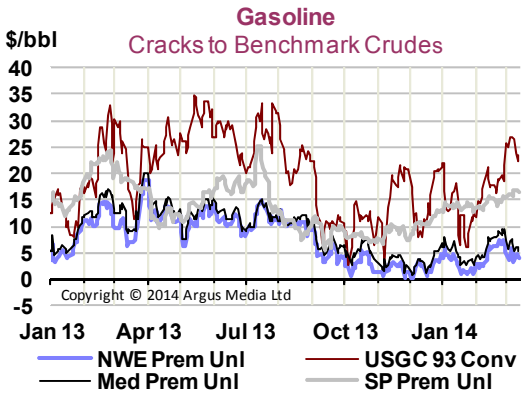
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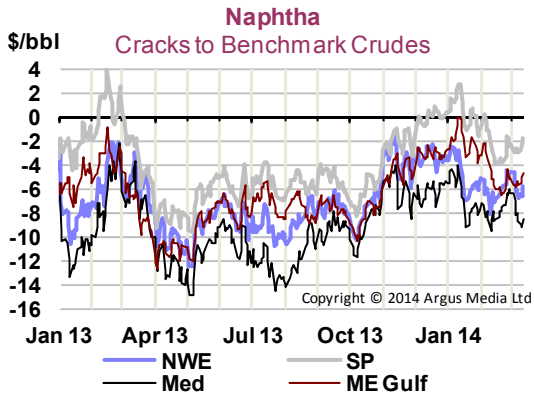
** Includes prices through 12 March

Spot Product Prices

Surveyed spot product prices rebounded from January's slump by firming on a monthly average basis in February. However, naphtha markets continued to soften as demand from the Asian petrochemical sector weakened. Competing feedstock LPG remains a significantly cheaper option for Asian petrochemical manufacturers. This also decreased the demand for European product to be shipped eastwards. Elsewhere, high-sulphur fuel oil (HSFO) prices in Singapore continued their downwards trend amid comfortable stocks as bunker fuel demand reportedly remained low.

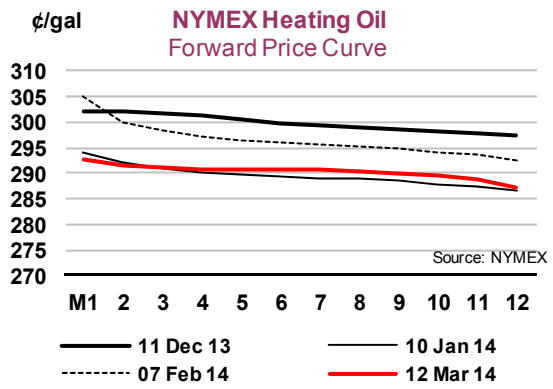
Crack spreads were mixed on a regional basis, with European product price increases outstripping gains in crudes while in the US increases were tempered by the narrowing differential of LLS to Brent and the end of the recent cold weather spell. Meanwhile, in Singapore, cracks were negatively affected by the strength of Dubai as the demand for sour crudes remained high while spot product price increases were tempered in the face of relatively weak seasonal demand.

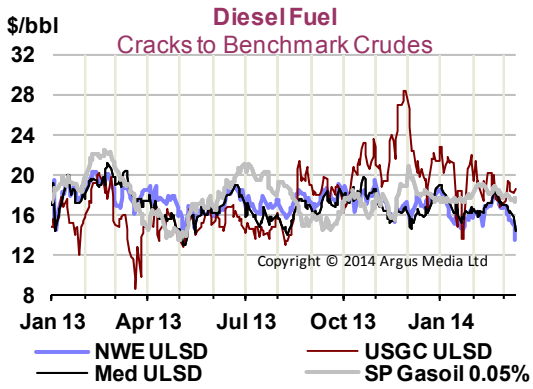




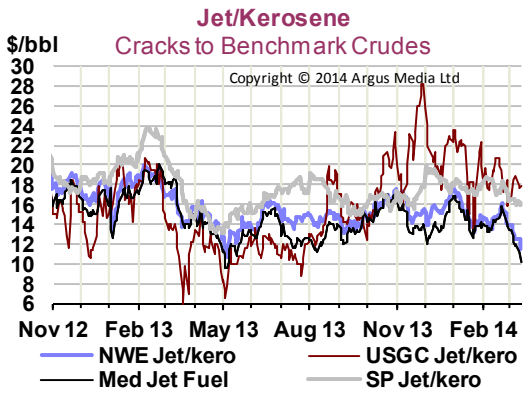
Gasoline cracks performed well across all surveyed markets, especially in the US Gulf, where the super unleaded crack surged by $6.60/bbl on average following a 6 mb fall in US inventories. As LLS weakened and a further stock draw sent spot gasoline prices surging, the crack exceeded $25/bbl by early-March, its highest level since summer 2013. In Europe, gasoline cracks rose by $2.60/bbl on average with support coming from expectations that upcoming US refinery maintenance would open up an arbitrage opportunity. In Singapore, the $0.90/bbl increase was tempered by reportedly healthy supplies, notably, record-high Singapore light distillate stocks.

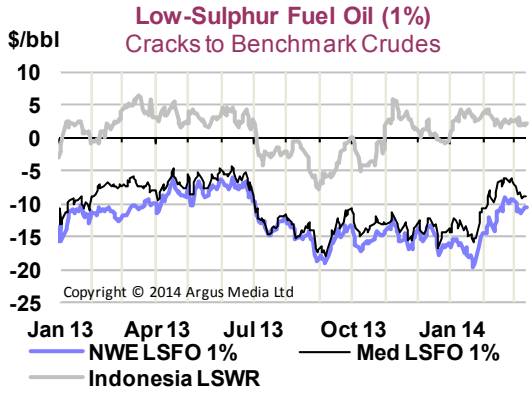
Atlantic Basin diesel markets returned to normality in February. As cold weather and 10-ppm distillate heating oil prices eased, the arbitrage opportunity to move European and FSU product to the US closed and the front end of the NYMEX heating oil forward price curve retreated sharply over the course of the month. Although PADD 1 distillate stocks remain seasonally low, reports suggest that a number of unsold 10-ppm diesel cargoes moored in NY Harbour may sail back to Northwest Europe if buyers cannot be found. The recent high import volumes have weighed heavy on the USGC diesel crack, which weakened by $0.52/bbl over February.





Jet kerosene cracks performed poorly in Europe and the US over February as slow aviation fuel demand and the steep backwardation in ICE gasoil futures tempered buying. Asian kerosene markets were pressured lower by reportedly high Japanese exports and unseasonably warm weather across Asia, curbing heating demand. Nonetheless, by the end of the month Japanese heating demand had risen to year-ago levels as cold weather finally arrived, with the Singapore kerosene crack improving by a slim $0.20/bbl on average over January.





The bottom of the barrel saw diverging trends for low-sulphur fuel oil (LSFO) and HSFO cracks, with the latter weakening across the board on weak bunker demand in Asia and low import demand from

US refiners. Meanwhile, European refiners running Brent benefitted from surging LSFO spot prices following strong import demand from US utilities and high demand from other regional refiners using it as a straight-run feedstock. As such European LSFO cracks rose by $5.60/bbl on average.

Spot Product Prices

(monthly and weekly averages, $/bbl)

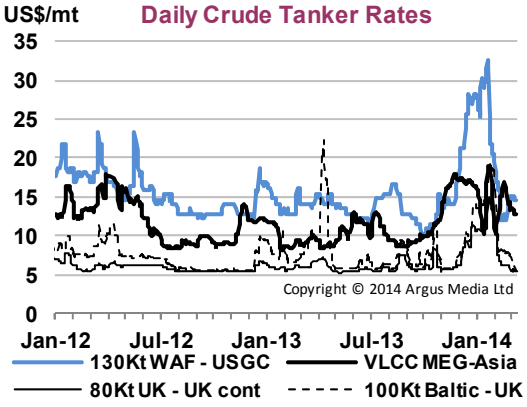
	Dec	Jan	Feb	Feb-Jan Chg	Feb-Jan %	Week Commencing: 10 Feb	17 Feb	24 Feb	03 Mar	10 Mar**	Dec	Jan	Feb
Rotterdam, Barges FOB											**Differential to Dated Brent**		
Premium Unl 10 ppm	113.01	110.83	114.10	3.27	2.9	114.33	115.92	115.79	113.82	112.73	2.21	2.66	5.26
Naphtha	107.44	103.29	102.78	-0.51	-0.5	101.99	103.31	104.35	103.46	102.00	-3.36	-4.88	-6.06
Jet/Kerosene	126.37	123.28	123.40	0.12	0.1	123.41	124.86	123.57	122.26	120.46	15.58	15.11	14.56
ULSD 10ppm	127.86	124.11	125.58	1.46	1.2	125.41	127.09	126.15	125.25	122.76	17.07	15.95	16.74
Gasoil 0.1%	125.87	122.56	123.65	1.09	0.9	123.58	125.28	124.11	123.20	121.30	15.08	14.40	14.82
LSFO 1%	95.59	91.50	97.60	6.10	6.7	96.66	99.54	99.76	98.37	97.79	-15.21	-16.67	-11.24
HSFO 3.5%	89.22	85.70	88.22	2.52	2.9	87.42	89.49	89.81	89.27	88.56	-21.58	-22.47	-20.61
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	114.01	111.81	115.05	3.24	2.9	115.29	116.88	116.76	114.81	113.73	3.23	4.45	7.03
Naphtha	104.53	100.56	100.24	-0.32	-0.3	99.56	100.87	101.66	100.65	99.14	-6.25	-6.80	-7.78
Jet Aviation fuel	124.75	121.85	122.22	0.37	0.3	122.37	123.78	122.20	120.75	118.88	13.98	14.48	14.20
ULSD 10ppm	127.21	124.06	125.03	0.97	0.8	124.94	126.55	125.49	124.94	123.41	16.44	16.70	17.01
Gasoil 0.1%	125.54	122.18	122.87	0.68	0.6	122.91	124.38	123.25	122.35	120.47	14.76	14.82	14.84
LSFO 1%	97.04	94.08	100.45	6.37	6.8	100.17	102.16	101.68	99.91	99.17	-13.74	-13.29	-7.58
HSFO 3.5%	88.48	85.40	88.12	2.72	3.2	87.59	89.31	89.36	88.70	87.86	-22.29	-21.96	-19.90
US Gulf, FOB Pipeline											**Differential to LLS**		
Super Unleaded	117.40	114.63	124.75	10.12	8.8	124.72	125.95	129.30	133.89	127.26	14.51	11.94	18.50
Unleaded	105.74	107.12	112.88	5.76	5.4	113.98	114.77	114.33	114.65	114.22	2.86	4.43	6.63
Jet/Kerosene	124.16	122.00	124.68	2.67	2.2	125.33	127.14	125.38	125.80	121.84	21.28	19.31	18.43
ULSD 10ppm	124.09	121.78	124.83	3.05	2.5	124.49	127.07	125.59	126.13	122.36	21.20	19.09	18.58
Heating Oil	122.65	119.80	119.23	-0.57	-0.5	118.92	119.94	121.29	122.95	117.34	19.76	17.11	12.98
No. 6 3%*	91.86	88.25	90.39	2.14	2.4	90.23	91.58	90.77	90.21	89.59	-11.02	-14.44	-15.86
Singapore, FOB Cargoes											**Differential to Dubai**		
Premium Unleaded	118.77	117.83	119.71	1.88	1.6	120.19	121.26	121.38	121.54	120.80	10.87	13.81	14.71
Naphtha	107.85	104.50	102.60	-1.90	-1.8	101.94	102.85	103.61	102.57	101.83	-0.05	0.48	-2.40
Jet/Kerosene	126.63	121.64	122.83	1.19	1.0	122.95	124.20	123.05	121.82	120.20	18.73	17.62	17.83
Gasoil 0.05%	126.32	121.57	123.56	1.99	1.6	123.69	125.10	124.00	123.24	121.57	18.42	17.55	18.56
LSWR Cracked	108.46	107.24	107.77	0.52	0.5	107.41	108.86	108.47	107.86	106.22	0.56	3.22	2.77
HSFO 180 CST	96.83	96.53	96.45	-0.08	-0.1	96.37	97.29	96.38	95.39	94.63	-11.07	-7.49	-8.55
HSFO 380 CST 4%	95.79	95.38	95.62	0.24	0.3	95.54	96.34	95.49	94.60	94.02	-12.11	-8.64	-9.38

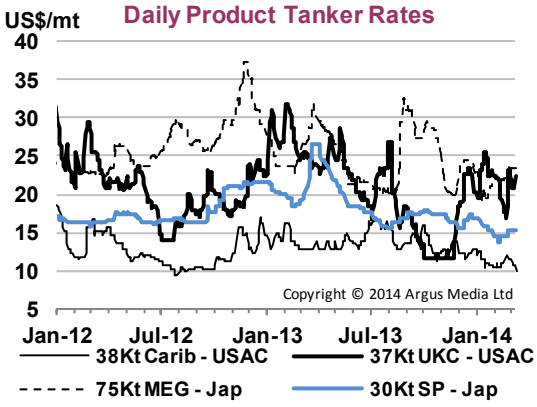
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*Waterborne

**Includes prices through 12 March

Freight





Rates for crude carriers experienced a poor month with refinery turnarounds, relatively few weather delays and plentiful vessel supply capping earlier gains. Notably, the benchmark VLCC Middle East Gulf – Asia route experienced a choppy month. Following an uptick in demand for Middle Eastern sour grades

from Asian refiners, the rate surged to a high of $16.80/mt in mid-month. However, demand for tankers waned ahead of Asian refinery turnarounds in March, consequently tonnage lists lengthened and rates plummeted back to $11/mt by early-March. Suezmax rates fared even worse as they continued their steep descent from lofty highs posted in January. By mid-month, the West Africa – US Gulf Coast rate had bottomed out at close to $12/mt. Demand for West African grades soon picked up and the rate recovered somewhat to $15/mt by early-March, $3/mt higher than year-earlier levels. Northwest European tanker markets retreated back to seasonal norms in early-February as a lack of weather delays, seasonally low Russian exports from Baltic ports and an oversupply of tankers in the region kept a lid on gains.

Product tanker markets experienced a mixed month, with rates on trades East of Suez firming gently while Atlantic Basin markets remained volatile. After initially weakening early-month following slow demand for transatlantic shipments, the UK – US Atlantic Coast route recovered mid-month onwards as US gasoline imports picked up ahead of US refinery maintenance and following strong draws in US stockpiles. At the time of writing, rates stood at over $22/mt, $10/mt higher than their mid-month nadir. In the East, rates gently firmed over the month. The Singapore – Japan trade gained some momentum over February as, despite reportedly lacklustre fixings, the tonnage pool remained tight, which pushed rates to over $15/mt at the time of writing. Meanwhile, rates on the long-range Middle East Gulf – Japan trade remained buoyant following firm demand which helped to keep tonnage relatively tight.

REFINING

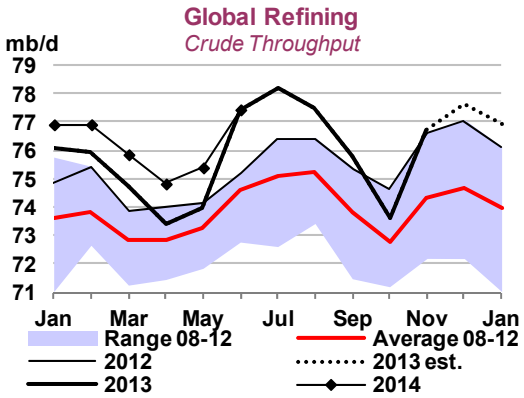
Summary

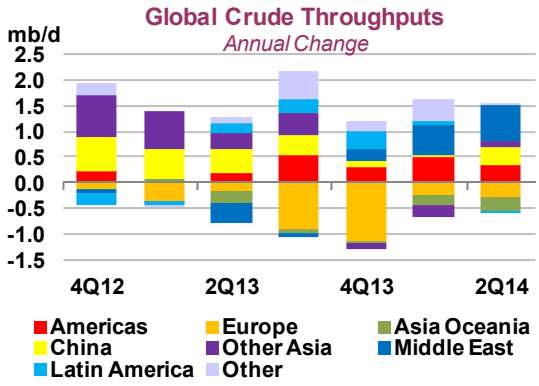
- **Global refinery crude throughput estimates for 1Q14 are largely unchanged from last month's report, at 76.6 mb/d, as w**eaker than expected activity in China was mostly offset by higher US and Saudi Arabian throughputs. Refinery activity is set to fall through 1Q14 and 2Q14, hitting a seasonal low of 74.8 mb/d in April when maintenance in Asia, the FSU, the US and, to a lesser extent, Europe coincide to curb activity. In all, global crude runs are forecast to average 75.9 mb/d in 2Q14.

- **After contracting by 0.1 mb/d year-on-year (y-o-y) in 4Q13, global refinery crude throughputs look set to expand by 1 mb/d in 1Q14,** when robust growth from the US, the Middle East and Russia is expected to offset contraction in Europe and OECD and non-OECD Asia. African runs also inch marginally higher. For 2Q14, global throughputs are projected at around 75.9 mb/d, up around 1 mb/d year-on-year.

- **OECD crude throughputs declined by 0.6 mb/d in January, to average 36.6 mb/d,** as refinery activity in the OECD Americas retreated from end-2013 highs. Throughputs in Europe and Asia Oceania were largely unchanged. Total OECD throughputs averaged 0.1 mb/d more than a year earlier, as a 600 kb/d yearly gain in the Americas offset structural declines in Europe and the Pacific.

- **Refinery margins improved across Europe and in the US mid-continent during February while the picture was mixed elsewhere.** The greatest gains were posted by refiners with access to cheaper, light crudes or by those which were able to take advantage of surging low-sulphur fuel oil (LSFO) cracks. Meanwhile, margins for refiners running sour crudes were tempered by relatively high feedstock prices and muted high-sulphur fuel oil (HSFO) cracks.





Global Refinery Overview

The outlook for global refinery crude runs for 1Q14 is largely unchanged since last month's *Report,* at 76.6 mb/d. Growth is on track to average 1 mb/d y-o-y, led by the US, the Middle East and Russia. Both OECD and non-OECD Asia look set to contract y-o-y, by a combined 0.4 mb/d, while China is largely unchanged from a year-earlier. Refinery outages and weaker margins have curbed Asian runs in recent months, and a heavy spring maintenance schedule could further constrain activity. Diverging signals are coming from China, however, with two new grassroots refineries commissioned in January and record crude oil imports since December suggesting a strong uptick in crude demand. The most recent data released by the National Statistics Bureau show a 1% y-o-y contraction in Chinese refinery activity over January and February. Company plans point to subdued throughputs also in March.

Despite a slight improvement in European refinery margins through February, structural weakness persists. That said, regional runs have recovered somewhat from the exceptionally weak levels recorded in the second half of 2013, when throughputs contracted by an average 1.0 mb/d, and hit their lowest level in more than 25 years. In contrast, refinery activity in the US continues to surprise on the upside. After reaching eight-year highs in December, when finished-product exports surged to a record-high of 3.3 mb/d, both refinery runs and margins retreated in early 2014. Preliminary data nevertheless show US throughputs gaining an impressive 0.9 mb/d on average over January and February compared with the same time last year. With a lighter than normal maintenance schedule this spring, and continued favourable economics, US throughputs will likely remain robust in coming months.

Refinery runs have also been strong in the Middle East as new capacity ramps up. Saudi Arabian refinery intake surged to record highs in December, and further gains are expected through 2014 and 2015 as the Satorp's new Jubail refinery continues to ramp up production and the 400 kb/d Yanbu refinery is completed towards year-end. Further gains in the Middle East is also set to come from the UAE, with the completion of the 420 kb/d Ruwais plant on track for 4Q14.

Global Refinery Crude Throughput[1] [2]

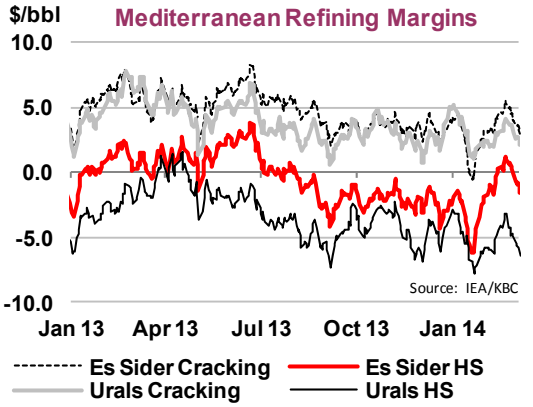
(million barrels per day)

	Nov 13	Dec 13	**4Q2013**	Jan 14	Feb 14	Mar 14	**1Q2014**	Apr 14	May 14	Jun 14	**2Q2014**
Americas	18.7	19.1	**18.6**	18.4	18.2	18.1	**18.3**	18.2	18.7	19.2	**18.7**
Europe	11.1	11.1	**10.8**	11.2	11.5	11.3	**11.3**	11.3	11.3	11.6	**11.4**
Asia Oceania	6.9	7.0	**6.7**	7.0	7.0	6.7	**6.9**	6.2	5.9	6.1	**6.1**
Total OECD	36.7	37.2	**36.1**	36.6	36.7	36.2	**36.5**	35.7	35.9	36.9	**36.2**
FSU	7.1	7.0	**6.8**	7.1	7.1	6.7	**7.0**	6.5	6.9	7.1	**6.8**
Non-OECD Europe	0.5	0.5	**0.5**	0.5	0.5	0.4	**0.5**	0.5	0.4	0.4	**0.4**
China	9.8	9.9	**9.8**	9.8	9.8	9.9	**9.8**	9.7	9.6	10.0	**9.8**
Other Asia	9.6	9.8	**9.6**	9.8	9.8	9.7	**9.8**	9.7	9.6	9.7	**9.7**
Latin America	4.9	4.8	**4.8**	4.8	4.8	4.8	**4.8**	4.7	4.8	4.9	**4.8**
Middle East	5.9	6.3	**6.1**	6.2	6.2	6.0	**6.1**	6.0	6.2	6.3	**6.2**
Africa	2.3	2.3	**2.2**	2.2	2.1	2.2	**2.2**	2.0	2.0	2.1	**2.1**
Total Non-OECD	40.0	40.5	**39.9**	40.3	40.2	39.6	**40.1**	39.1	39.5	40.5	**39.7**
Total	76.7	77.6	**76.0**	76.9	76.9	75.8	**76.5**	74.8	75.4	77.4	**75.9**

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

Looking further ahead, seasonal refinery maintenance is expected to significantly curb global refinery activity in 2Q14, to 75.9 mb/d. Asian refiners in particular could take as much as 1.9 mb/d of capacity offline in May and about 1.4 mb/d in both April and June. Seasonal shutdowns in Russia, the US and Europe will further reduce refinery crude demand in the upcoming shoulder season between winter heating demand and the summer driving season, allowing depleted crude inventories to be refilled. Growth in global throughputs is nevertheless expected to remain at around 1.0 mb/d y-o-y, led by the Middle East, China and the US.



Refinery Margins

Refinery margins improved across Europe and in the US Midcontinent during February, while the picture elsewhere was mixed. The greatest gains were posted by

refiners with access to cheaper feedstock or those which were able to take advantage of surging European LSFO cracks. An additional burden was felt by refiners running sour crudes as these generally strengthened versus lighter grades while gains in HSFO cracks were muted or even negative.

All surveyed margins in Northwest Europe and the Mediterranean rose in February on the back of firming product prices. Moreover, following surges in gasoline and LSFO cracks, simple refiners running low-sulphur crudes Brent and Es Sider in both regions saw their margins firm to eight-month highs. Indeed, refiners running Brent saw their margins gain month-on-month for the first time since the end of summer 2013. Meanwhile refiners processing Urals suffered from relatively poor cracks for HSFO.

IEA/KBC Global Indicator Refining Margins[1]

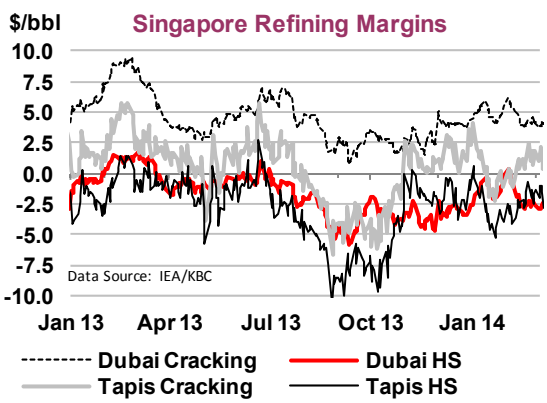
($/bbl)

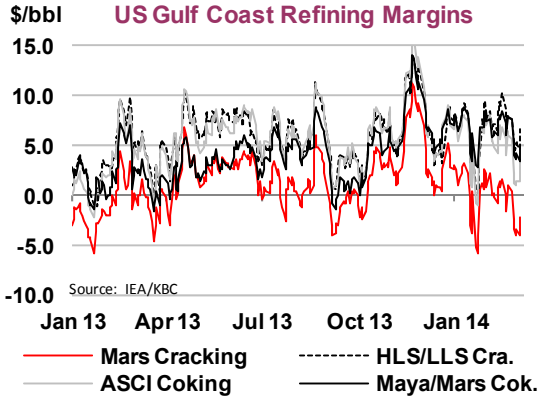
	Monthly Average				Change	Average for week ending:				
	Nov 13	Dec 13	Jan 14	Feb 14	Feb 14-Jan 14	07 Feb	14 Feb	21 Feb	28 Feb	07 Mar
NW Europe										
Brent (Cracking)	1.54	1.42	0.21	2.01	1.81	0.48	1.79	3.07	2.72	1.37
Urals (Cracking)	1.84	2.17	1.51	2.05	0.54	0.78	2.01	3.31	2.10	0.69
Brent (Hydroskimming)	-3.64	-3.95	-5.35	-2.51	2.84	-4.14	-2.99	-1.41	-1.52	-2.83
Urals (Hydroskimming)	-4.56	-4.80	-5.52	-4.82	0.70	-5.89	-5.09	-3.67	-4.62	-5.82
Mediterranean										
Es Sider (Cracking)	3.50	3.26	2.18	4.17	1.99	3.18	3.92	4.99	4.58	3.38
Urals (Cracking)	2.63	2.63	2.78	3.03	0.25	2.17	2.72	3.67	3.54	2.56
Es Sider (Hydroskimming)	-2.04	-2.46	-3.44	-0.21	3.23	-1.37	-0.51	0.68	0.35	-1.00
Urals (Hydroskimming)	-5.61	-6.25	-6.05	-5.27	0.78	-6.11	-5.71	-4.67	-4.58	-5.48
US Gulf Coast										
50/50 HLS/LLS (Cracking)	9.18	6.10	5.97	7.30	1.33	7.28	8.71	7.80	5.51	5.66
Mars (Cracking)	6.05	2.44	0.26	-0.33	-0.60	0.54	0.73	0.03	-2.57	-3.09
ASCI (Cracking)	6.02	2.05	0.07	-0.54	-0.61	0.60	0.44	-0.12	-2.98	-3.28
50/50 HLS/LLS (Coking)	10.21	7.37	7.27	8.35	1.08	8.69	10.07	8.73	5.98	6.51
50/50 Maya/Mars (Coking)	8.54	6.53	6.55	6.49	-0.06	6.39	7.55	7.27	4.92	4.20
ASCI (Coking)	9.99	6.33	5.24	4.89	-0.35	5.79	6.03	5.52	2.34	2.56
US Midcon										
WTI (Cracking)	10.42	7.71	12.71	13.63	0.92	12.26	12.04	14.35	16.01	16.96
30/70 WCS/Bakken (Cracking)	25.00	17.14	14.73	17.79	3.06	15.74	16.04	18.91	20.71	21.54
Bakken (Cracking)	24.05	17.33	16.27	19.50	3.23	17.32	17.11	20.75	23.05	24.54
WTI (Coking)	11.63	8.87	14.09	15.14	1.05	14.02	13.61	15.84	17.23	18.65
30/70 WCS/Bakken (Coking)	27.47	19.10	17.60	21.64	4.04	19.33	19.74	23.09	24.70	26.05
Bakken (Coking)	24.24	17.46	16.53	19.85	3.32	17.82	17.53	21.07	23.24	24.95
Singapore										
Dubai (Hydroskimming)	-3.69	-3.00	-1.30	-1.80	-0.50	-0.22	-1.93	-2.64	-2.41	-2.73
Tapis (Hydroskimming)	-1.42	-1.89	-2.93	-2.42	0.51	-3.24	-2.78	-1.91	-1.76	-1.66
Dubai (Hydrocracking)	2.66	4.11	4.95	4.67	-0.28	5.73	4.63	4.01	4.30	3.97
Tapis (Hydrocracking)	0.97	1.74	0.14	0.71	0.57	-0.33	0.49	1.28	1.41	1.34

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

In Singapore, margins were hit by poor cracks across the barrel following reports of low seasonal demand that left the region seemingly awash with product, as evidenced by Singapore stocks surging over the month. Additionally, refiners running Dubai were at a distinct disadvantage compared to those refining Tapis, after Dubai firmed strongly on increasing demand for sour crudes. Indeed, the Tapis cracking margin moved further into positive territory to once again exceed $2/bbl, on a par with year-ago levels.



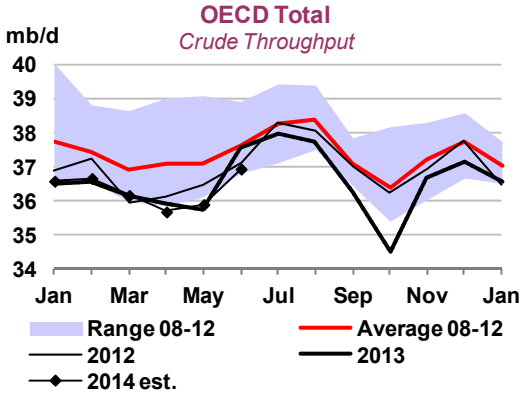


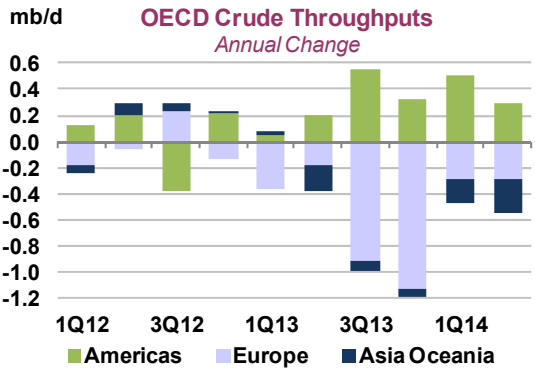
In the US Midcontinent, refiners saw their margins inch up and remain in strongly positive territory. With the discount of West Canadian Select (WCS) and Bakken crudes to WTI widening, refiners running the latter grade saw their margins firm by only $1/bbl. In comparison, margins for WCS and Bakken rose by $3.40/bbl on average. However, on a monthly average basis, Midcontinent margins remain $10 to $15/bbl below year ago levels. In the US Gulf, the picture was largely determined by sulphur content. Refiners running sour crudes saw their margins fall on the back of rapidly retreating HSFO cracks while those running sweet crudes such as LLS saw their margins firm, driven by rising cracks at the very top of the barrel.

OECD Refinery Throughput

OECD refinery crude inputs declined by 570 kb/d in January, to average 36.6 mb/d, on sharply lower US throughputs. Refinery crude intake in the OECD Americas fell by 680 kb/d in the month to 18.4 mb/d, from 19.1 mb/d at end-2013. Refinery operating levels in Europe and Asia Oceania were largely unchanged m-o-m, at 11.2 mb/d and 7.0 mb/d, respectively.

While aggregate OECD crude throughputs were little-changed in January y-o-y, regional contrasts observed since 2012 persisted into early 2014. Despite a monthly dip of nearly 0.7 mb/d, US refiners processed 830 kb/d more crude in January than a year earlier. In contrast, structural declines in OECD Europe and Asia Oceania remained entrenched, nearly offsetting the entire US gains. In all, OECD refinery crude throughputs were up 0.1 mb/d y-o-y.





OECD crude throughputs are projected to average 36.5 mb/d in 1Q14, largely unchanged from a year earlier and from last month's *Report*. North American refinery crude intake looks set to rise by 0.5 mb/d y-o-y, while OECD Europe contracts by 0.3 mb/d and OECD Asia Oceania by 0.2 mb/d. In 2Q14, OECD refinery runs are forecast to fall seasonally, to 36.2 mb/d, as spring turnarounds gather pace, in particular in OECD Asia Oceania. Also compared to a year earlier, OECD crude runs are expected to fall

back in 2Q14, as gains in North America abate from recent highs while decline in other regions continue. In all, OECD crude runs are forecast to decline by 215 kb/d year-on-year in 2Q14, to 36.2 mb/d.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

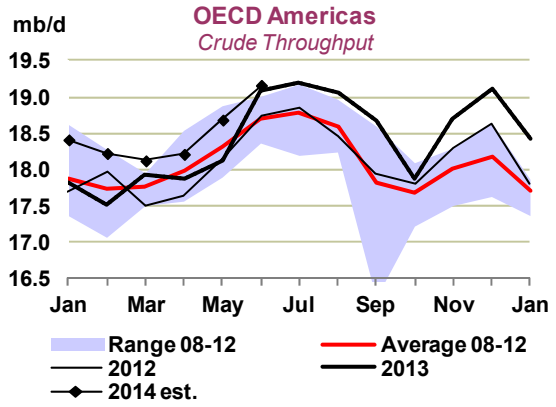
	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Change from Dec 13	Change from Jan 13	Utilisation rate[1] Jan 14	Utilisation rate[1] Jan 13
US[2]	15.80	15.63	14.99	15.65	16.07	15.40	-0.67	0.83	85.9%	81.8%
Canada	1.83	1.73	1.63	1.71	1.66	1.64	-0.02	-0.19	89.3%	95.6%
Chile	0.17	0.19	0.16	0.16	0.18	0.17	-0.01	0.00	76.2%	77.5%
Mexico	1.25	1.13	1.09	1.16	1.19	1.20	0.02	-0.02	72.9%	74.4%
OECD Americas	**19.06**	**18.67**	**17.88**	**18.68**	**19.10**	**18.41**	**-0.68**	**0.61**	**85.1%**	**82.4%**
France	1.21	1.06	0.93	1.14	0.96	1.09	0.13	0.03	78.1%	75.9%
Germany	1.88	1.86	1.97	1.96	1.89	1.89	0.00	-0.04	93.3%	90.5%
Italy	1.33	1.26	1.24	1.33	1.27	1.27	0.00	-0.01	65.0%	61.5%
Netherlands	1.01	0.91	0.76	0.92	0.97	1.04	0.08	0.02	80.8%	79.1%
Spain	1.13	1.13	1.06	1.06	1.12	1.06	-0.05	-0.12	70.0%	77.8%
United Kingdom	1.32	1.14	0.95	1.00	1.19	1.19	-0.01	-0.06	68.0%	72.5%
Other OECD Europe	3.94	3.73	3.37	3.75	3.69	3.65	-0.05	-0.16	73.3%	76.9%
OECD Europe	**11.83**	**11.10**	**10.29**	**11.15**	**11.09**	**11.19**	**0.10**	**-0.35**	**75.1%**	**76.4%**
Japan	3.39	3.21	2.88	3.33	3.53	3.54	0.01	0.06	81.2%	75.4%
South Korea	2.47	2.40	2.51	2.61	2.48	2.51	0.04	-0.22	82.3%	89.5%
Other Asia Oceania	0.98	0.91	0.93	0.92	0.96	0.93	-0.03	-0.02	77.7%	79.2%
OECD Asia Oceania	**6.84**	**6.52**	**6.32**	**6.86**	**6.97**	**6.98**	**0.02**	**-0.18**	**81.1%**	**80.7%**
OECD Total	**37.72**	**36.28**	**34.48**	**36.69**	**37.15**	**36.59**	**-0.57**	**0.09**	**81.0%**	**80.1%**

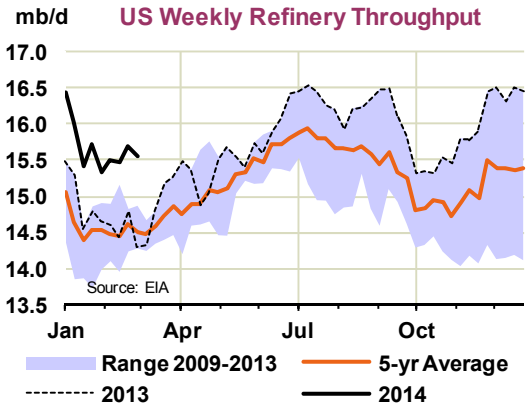
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

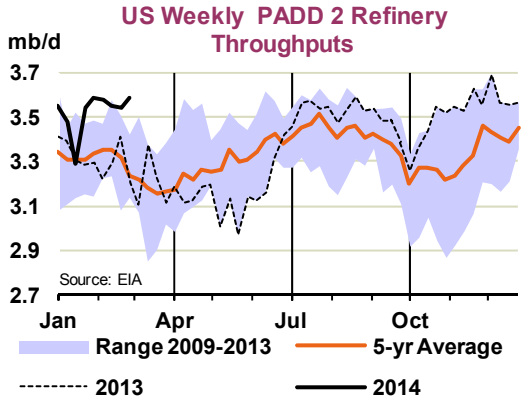
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

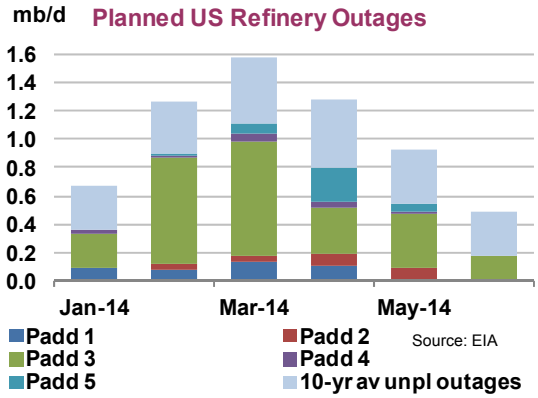
North American refinery crude intake fell 680 kb/d in January on the back of lower US throughputs. US refiners scaled back utilisation rates in early 2014, after hitting eight-year highs leading to record product exports at end-2013. US finished product exports averaged a record 3.3 mb/d in December, while total oil exports surged to 4.4 mb/d. Despite the near-0.7 mb/d monthly decline in January, US refinery activity remained an impressive 0.8 mb/d above year-earlier levels. Annual gains largely stemmed from Gulf Coast refiners, which lifted runs by 620 kb/d y-o-y, though refinery throughputs also rose by 150 kb/d on the West Coast and by 90 kb/d in the Midcontinent.



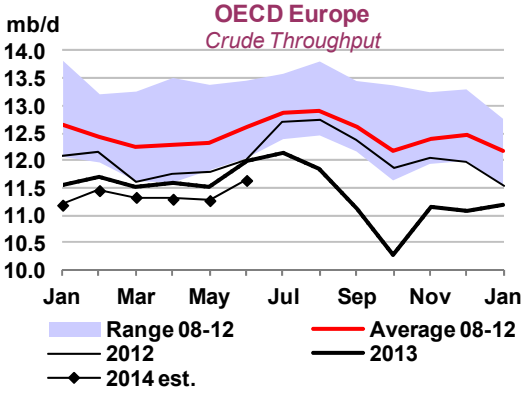


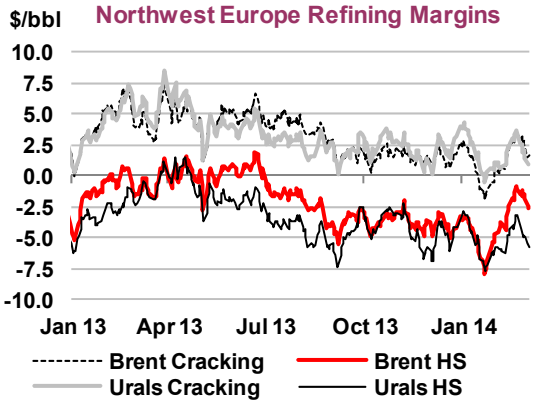
Preliminary weekly data show **US** refinery crude intake falling 180 kb/d m-o-m in February, to 15.2 mb/d, some 275 kb/d higher than expected. The bulk of the monthly decrease came from the Gulf Coast, which saw runs 190 kb/d lower, partly offset by higher runs in the Midcontinent (up 70 kb/d m-o-m). Weaker cracking margins on the US Gulf Coast in January and February seem to have had little impact on actual run rates, as margins in general remained healthy. A lighter maintenance schedule this year, compared with last, also likely provided support. A report published by the US Energy Information Administration (EIA) on 27 February, show US planned refinery shutdowns for both 1Q14 and 2Q14 significantly below 2013 levels. Taking into consideration the historical average for unscheduled shutdowns, however, puts total US outages slightly above historical averages for both quarters. The EIA report estimates that total US outages could peak in March, at 1.6 mb/d, up from 1.3 mb/d in February and only 0.7 mb/d in January.





European refinery throughputs rose 100 kb/d in January, to 11.2 mb/d. The largest increase came from France, where refinery activity recovered from strike action in December. Significant increases also stemmed from the Netherlands and Sweden, with runs in the Netherlands rising to their highest level since September 2012. A slight improvement in refinery margins in mid-February could have provided temporary relief to refiners. Indeed, preliminary data from Euroilstocks, released 11 March, show European crude runs inching up by some 200 kb/d m-o-m, largely in line with our previous forecast.

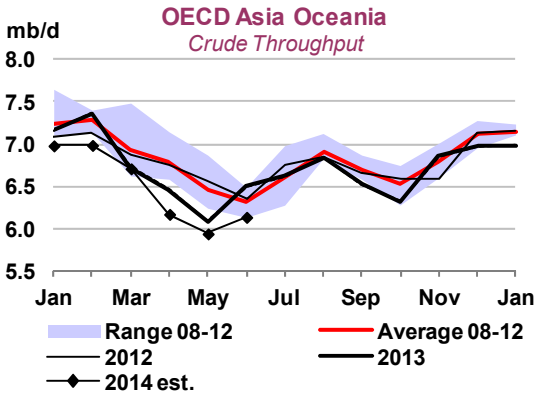


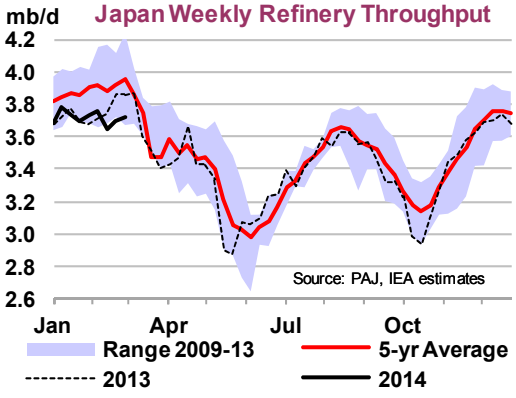


Maintenance is expected to curb runs again in March and April, though current low utilisation rates and spare capacity in the system could mute its impact. Also in Europe, refinery maintenance looks lighter this year than in 2013, with a total of 1 mb/d seen offline at peak time in March, compared with 1.4 mb/d over March and April last year. Notable shutdowns that have already been announced include those at Tupras' Izmit refinery in Turkey from February, Sines' Galp refinery in Portugal from March, Ineos' Grangemouth refinery in the UK, Total's Gonfreville refinery from March and OMV's Schewchat refinery in Austria sometime in 2Q14.

Refinery activity in **OECD Asia Oceania** was largely unchanged in January from a month earlier, at 6.9 mb/d. Only in Japan did throughputs exceed year-earlier levels. South Korean throughputs remained constrained, contracting by 220 kb/d annually. Weekly data from the Petroleum Association of Japan (PAJ) show Japanese refinery crude throughputs holding up at 3.5 mb/d in February. Japan's largest refiner, JX Nippon Oil and Energy, announced it was planning to curb runs by 5% from a year earlier in March amid expectations of weaker kerosene demand. JX's 127 kb/d Marifu refinery was shut for maintenance from 12 February to 26 March and the company announced it would shut a 95 kb/d crude unit at its Mizushima-B plant for two months from 21 March. Runs are set to decline steeply through June, as offline capacity due to maintenance peaks at around 0.7 mb/d over May and June.

As noted in previous versions of this *Report*, permanent capacity reductions due by the end of March could also further curb runs. In addition to the 400 kb/d in capacity reductions already announced, Cosmo Oil said recently it would cut capacity at its Yokkaichi refinery by 43 kb/d effective 31 March to comply with the new government rules. Discussions over possible new regulations to improve local refiner's productivity, including potential further capacity reductions, are underway in Japan. METI intends to complete a report that will be used for future oil policy discussion by June.

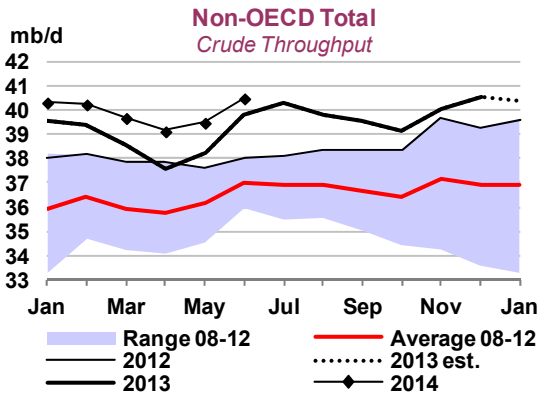




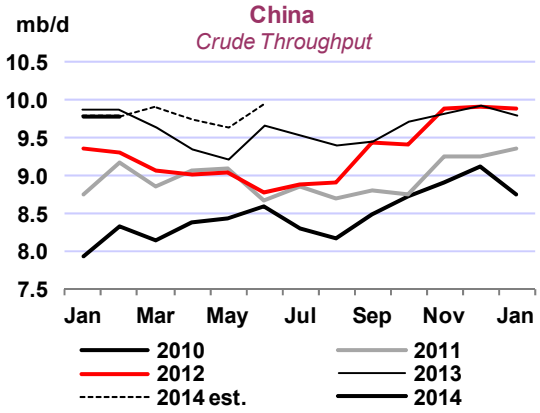
On 21 February, Shell said it had concluded talks to sell its Australian downstream businesses to Vitol for approximately $2.9 billion. The deal includes Shell's 120 kb/d Geelong refinery, which was under threat of closure, and an 870-site retail business along with its bulk fuels, chemicals and part of its lubricants businesses. Shell had previously said that it would permanently shut the Geelong plant by 2015, unless a buyer was found. Shell already closed its 90 kb/d Clyde refinery in October 2012 and Caltex is on track to convert its 135 kb/d Kurnell refinery to an oil terminal by 4Q14, leaving Australia with total refining capacity of around 570 kb/d at five sites by end-2014.

Non-OECD Refinery Throughput

Non-OECD refinery run estimates for 4Q13 and 1Q14 have been revised slightly lower since last month's *Report*, to 39.9 mb/d and 40.1 mb/d, respectively. Annual growth is expected to average 0.9 mb/d in 1Q14, up from 0.8 mb/d in 4Q13, as strong growth in the Middle East is partly offset by weak activity levels in China and other non-OECD Asian countries. While maintenance in Asia and the FSU is expected to cut non-OECD refinery runs seasonally in 2Q14, to 39.7 mb/d, annual growth is expected to accelerate to 1.2 mb/d.

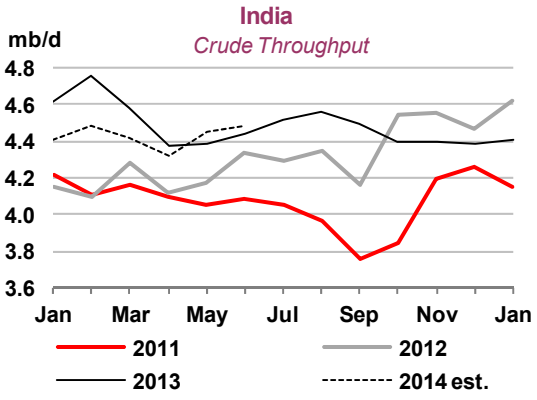


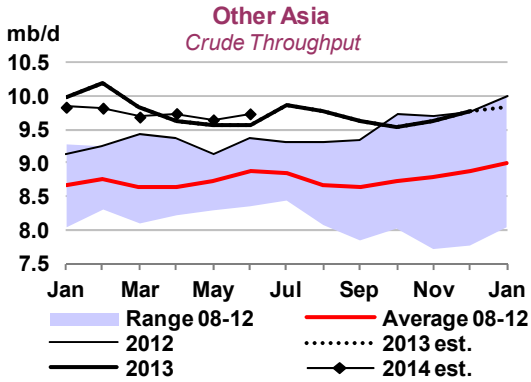
The latest data released by **China's** National Statistics Bureau show Chinese refinery activity contract by 1% y-o-y over January and February. At an average 9.8 mb/d, throughputs were sharply lower than our earlier expectations. Recent crude import data and new refinery start-ups had suggested somewhat stronger runs, though weak domestic demand seem to have cut utilisation rates by more than expected. Recently released data from General Administration of Customs showed Chinese crude oil imports hitting a record high of 6.7 mb/d in January and 6.0 mb/d in February, or around 11% more than a year earlier. China started up two new refineries in January, with a combined capacity of 420 kb/d, the first major plant start-ups since 2010. Amid concerns of overcapacity refinery capacity expansion plans are put on hold and the local government of Shandong have halted the approval of new projects (see *Demand Worries Curb Refinery Expansion Boom* in February OMR).



Company surveys show subdued throughput levels extending into March, as refinery maintenance starts up. Sinopec is planning to shut its Changling refinery from end March, while PetroChina is planning to shut its entire 410 kb/d Dalian refinery for two months starting in April. An average 700 kb/d of capacity has been announced that it will be taken offline in 2Q14, compared with minimal shutdowns of 170 kb/d scheduled for March and no known shutdowns over January or February.

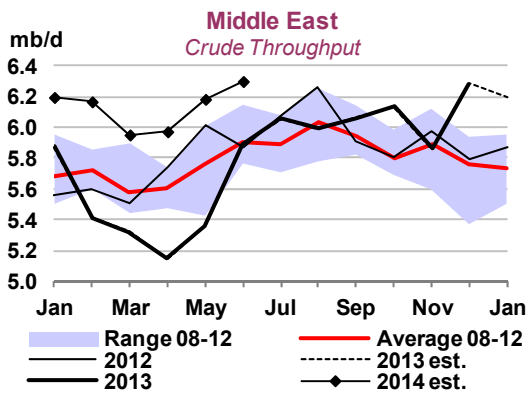
In '**Other Asia**', Indian crude throughputs were largely unchanged in January from a month earlier, at an average 4.4 mb/d. For the fourth consecutive month, Indian refinery runs contracted y-o-y in January, by 4.5%, or 200 kb/d. A power failure curbed throughput rates at Reliance's 660 kb/d Jamnagar plant in December and January, while lower runs at BPCL's Bina refinery and MRPL's Mangalore plants also contributed to the most recent weakness. Indian throughputs are expected to remain subdued in March and April, as Reliance shuts a 330 kb/d crude unit for maintenance for up to a month starting 20 March.

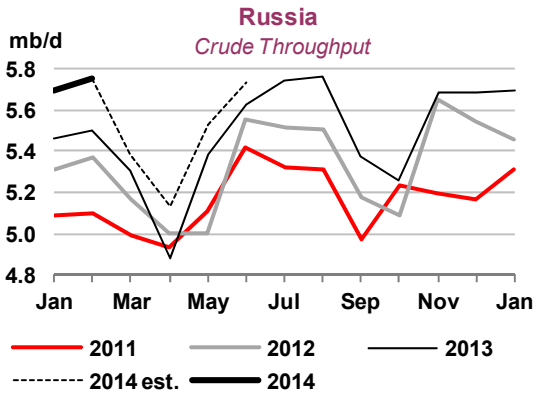




Elsewhere in the region, maintenance is expected to curb runs also in Thailand, Chinese Taipei, the Philippines and Vietnam in the second quarter. Vietnam's sole refinery, the 135 kb/d Dung Quat plant, is scheduled to shut for around 45 days from mid-May. Formosa is expected to shut a 180 kb/d crude unit from early April, while Petron will shut its 180 kb/d Bataan plant sometime in the first quarter. In Pakistan, Byco reportedly finally started up its new 120 kb/d refinery in February after protracted delays. The plant, which Byco had bought from Petroplus in 2006 and shipped to Pakistan, had, according to the company website successfully completed test runs in March 2013. The plant is now expected to ramp up runs to 100 kb/d within two months. We have revised down 2013 data accordingly.

In the **Middle East**, Kuwaiti refinery runs returned to normal in the second half of February. KNPC's Mina al-Ahmadi and Shuaiba refineries shut down on 23 January due to a power outage. Power was restored on 27 January and the refineries resumed runs shortly thereafter. Saudi Arabia's new Jubail refinery continued to ramp up throughputs in December, lifting the Kingdom's throughputs to an estimated 2.0 mb/d. Saudi Aramco reportedly booked its first cargo of diesel to ship to Europe, set to load on 23 January to the Med. The Middle East remains the largest contributor to growth in refining activity in early 2014, admittedly from an exceptionally low base in 2013, when significant capacity was offline for maintenance.





According to preliminary data, **Russian** refinery runs inched slightly higher in February, to 5.75 mb/d on average. Russian throughputs had already averaged 5.7 mb/d over the previous three months, and increased by 150 kb/d annually for 2013 as a whole. Russian Energy Ministry data shows that domestic refiners plan to take less capacity offline on average in 2014 than in 2013. According to Ministry data, Ukrainian refinery crude intake averaged 92 kb/d in January, compared with 59 kb/d a year earlier and 68 kb/d for 2013 as a whole.

Ukraine's Refinery Hopes Fall Victim of Crisis

Earlier hopes of a rebound in **Ukrainian** downstream activity have dimmed. Ukraine, which holds nominal refinery capacity of nearly 0.9 mb/d spread across six plants, processed only 70 kb/d of crude in 2013. The 80 kb/d Odessa refinery had resumed operations in September of last year, following a three-year hiatus, after it was sold by Lukoil to Ukrainian VETEK. Recent reports however indicate that VETEK's owner, Serhiy Kurchencko, has left Ukraine and that the refinery had not been able to repay the loan it had received from Russian state bank VTB to buy the plant. The refinery has been transferred to the bank, Odessa governor told a news conference on 11 March. According to press reports, VETEK had been in talks to sell the refinery to Rosneft. The latter already took over Ukraine's 320 kb/d Lisichansk refinery from TNK-BP last year as part of Rosneft's complete acquisition of TNK-BP and was reportedly planning to resume processing later in 2014, after completing repair works. The current standoff between Russia and Ukraine may put these plans into question. In addition to the Lisichansk refinery, the smaller Kherson (35 kb/d), Drogobyck (70 kb/d) and Nadvima (50 kb/d) refineries remain offline. Only UkrTatNafta's 360 kb/d Kremenchuk now remains operational, but it too has been operating at only a fraction of its nameplate capacity. Since the initiation of the Customs Union of Belarus, Kazakhstan and Russia in 2011, Ukraine's refining sector has become uncompetitive with that of its neighbours and the country relies on product imports for about 80% of its domestic fuel consumption.

In **Africa** meanwhile, throughputs in Algeria surged to a new high of 610 kb/d in December as maintenance and improvement works at the country's largest refinery, the 335 kb/d Skikda plant was completed. In Libya, refinery activity remains constrained, with runs currently estimated at around 120 kb/d. The 220 kb/d Ras Lanuf plant remains offline, though it seems the 120 kb/d Zawiyiah refinery has been getting crude supplies from Sharara and Sider, when the former field is offline. The smaller Tobruk plant was reportedly operating near capacity of 20 kb/d, processing crude stored at the Hariga port.

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

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.2	24.3	24.0	23.9	23.9	24.2	24.4	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.8	13.2	13.8	14.0	13.6	13.7	13.3	13.6	13.9	13.7	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.7	8.4	8.8	7.8	8.0	8.5	8.3
Total OECD	47.0	46.5	46.3	45.5	45.9	46.2	46.0	45.9	45.5	46.3	46.5	46.1	46.0	45.3	46.1	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.5	4.7	4.9	4.9	4.7
Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.9	9.3	9.5	9.6	9.9	10.3	9.8	10.0	10.0	10.1	10.2	10.1	10.2	10.4	10.5	10.7	10.4
Other Asia	10.7	11.0	11.2	11.4	11.1	11.5	11.3	11.7	11.7	11.3	11.7	11.6	11.9	12.1	11.7	12.1	11.9
Latin America	6.1	6.2	6.2	6.4	6.5	6.6	6.4	6.4	6.6	6.7	6.8	6.6	6.5	6.8	7.0	6.9	6.8
Middle East	7.3	7.5	7.3	7.8	8.2	7.6	7.7	7.5	7.9	8.4	7.7	7.9	7.7	8.2	8.6	8.0	8.1
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Total Non-OECD	41.4	42.5	42.8	43.9	44.6	45.0	44.1	44.4	45.3	45.8	45.7	45.3	45.2	46.8	47.3	47.3	46.7
Total Demand[4]	88.4	89.0	89.1	89.4	90.5	91.2	90.1	90.2	90.8	92.0	92.2	91.3	91.2	92.1	93.4	93.9	92.7
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	17.7	17.2	18.3	18.2	18.4	18.9	18.4
Europe[2]	4.1	3.8	3.8	3.6	3.1	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.4	3.2	3.0	3.3	3.2
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Total OECD	18.9	19.0	19.9	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.5	20.9	22.1	22.0	21.9	22.7	22.2
NON-OECD SUPPLY																	
FSU	13.5	13.5	13.7	13.6	13.5	13.7	13.6	13.8	13.8	13.8	14.0	13.8	14.0	13.9	13.9	14.0	14.0
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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.3	4.3	4.2	4.3	4.3
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.4	4.3
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.5	2.5	2.6	2.5	2.5
Total Non-OECD	29.9	29.9	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.9	29.6	29.9	29.9	29.9	30.2	30.0
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.6	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.1	2.0	1.7	2.1	2.4	2.1	2.1
Total Non-OPEC[5]	52.6	52.8	53.4	52.9	53.0	54.2	53.4	53.8	54.2	55.0	55.7	54.7	55.9	56.2	56.5	57.2	56.4
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.5					
NGLs	5.6	5.9	6.2	6.2	6.3	6.4	6.3	6.3	6.4	6.5	6.4	6.4	6.4	6.5	6.6	6.6	6.6
Total OPEC[5]	34.7	35.8	37.5	37.9	37.8	37.1	37.6	36.8	37.3	37.1	36.2	36.8					
Total Supply[9]	87.4	88.7	90.9	90.8	90.8	91.3	90.9	90.6	91.5	92.0	91.9	91.5					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4	-1.5	-0.2					
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0					
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.5	-1.4	-0.2					
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2	0.3	0.1					
Miscellaneous to balance[10]	-0.9	0.0	1.6	0.9	-0.1	0.6	0.7	0.0	0.9	-0.7	0.9	0.3					
Total Stock Ch. & Misc	-1.0	-0.3	1.9	1.4	0.3	0.0	0.9	0.4	0.7	0.0	-0.3	0.2					
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.2	30.2	29.5	30.3	31.2	30.7	30.4	30.1	30.2	30.6	30.1	30.3	28.9	29.3	30.3	30.1	29.7

4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1	0.1	0.1	0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	0.1	0.2	0.1	0.1
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-					
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	0.1	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1					
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	0.1	0.3	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.60	23.73	23.77	23.62	23.73	23.78	24.19	24.27	24.00	23.92	23.94	24.21	24.38	24.12
Europe[2]	14.28	13.72	13.82	13.85	13.69	13.77	13.22	13.84	13.98	13.56	13.65	13.27	13.61	13.93	13.74	13.64
Asia Oceania[3]	8.23	9.17	8.06	8.32	8.79	8.58	8.94	7.90	8.09	8.68	8.40	8.78	7.76	8.00	8.49	8.25
Total OECD	46.47	46.26	45.49	45.89	46.24	45.97	45.89	45.53	46.26	46.52	46.05	45.98	45.30	46.14	46.61	46.01
Asia	20.35	20.74	21.03	20.97	21.82	21.14	21.69	21.72	21.39	21.92	21.68	22.04	22.47	22.16	22.75	22.36
Middle East	7.46	7.28	7.80	8.24	7.56	7.72	7.54	7.93	8.41	7.66	7.89	7.69	8.19	8.63	7.99	8.13
Latin America	6.17	6.16	6.36	6.52	6.57	6.40	6.39	6.60	6.74	6.75	6.62	6.51	6.77	6.96	6.92	6.79
FSU	4.39	4.31	4.42	4.62	4.61	4.49	4.31	4.51	4.85	4.84	4.63	4.47	4.65	4.93	4.93	4.75
Africa	3.49	3.64	3.63	3.63	3.73	3.66	3.79	3.83	3.72	3.81	3.79	3.86	3.99	3.94	4.03	3.96
Europe	0.61	0.67	0.68	0.67	0.67	0.67	0.64	0.68	0.68	0.70	0.68	0.67	0.70	0.69	0.71	0.69
Total Non-OECD	42.47	42.80	43.92	44.64	44.97	44.09	44.36	45.26	45.79	45.69	45.28	45.24	46.78	47.31	47.33	46.67
World	88.94	89.07	89.41	90.53	91.21	90.06	90.25	90.79	92.05	92.21	91.33	91.22	92.08	93.45	93.94	92.68
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.67	19.13	19.28	18.94	18.94	18.89	19.08	19.22	19.03
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.28	8.26	8.06	8.15	8.04	8.06	8.19	8.12	8.10
China	9.32	9.50	9.60	9.87	10.30	9.82	10.03	10.04	10.13	10.19	10.10	10.18	10.41	10.48	10.70	10.44
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.75	4.56	4.90	4.00	4.18	4.52	4.40
India	3.20	3.36	3.45	3.18	3.41	3.35	3.43	3.46	3.16	3.42	3.37	3.46	3.55	3.26	3.53	3.45
Russia	3.21	3.19	3.24	3.41	3.36	3.30	3.21	3.32	3.64	3.54	3.43	3.36	3.46	3.70	3.61	3.54
Brazil	2.87	2.87	2.93	3.03	3.12	2.99	2.99	3.08	3.15	3.20	3.11	3.06	3.17	3.26	3.28	3.19
Saudi Arabia	2.79	2.57	3.00	3.32	2.79	2.92	2.72	3.05	3.33	2.83	2.98	2.79	3.16	3.42	2.92	3.07
Canada	2.27	2.18	2.22	2.34	2.37	2.28	2.28	2.31	2.31	2.26	2.29	2.28	2.27	2.36	2.35	2.31
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.38	2.31	2.35	2.24	2.26	2.40	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.03	2.13	2.10	2.14	2.10
Iran	1.79	1.81	1.83	1.77	1.76	1.79	1.79	1.80	1.80	1.78	1.79	1.82	1.86	1.83	1.84	1.84
Total	61.89	61.95	61.82	62.70	63.24	62.43	62.64	62.55	63.57	63.76	63.13	63.20	63.18	64.14	64.62	63.79
% of World	69.6%	69.6%	69.1%	69.3%	69.3%	69.3%	69.4%	68.9%	69.1%	69.1%	69.1%	69.3%	68.6%	68.6%	68.8%	68.8%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.8	1.9	2.1	1.6	0.8	0.7	0.1	0.5	0.5
Europe[2]	-2.8	-3.5	-2.2	-5.7	-2.8	-3.6	-3.6	0.1	1.0	-0.9	-0.8	0.4	-1.7	-0.4	1.3	-0.1
Asia Oceania[3]	0.5	5.6	7.6	2.8	1.5	4.3	-2.5	-2.0	-2.7	-1.3	-2.1	-1.8	-1.9	-1.1	-2.2	-1.7
Total OECD	-1.2	-1.6	0.3	-2.1	-0.9	-1.1	-0.8	0.1	0.8	0.6	0.2	0.2	-0.5	-0.3	0.2	-0.1
Asia	3.5	2.5	3.1	4.3	5.6	3.9	4.6	3.3	2.0	0.5	2.6	1.6	3.5	3.6	3.8	3.1
Middle East	2.0	3.3	4.5	4.4	1.8	3.5	3.6	1.6	2.0	1.3	2.1	2.0	3.4	2.7	4.3	3.1
Latin America	1.5	3.6	3.6	2.8	4.9	3.7	3.7	3.9	3.4	2.7	3.4	2.0	2.6	3.3	2.5	2.6
FSU	6.3	6.0	2.2	1.0	0.7	2.3	0.2	2.0	4.9	4.9	3.1	3.5	3.2	1.8	1.8	2.5
Africa	-1.1	3.8	3.3	7.1	5.3	4.8	4.0	5.5	2.6	2.2	3.6	2.0	4.1	5.9	5.8	4.4
Europe	-0.6	3.8	2.9	0.6	-1.3	10.1	-4.9	0.0	2.7	4.2	0.5	4.7	3.3	0.3	0.7	2.1
Total Non-OECD	2.7	3.3	3.3	3.9	4.2	3.8	3.6	3.1	2.6	1.6	2.7	2.0	3.3	3.3	3.6	3.1
World	0.7	0.7	1.8	0.8	1.6	1.3	1.3	1.5	1.7	1.1	1.4	1.1	1.4	1.5	1.9	1.5
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.12	-0.38	-0.14	-0.34	0.35	0.18	0.46	0.51	0.37	0.20	0.16	0.02	0.11	0.12
Europe[2]	-0.41	-0.50	-0.30	-0.84	-0.39	-0.51	-0.49	0.02	0.14	-0.12	-0.11	0.05	-0.23	-0.05	0.17	-0.01
Asia Oceania[3]	0.05	0.49	0.57	0.23	0.13	0.35	-0.23	-0.16	-0.23	-0.11	-0.18	-0.16	-0.15	-0.09	-0.19	-0.15
Total OECD	-0.55	-0.73	0.15	-1.00	-0.41	-0.50	-0.37	0.04	0.36	0.27	0.08	0.09	-0.22	-0.12	0.09	-0.04
Asia	0.69	0.51	0.63	0.87	1.16	0.79	0.95	0.69	0.42	0.11	0.54	0.35	0.75	0.77	0.83	0.68
Middle East	0.14	0.23	0.34	0.35	0.14	0.26	0.26	0.12	0.17	0.10	0.16	0.15	0.27	0.22	0.33	0.24
Latin America	0.09	0.21	0.22	0.18	0.30	0.23	0.23	0.25	0.22	0.18	0.22	0.13	0.17	0.22	0.17	0.17
FSU	0.26	0.24	0.09	0.05	0.03	0.10	0.01	0.09	0.22	0.23	0.14	0.15	0.15	0.09	0.09	0.12
Africa	-0.04	0.13	0.12	0.24	0.19	0.17	0.14	0.20	0.09	0.08	0.13	0.08	0.16	0.22	0.22	0.17
Europe	0.00	0.03	0.02	0.00	-0.01	0.06	-0.03	0.00	0.02	0.03	0.00	0.03	0.02	0.00	0.00	0.01
Total Non-OECD	1.14	1.36	1.41	1.69	1.81	1.62	1.56	1.34	1.15	0.72	1.19	0.88	1.52	1.52	1.64	1.39
World	0.59	0.63	1.56	0.69	1.40	1.12	1.18	1.38	1.51	1.00	1.27	0.97	1.29	1.40	1.73	1.35
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.01	-0.04	-0.01	-0.06	-0.01	0.02	0.03	0.00
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.01	0.00	0.00	0.03	0.01	0.01	-0.01	0.01
Asia Oceania[3]	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	-0.01	0.00	-0.01
Total OECD	0.00	0.00	-0.01	0.00	0.00	0.00	0.01	0.00	-0.01	-0.03	-0.01	-0.05	0.01	0.02	0.02	0.00
Asia	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	0.01	0.03	0.03	0.00
Middle East	0.02	0.01	-0.01	0.03	0.03	0.01	0.02	0.03	0.06	0.04	0.04	0.03	0.06	0.09	0.08	0.06
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.01	0.01
FSU	0.00	0.00	0.00	0.01	0.01	0.00	0.02	0.00	0.00	0.02	0.01	0.05	0.01	0.02	0.01	0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Europe	-0.05	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	0.00	-0.01
Total Non-OECD	-0.03	0.01	0.00	0.04	0.04	0.02	0.04	0.02	0.06	0.06	0.04	0.00	0.07	0.14	0.12	0.08
World	-0.03	0.00	-0.01	0.04	0.04	0.02	0.04	0.02	0.05	0.03	0.04	-0.06	0.08	0.15	0.14	0.08
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	-0.02	-0.03	0.00	0.01	0.04	0.04	0.03	0.01	-0.01	0.02	-0.10	0.06	0.10	0.11	0.05

1 As of the August 2012 OMR, includes Chile.

2 As of the August 2012 OMR, includes Estonia and Slovenia.

3 As of the August 2012 OMR, includes Israel.

* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	1Q13	2Q13	3Q13	4Q13	Oct 13	Nov 13	Dec 13 [2]	Latest month vs. Nov 13	Latest month vs. Dec 12
Americas[3]											
LPG&Ethane	3.14	3.29	3.64	2.97	3.02	3.52	3.32	3.59	3.66	0.08	0.17
Naphtha	0.34	0.38	0.37	0.39	0.40	0.38	0.37	0.38	0.38	0.00	0.00
Motor Gasoline	10.34	10.44	10.05	10.58	10.72	10.40	10.48	10.41	10.31	-0.10	0.25
Jet/Kerosene	1.65	1.68	1.58	1.68	1.76	1.70	1.71	1.69	1.71	0.02	0.09
Gasoil/Diesel Oil	4.96	5.07	5.16	5.01	4.89	5.22	5.41	5.13	5.11	-0.01	0.40
Residual Fuel Oil	0.78	0.69	0.75	0.68	0.76	0.58	0.69	0.58	0.48	-0.10	-0.11
Other Products	2.42	2.44	2.18	2.46	2.64	2.47	2.43	2.66	2.32	-0.34	-0.18
Total	23.62	24.00	23.73	23.78	24.19	24.27	24.42	24.44	23.97	-0.47	0.63
Europe[4]											
LPG&Ethane	0.94	1.04	1.05	1.11	1.04	0.98	1.01	0.92	0.99	0.07	0.00
Naphtha	1.20	1.19	1.26	1.16	1.21	1.14	1.08	1.18	1.18	0.00	0.04
Motor Gasoline	1.99	1.93	1.80	1.96	2.06	1.90	1.97	1.87	1.86	-0.02	-0.01
Jet/Kerosene	1.21	1.22	1.11	1.23	1.33	1.20	1.27	1.20	1.13	-0.06	0.00
Gasoil/Diesel Oil	5.95	5.97	5.78	6.01	5.96	6.11	6.42	6.16	5.75	-0.40	0.02
Residual Fuel Oil	1.09	0.97	1.02	0.99	0.95	0.92	0.94	0.92	0.91	-0.01	-0.09
Other Products	1.39	1.33	1.21	1.38	1.42	1.31	1.37	1.35	1.22	-0.13	0.06
Total	13.77	13.65	13.22	13.84	13.98	13.56	14.06	13.60	13.04	-0.56	0.02
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.95	0.82	0.79	0.86	0.77	0.87	0.93	0.05	-0.01
Naphtha	1.78	1.82	1.83	1.72	1.81	1.90	1.78	1.94	1.99	0.05	0.12
Motor Gasoline	1.61	1.59	1.54	1.56	1.67	1.59	1.53	1.60	1.63	0.04	-0.05
Jet/Kerosene	0.88	0.87	1.13	0.69	0.68	0.99	0.78	1.00	1.20	0.20	-0.10
Gasoil/Diesel Oil	1.76	1.77	1.80	1.72	1.71	1.85	1.76	1.90	1.89	-0.01	0.01
Residual Fuel Oil	0.91	0.76	0.91	0.67	0.73	0.75	0.68	0.77	0.80	0.03	-0.13
Other Products	0.80	0.75	0.79	0.73	0.71	0.75	0.68	0.79	0.79	0.00	-0.07
Total	8.58	8.40	8.94	7.90	8.09	8.68	7.97	8.86	9.22	0.36	-0.24
OECD											
LPG&Ethane	4.96	5.18	5.63	4.89	4.84	5.35	5.11	5.38	5.58	0.19	0.16
Naphtha	3.32	3.39	3.46	3.27	3.42	3.42	3.23	3.49	3.54	0.05	0.17
Motor Gasoline	13.93	13.96	13.39	14.11	14.45	13.89	13.98	13.88	13.80	-0.08	0.19
Jet/Kerosene	3.74	3.77	3.82	3.60	3.77	3.89	3.75	3.88	4.04	0.16	-0.01
Gasoil/Diesel Oil	12.67	12.81	12.74	12.74	12.57	13.18	13.59	13.19	12.76	-0.43	0.43
Residual Fuel Oil	2.77	2.43	2.67	2.35	2.44	2.25	2.30	2.27	2.19	-0.08	-0.33
Other Products	4.61	4.52	4.18	4.57	4.78	4.53	4.48	4.80	4.32	-0.47	-0.20
Total	45.97	46.05	45.89	45.53	46.26	46.52	46.44	46.89	46.23	-0.67	0.41

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2012	2013	1Q13	2Q13	3Q13	4Q13	Oct 13	Nov 13	Dec 13 [2]	Nov 13	Dec 12
United States[3]											
LPG	2.26	2.42	2.68	2.11	2.20	2.68	2.52	2.71	2.79	0.08	0.24
Naphtha	0.24	0.28	0.28	0.28	0.28	0.27	0.27	0.27	0.26	-0.01	-0.01
Motor Gasoline	8.69	8.78	8.42	8.91	9.03	8.75	8.83	8.76	8.68	-0.08	0.28
Jet/Kerosene	1.41	1.43	1.35	1.43	1.50	1.45	1.46	1.43	1.46	0.03	0.07
Gasoil	3.74	3.84	3.93	3.77	3.67	3.97	4.10	3.87	3.95	0.08	0.43
Residual Fuel Oil	0.37	0.32	0.37	0.26	0.36	0.28	0.30	0.32	0.22	-0.11	0.03
Other Products	1.83	1.87	1.62	1.90	2.08	1.88	1.85	2.07	1.73	-0.35	-0.10
Total	18.54	18.94	18.66	18.67	19.13	19.28	19.32	19.44	19.08	-0.35	0.95
Japan											
LPG	0.52	0.50	0.59	0.46	0.44	0.50	0.42	0.50	0.56	0.06	-0.02
Naphtha	0.71	0.76	0.77	0.70	0.75	0.81	0.75	0.84	0.86	0.02	0.08
Motor Gasoline	0.98	0.96	0.92	0.94	1.03	0.96	0.93	0.97	1.00	0.03	-0.05
Jet/Kerosene	0.54	0.54	0.77	0.38	0.37	0.63	0.44	0.64	0.82	0.18	-0.09
Diesel	0.43	0.43	0.43	0.42	0.44	0.46	0.45	0.47	0.46	-0.01	-0.01
Other Gasoil	0.40	0.39	0.45	0.35	0.35	0.41	0.36	0.42	0.46	0.04	-0.01
Residual Fuel Oil	0.56	0.46	0.57	0.38	0.44	0.45	0.40	0.45	0.50	0.05	-0.09
Other Products	0.58	0.52	0.57	0.49	0.50	0.52	0.45	0.55	0.57	0.02	-0.08
Total	4.73	4.56	5.08	4.11	4.32	4.75	4.20	4.84	5.22	0.39	-0.27
Germany											
LPG	0.10	0.11	0.11	0.12	0.11	0.10	0.10	0.09	0.10	0.01	0.01
Naphtha	0.38	0.40	0.42	0.39	0.38	0.39	0.37	0.40	0.40	0.00	0.02
Motor Gasoline	0.43	0.43	0.39	0.44	0.45	0.42	0.45	0.41	0.40	-0.01	0.01
Jet/Kerosene	0.19	0.18	0.16	0.19	0.20	0.18	0.19	0.17	0.16	-0.01	0.01
Diesel	0.70	0.70	0.64	0.72	0.75	0.71	0.76	0.74	0.63	-0.12	0.03
Other Gasoil	0.38	0.40	0.40	0.45	0.35	0.38	0.45	0.40	0.31	-0.09	-0.12
Residual Fuel Oil	0.13	0.12	0.13	0.12	0.12	0.12	0.13	0.12	0.11	-0.01	-0.02
Other Products	0.08	0.07	0.04	0.08	0.09	0.07	0.09	0.08	0.04	-0.04	0.00
Total	2.39	2.40	2.30	2.51	2.44	2.37	2.54	2.42	2.16	-0.27	-0.06
Italy											
LPG	0.11	0.11	0.13	0.10	0.10	0.12	0.11	0.12	0.13	0.02	0.00
Naphtha	0.09	0.09	0.09	0.10	0.08	0.07	0.06	0.08	0.08	0.00	-0.01
Motor Gasoline	0.22	0.21	0.19	0.19	0.23	0.22	0.23	0.21	0.22	0.01	0.01
Jet/Kerosene	0.09	0.09	0.08	0.09	0.11	0.09	0.10	0.09	0.08	0.00	-0.01
Diesel	0.45	0.42	0.40	0.42	0.43	0.42	0.45	0.40	0.41	0.01	0.00
Other Gasoil	0.11	0.12	0.12	0.11	0.11	0.13	0.14	0.12	0.12	0.00	0.00
Residual Fuel Oil	0.10	0.07	0.07	0.08	0.07	0.06	0.08	0.06	0.06	0.00	-0.01
Other Products	0.20	0.19	0.19	0.18	0.21	0.20	0.23	0.19	0.19	0.00	0.04
Total	1.35	1.30	1.28	1.28	1.33	1.31	1.38	1.26	1.29	0.03	0.02
France											
LPG	0.11	0.11	0.14	0.10	0.08	0.11	0.10	0.11	0.13	0.02	0.00
Naphtha	0.13	0.14	0.15	0.15	0.15	0.10	0.10	0.08	0.11	0.02	0.01
Motor Gasoline	0.16	0.16	0.14	0.16	0.17	0.15	0.16	0.14	0.15	0.01	0.01
Jet/Kerosene	0.15	0.15	0.14	0.16	0.17	0.15	0.16	0.15	0.15	0.00	0.00
Diesel	0.68	0.68	0.65	0.69	0.70	0.69	0.73	0.66	0.68	0.01	0.04
Other Gasoil	0.28	0.29	0.34	0.27	0.26	0.29	0.32	0.28	0.27	-0.01	0.00
Residual Fuel Oil	0.07	0.06	0.07	0.06	0.05	0.06	0.06	0.06	0.06	0.00	0.00
Other Products	0.15	0.14	0.13	0.16	0.16	0.13	0.14	0.15	0.09	-0.05	-0.04
Total	1.74	1.73	1.75	1.75	1.76	1.68	1.77	1.63	1.64	0.01	0.03
United Kingdom											
LPG	0.11	0.10	0.10	0.13	0.10	0.08	0.07	0.08	0.09	0.01	-0.03
Naphtha	0.02	0.03	0.04	0.03	0.03	0.02	0.02	0.02	0.02	0.00	-0.02
Motor Gasoline	0.32	0.31	0.31	0.31	0.31	0.30	0.30	0.32	0.30	-0.02	-0.01
Jet/Kerosene	0.31	0.31	0.31	0.30	0.32	0.33	0.33	0.35	0.31	-0.04	-0.01
Diesel	0.45	0.47	0.44	0.47	0.47	0.48	0.46	0.51	0.48	-0.03	0.00
Other Gasoil	0.12	0.12	0.12	0.13	0.13	0.11	0.12	0.11	0.10	-0.01	-0.01
Residual Fuel Oil	0.05	0.04	0.05	0.04	0.04	0.04	0.03	0.03	0.05	0.02	0.01
Other Products	0.12	0.13	0.13	0.14	0.13	0.11	0.12	0.11	0.11	-0.01	0.01
Total	1.50	1.51	1.50	1.54	1.52	1.48	1.45	1.54	1.46	-0.08	-0.06
Canada											
LPG	0.41	0.41	0.49	0.42	0.37	0.38	0.35	0.41	0.38	-0.02	-0.07
Naphtha	0.09	0.09	0.08	0.09	0.09	0.08	0.07	0.08	0.08	0.00	-0.02
Motor Gasoline	0.74	0.76	0.73	0.78	0.81	0.74	0.74	0.76	0.71	-0.05	-0.02
Jet/Kerosene	0.12	0.13	0.12	0.13	0.15	0.14	0.13	0.14	0.13	-0.01	0.02
Diesel	0.30	0.30	0.32	0.30	0.30	0.29	0.28	0.29	0.28	-0.01	-0.01
Other Gasoil	0.22	0.25	0.22	0.23	0.25	0.28	0.32	0.28	0.22	-0.05	0.00
Residual Fuel Oil	0.06	0.04	0.04	0.05	0.04	0.04	0.03	0.04	0.06	0.02	0.01
Other Products	0.32	0.30	0.29	0.30	0.31	0.32	0.32	0.32	0.33	0.00	-0.04
Total	2.28	2.29	2.28	2.31	2.31	2.26	2.25	2.32	2.20	-0.12	-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)

	2012	2013	2014	3Q13	4Q13	1Q14	2Q14	3Q14	Dec 13	Jan 14	Feb 14
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.84	9.51				9.56	9.50	9.59
Iran	3.00	2.68		2.64	2.71				2.75	2.78	2.78
Iraq	2.95	3.08		3.04	3.08				3.13	3.09	3.62
UAE	2.65	2.76		2.80	2.73				2.76	2.72	2.70
Kuwait	2.46	2.55		2.56	2.53				2.55	2.52	2.52
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.73				0.73	0.72	0.70
Angola	1.78	1.72		1.71	1.64				1.64	1.65	1.68
Nigeria	2.10	1.95		1.97	1.91				1.92	1.92	1.98
Libya	1.39	0.90		0.62	0.30				0.23	0.50	0.36
Algeria	1.17	1.15		1.15	1.14				1.15	1.08	1.10
Ecuador	0.50	0.51		0.52	0.52				0.53	0.53	0.52
Venezuela	2.50	2.50		2.52	2.47				2.44	2.46	2.42
Total Crude Oil	31.30	30.45		30.61	29.80				29.91	29.99	30.49
Total NGLs[1]	6.28	6.40	6.56	6.45	6.42	6.43	6.55	6.62	6.42	6.43	6.43
Total OPEC	37.58	36.85		37.06	36.22				36.32	36.42	36.92
NON-OPEC[2]											
OECD											
Americas[6]	15.86	17.16	18.43	17.41	17.74	18.26	18.25	18.35	17.84	18.15	18.32
United States[5]	9.18	10.30	11.35	10.54	10.78	11.14	11.28	11.32	10.77	11.06	11.12
Mexico	2.92	2.89	2.88	2.88	2.89	2.89	2.89	2.86	2.87	2.87	2.90
Canada	3.75	3.96	4.18	3.98	4.07	4.22	4.06	4.17	4.19	4.20	4.28
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.45	3.29	3.20	3.17	3.31	3.38	3.21	2.97	3.43	3.42	3.37
UK	0.94	0.86	0.77	0.78	0.85	0.85	0.79	0.64	0.93	0.87	0.84
Norway	1.91	1.84	1.84	1.80	1.87	1.93	1.84	1.75	1.91	1.95	1.92
Others	0.60	0.59	0.59	0.60	0.60	0.60	0.59	0.58	0.59	0.60	0.61
Asia Oceania[8]	0.56	0.48	0.55	0.51	0.46	0.47	0.55	0.58	0.50	0.48	0.47
Australia	0.48	0.40	0.45	0.43	0.39	0.39	0.46	0.48	0.43	0.39	0.38
Others	0.08	0.07	0.10	0.07	0.07	0.09	0.09	0.10	0.07	0.08	0.09
Total OECD	19.88	20.93	22.18	21.09	21.52	22.12	22.01	21.90	21.77	22.04	22.16
NON-OECD											
Former USSR	13.62	13.85	13.95	13.78	14.02	14.00	13.95	13.85	14.05	14.01	14.00
Russia	10.73	10.88	10.97	10.85	10.99	11.00	11.00	10.91	11.01	11.01	11.00
Others	2.89	2.97	2.98	2.93	3.03	2.99	2.95	2.94	3.04	3.00	2.99
Asia	7.82	7.71	7.76	7.50	7.69	7.78	7.79	7.72	7.71	7.76	7.80
China	4.18	4.18	4.26	4.05	4.22	4.26	4.28	4.23	4.23	4.25	4.26
Malaysia	0.67	0.66	0.66	0.64	0.64	0.65	0.65	0.66	0.64	0.65	0.67
India	0.91	0.90	0.90	0.89	0.90	0.91	0.90	0.90	0.91	0.91	0.91
Indonesia	0.89	0.84	0.79	0.82	0.81	0.81	0.80	0.77	0.80	0.81	0.82
Others	1.17	1.14	1.16	1.10	1.11	1.15	1.15	1.16	1.12	1.15	1.15
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	4.18	4.18	4.30	4.19	4.22	4.20	4.26	4.34	4.25	4.19	4.20
Brazil[5]	2.16	2.12	2.17	2.12	2.17	2.12	2.13	2.18	2.20	2.15	2.11
Argentina	0.66	0.63	0.61	0.63	0.63	0.62	0.62	0.61	0.62	0.62	0.62
Colombia	0.95	1.01	1.11	1.02	1.00	1.04	1.09	1.14	1.01	1.01	1.05
Others	0.42	0.42	0.41	0.42	0.42	0.42	0.42	0.41	0.42	0.41	0.42
Middle East[3]	1.46	1.36	1.32	1.36	1.34	1.32	1.32	1.33	1.32	1.32	1.32
Oman	0.92	0.95	0.96	0.96	0.96	0.95	0.95	0.96	0.95	0.96	0.95
Syria	0.17	0.06	0.03	0.05	0.03	0.03	0.03	0.02	0.03	0.03	0.03
Yemen	0.18	0.14	0.13	0.14	0.14	0.13	0.14	0.13	0.12	0.13	0.13
Others	0.18	0.21	0.21	0.21	0.21	0.21	0.21	0.20	0.21	0.21	0.21
Africa	2.27	2.33	2.52	2.35	2.44	2.47	2.49	2.55	2.46	2.47	2.46
Egypt	0.72	0.70	0.66	0.69	0.68	0.67	0.67	0.66	0.68	0.68	0.67
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.61	1.41	1.52	1.55	1.58	1.66	1.54	1.55	1.55
Total Non-OECD	29.48	29.57	29.99	29.33	29.85	29.91	29.94	29.93	29.92	29.89	29.92
Processing Gains[4]	2.14	2.18	2.21	2.20	2.18	2.21	2.19	2.24	2.20	2.21	2.21
Global Biofuels[5]	1.86	2.00	2.06	2.35	2.15	1.66	2.08	2.40	1.94	1.65	1.66
TOTAL NON-OPEC	53.36	54.68	56.45	54.98	55.69	55.89	56.22	56.48	55.83	55.79	55.95
TOTAL SUPPLY	90.94	91.52		92.04	91.91				92.16	92.21	92.87

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Sep2013	Oct2013	Nov2013	Dec2013	Jan2014*	Jan2011	Jan2012	Jan2013	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	520.3	536.4	525.5	499.8	499.1	479.4	482.4	512.0	0.35	-0.18	0.02	-0.22
Motor Gasoline	253.4	246.5	250.6	261.0	268.7	271.8	271.2	270.5	-0.06	0.01	-0.08	0.08
Middle Distillate	205.8	188.8	189.9	197.2	185.6	238.4	226.4	206.3	-0.20	0.03	0.11	-0.09
Residual Fuel Oil	43.1	43.5	43.5	45.6	45.4	48.7	42.0	44.8	0.03	0.00	-0.03	0.03
Total Products[3]	714.0	678.6	668.7	669.5	639.2	705.8	695.8	696.2	-0.43	0.38	0.16	-0.48
Total[4]	1402.0	1379.6	1354.3	1314.7	1288.1	1333.5	1336.1	1364.9	-0.17	0.31	0.27	-0.95
OECD Europe												
Crude	311.4	323.8	313.2	301.9	296.1	337.0	297.1	305.3	0.07	-0.04	0.07	-0.10
Motor Gasoline	89.8	88.0	87.1	90.8	92.9	105.1	99.3	97.1	0.08	-0.10	0.01	0.01
Middle Distillate	259.5	250.2	250.8	255.1	265.8	302.1	295.3	264.9	0.02	-0.10	0.15	-0.05
Residual Fuel Oil	72.2	68.9	68.0	65.5	66.8	83.1	74.6	76.2	0.03	-0.03	-0.05	-0.07
Total Products[3]	511.2	496.3	492.5	502.3	518.4	593.2	573.2	541.5	0.09	-0.27	0.02	-0.10
Total[4]	884.0	883.7	870.7	867.5	876.8	1000.9	935.8	908.7	0.21	-0.33	0.12	-0.18
OECD Asia Oceania												
Crude	157.3	151.7	150.0	144.8	145.8	158.8	155.0	159.1	0.09	0.01	-0.12	-0.14
Motor Gasoline	24.9	25.1	25.4	24.3	25.9	26.1	25.4	27.0	0.04	0.00	-0.03	-0.01
Middle Distillate	70.2	68.4	65.0	67.8	66.8	61.0	63.9	62.7	0.04	-0.03	0.10	-0.03
Residual Fuel Oil	20.0	19.4	18.4	19.3	20.1	18.7	19.7	19.4	0.00	-0.01	0.00	-0.01
Total Products[3]	182.9	181.3	173.7	170.0	171.1	170.4	165.2	172.7	0.03	-0.06	0.17	-0.14
Total[4]	413.1	404.3	395.9	382.0	386.1	403.2	392.4	401.8	0.18	-0.04	0.04	-0.34
Total OECD												
Crude	988.9	1011.8	988.6	946.6	941.0	975.2	934.4	976.4	0.51	-0.20	-0.02	-0.46
Motor Gasoline	368.0	359.5	363.1	376.2	387.5	402.9	395.8	394.5	0.06	-0.10	-0.09	0.09
Middle Distillate	535.4	507.4	505.7	520.2	518.2	601.5	585.6	533.9	-0.15	-0.11	0.36	-0.17
Residual Fuel Oil	135.2	131.8	129.8	130.4	132.3	150.5	136.3	140.4	0.06	-0.03	-0.07	-0.05
Total Products[3]	1408.1	1356.1	1334.9	1341.8	1328.7	1469.4	1434.2	1410.5	-0.31	0.04	0.35	-0.72
Total[4]	2699.2	2667.5	2620.9	2564.2	2551.0	2737.5	2664.2	2675.4	0.22	-0.05	0.42	-1.47

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			
	Sep2013	Oct2013	Nov2013	Dec2013	Jan2014*	Jan2011	Jan2012	Jan2013	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	696.0	696.0	696.0	696.0	696.0	726.5	696.0	695.8	0.01	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	2.0	0.7	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	205.8	204.8	206.7	206.2	206.4	185.8	187.9	204.3	0.02	0.03	-0.02	0.00
Products	262.6	261.7	260.6	260.0	259.1	237.6	235.3	265.0	0.07	-0.04	0.03	-0.03
OECD Asia Oceania												
Crude	384.9	385.7	385.8	386.6	386.5	389.7	393.6	392.6	-0.04	-0.04	-0.01	0.02
Products	28.3	29.9	30.1	30.5	30.5	20.0	20.0	21.8	0.02	0.00	0.06	0.02
Total OECD												
Crude	1286.6	1286.5	1288.4	1288.8	1289.0	1302.0	1277.4	1292.7	-0.02	-0.01	-0.03	0.02
Products	291.9	292.6	291.7	291.5	290.6	259.6	256.0	287.8	0.10	-0.04	0.09	0.00
Total[4]	1582.7	1582.8	1584.3	1584.4	1584.0	1563.0	1534.8	1583.5	0.08	-0.04	0.05	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2012		End March 2013		End June 2013		End September 2013		End December 2013 [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
OECD Americas										
Canada	174.1	76	171.3	74	174.4	75	183.1	81	170.0	-
Chile	8.9	25	9.5	25	9.3	26	11.2	33	9.8	-
Mexico	47.5	23	48.7	23	50.0	24	50.0	24	48.7	-
United States[4]	1808.8	97	1794.2	96	1818.7	95	1832.6	95	1761.0	-
Total[4]	2061.4	87	2045.9	86	2074.4	86	2099.0	87	2011.7	84
OECD Asia Oceania										
Australia	37.5	34	37.5	33	39.7	35	36.6	32	36.8	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	590.6	116	591.3	144	587.9	136	590.7	124	575.3	-
Korea	175.4	76	187.6	82	182.3	81	190.7	80	177.8	-
New Zealand	7.8	49	9.0	61	8.8	61	8.2	52	9.2	-
Total	811.5	91	825.4	104	818.7	101	826.3	95	799.1	91
OECD Europe[5]										
Austria	22.9	95	22.5	82	22.0	79	21.3	84	22.2	-
Belgium	38.7	58	38.8	63	37.0	57	39.4	64	41.0	-
Czech Republic	20.2	118	20.3	107	18.5	95	20.3	102	20.0	-
Denmark	21.6	149	23.7	153	22.1	138	21.3	140	23.7	-
Estonia	1.5	55	1.6	65	1.5	50	1.4	49	1.6	-
Finland	26.3	136	36.6	188	38.2	193	41.1	211	39.0	-
France	162.3	93	160.9	92	165.5	94	166.1	99	167.5	-
Germany	287.1	125	290.5	116	288.4	118	286.9	121	288.9	-
Greece	30.8	112	32.2	111	26.6	84	26.7	92	25.6	-
Hungary	15.1	123	16.6	123	15.4	111	15.7	111	15.4	-
Ireland	10.3	74	10.1	73	10.4	77	10.2	75	10.0	-
Italy	125.5	98	130.9	102	125.7	94	130.8	100	123.7	-
Luxembourg	0.7	11	0.7	11	0.6	10	0.7	11	0.7	-
Netherlands	121.3	128	132.5	129	123.1	122	120.7	123	115.5	-
Norway	27.9	126	26.9	105	24.2	103	27.9	117	28.7	-
Poland	63.9	139	63.3	132	61.0	111	61.9	119	59.4	-
Portugal	21.3	97	23.1	93	21.7	83	22.1	88	22.8	-
Slovak Republic	8.5	119	8.7	120	8.6	104	8.3	101	8.8	-
Slovenia	5.3	111	5.0	96	5.2	106	5.3	103	5.4	-
Spain	120.1	101	123.8	104	117.1	96	120.3	99	111.6	-
Sweden	27.6	91	28.7	88	27.6	88	25.8	92	28.0	-
Switzerland	36.8	147	36.5	142	36.7	145	37.2	130	35.9	-
Turkey	62.0	104	62.0	86	63.9	82	63.2	86	62.3	-
United Kingdom	80.9	54	79.6	51	83.9	55	81.8	55	80.2	-
Total	1338.7	101	1375.5	99	1344.8	96	1356.6	100	1337.8	101
Total OECD	4211.6	92	4246.7	93	4237.9	92	4281.9	92	4148.6	90
DAYS OF IEA Net Imports[6]	-	148	-	149	-	160	-	161	-	157

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 2013 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]		
4Q2010	4244	1565	2679	90	33	57
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4212	1547	2664	92	34	58
1Q2013	4247	1581	2665	93	35	59
2Q2013	4238	1578	2660	92	34	58
3Q2013	4282	1583	2699	92	34	58
4Q2013	4149	1584	2564	90	34	56

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 4Q2013 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2011	2012	2013	3Q12	2Q13	3Q13	4Q13	Oct-13	Nov-13	Dec-13	Year Earlier Dec-12	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.67	0.66	0.85	0.76	0.76	0.78	0.73	0.69	0.04
Europe	0.83	0.85	0.79	0.97	0.88	0.86	0.77	0.79	0.82	0.69	0.75	-0.06
Asia Oceania	1.24	1.26	1.21	1.21	1.20	1.16	1.25	1.10	1.32	1.32	1.31	0.01
Saudi Medium												
Americas	0.37	0.44	0.45	0.41	0.44	0.44	0.47	0.43	0.49	0.50	0.44	0.05
Europe	0.02	0.05	0.01	0.05	0.02	0.02	0.02	0.03	0.02	-	-	-
Asia Oceania	0.40	0.45	0.43	0.48	0.34	0.43	0.45	0.51	0.40	0.44	0.45	-0.01
Iraqi Basrah Light2												
Americas	0.29	0.49	0.38	0.46	0.26	0.40	0.31	0.35	0.30	0.28	0.48	-0.20
Europe	0.11	0.26	0.25	0.42	0.26	0.34	0.22	0.17	0.22	0.27	0.34	-0.07
Asia Oceania	0.34	0.33	0.31	0.39	0.35	0.30	0.24	0.19	0.25	0.26	0.29	-0.02
Kuwait Blend												
Americas	0.08	0.22	0.28	0.20	0.23	0.30	0.30	0.30	0.26	0.33	0.13	0.20
Europe	0.08	0.09	0.10	0.15	0.11	0.12	0.07	0.10	0.02	0.08	0.06	0.02
Asia Oceania	0.57	0.65	0.64	0.68	0.62	0.63	0.65	0.70	0.59	0.65	0.71	-0.06
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.05	0.10	0.06	0.05	0.05	0.04	0.08	0.07	0.01
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	-	0.02	-
Iranian Heavy3												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.08	0.01	0.04	0.03	0.04	0.04	0.02	0.01	0.00
Asia Oceania	0.51	0.33	0.30	0.11	0.25	0.31	0.24	0.23	0.21	0.30	0.44	-0.14
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.77	0.62	0.61	0.62	0.60	0.56	0.70	0.69	0.01
Europe	0.05	0.08	0.07	0.11	0.08	0.10	0.04	0.02	0.09	0.02	0.00	0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.69	0.76	0.67	0.70	0.78	0.77	0.79	0.78	0.68	0.11
Europe	0.12	0.14	0.14	0.13	0.16	0.14	0.13	0.19	0.13	0.06	0.14	-0.08
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.38	1.44	1.44	1.53	1.54	1.55	1.49	1.49	0.00
Europe	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.01	0.03	0.02	0.01	0.03	-	-	-	-
Europe	0.64	0.55	0.47	0.54	0.42	0.52	0.46	0.37	0.48	0.53	0.64	-0.10
Asia Oceania	0.02	0.07	0.06	0.10	0.04	0.02	0.05	-	-	0.13	0.07	0.07
Russian Urals												
Americas	0.01	0.00	0.00	0.01	0.02	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.97	1.93	1.64	1.76	1.82	1.62	1.83	1.68	0.14
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.09	0.02	0.09	0.05	0.07	0.03	0.03	0.03	0.00
Europe	0.62	0.53	0.59	0.49	0.60	0.59	0.57	0.58	0.55	0.57	0.60	-0.03
Asia Oceania	-	-	0.00	-	0.01	-	-	-	-	-	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	0.09	0.01	-	-	-	-	-	0.02	-
Europe	0.29	0.88	0.57	1.00	0.78	0.42	0.22	0.34	0.19	0.14	0.84	-0.70
Asia Oceania	0.01	0.04	0.03	0.02	0.03	0.02	0.02	-	0.06	0.01	0.04	-0.03
Nigerian Light4												
Americas	0.53	0.24	0.07	0.25	0.15	0.01	-	-	-	-	-	-
Europe	0.45	0.58	0.53	0.72	0.46	0.46	0.57	0.60	0.50	0.60	0.51	0.09
Asia Oceania	0.05	0.04	0.03	0.03	0.05	0.03	0.02	0.03	-	0.03	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	Oct 13	Nov 13	Dec 13	Year Earlier Dec 12	% change
Crude Oil												
Americas	7494	6870	6101	5039	5266	5500	4754	4764	4585	4907	5046	-3%
Europe	9072	8988	9346	8935	9243	9112	8399	8657	8258	8276	8657	-4%
Asia Oceania	6473	6609	6761	6991	6242	6465	6519	6147	6718	6699	7049	-5%
Total OECD	23038	22468	22208	20965	20750	21077	19671	19568	19561	19882	20753	-4%
LPG												
Americas	34	30	20	36	14	4	14	12	10	18	13	44%
Europe	285	318	287	353	400	361	412	458	371	405	309	31%
Asia Oceania	565	568	620	598	547	524	517	534	519	499	644	-22%
Total OECD	884	916	927	987	961	890	943	1004	900	923	966	-4%
Naphtha												
Americas	36	42	20	21	20	16	11	19	9	5	13	-60%
Europe	399	298	381	348	275	305	324	381	256	333	318	5%
Asia Oceania	908	884	900	954	939	866	949	881	1001	968	944	3%
Total OECD	1344	1224	1301	1324	1235	1187	1285	1281	1266	1306	1275	2%
Gasoline[3]												
Americas	801	762	730	610	806	637	582	644	528	573	483	18%
Europe	187	222	212	119	97	127	119	20	148	191	212	-10%
Asia Oceania	84	95	86	96	91	73	72	82	76	58	96	-40%
Total OECD	1073	1079	1028	825	994	836	773	746	752	822	792	4%
Jet & Kerosene												
Americas	76	77	73	51	82	93	98	127	96	71	61	16%
Europe	418	397	398	327	435	509	512	562	509	464	440	5%
Asia Oceania	45	58	62	107	56	53	82	71	76	100	86	16%
Total OECD	539	532	533	484	573	655	692	760	681	635	587	8%
Gasoil/Diesel												
Americas	100	72	59	83	81	46	21	16	27	19	67	-71%
Europe	1071	1044	984	1070	963	1170	1278	1595	1227	1011	1095	-8%
Asia Oceania	103	147	185	177	166	137	170	157	193	162	190	-15%
Total OECD	1275	1263	1227	1330	1211	1352	1469	1768	1447	1193	1353	-12%
Heavy Fuel Oil												
Americas	277	268	206	163	150	193	155	162	178	124	146	-15%
Europe	464	537	521	541	512	613	538	476	631	511	517	-1%
Asia Oceania	123	153	224	260	197	221	290	246	288	338	276	22%
Total OECD	864	958	951	965	859	1027	983	884	1097	972	939	4%
Other Products												
Americas	807	871	813	735	863	902	750	915	728	605	883	-32%
Europe	692	700	636	826	777	764	801	912	719	768	735	4%
Asia Oceania	367	366	356	381	372	404	382	364	401	381	363	5%
Total OECD	1866	1937	1805	1942	2013	2070	1932	2192	1849	1754	1982	-11%
Total Products												
Americas	2132	2122	1921	1700	2018	1891	1630	1896	1576	1416	1667	-15%
Europe	3516	3516	3419	3583	3460	3849	3984	4404	3861	3683	3626	2%
Asia Oceania	2197	2271	2432	2572	2368	2279	2464	2335	2553	2505	2599	-4%
Total OECD	7845	7909	7773	7855	7846	8018	8077	8634	7991	7604	7893	-4%
Total Oil												
Americas	9625	8993	8022	6739	7283	7391	6384	6660	6161	6323	6714	-6%
Europe	12588	12504	12765	12518	12703	12960	12382	13060	12119	11959	12283	-3%
Asia Oceania	8670	8880	9194	9564	8611	8744	8983	8482	9271	9205	9648	-5%
Total OECD	30883	30377	29981	28820	28596	29095	27749	28202	27551	27487	28646	-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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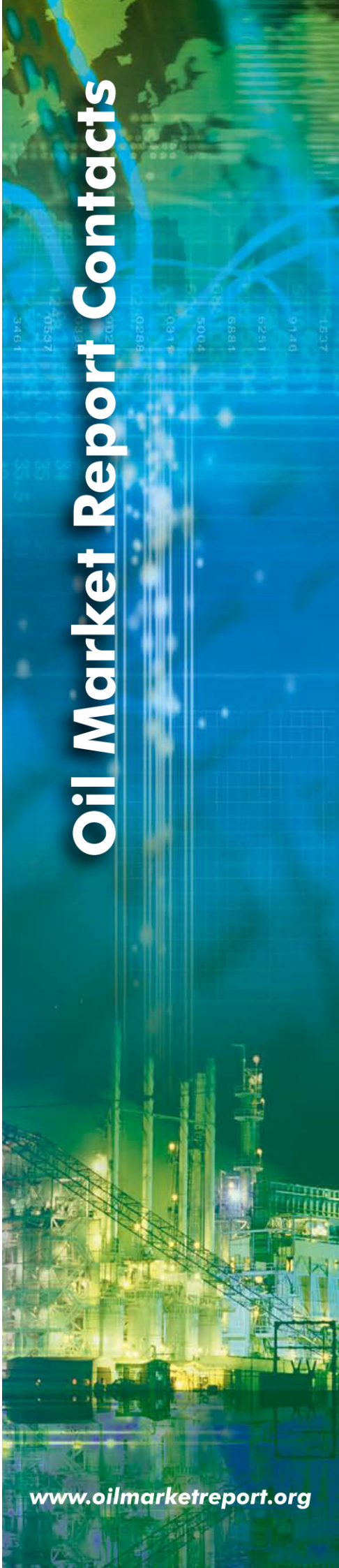
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International Energy Agency

11 April 2014

HIGHLIGHTS

- **Crude oil prices were range-bound in March, with supply outages in the MENA and Russia-Ukraine tensions** countering seasonally weaker demand. By early April, market expectations of an imminent restart of Libyan exports pressured Brent prices lower. Brent last traded at $107.75/bbl.

- **The forecast of global demand growth has been marginally trimmed to 1.3 mb/d for 2014,** reflecting downward adjustments to the projection of Russian demand. The absolute demand estimate remains roughly unchanged, as upward revisions to baseline non-OECD Asian demand counterbalance lower Russian growth.

- **Global supplies plunged by 1.2 mb/d to 91.75 mb/d in March, led by steeply lower OPEC output**, but remained up by 1.1 mb/d year-on-year, as non-OPEC growth of 1.98 mb/d more than offset a near-1-mb/d drop in OPEC crude. Reduced FSU supply expectations helped cut the non-OPEC supply growth forecast by 250 kb/d, to 1.5 mb/d.

- **OPEC crude oil supplies plummeted by 890 kb/d, to 29.62 mb/d, in March,** on lower supplies from Iraq, Saudi Arabia and Libya. The 'call on OPEC crude and stock change' for the remainder of the year was raised by 300 kb/d to average 30.2 mb/d, reflecting a reduced forecast of non-OPEC supplies.

- **Total OECD commercial oil inventories inched down by 6.5 mb in February, to 2 567 mb, narrowing the deficit to their five-year average to 115 mb**. Total industry stocks covered 29.4 days of demand at end-month. Preliminary data suggest that Japanese destocking helped slash OECD stocks counter-seasonally by 31.1 mb/d in March.

- **Global refinery crude demand is set to drop by 2.0 mb/d from February through April** on planned maintenance in the Atlantic basin and the Pacific. Throughputs are set to average 75.9 mb/d in 2Q14, down from 76.4 mb/d in 1Q14, but up 0.9 mb/d on the year on higher runs in the US, Russia and the Middle East.

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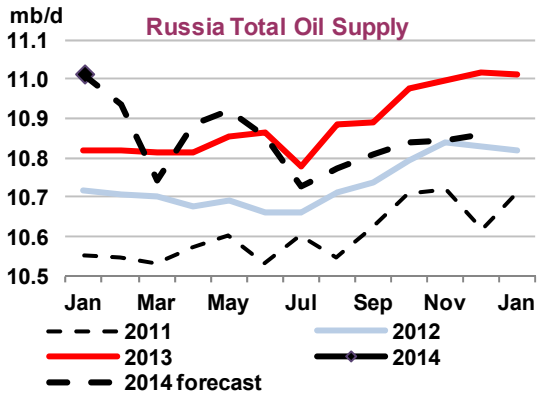
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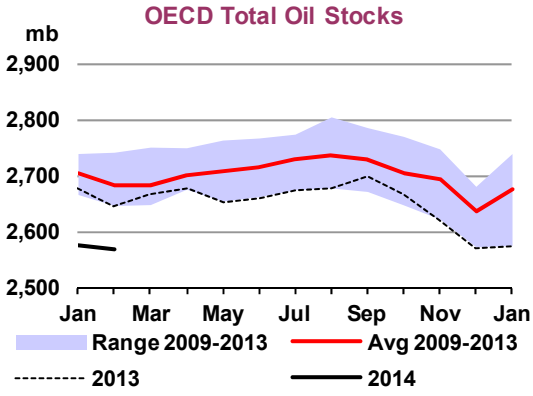
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TAKING STOCK

As expected, OECD oil stocks, after depleting at an alarming rate in late 2013, have shifted gears. Preliminary reports of a counter-seasonal January draw have been revised to show a small build. Destocking resumed in February, in line with seasonal patterns, but at an unusually slow pace, so that the deficit of inventories to their five-year average, while still large by historical standards, has appreciably narrowed. A seasonal rebalancing of oil markets is in full swing, including an estimated 2 mb/d dip in April refiner demand for crude versus February levels. But while market fundamentals show signs of cooling off for now, uncertainty about the outlook is on the rise.

One month after the events in Crimea, market watchers are taking stock of their impact on oil markets. Given the still volatile nature of the situation on the ground, there are more questions than answers. Both the IMF and the World Bank have reduced their forecast of Russian GDP growth for 2014, indicating that at a minimum, the Russian economy may take a short-term hit. Taking the World Bank's 'low-risk' assessment as base case, this month's *Report* trims the forecast of Russian oil demand for 2014 by 55 kb/d. This small downward adjustment roughly offsets upward revisions to baseline non-OECD Asian demand, keeping global oil demand projections for 2014 about unchanged, but cutting forecast global demand growth at the margin.





The reduction to the demand growth forecast is more than offset by the 250 kb/d cut that has been applied to the supply growth projection. Coincidentally, Russia and Kazakhstan take a large share of those adjustments, owing, in the case of Russia, to accelerating decline rates at Rosneft-operated brown fields, compounding stalled growth at the two green fields that had underpinned the company's production growth, Vankor and Verkhnechonsk. In the case of Kazakhstan, problems at Kashagan underpin the more pessimistic forecast. Downward adjustments for 2014 do not factor in the possible adverse effect of western sanctions on Russian borrowing costs and future supply growth, which would only be felt in the longer term.

While non-OPEC supply growth is still forecast to be the highest in decades, expectations are being toned down somewhat, lifting the "call on OPEC plus stock change". It may thus seem fortunate that the prospects for OPEC output are also on the rise – though not without considerable political risk. OPEC supply actually registered a steep drop in March from February highs, but this setback looks likely to be short-lived. On the plus side, Libya seems to be making strides towards resolving the crippling disputes that have held up exports and production in recent months. Iranian production and exports are creeping up too, with India steeply boosting its Iranian crude imports so far this year compared to 2013. But security risks continue to hover over the MENA region, and how long Iran can keep testing international oil sanctions is unclear.

On the face of it, non-OPEC supply and global demand growth projections for 2014 as a whole look roughly in balance, though the risks to the forecast remain elevated. The balance also implies that OPEC, far from facing a supply glut, will have to raise production from March levels of 29.62 mb/d in order to meet the 'call' in the second half of the year.

DEMAND

Summary

- **The global demand forecast for 2014 is essentially unchanged on last month's *Report*, at 92.7 mb/d.** Modest upward revisions to baseline non-OECD Asian data offset downward adjustments to the Russian demand forecast. Revised Asian data lift the 2013 estimate by 70 kb/d, to 91.4 mb/d, cutting the demand growth projection for 2014 accordingly to 1.3 mb/d, from 1.4 mb/d last month.

- **The forecast of Russian demand for 2014 has been trimmed by 55 kb/d, to 3.5 mb/d, in the wake of Russia's annexation of Crimea.** This adjustment is in line with underlying downward revisions to Russian GDP by the World Bank and the International Monetary Fund. The former cut its forecast of economic growth to 1.1% in its 'low-risk' scenario, versus 2.2% prior to the annexation, while the latter envisages Russian GDP growth of 1.3% in 2014. The Bank also outlined a 'high-risk' scenario, whereby "an intensification of political tension could lead to heightened uncertainties around economic sanctions which would further depress confidence and investment activities." Under that scenario, GDP falls by 1.8% in 2014, lowering the Russian oil demand forecast by a further 150 kb/d, to 3.3 mb/d.

Global Oil Demand (2012-2014)

(million barrels per day)

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Americas	29.5	29.9	30.2	30.3	30.0	30.1	30.4	30.9	31.0	30.6	30.3	30.7	31.2	31.3	30.9
Asia/Pacific	30.0	29.1	29.3	30.6	29.8	30.7	29.7	29.6	30.7	30.2	31.0	30.3	30.3	31.4	30.8
Europe	14.4	14.5	14.5	14.4	14.4	13.9	14.5	14.7	14.3	14.3	13.8	14.3	14.6	14.5	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Middle East	7.3	7.8	8.2	7.6	7.7	7.5	7.9	8.4	7.7	7.9	7.7	8.2	8.6	8.0	8.1
World	**89.2**	**89.4**	**90.6**	**91.3**	**90.1**	**90.3**	**90.8**	**92.1**	**92.4**	**91.4**	**91.2**	**92.1**	**93.5**	**94.0**	**92.7**
Annual Chg (%)	0.8	1.8	0.8	1.6	1.3	1.3	1.5	1.7	1.2	1.4	0.9	1.4	1.5	1.8	1.4
Annual Chg (mb/d)	0.7	1.6	0.7	1.4	1.1	1.1	1.4	1.5	1.1	1.3	0.8	1.3	1.4	1.6	1.3
Changes from last OMR (mb/d)	0.11	0.00	0.03	0.05	0.05	0.08	-0.01	0.06	0.15	0.07	-0.06	-0.02	0.06	0.06	0.01

- **The forecast of US oil demand growth for 2014 has been trimmed marginally to 0.4%** following lower-than-expected delivery data for January and February. The US forecast averages 19.0 mb/d in 2014, with gasoline dominating at around 8.8 mb/d.

- **Despite reports of faltering Chinese economic growth in early-2014, oil demand growth of 3.4% remains forecast for 2014,** to 10.4 mb/d. The Chinese government has signalled that it would likely provide additional support if the economy flags, notably in the energy-intensive construction sector.

Global Overview

Downward adjustments to the forecast of Russian oil demand for 2014 helped trim the global demand growth estimate for the year to 1.3 mb/d, versus 1.4 mb/d in last month's *Report*. Developments in Crimea have weakened Russia's macroeconomic outlook, with World Bank essentially cutting its base-case projection for Russian economic growth in 2014 by half, to 1.1%, from its December estimate of 2.2%. In line with this revision, the projection of Russian oil demand has been trimmed by 55 kb/d, to 3.5 mb/d. Higher historical estimates of non-OECD Asian deliveries provide a partial offset, leaving the global oil demand estimate broadly unchanged at 92.7 mb/d. The International Monetary Fund has also since revised down its own estimate of Russian GDP growth, to a similarly sized +1.3% projection, hence also in line with our new Russian oil demand forecast.

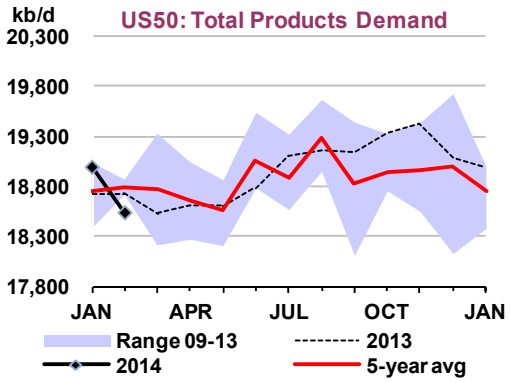
Given the dynamic nature of the situation in Ukraine, the Russian demand forecast remains subject to further revisions. In a March report on the crisis, the World Bank highlighted additional downside risks to the Russian economy and outlined a 'high-risk' scenario whereby "an intensification of political tension could lead to heightened uncertainties around economic sanctions which would further depress confidence and investment activities." In that case, an absolute decline in Russian economic activity of 1.8% occurs, which in the IEA's model strips a further 150 kb/d from the Russian oil demand forecast.

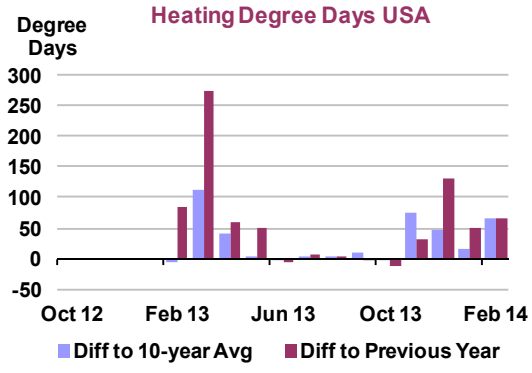
The demand forecast for 1Q14 is particularly affected. In addition to the reduced projection of Russia demand, January and February delivery data have been revised downwards for several countries, reflecting relatively mild winter weather conditions in Europe and Korea. Meanwhile in North America, extreme cold weather cut transportation and industrial demand. Several countries accounted for the bulk of the adjustments for January, led by the US (-165 kb/d), Russia (-80 kb/d), the UK (-50 kb/d), Switzerland (-40 kb/d), South Africa (-35 kb/d) and France (-25 kb/d). India provided a partial offset with an upwards adjustment of 60 kb/d in January, as did Iraq (+25 kb/d), Germany (+20 kb/d) and Chinese Taipei (+20 kb/d). Partial preliminary data for February also lead to a net downward adjustment. Curtailments include the preliminary estimate of US demand (-275 kb/d), alongside lower estimates for Germany (-170 kb/d), France (-70 kb/d), South Korea (-55 kb/d) and Italy (-45 kb/d), partly offset by upward adjustments for Brazil (+175 kb/d), China (+85 kb/d) and Japan (+80 kb/d).

Top 10 Consumers

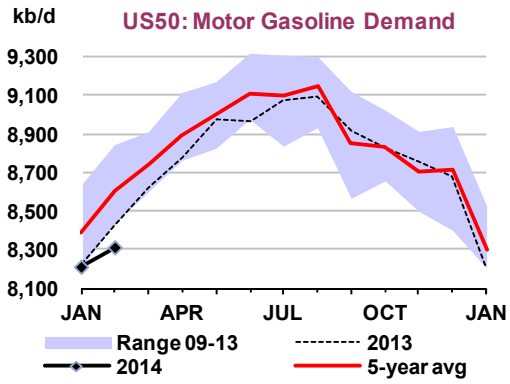
US

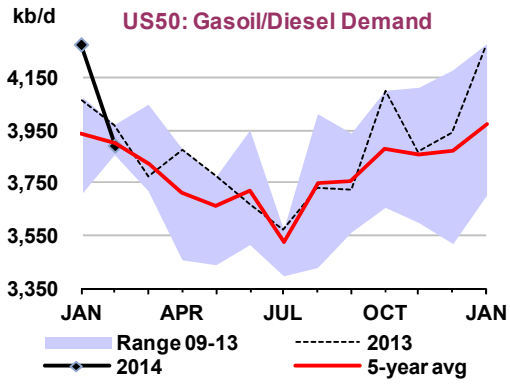
The harsh winter weather conditions, experienced by the US in January and February had a mixed impact on demand. While additional heating needs lifted distillate deliveries in the Northeast and propane use in the Midwest, at least in January, domestic transportation use suffered, with many travel plans cancelled and business days lost due to the adverse weather. US oil deliveries contracted year-on-year (y-o-y), in February, for the first time in six months, to an estimated 18.5 mb/d. The y-o-y demand drop that month was the steepest in 14 months.





US gasoline demand contracted by an estimated 1.3% in February, down on a y-o-y basis for the second consecutive month, to 8.3 mb/d, close to early 2013 lows. Rising retail prices may have compounded the impact of harsh winter weather to curtail demand. With the onset of spring and continued improvement in the US economy, however, US gasoline demand is expected to return to growth, and our mildly positive growth forecast for US gasoline deliveries has been maintained for 2014.





In view of the downward revisions to January and February data, the forecast of US demand for the year has been trimmed by 20 kb/d from last month's *Report*, to 19.0 mb/d, equivalent to annual growth of just 75 kb/d (or 0.4%). Other than the travel sector, the LPG (including ethane) and gasoil/diesel categories are forecast to lead the upside momentum in 2014 on the back of stronger industrial activity.

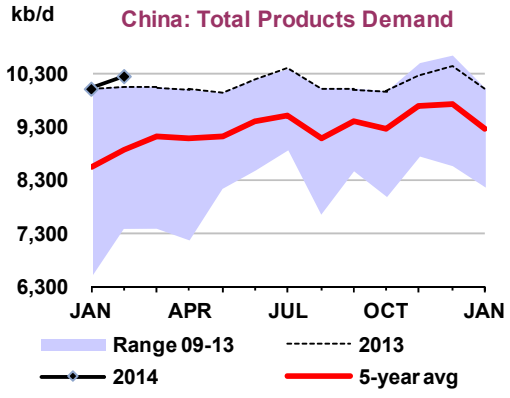
Top-10 Oil Consumers

(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Jan-14	2013	2014	Jan-14	2013	2014	Jan-14	2013	2014
US50	18,998	18,939	19,014	271	397	75	1.4	2.1	0.4
China	10,006	10,102	10,450	3	272	348	0.0	2.8	3.4
Japan	4,957	4,563	4,405	-240	-163	-158	-4.6	-3.5	-3.5
India	3,359	3,372	3,458	3	18	86	0.1	0.5	2.6
Russia	3,230	3,425	3,482	96	122	56	3.1	3.7	1.7
Brazil	2,990	3,087	3,178	37	113	91	1.3	3.8	2.9
Saudi Arabia	2,797	2,987	3,076	54	66	88	2.0	2.2	3.0
Korea	2,344	2,305	2,309	-58	4	4	-2.4	0.2	0.2
Germany	2,260	2,405	2,418	26	16	13	1.2	0.7	0.5
Canada	2,240	2,292	2,312	-70	15	19.8	-3.0	0.7	0.9
% global demand	59%	59%	58%						

China

A slowdown in Chinese oil demand growth, that emerged mid-2013, has continued in line with the underlying macroeconomic trend. Demand for industrial fuels (including gasoil/diesel, residual fuel oil and naphtha) has been particularly soft. Following a contraction of 1.0% in 4Q13, Chinese oil deliveries are projected to rebound by just 1.8% for 1Q14, in sharp contrast with average growth of roughly 7% per annum in the four years previous.





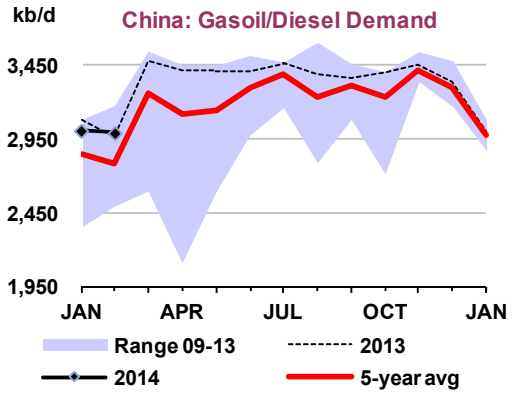
The closely tracked HSBC/Markit Chinese Manufacturing Purchasing Managers' Index (PMI), which takes survey data from business leaders to extract a forward-looking gauge of sentiment in the manufacturing sector, returned to 'contracting' territory in January and has since deteriorated in each month through March. Chinese oil deliveries have also struggled in recent months and the outlook for improvement in the next six-months appears limited.

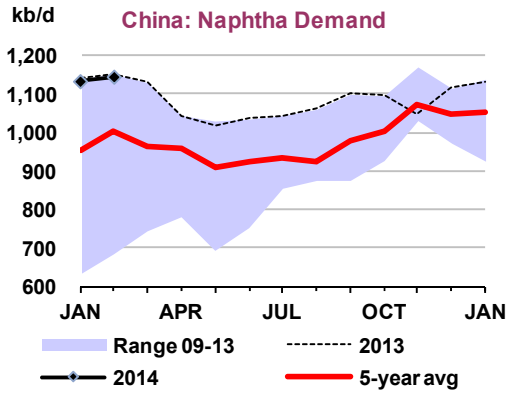
China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	762	786	813	24	27	3.2	3.4
Naphtha	1,007	1,082	1,135	75	53	7.4	4.9
Motor Gasoline	1,967	2,093	2,226	126	134	6.4	6.4
Jet Fuel & Kerosene	433	480	503	47	23	10.9	4.8
Gas/Diesel Oil	3,407	3,350	3,431	-57	81	-1.7	2.4
Residual Fuel Oil	508	464	474	-43	10	-8.5	2.0
Other Products	1,747	1,847	1,868	100	21	5.7	1.1
Total Products	**9,830**	**10,102**	**10,450**	**272**	**348**	**2.8**	**3.4**

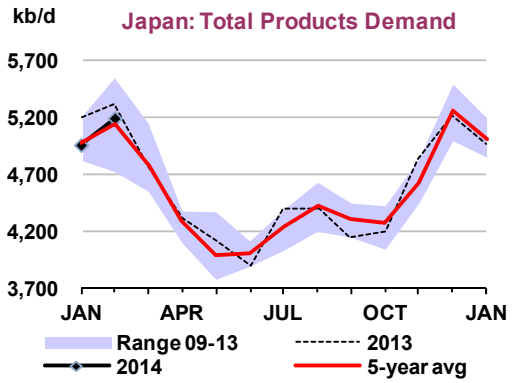
Ironically, persistently weak economic news could raise the prospect of renewed government support for the Chinese economy. Premier Li Keqiang was quoted in March as stating that China has policies in reserve to support economic growth after the cabinet said it would accelerate construction spending. The Chinese demand forecast is maintained at around 10.4 mb/d for 2014, 350 kb/d (or 3.4%) up on the year earlier.

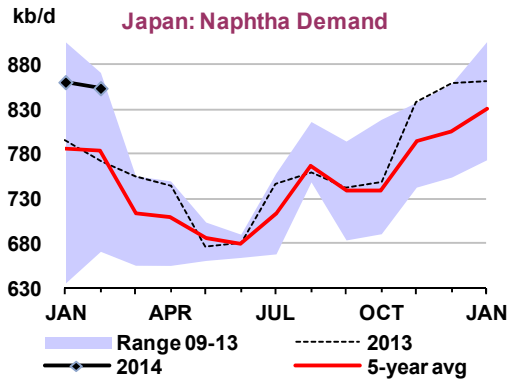




Japan

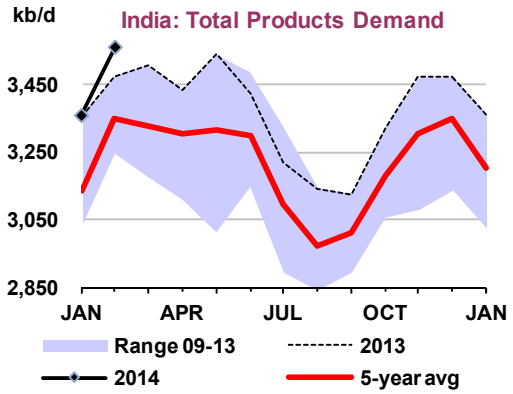
Reductions in the relative cost of oil products versus East-Asian LNG, and falling unemployment combined to raise Japanese oil demand up to an average of around 5.2 mb/d in February. Naphtha deliveries posted their sixth consecutive y-o-y gain of 8% or more, driven by demand from the Japanese petrochemical sector. Preliminary data for February showed stronger-than-expected power-sector oil use, with the Japanese crude oil burn rising to a near-one year high. A decline rate of around 3.5% in total oil product demand is forecast for the year as a whole, closely matching the January-February average, with particularly sharp contractions envisaged in the residual fuel oil and 'other products' categories.

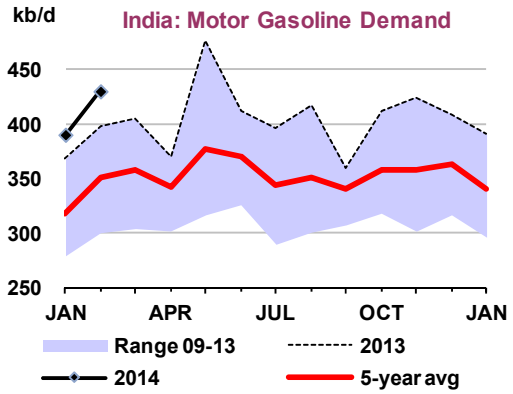




India

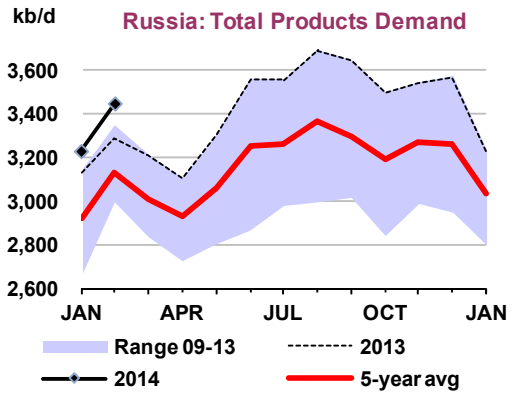
Preliminary February demand points towards a break from the previously flat y-o-y trend, as total Indian deliveries rose by approximately 2.5% y-o-y in February. Strong gains in gasoline and LPG provided the majority of the upside support, while a protracted downtrend in gasoil deliveries came to an end. Gasoline demand, at roughly 430 kb/d in February, was 7.8% higher than the year earlier, an uptick supported by reports of increased motorcycle sales. February's overall increase came on the back of an upwardly revised January estimate, which together contributed to the addition of two-tenths of a percentage points to the 2014 growth forecast, to 2.6%.

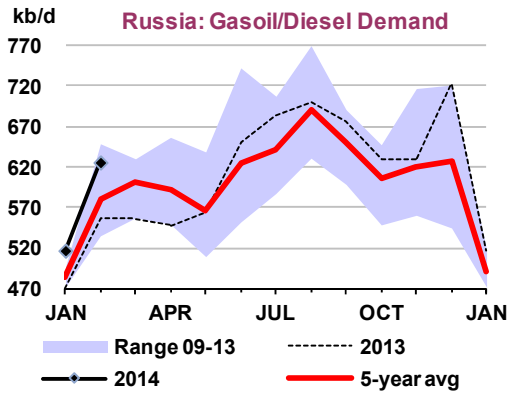




Russia

Russian oil deliveries rose seasonally to 3.4 mb/d in February, roughly 220 kb/d up on January's downwardly revised 3.2 mb/d estimate. Weaker-than-expected deliveries of 'other products' trimmed the January estimate, which nevertheless remained up y-o-y. Despite expectations of slower Russian economic growth following the annexation of Crimea (see '*Reduced Russian GDP Projections Curb Demand Outlook*'), Russian oil use is forecast to receive support from the relatively high number of infrastructure projects that have already been commissioned, such as the construction effort ahead of the 2018 football World Cup and the Moscow ring road scheme. Gasoil/diesel and 'other products' (including bitumen for road building), are amongst the main product categories expected to lead the upside in 2014.





Reduced Russian GDP Projections Curb Demand Outlook

Several institutional forecasters have cut their projection of Russian economic growth following Moscow's annexation of Crimea in March. Whereas in December 2013 the World Bank estimated that Russian GDP would rise by 2.2% in 2014, its March update has halved predicted growth to 1.1%, according to a 'low-risk' scenario that assumes no further escalation of military action. The Bank also outlined a 'high-risk' outlook whereby "a more severe shock to economic and investment activities" occurs, seeing Russian GDP contract by 1.8%. Both scenarios assume that the international community refrain from trade sanctions.

In its 'low-risk' scenario, the Bank described recent events in Crimea as having "compounded [Russia's] lingering confidence problem into a crisis" and exposed the underlying "weakness of this [Russian] growth model". Such concerns, alongside predictions of heightened inflation, are expected to undermine economic growth as they add to the already severe pressures on the government to meet its fiscal targets.

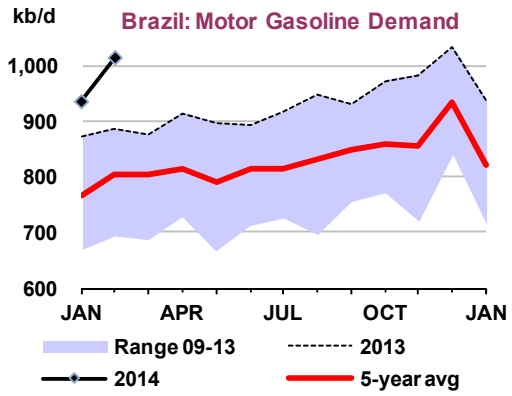
Under its 'low-risk' scenario, which assumes "a limited and short-lived impact of the Crimea crisis", the Bank projects that Russian domestic consumption growth will fall well below its previous trend. Such weakness, alongside forecasts of significant labour-shedding, will severely dampen household income, reducing transport needs and hence growth prospects for gasoline and jet fuel. Weaker manufacturing activity will curb growth of industrial-fuel demand. Based on these assumptions, the forecast of Russian oil demand growth for 2014 has been cut to 1.7%, to 3.5 mb/d, roughly 55 kb/d below last month's forecast.

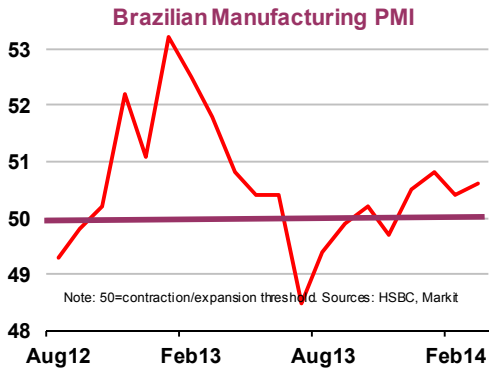
In its 'high-risk' scenario, the Bank factors in a "more severe shock to economic and investment activities" and notes that "an intensification of political tension could lead to heightened uncertainties around economic sanctions which would further depress confidence and investment activities". Under such a scenario, Russian oil demand would be cut by a further 150 kb/d, to 3.3 mb/d.

Since compiling this research the International Monetary Fund has also released a reduced Russian economic growth forecast, of 1.3% in 2014. This piece, however, focuses on the Bank's work as it was the first such detailed revision released and its timing was early enough for inclusion in this month's *Report*. Either way, the Fund's estimate closely matches the Bank's 'low-risk' scenario.

Brazil

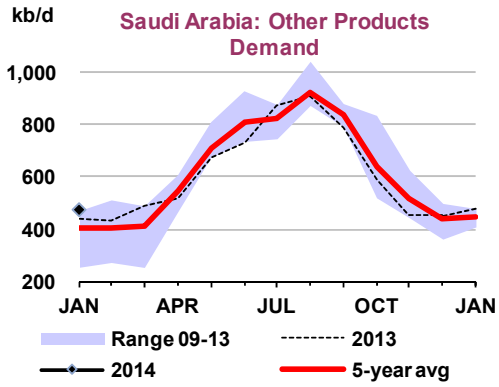
Strong gains in motor gasoline demand lifted overall Brazilian oil demand to a four-month high of 3.2 mb/d in February, with rapid gains in ethanol also contributing. Industry group, UNICA, reported sharp gains in ethanol production. Although concerns remain about the sustainability of the Brazilian economy, a worry magnified in February as the Confederação Nacional da Indústria's consumer confidence index fell to a near-five-year low, forward-looking indicators remain supportive. For example, the manufacturing PMI has started to point up once again, supporting our forecast for Brazilian oil demand growth of around 2.9% in 2014 to 3.2 mb/d. However, a point of uncertainty going forward is the price of gasoline, as Petrobras has recently come under judicial pressure to explain its pricing.

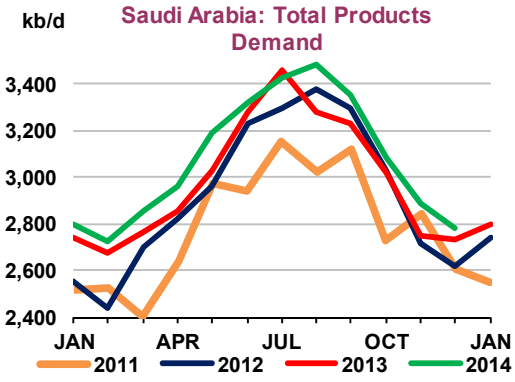




Saudi Arabia

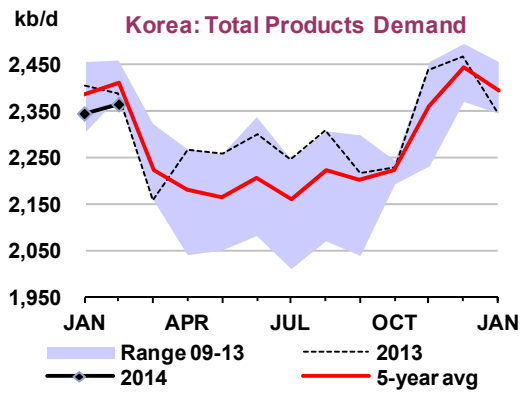
Total Saudi Arabian oil deliveries rose to a three-month high of 2.7 mb/d in January, led by strong gains in gasoil, 'other products' (including crude oil for direct burn) and LPG. Despite these gains, demand in the Kingdom remains in a seasonal lull, before summer air-conditioning needs ramp up once more. Deliveries traditionally peak in July. Saudi Arabian demand is forecast to add around 0.8 mb/d between its winter trough and summer peak. For the year as a whole, a growth rate of around 3.0% is forecast, to an average of around 3.1 mb/d.

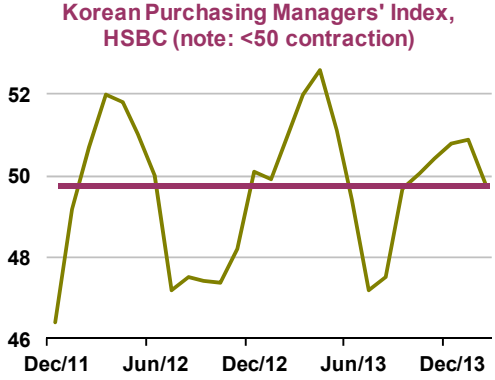




Korea

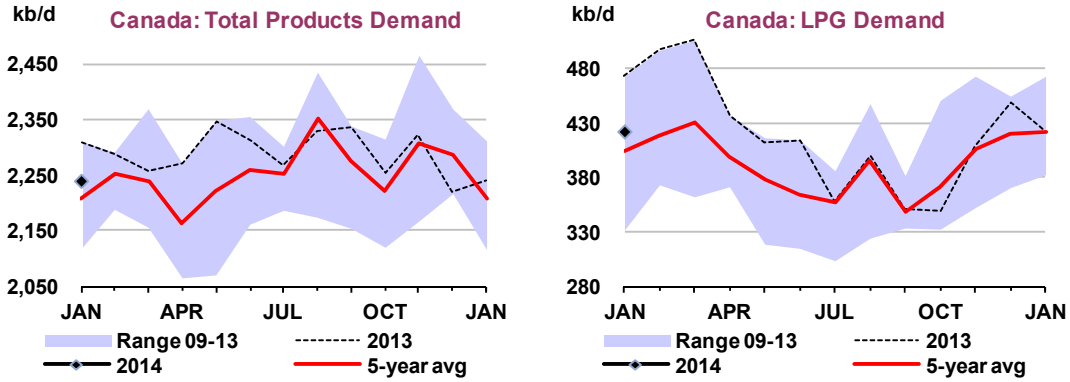
An estimated 2.4 mb/d of oil products were delivered in February, 20 kb/d (or 0.9%) below the year earlier as economic growth struggled somewhat. Fuel oil demand posted the steepest contraction, as relatively mild February temperatures combined to dampen demand with an apparent weakness in manufacturing sentiment and increased availability of competing fuels such as natural gas and coal. Deliveries of LPG also fell heavily in line with the broader economy, as reflected by HSBC's Manufacturing PMI falling back into 'contracting' territory once again in February.





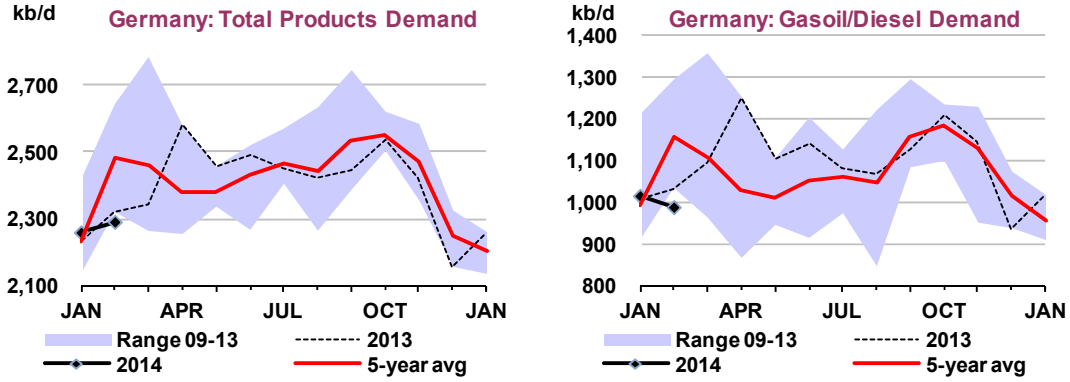
Canada

Demand in Canada fell by 3.0% y-o-y to 2.2 mb/d in January, its fourth consecutive y-o-y decline, led by lower deliveries of gasoline, LPG and 'other products'. LPG deliveries, at 420 kb/d, fell particularly sharply both in month-on-month (m-o-m) and y-o-y terms. Growth momentum is forecast to pick up later in 2014, averaging around 0.9% for 2014, two-tenths of a percentage point up on the revised 2013 estimate, thanks to a widely predicted uptick in economic growth. Industrial fuels such as gasoil/diesel and 'other products' are expected to lead the gains while transportation fuel demand is also forecast to rise in 2014, supporting motor gasoline and jet/kerosene usage.



Germany

Preliminary estimates of February deliveries, at 2.3 mb/d, imply a notably lower amount compared to both the year earlier and our previous forecast. Reports of temperatures above their seasonal norm were largely behind the February revision, as gasoil deliveries (including heating oil) led the decline. The underlying industrial trend remains supportive, with Deutsche Bundesbank's latest numbers depicting a 5% y-o-y gain in industrial output in January and Markit's Manufacturing PMI well above the key 'expansionary' threshold in both February and March. Despite such a supportive industrial backdrop, significantly lower-than-expected February data is curbing the forecast for the year as a whole, by ten basis points to +0.5%, with German deliveries expected to average around 2.4 mb/d in 2014.



OECD

Preliminary estimates of February OECD deliveries suggest a continuation of the decline that resumed in January. Other than the macroeconomic challenges still facing many OECD economies, unusual winter weather patterns across the OECD helped quell demand. Very cold conditions in the OECD Americas curtailed travel and disrupted industrial activity, resulting in an estimated y-o-y decline of 1.4% in regional deliveries, to 23.5 mb/d. Elsewhere in the OECD, including Europe and South Korea,

exceptionally mild winter weather suppressed demand. OECD Europe saw a 0.6% drop (y-o-y) in February deliveries, led by 'other gasoil'. Relatively warm February temperatures in Korea also dampened OECD Asia Oceania demand. Other than the long-established, efficiency-driven, structural downtrend in OECD Asia Oceania motor gasoline demand, the residual fuel oil and jet/kerosene segments showed steep declines. The relatively low winter heating requirement in OECD Asia Oceania also curbed kerosene needs.

OECD Demand based on Adjusted Preliminary Submissions - February 2014

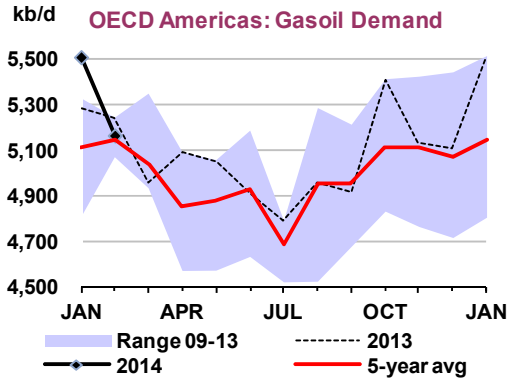
(million barrels per day)

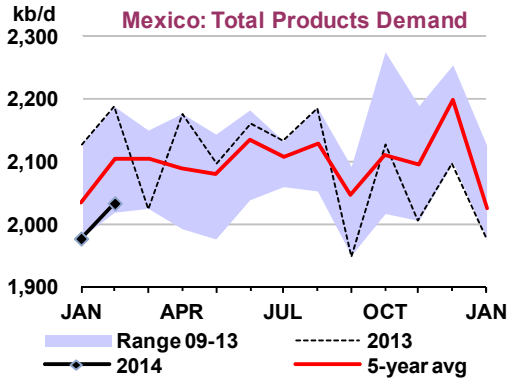
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**9.93**	**-1.4**	**1.61**	**2.5**	**4.50**	**1.1**	**0.67**	**-15.9**	**0.57**	**-20.9**	**6.24**	**-0.01**	**23.52**	**-1.4**
US50	8.31	-1.3	1.37	2.1	3.57	1.7	0.33	-29.7	0.32	3.0	4.66	-0.80	18.54	-1.0
Canada	0.74	-1.5	0.13	7.3	0.31	-8.2	0.27	14.0	0.04	-1.6	0.81	0.81	2.30	0.4
Mexico	0.76	-1.7	0.07	7.1	0.40	-0.9	0.05	-17.9	0.12	-56.7	0.65	3.93	2.03	-7.0
OECD Europe	**1.81**	**-1.2**	**1.14**	**4.1**	**4.31**	**2.9**	**1.60**	**-8.0**	**0.98**	**-3.2**	**3.56**	**-1.60**	**13.40**	**-0.6**
Germany	0.40	-0.2	0.16	-0.6	0.68	3.2	0.31	-17.6	0.13	-7.1	0.62	4.51	2.29	-1.3
United Kingdom	0.30	-5.8	0.32	9.6	0.50	2.2	0.13	8.4	0.04	4.1	0.26	-7.44	1.54	0.7
France	0.14	0.9	0.15	0.1	0.68	0.5	0.30	-16.5	0.05	-21.0	0.39	-7.50	1.71	-5.5
Italy	0.20	-1.4	0.08	-5.6	0.41	1.7	0.10	-20.4	0.07	3.9	0.42	-4.61	1.28	-3.3
Spain	0.10	-2.3	0.10	10.0	0.43	4.7	0.19	-2.2	0.14	1.4	0.26	-2.05	1.21	1.5
OECD Asia & Oceania	**1.51**	**-4.1**	**1.19**	**-1.5**	**1.24**	**1.0**	**0.64**	**0.5**	**0.83**	**-11.9**	**3.72**	**0.37**	**9.12**	**-1.8**
Japan	0.88	-6.8	0.83	-2.1	0.45	-3.1	0.49	1.9	0.52	-13.6	2.02	2.28	5.19	-2.3
Korea	0.19	2.3	0.17	-4.1	0.28	14.4	0.13	-4.2	0.24	-9.7	1.36	-1.62	2.36	-0.9
Australia	0.32	-1.2	0.14	4.6	0.41	-0.4	0.00	0.0	0.03	7.4	0.25	-3.77	1.16	-0.6
OECD Total	**13.25**	**-1.7**	**3.95**	**1.7**	**10.05**	**1.9**	**2.90**	**-8.2**	**2.37**	**-11.1**	**13.52**	**-0.33**	**46.04**	**-1.2**

* Including US territories

Americas

Severe winter weather in the US/Canada in January and February undermined OECD America oil demand, causing it to contract by 1.4% in February, to 23.5 mb/d. Sharply falling **Mexican** demand also played a role. Roughly 2.0 mb/d of oil products were delivered in Mexico in February, well below year-earlier demand. Fuel oil deliveries led the decline as the power sector continues to switch from residual fuel oil to natural gas. Falling Mexican fuel oil demand should prevail in 2014 as a whole, keeping the overall Mexican demand forecast in negative territory for the year.

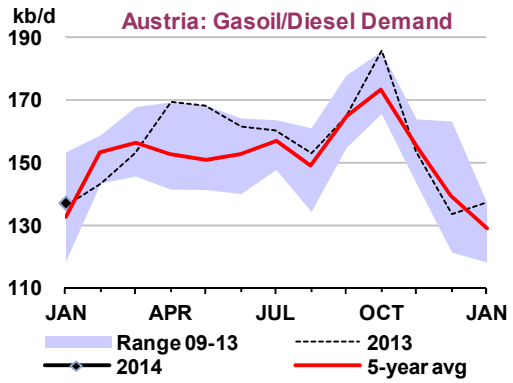


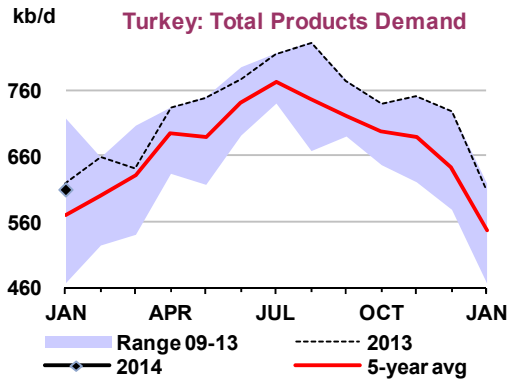


Europe

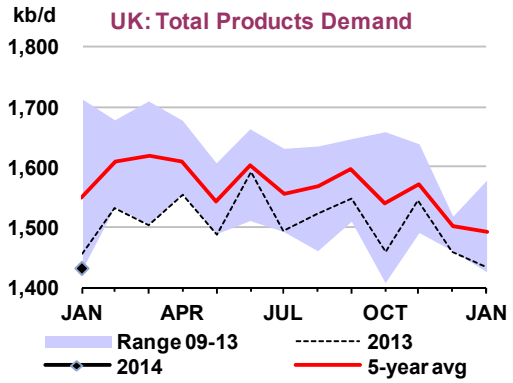
With an absolute y-o-y decline of around 0.6% assumed for OECD Europe in February to 13.4 mb/d, it is clear that unusually mild winter weather in the region has dampened gasoil demand. Both the jet/kerosene and road diesel sectors are still expected to show demand growth across OECD Europe in

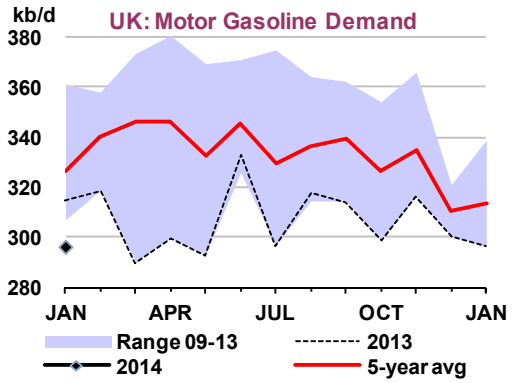
2014, especially in northern Europe. Despite the relatively warm weather, gasoil posted gains in many northern European countries in January. In **Austria**, officially released data depicted roughly 135 kb/d of gasoil delivered in January. Not only was this both up on the year and month earlier, but it was also the second successive month of positive y-o-y growth, a trend supported by robust industrial activity. Statistik Austria reported industrial production rising by 5% y-o-y in January, while the Bank of Austria's manufacturing PMI came in at 54, well above the 50-threshold for an 'expansionary' bias.



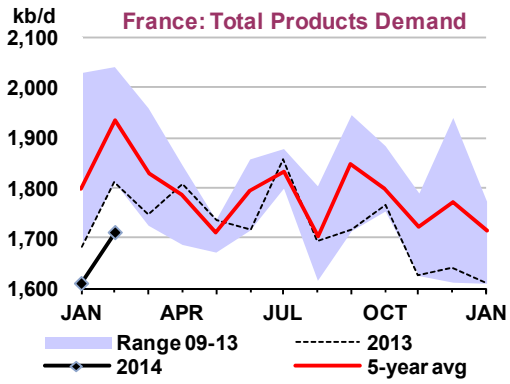


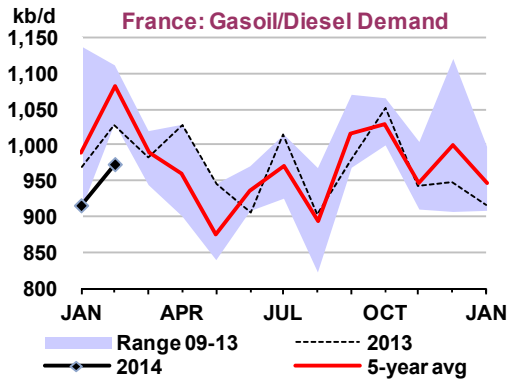
Several European economies saw surprisingly low January deliveries. At an estimated 610 kb/d in January, **Turkish** oil deliveries came out 1.4% below the year earlier and nearly 20 kb/d below last month's forecast. All of the Turkish key product categories, bar gasoil, saw contractions, as consumer confidence slipped to a three month low while bankruptcies rose to a 12-month high. In the **UK**, a sharp contraction in gasoline demand led a 25 kb/d drop in total deliveries. Overall growth of around 0.6% is now forecast for the UK in 2014, down slightly from the prediction carried in last month's *Report*.





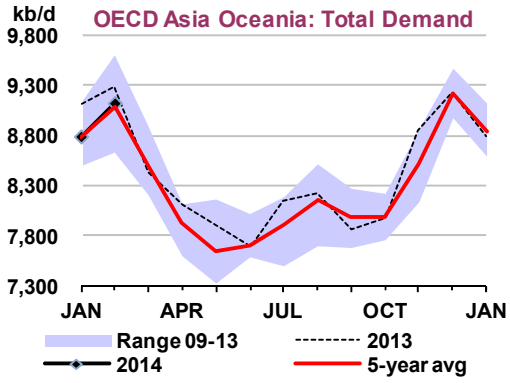
The latest **French** data also surprised on the downside. February deliveries, although up roughly 100 kb/d on January, fell by 100 kb/d on the year, due to weakness in the economy and unusually warm late-winter weather. Gasoil deliveries, including heating oil, came in at roughly 975 kb/d in February, 55 kb/d (or 5.4%) below the year earlier. Weaker-than-expected deliveries in January and February are accountable for the near-70 basis point curtailment in the forecast French demand decline rate in 2014, to -2.0%.

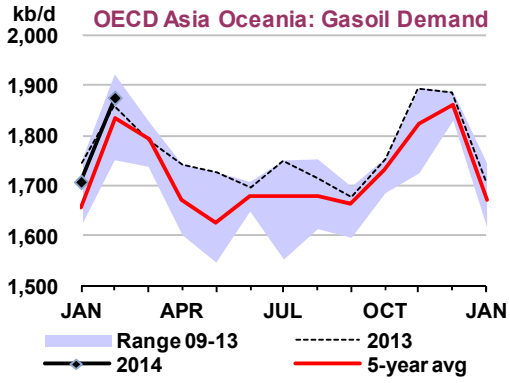




Asia Oceania

Relative improvements in the Japanese and Korean demand numbers saw February OECD Asia Oceanian deliveries fall by a more modest 1.8% y-o-y, after dropping by 3.5% in January. The Japanese decline rate eased in February as the changing price-dynamics, between LNG and fuel oil, supported a less rapid deterioration in power-sector oil needs. The anticipated Korean decline, meanwhile, petered-out in February as domestic transportation needs turned higher.





Non-OECD

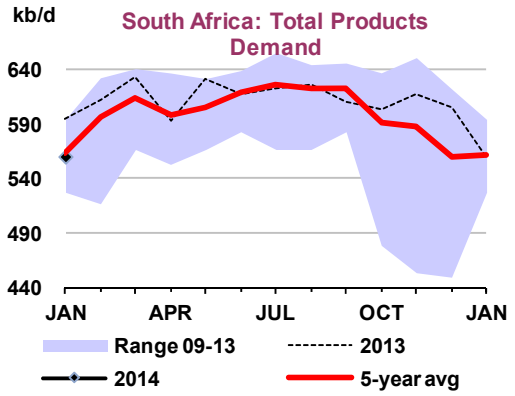
Rising to an estimated 45.5 mb/d in 1Q14, the non-OECD demand trend accelerated once more having struggled in 4Q13 as sharp currency depreciations in many countries made products more expensive. The most notable 1Q14 accelerations were seen in the Middle East, Latin America and non-OECD Asia, offsetting modest forecast decelerations in Africa, the former Soviet Union and non-OECD Europe. Overall, the greatest upside is observed in the LPG, jet/kerosene and 'other products' categories.

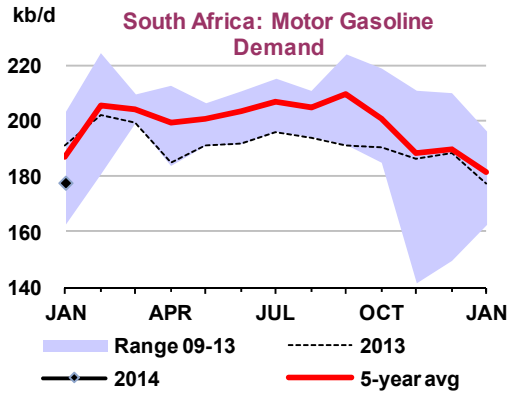
Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			ınual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
Africa	3,716	3,798	3,858	64	53	1.7	1.4
Asia	21,484	22,058	22,238	203	446	0.9	2.0
FSU	4,833	4,832	4,439	211	131	4.6	3.0
Latin America	6,716	6,736	6,595	182	240	2.8	3.8
Middle East	8,408	7,681	7,741	112	211	1.5	2.8
Non-OECD Europe	689	707	671	29	25	4.3	3.8
Total Products	**45,846**	**45,812**	**45,541**	**801**	**1106**	**1.8**	**2.5**

At roughly 560 kb/d in January, **South African** demand was well down on the year earlier as a consequence of sharp declines in transport use. Estimates for both gasoline and gasoil/diesel deliveries are down as the ailing domestic economic conditions seen in South Africa recently imply reduced vehicle needs. For example, the South African Bureau for Economic Research's consumer confidence indicator depicts a "very low" minus-seven reading for 4Q13, the latest period that data is available, well down on long-term averages. Despite such concerns, demand prospects are expected to pick up for the year as a whole, with growth of around 3% expected supported by recuperating economic conditions.





Latest forecasts of **Moroccan** oil demand, at around 310 kb/d for 2014 as a whole, imply a growth rate of 3.5%. Looking further ahead, however, the future growth trend is likely to ease back somewhat, as power-sector oil-needs ease on reports of an expected movement away from oil. The Moroccan government is working towards a target of 42% of power sector needs being addressed by renewables by 2020, which including a total wind power estimate of approximately 2 000 megawatts.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
LPG & Ethane	4,849	4,925	4,999	163	190	3.4	3.9
Naphtha	3,016	3,085	3,183	12	44	0.4	1.4
Motor Gasoline	9,430	9,484	9,517	266	290	2.9	3.1
Jet Fuel & Kerosene	2,853	2,930	2,885	92	104	3.2	3.7
Gas/Diesel Oil	14,185	14,219	13,869	124	207	0.9	1.5
Residual Fuel Oil	5,476	5,531	5,591	-61	57	-1.1	1.0
Other Products	6,037	5,638	5,497	196	215	3.6	4.1
Total Products	**45,846**	**45,812**	**45,541**	**801**	**1,106**	**1.8**	**2.5**

SUPPLY

Summary

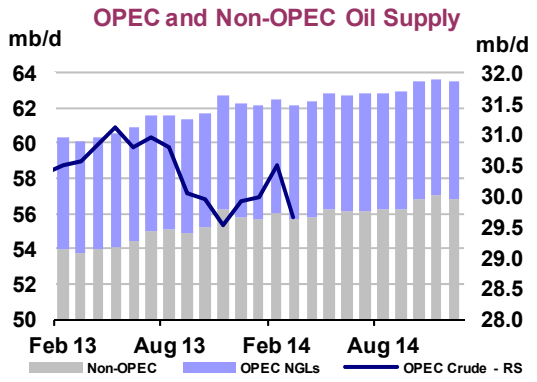
- **Global supplies fell by a steep 1.2 mb/d to 91.75 mb/d month-on-month (m-o-m) in March, with a decline in OPEC crude output accounting for near 75% of the loss.** Compared with a year ago, global production in March was still around 1.1 mb/d higher, with higher non-OPEC supply of 1.98 mb/d more than offsetting a decline of nearly 1 mb/d in OPEC crude output.

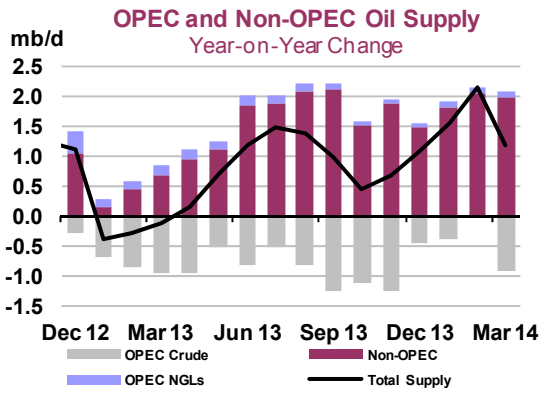
- **Non-OPEC oil supply fell by about 300 kb/d to 55.7 mb/d in March due to a combination of falling production in the FSU, Europe and Canada, which more than offset higher US output.** A combination of factors including maintenance, operational issues, and higher declines at legacy fields contributed to this m-o-m decrease.

- **The forecast of total non-OPEC supply growth for 2014 has been revised downwards by 250 kb/d to 1.5 mb/d** compared with last month's *Report,* reflecting lower projections for Russia and Kazakhstan. In Russia, accelerated decline rates at legacy fields reduce output estimates, while a more pessimistic outlook for Kashagan lowers Kazakhstan's growth.

- **OPEC crude oil supplies plummeted in March, with lower supplies from Iraq, Saudi Arabia and Libya accounting for around 90% of the decline.** Crude oil production fell by 890 kb/d to just 29.62 mb/d, the lowest level in five months. Meanwhile, imports of Iranian oil are also running well above 2013 levels for the third month running, with an upward revision for February pegging volumes at 1.65 mb/d, the highest level since June 2012, before easing again in March.

- **The 'call on OPEC crude and stock change' for 2Q14 was raised by 100 kb/d to 29.4 mb/d and for 2H14 by 350 kb/d to an average 30.6 mb/d** following an upward revision to demand and a reduced forecast of non-OPEC supplies.





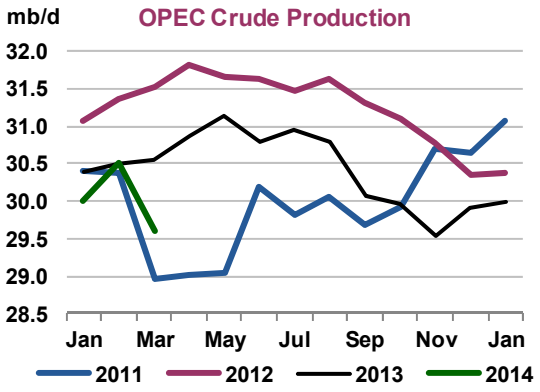
All world oil supply data for March discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary March supply data.

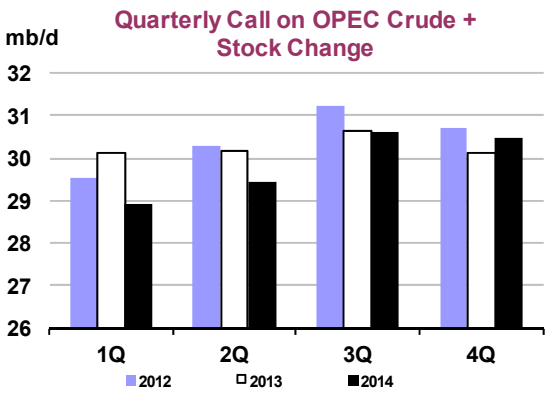
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 to -400 kb/d for non-OPEC as a whole.

OPEC Crude Oil Supply

OPEC crude oil supplies plummeted in March, with sharply lower supplies from Iraq, Saudi Arabia and Libya accounting for around 90% of the decline. Crude oil production fell by 890 kb/d to just 29.62 mb/d, the lowest level in five months. Libyan and Iraqi output were down on worsening civil unrest and operational issues, respectively, while Saudi Arabia curbed supplies last month in the wake of weaker demand from refiners during the peak spring refinery turnaround period.

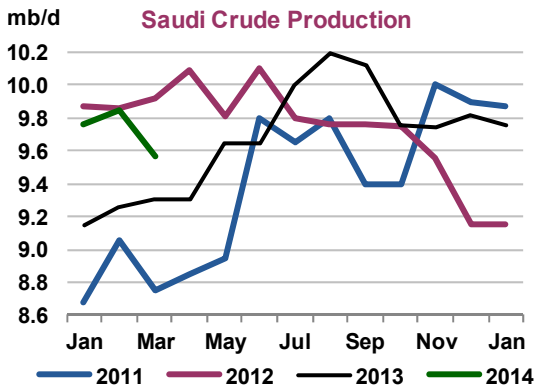
The 'call on OPEC crude and stock change' for 2Q14 was raised by 100 kb/d to 29.4 mb/d and for 2H14 by 350 kb/d to an average 30.6 mb/d following an upward revision to demand and reduced forecast for non-OPEC supplies. OPEC's 'effective' spare capacity in March was estimated at 3.53 mb/d, up from 3.31 mb/d in February.

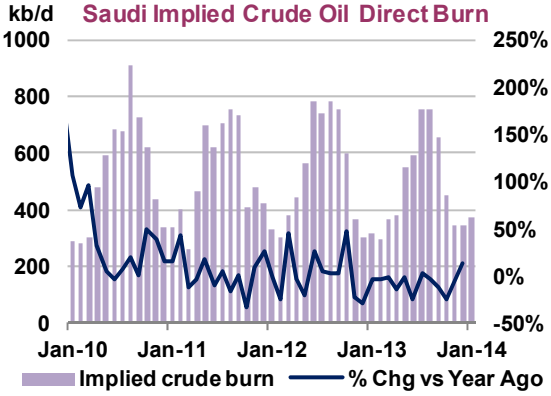




Saudi crude oil production fell to the lowest level in almost a year in March, down by 285 kb/d to 9.57 mb/d from February levels. Saudi supplies to the market, which include sales from storage, were reported at 9.53 mb/d in March, around 370 kb/d below the previous month. Lower Saudi production reflected reduced demand from customers during the refinery maintenance season.

Production from Saudi Arabia is expected to rebound, however, as refineries start returning from scheduled maintenance and crude burn at domestic power plants edges higher with the onset of warmer weather. Saudi Aramco raised its official selling prices (OSP) for May sales to Asia in line with expectations. The company increased May OSPs for its flagship Arab Light grade to Asia by $0.30/bbl, to $1.85/bbl above the Oman/Dubai average. Higher prices for Asian customers partly reflect stronger Dubai prices and improved refining margins. After three months of no price changes, Saudi Aramco raised prices of its marker grade Arab Medium to the US by $1/bbl. European prices were left largely unchanged as weak margins there curbed refinery demand.

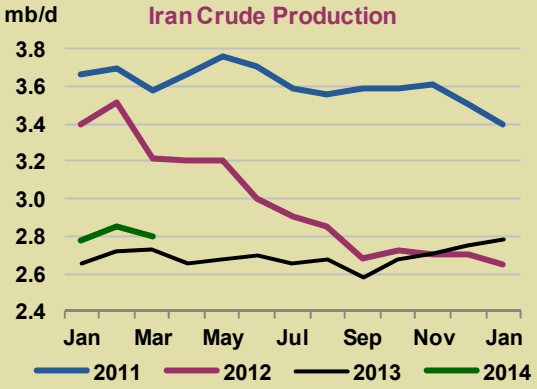


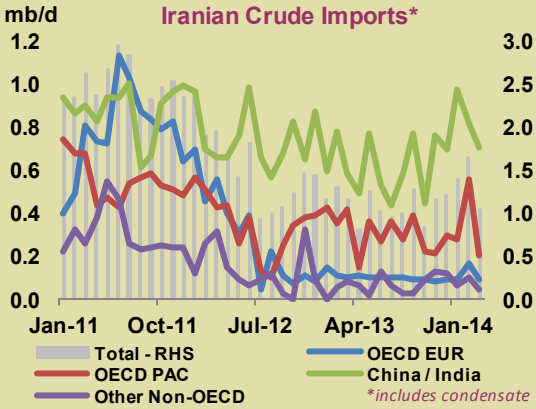


Imports of Iranian Crude Scale New Heights in February Before Easing in March

Iranian crude oil production was lower in March, down by 50 kb/d to 2.8 mb/d compared with an upwardly revised February estimate of 2.85 mb/d. Iran's production averaged 2.81 mb/d for 1Q14, or about 130 kb/d higher than the 2.68 mb/d produced in 2013. In turn, imports of Iranian oil are running well above 2013 levels for the third consecutive month. February import volumes were revised upwards on more complete data, by 240 kb/d to 1.65 mb/d, the highest level since June 2012. Data were revised higher for China (+168 kb/d), India (+93 kb/d) and Korea (+83 kb/d) while Japanese data were adjusted lower (-103 kb/d).

Preliminary data for March show imports from Iran declined to 1.05 mb/d but that figure will likely be revised upwards closer to February levels upon receipt of more complete data. Crude oil held in floating storage plummeted from 32 mb at end-February to just 22 mb at end-March, an average drop of around 320 kb/d, latest tanker data from E.A. Gibson Shipbrokers Ltd. show. Not all the ships have offloaded yet, which suggest imports from Iran could remain high for April. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker trackers and news reports. The most recent monthly is based on tanker movements, which are subject to significant revisions at times. Many of Iran's vessels operate without their transponders, making initial assessments very preliminary.





In March, importers of Iranian oil also included Albania and Syria in addition to regular buyers China, India, South Korea, Japan and Turkey. It is unclear where this Albania cargo will go on to next. Tanker data for shipments into China show a decline of around 190 kb/d to 365 kb/d for March but consistent upward revisions to China data suggest final data may be higher. Chinese imports of Iranians supplies have averaged just under 500 kb/d in 1Q14 compared with 430 kb/d in 2013.

Preliminary data for India show volumes increased by 70 kb/d to around 335 kb/d in March, bringing the 1Q14 average to 340 kb/d. That is a steep increase of near 80% over 2013 levels of 190 kb/d. US officials recently visited India to discuss the country's high level of Iranian imports relative to the amounts envisaged under the interim agreement between Iran and the P5+1 of around 1 mb/d. By contrast, imports of Iranian oil from Japan were estimated at around 75 kb/d, down by 185 kb/d from a reduced estimate for February of 260 kb/d. Preliminary March data for South Korea show imports fell about 165 kb/d to 128 kb/d while Turkey's volumes fell by 80 kb/d to 90 kb/d.

Imports of Iranian condensates trended lower in February and March after reaching 250 kb/d in January. Imports of condensate fell to 140 kb/d in February and just 110 kb/d in March, which is more in line with average 2013 levels of 100 kb/d. In addition, it appears that unsold condensate make up the bulk of Iranian floating storage at end-March. Of the 22 mb in floating storage, 20 mb is sitting off the Asaluyeh terminal.

In the third round of talks this year, officials from Iran, the US, UK, France, Germany, China, Russia and the EU met in Vienna on 8-9 April. The two-day talks ended with officials from Iran and the EU saying in a joint-statement that "a lot of intensive work" remained to be done over the next three months. The next round of talks is scheduled for 13 May. Under the interim nuclear deal agreed in November 2013 in Geneva, Iran's exports are supposed to be held at an average 1 mb/d for the six months to end-July. The aim of the Vienna negotiations is to hammer out a long-term deal by 20 July that would limit the scope of Iran's nuclear program, in return for a lifting of sanctions that have crippled its oil-dependent economy.

OPEC Crude Production

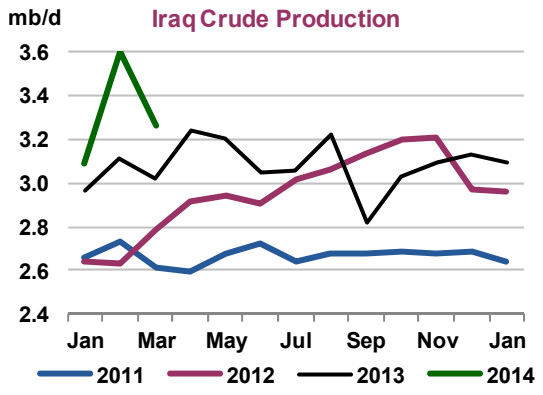
(million barrels per day)

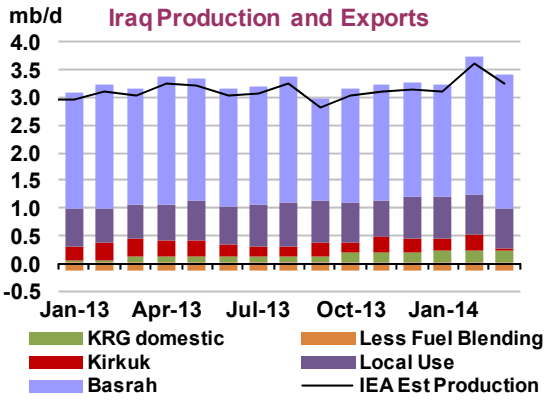
	Jan 2014 Supply	Feb 2014 Supply	Mar 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Mar 2014 Supply	1Q14 Average Crude Supply
Algeria	1.08	1.10	1.02	1.15	0.13	1.07
Angola	1.65	1.61	1.62	1.70	0.08	1.63
Ecuador	0.53	0.52	0.52	0.53	0.01	0.52
Iran	2.78	2.85	2.80	2.90	0.10	2.81
Iraq	3.09	3.60	3.26	3.65	0.39	3.31
Kuwait[2]	2.78	2.78	2.76	2.90	0.14	2.77
Libya	0.50	0.36	0.22	1.20	0.98	0.36
Nigeria[3]	1.92	1.98	1.94	2.25	0.31	1.95
Qatar	0.72	0.70	0.70	0.75	0.05	0.71
Saudi Arabia[2]	9.76	9.85	9.57	12.40	2.84	9.72
UAE	2.72	2.74	2.75	2.90	0.15	2.74
Venezuela[4]	2.46	2.42	2.46	2.60	0.14	2.45
Total OPEC	**29.99**	**30.51**	**29.62**	**34.93**	***5.31***	*30.02*
(excluding Iraq, Nigeria, Libya and Iran)					***3.53***	

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 435 kb/d in March

After reaching 35-year highs in February, **Iraqi** production fell by 340 kb/d to 3.26 mb/d in March on sharply lower output in the northern region and a modest downturn in the south. Crude oil exports fell by 340 kb/d to 2.46 mb/d. March exports of Basrah crude from the southern Gulf terminals eased from February levels by around 85 kb/d but were still a lofty 2.42 mb/d. Strong winds have reportedly already disrupted exports in early April. In the wake of higher exports, reports of quality issues have emerged, with refiners complaining of high water content in the crude. The long awaited full start-up of dual SPMs is behind the higher exports but work on storage tanks, pumping stations and infrastructure is still needed to ensure the crude's quality. The next phase of upgrading work at the terminals is not expected to be completed before year-end, which could constrain growth.

Production from the long-delayed Lukoil-operated giant West Qurna-2 started at end-March, with initial output building to 120 kb/d. Plans to reach 400 kb/d by the end of the year, however, appear ambitious, not least because of export constraints at southern terminals. Should West Qurna 2 power ahead, production from other fields such as Rumaila may have to be curtailed to make room for the new crude.





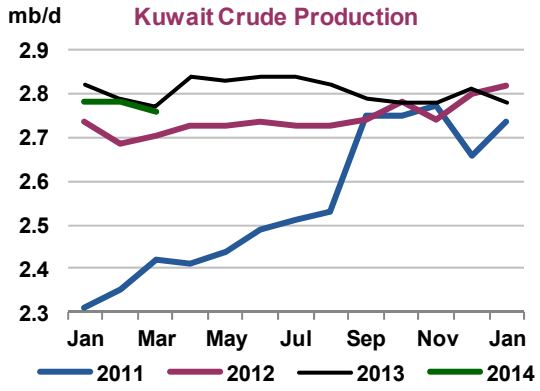
The recent rise in southern production comes ahead of Iraq's 30 April parliamentary elections, which many believe will help bolster Prime Minister Maliki's re-election. However, progress in negotiations

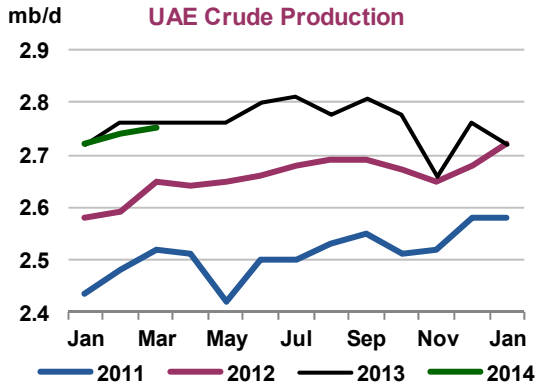
over payment and contract issues with the KRG is not expected until a new government is formed, which could take months.

Shipments of northern Kirkuk crude to the Mediterranean port of Ceyhan, Turkey fell to just 40 kb/d compared with around 295 kb/d in February. A major wave of attacks on the Iraq-Turkey pipeline sharply reduced flows on 2 March and escalating violence in the region has meant repair work cannot take place. As a result, April exports of Kirkuk crude are expected to remain curtailed.

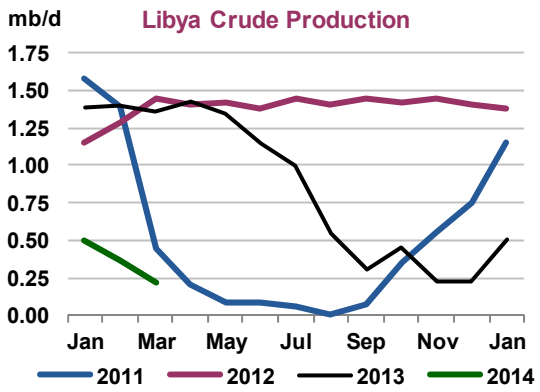
Crude exports from the KRG region to the Kirkuk-Ceyhan pipeline were expected to resume at 100 kb/d in April as a goodwill gesture on the part of the government in Irbil as part of negotiations in its long-running dispute with Baghdad. The planned exports, however, have been suspended with the northern pipeline out of commission. Meanwhile, trucked exports of Kirkuk crude oil to Jordan also remain halted due to security issues in the Anbar province. KRG production was estimated at around 240 kb/d.

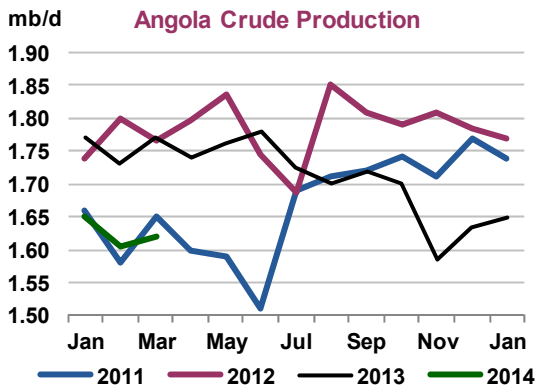
Kuwaiti crude oil production was reduced by 20 kb/d to 2.76 mb/d in March while **UAE** supplies rose by 10 kb/d to 2.75 mb/d. **Qatari** output was unchanged at 700 kb/d.



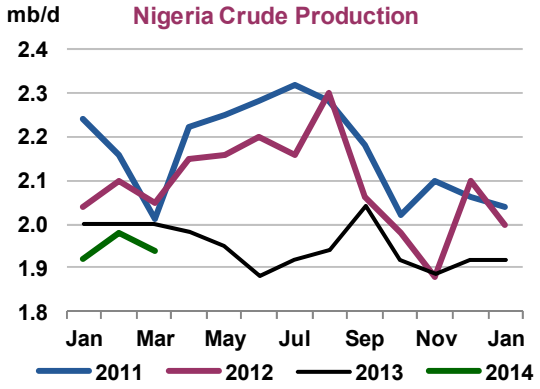


Libyan crude supplies eased again in March, down by 140 kb/d to an average 220 kb/d, and by early April were just 100 kb/d. The central government in Tripoli and the federalist rebels in the eastern region of the country reportedly reached a deal that calls for four eastern terminals that have been shut and occupied for the past nine months to gradually be reopened. The terminals collectively account for roughly 700 kb/d of the country's export capacity. As a first step it was announced on 6 April that the Zueitina and Hariga ports, with combined capacity of just 180 kb/d, were to be reopened, but at the time of writing there is still no fixed date for the restart of the two terminals. Re-gaining central government control of the larger ports at Ras Lanuf and Es Sider, with a combined capacity of around 500 kb/d, looks to be a more challenging negotiating process and it could be at least four weeks before exports from those terminals resume.



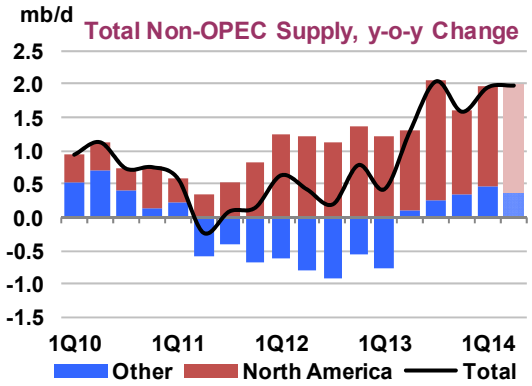


Angolan crude oil production hovered at two-year lows in March at 1.62 mb/d, up a marginal 15 kb/d from February, due to field maintenance work at the 180 kb/d Greater Plutonio complex throughout March. Output is forecast to partially recover in April when the maintenance is scheduled to be completed mid-month.



Crude oil production from **Nigeria** was off by 40 kb/d to 1.94 mb/d in March. Theft and sabotage continue to undermine the country's output. Shell reduced liftings of Forcados in mid-March and declared *force majeure* on the crude on 25 March due to a pipeline leak. Bonny Light supplies were also lower in March following the 22 February closure of the Nembe Creek Trunk oil pipeline to stop leakage caused by theft.

Non-OPEC Overview



For 2014 as a whole, the non-OPEC supply forecast has been revised lower by about 250 kb/d compared with last month's *Report* due to downward adjustments to the forecast for the FSU, and to a lesser extent to smaller changes to Europe and Latin America output. Revisions to the FSU forecast resulted in large part to revisions to Russia's production outlook, where accelerated declines at legacy fields look set to result in a slight output decline in 2014. Additionally, Kazakhstan's production is projected to fall, mainly as a result of our current expectation that the Kashagan field will not enter into production again before the end of 2014 as extensive repairs on the field's leaky pipeline system are still being conducted. We now expect that Kashagan, which halted short-lived production in October 2013, may come back on line in the second quarter of 2015 at the earliest.

Maintenance projects in Canada, along with declining output in Russia, Mexico and the North Sea, among other factors, reduced total non-OPEC supply in March by about 300 kb/d m-o-m, although year-on-year (y-o-y) growth remained robust at 1.9 mb/d. US total liquids production stood at 11.3 mb/d in March, while ongoing maintenance in Canada limited production to 4.1 mb/d.

Risks to our production forecast remain elevated, particularly in Africa and the Middle East. Oil production in South Sudan faced a possible shutdown at the time of writing, as rebel militias prepared to capture oilfields in the Upper Nile state. If the crisis persists, the projected 160 kb/d of supply increase in South Sudan in 2014 is at risk. In addition, planned maintenance in Brazil, Canada and North Sea could be more severe in duration and magnitude than currently projected, if the length and volumes affected by last year's maintenance turns out to be the new normal.

OECD

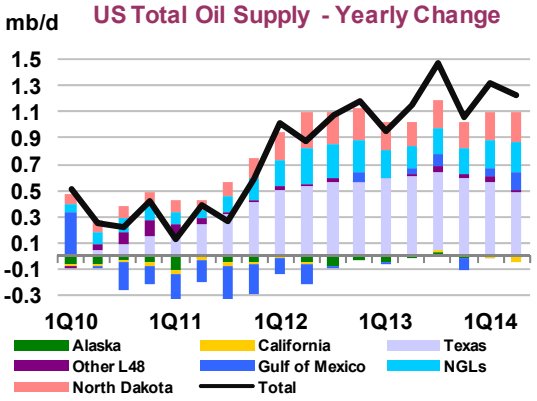
North America

US – March preliminary, Alaska actual, other states estimated: US crude oil production averaged 8.2 mb/d in March, according to preliminary data, a slight downward revision from last month's *Report*. Total liquids output, including NGLs, averaged 11.3 mb/d. Despite the downward revision since last month, total US output grew by 200 kb/d m-o-m and approximately 1.4 mb/d y-o-y, the highest annual

growth in seven months. Alaska crude supply stood at 545 kb/d, and has remained well over 500 kb/d since September 2013. Meanwhile, production of Bakken light, tight oil (LTO) in North Dakota grew to 950 kb/d in March, lifting total North Dakota output above the 1.0 mb/d mark. The March numbers reflect a restoration of crude oil output following weeks of weather-related disruptions and lower production volumes due to well shut-ins. Approximately 100 oil wells in North Dakota were shut in to minimise natural gas flaring in January.

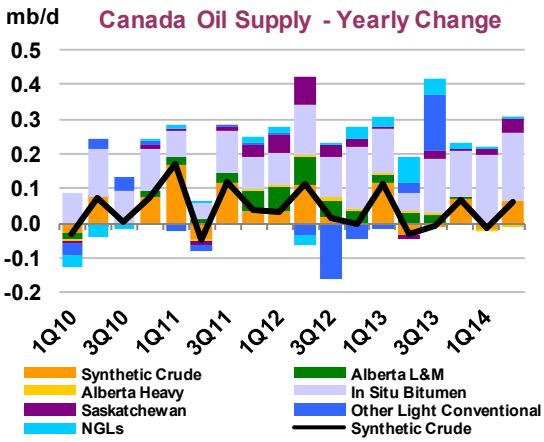
We expect that Bakken LTO production will grow to more than 1.0 mb/d by July 2014, averaging 990 kb/d for 2014 as a whole. Production from other US tight oil plays is also expected to grow in 2014, particularly from Eagle Ford, where drilling productivity has increased significantly in the last year and where planned investment may total approximately $30 billion in 2014. Production per rig in the Bakken and Eagle Ford formations rose by 184 and 139 bp/d, respectively, between January 2013 and April 2014, to 492 and 463 bp/d. Other tight oil plays have seen drilling productivity increases, albeit smaller than those recorded in the Bakken and Eagle Ford formations. Gulf of Mexico output grew in March by about 30 kb/d, as the third phase of BP's Na Kika deepwater field development began operating.

Final US data for January 2014 show that production rebounded by about 100 kb/d m-o-m to 10.9 mb/d, of which 7.9 mb/d was crude oil, following sizeable declines in December. Texas, Louisiana and North Dakota saw production increases, while the offshore Gulf of Mexico declined m-o-m. NGL production stood at 2.6 mb/d, about 25 kb/d higher than the previous month. As of January, US NGL production accounted for about 40% of total non-OPEC NGL production. Current projections indicate that NGL production will average 2.8 mb/d in 2014, with significant growth expected to continue through the medium term. In 2013, NGL output in the US grew by more than 10% while dry natural gas production rose by about 1%, reflecting the favourable economics of wet gas production. Although a number of projects have been proposed in the US for the next several years to accommodate this growth, such as steam crackers and petrochemical plants, new processing capacity may not be sufficient to absorb the additional supplies, likely resulting in increased exports of NGLs in the future, particularly LPG. However, despite planned investment in export facilities, there is some uncertainty whether the commensurate transport capacity to supply those export facilities will come online at the same time. For crude oil transport, the Association of American Railroads reported this month that crude oil delivered by rail increased by 83% in 2013, to 434 042 carloads, illustrating the growing importance of rail in the mid-stream.



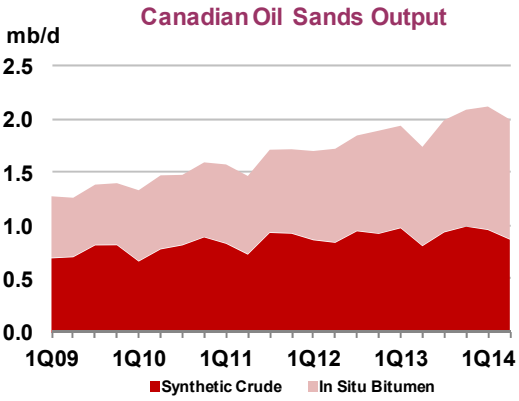
Increasing domestic crude supplies and the potential for crude oil (or condensate) exports remain a focus of debate among US industry representatives and lawmakers. A newly proposed legislation would lift current restrictions on US crude exports but would let the President and Congress suspend exports when needed. It is unlikely that this or any other proposed legislation on US crude exports will pass both houses of Congress in the near future, however.

Canada – January preliminary: Total oil production averaged 4.3 mb/d in January, roughly unchanged on the month. Crude oil and condensate production, including mined bitumen, was estimated at 2.6 mb/d in January, a 50 kb/d m-o-m gain. In contrast, syncrude output, which is not included in the crude oil and condensate production total, edged down in January by about 35 kb/d. Estimates of syncrude production for February and March also show declines, and we expect that total syncrude output will erode further in April for the fourth consecutive month. The latest decline in syncrude output is at least in part due to maintenance.



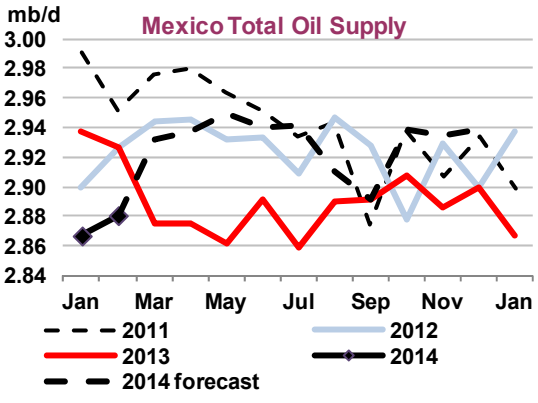
Suncor began a six-week turnaround on its 280-kb/d U2 upgrader at the Fort McMurray oil sands projects on 11 March, which affected output by about 50 kb/d for the month. A further 90 kb/d is expected to be affected in April as well. Other significant maintenance is scheduled for 3Q14, with Syncrude Canada's facilities undergoing major turnarounds. This year looks to be the third consecutive year that major maintenance at oil sands projects limits syncrude production growth as older projects require more maintenance and staffing shortages affect workover duration. Limited resources of skilled labour are proving particularly acute in the Fort McMurray, Alberta area.

Mined bitumen meanwhile likely will lead the growth in Canadian oil sands output this year, with bitumen production projected to increase by about 170 k/d y-o-y, driven by a ramp up in the Kearl oil sands project in northern Alberta, which is expected to reach full production capacity by 2H14. After a several month long delay, Phase 1 of the Kearl project began operating in April 2013 and reached 100 kb/d for several days, but production had to be decreased due to operational issues. Kearl output stood at 65 kb/d in December 2013. Phase 2 of the project is currently under construction and is expected to commence production in 2015, bringing on an additional 110 kb/d of production capacity.



Mexico - February actual: PEMEX liquids production edged marginally higher, to 2.9 mb/d, in February. Preliminary crude oil data for March show a fairly sizeable slide in output, however, with crude oil production falling to 2.5 mb/d. The production volumes reported by PEMEX for March show an accelerated decrease, with crude oil output falling to the lowest level since July 2013 as Mexico's two largest field complexes, Ku-Maloob-Zapp and Cantarell, saw eroding output.

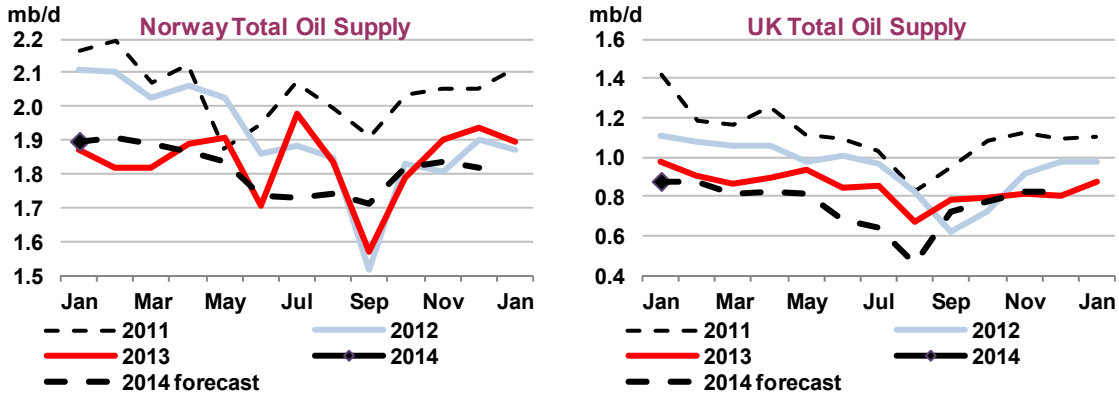
Although PEMEX has been fairly successful in slowing production declines that began in 2005, any substantial reversal of this trend can only come from additional investment and participation by private companies in the oil sector. PEMEX and the Mexican government are opening participation by private companies, which is hoped will increase investment flows. Meanwhile, PEMEX has submitted a request to the energy ministry regarding areas it wants to keep under the so-called Round Zero, which reportedly include 83% of its proven and probable reserves along with 31% of Mexico's prospective resources. The energy ministry will decide by 17 September 2014 which of the requested areas the company will retain. The areas not awarded to PEMEX will revert to the state and will be offered to other companies in Round One, which is likely to be held sometime in mid-2015.



North Sea

Norway – January actual, February preliminary: Total oil output in Norway averaged 1.9 mb/d in January, falling approximately 35 kb/d m-o-m. Preliminary estimates indicate that production in February rose only

by about 10 kb/d as the Draugen, Gullfaks, Skirne, Visund and Volve fields experienced outages and repair work during the month. In early April, Norway's industrial workers and their employers narrowly averted a strike that would have involved a number of oil services companies, including Aker Solutions, Aibel and WorleyParsons. In 2012, wage and terms renegotiations broke down, which led to a two-week strike among oil workers, reducing production by 50 kb/d and 60 kb/d in June and July, respectively.



UK – December actual, January preliminary: UK average production in December stood at 800 kb/d, approximately 10 kb/d lower than the November average. Preliminary January data indicate that output bounced back to about 880 kb/d. Production of NGLs in January rose by about 25 kb/d, with the remainder of the increase mostly stemming from higher production on the Brent system. So far in 1Q14, total UK production is estimated near 850 kb/d, about 7% lower y-o-y. We expect that UK total output will average 750 kb/d in 2014, approximately 10% below the production average of 2013.

Loadings of the North Sea crudes that underlie the Brent benchmark are expected to fall to an 11-month low in May, according to recently released data, with 775 kb/d scheduled to load during the month. This level of crude loading stands in sharp contrast to the April planned crude loadings of 940 kb/d, possibly indicating a spring start to maintenance. We estimate that Brent-Forties-Oseberg-Ekofisk (BFOE) output in April will average about 930 kb/d, about 20 kb/d higher than in March.

Non-OECD

Latin America

Brazil – February actual: Brazil's total output remained roughly flat at 2.2 mb/d in February. Preliminary data indicate that 1Q14 production averaged at 2.2 mb/d, approximately 150 kb/d higher y-o-y. Total production for the year is projected at 2.2 mb/d, only about 50 kb/d higher than 2013, as some of the major expansion projects continue to experience delays and setbacks.

Petrobras announced in March that its 180 kb/d P-58 FPSO at the offshore Parque das Baleias complex began operating following a four-month delay. This FPSO will operate in the northern group of fields within the complex, specifically at the Baleia Franca, Cachalote, Jubarte, Baleia Azul and Baleia Ana fields. The P-58 FPSO is central to Petrobras' plans to boost oil production in 2014 for the first time since 2011; our current projections indicate that Brazil's total output will remain about flat, however. Although delayed, the P-58 start-up appears to be a much-needed success for Petrobras following a string of project delays, cost overruns and accidents. In a recent incident, during the rigging operations at the P-55 floating platform, a steel pipe essential to the operations was lost at sea. This setback will delay expansion efforts at Roncador field by several weeks. The P-55 platform was designed to produce 180 kb/d of oil, and was already several months behind schedule when the pipe incident occurred. Although some volumes at P-55 are being produced using a provisional hook-up, full capacity volumes will require the installation of the subsea line. Nevertheless, Petrobras declared that it had achieved record pre-salt production of 387 kb/d in March, with gains concentrated on the Sapinhoá field and was able to restart production on P-20 on the Marlim field in early April.

Chevron received approval to resume full operations at its Frade field from Brazil's regulators. Production activities were halted in the aftermath of oil spills that occurred at the field in November 2011 and March 2012. In April 2013, ANP allowed Chevron to ramp up production to about 20 kb/d of oil and the latest approval clears the way for Chevron to restore production to pre-spill levels. Prior to the spill, Frade produced more than 70 kb/d of oil. Meanwhile legal troubles stemming from that oil spill continue. Prosecutors in that case were instructed by judges to reopen the criminal investigation against Chevron and some employees, despite the civil settlement the company reached with the government in which it agreed to pay about $41.9 million in damages.

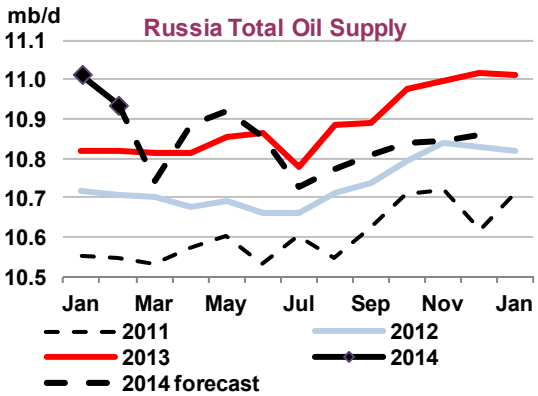
Asia

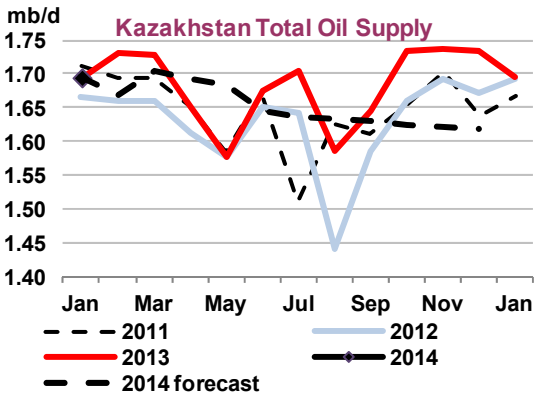
China – February actual: Final February data indicate that China's total production, nearly all of which is crude oil, fell by about 50 kb/d in February to 4.2 mb/d, reversing production gains achieved in January. The declines were spread among a number of fields, which individually saw small declines but in aggregate accounted for the 2% m-o-m drop in production. Despite the m-o-m decreases, China's total production was about 1% higher than in February 2013. Preliminary March production estimates show an increase in output of about 40 kb/d. We expect that China's oil production will average at 4.3 mb/d in 2014, approximately 80 kb/d higher than in 2013's flood-affected production.

Former Soviet Union

Russia – February actual, March preliminary: Russia's production in February fell by 80 kb/d m-o-m to 10.9 mb/d, led by crude oil. The majority of the decrease occurred at Rosneft-operated fields, which have seen decline rates accelerate in recent months. Furthermore, the two main fields that had previously underpinned Rosneft production growth, Vankor and Verkhnechonsk, have already reached peak production for 2014. The February crude oil production is Russia's lowest monthly output level since September 2013 and the preliminary March production numbers indicate that production will decrease by a further 190 kb/d m-o-m.

With an eye to future growth, Gazprom Neft, which has recently seen eroding production volumes, announced that is will undertake a shale oil study in the Bazhenov and Achimov formations in Western Siberia. The company will define drilling areas next year but in the meantime plans to study the potential of the two formations. The French major Total is also taking part in the development of Western Siberia's unconventional resources, having received licences to explore potential shale resources in the Vostochno-Kovensky, Tashinsky and Lyaminsky-3 Blocks. Total is also Lukoil's partner in a planned joint venture that also looks to develop unconventional resources in the Bazhenov formation in areas other than those studied by Gazprom Neft. ExxonMobil announced that it will start development drilling on the Artugun-Dagi field (part of Sakhalin 1) in August of this year, though achieving commercial production before the end of the year seems unlikely.





Kazakhstan – February actual, March preliminary: Total liquids production in Kazakhstan fell further by about 30 kb/d to 1.7 mb/d in February, extending earlier losses. The February decline was mainly driven by Kazakhstan's two largest producers, Tengizchevroil and Karachaganak, which saw volumes slide by 4% and 5%, respectively, compared with the previous month. Included in the Karachaganak figures are NGL (condensate) volumes, which saw a 40-kb/d monthly decline. In 2014, Kazakhstan's total production is expected to average 1.7 mb/d, down about 30 kb/d y-o-y.

The Kazakhstan forecast reflects our latest assessment of Kashagan's production potential, which we now estimate will remain offline through the end of the forecast period. Given the most recent announcements related to the field, we expect that Kashagan will come back online in the second quarter of 2015 at the earliest. The companies participating in the North Caspian Operating Company (NCOC) consortium continue to work on a complete assessment of the problems caused by the gas leak, which forced the field to shut down in October 2013. Latest reports indicate that the full investigation may not be completed until the summer of 2014, after which NCOC may have to replace the 90-km gas line connecting offshore production facilities to an onshore processing plant, an undertaking that could delay the field restart by several months.

FSU net oil exports continued their rebound from recent seasonal lows, rising by 140 kb/d to 9.5 mb/d in February. Crude accounted for 90 kb/d of the rise with deliveries via the Transneft network increasing by 80 kb/d on the month. The bulk of the increase was in the Black Sea, where shipments reached 1.8 mb/d (+ 100 kb/d m-o-m) after the CPC hit a new record level of 910 kb/d (+160 kb/d m-o-m). This offset a 60 kb/d fall in exports via Novorossiysk to a record low of 870 kb/d, following weather-related loading delays at the terminal and less Azeri crude being blended into the Urals stream, after SOCAR opted to ship more oil via the BTC. The increase via the Black Sea offset a 80 kb/d drop in exports from Sakhalin 1 and 2 after inclement weather delayed loadings. Poor weather also affected Kozmino, where loadings fell 30 kb/d m-o-m. The year 2014 so far has seen a significant increase in Russian overland exports to China in the wake of a supply agreement struck between Rosneft and CNPC. Latest data indicate that approximately 330 kb/d is flowing via the ESPO spur to Daqing while an additional 140 kb/d is now being shipped via Kazakhstan using the Atasu – Alashankou pipeline.

FSU Net Exports of Crude & Petroleum Products

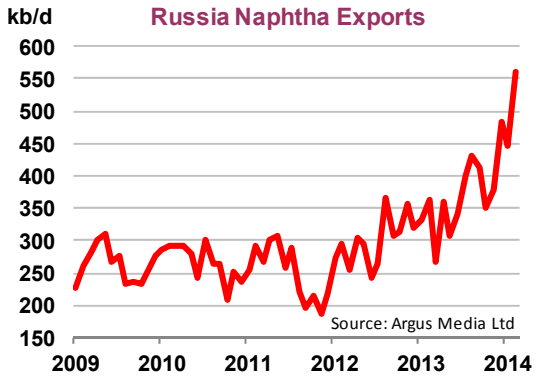
(million barrels per day)

	2012	2013	1Q2013	2Q2013	3Q2013	4Q2013	Dec 13	Jan 14	Feb 14	Latest month vs. Jan 14	Latest month vs. Feb 13
Crude											
Black Sea	1.81	1.78	1.80	1.80	1.75	1.78	1.70	1.67	1.77	0.10	-0.18
Baltic	1.67	1.57	1.60	1.68	1.44	1.58	1.39	1.33	1.38	0.04	-0.13
Arctic/FarEast	0.65	0.80	0.78	0.80	0.81	0.82	0.85	0.92	0.81	-0.11	0.03
BTC	0.66	0.64	0.58	0.71	0.65	0.61	0.58	0.58	0.59	0.01	-0.02
Crude Seaborne	**4.79**	**4.80**	**4.76**	**5.00**	**4.65**	**4.79**	**4.51**	**4.50**	**4.54**	**0.04**	**-0.31**
Druzhba Pipeline	1.08	1.03	0.99	1.02	1.06	1.05	1.08	1.02	1.04	0.02	0.02
Other Routes	0.52	0.56	0.55	0.54	0.56	0.60	0.57	0.71	0.73	0.02	0.17
Total Crude Exports	**6.39**	**6.39**	**6.31**	**6.55**	**6.27**	**6.44**	**6.16**	**6.23**	**6.32**	**0.09**	**-0.12**
Of Which: Transneft[1]	4.22	4.07	4.09	4.15	3.98	4.07	3.85	3.93	4.01	0.08	-0.10
Products											
Fuel oil[2]	1.72	1.62	1.61	1.77	1.68	1.44	1.48	1.64	1.52	-0.12	-0.20
Gasoil	0.79	0.84	0.97	0.86	0.81	0.73	0.81	0.95	1.09	0.14	0.06
Other Products	0.44	0.50	0.48	0.48	0.53	0.53	0.59	0.64	0.69	0.05	0.18
Total Product	**2.95**	**2.97**	**3.06**	**3.11**	**3.02**	**2.70**	**2.88**	**3.23**	**3.29**	**0.07**	**0.03**
Total Exports	**9.34**	**9.36**	**9.36**	**9.66**	**9.29**	**9.14**	**9.05**	**9.45**	**9.61**	**0.16**	**-0.08**
Imports	0.09	0.08	0.07	0.06	0.10	0.09	0.07	0.06	0.08	0.02	0.00
Net Exports	**9.25**	**9.29**	**9.29**	**9.60**	**9.20**	**9.05**	**8.97**	**9.39**	**9.54**	**0.14**	**-0.08**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

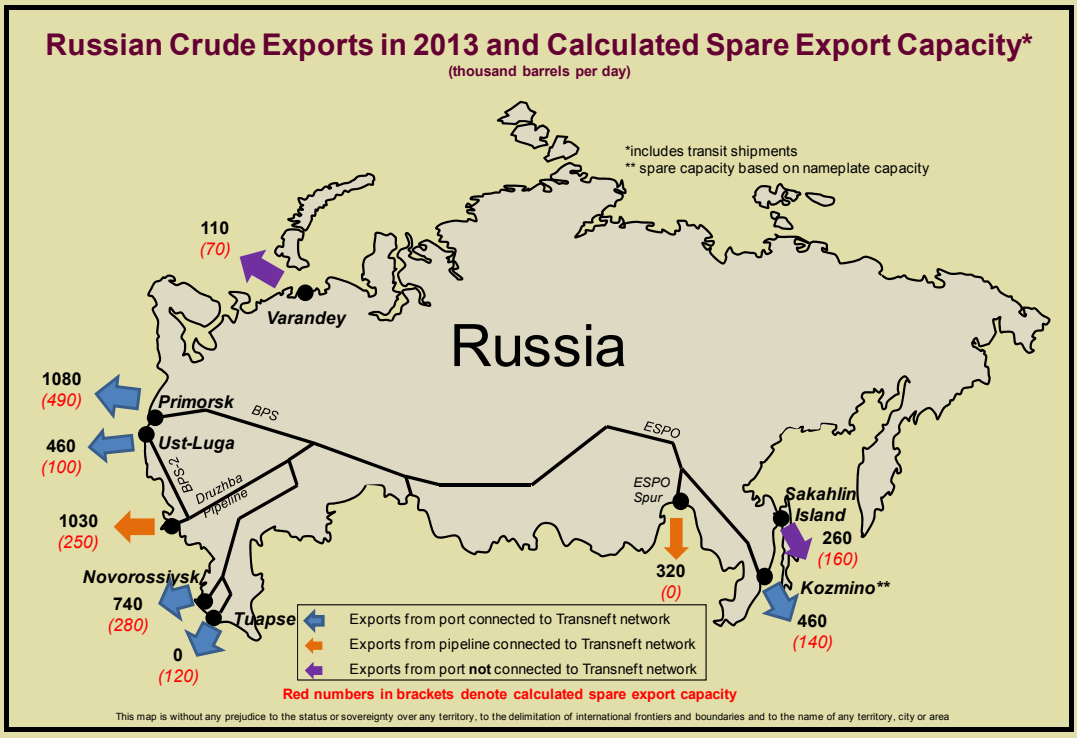


Refined product exports rose by 70 kb/d on the month on the back of slightly higher refinery runs and firm gasoil markets in the Atlantic Basin. Cold winter weather lifted heating demand in the US, prompting Russian market participants to boost exports. 'Other products' were also hiked by 50 kb/d over the month. A significant portion of these 'other products' are naphthas, exports of which have soared over recent months. Indeed, naphtha exports exceeded 500 kb/d for the first time on record in February compared to an average of 270 kb/d over 2009-12. This surge in naphtha volumes followed the May 2013 commissioning of a condensate splitter, operated by Novatek, at the Baltic port of Ust Luga. The recent firming of European naphtha markets has also helped to spur recent exports as spot prices have recovered to approximately $105/bbl from the mid-2013 low of $85/bbl. These volumes could also include some gasoline blending components. Nonetheless, these soaring volumes are even more extraordinary given that naphtha exports are still subject to a prohibitively high export tax equivalent to 90% of the crude export duty, significantly higher than the taxes levied on middle distillates and fuel oil.

Russia's Recent Crude Pipeline Developments Leave it with Ample Export Capacity

While in North America, the crude transportation infrastructure has struggled to keep up with supply, in Russia the reverse is true: state-controlled pipeline monopoly Transneft's aggressive expansion plans have run ahead of crude production growth. The upshot is that at least on paper, Russia enjoys ample spare pipeline capacity that provides it with a great deal of flexibility in the geographical allocation of its crude exports.

Over the past decade, Transneft has invested a great deal of capital in decreasing reliance on transit states, boosting capacity to shift crude exports away from traditional Western markets. Most of these projects are now complete, leaving Russia with, according to recent data, approximately 1.4 mb/d of spare crude export capacity.



Russia's Recent Crude Pipeline Developments Leave it with Ample Export Capacity (continued)

With current estimates of Russian crude production set to remain at close to 10 mb/d over the medium-term, spare export capacity may in theory be used by exporters to direct crude exports towards those outlets that offer the highest netbacks. Indeed, this trend has already begun. Over the past couple of years, Russian export volumes on certain routes have become more erratic, while other routes, notably the Druzhba pipeline, have seen their volumes fall. This suggests that, Russian crude producers may have become more adept at shifting export destinations according to market conditions, sending their crude via the most profitable outlets.

Notional spare capacity on the above chart has been calculated by comparing the average export volume in 2013 with the maximum export levels achieved over 2009-13 through any given outlet. This calculation makes no consideration of the supply volumes that may or may not be actually available to fill the lines, and only aims to assess the average amount of untapped transportation capacity. (Also, no allowance has been made for maintenance or weather-related downtime.) The chart suggests that the only outlet which is currently running at full capacity is the ESPO spur to the Chinese refining centre of Daqing. This line is running approximately 30 kb/d above its 300 kb/d nameplate capacity. Indeed, in the wake of last year's deals between Rosneft and CNPC, an extra 140 kb/d of Russian oil has also been shipped to China via Kazakstan so far in 2014.

As well as helping Russian producers to maximise their netbacks, the spare capacity permits Russia to minimise disruption to exports in the event of unscheduled maintenance or adverse weather at terminals, where previously exporters would have seen their shipments curtailed. Additionally, if the current low-freight-rate environment persists, large, notably Asian, consumers of Russian oil may pick up cargoes from any port where they are available at an attractive price. Over the past couple of years, China and South Korea have both imported Russian oil via Baltic ports.

Outside of the Transneft network, the two principal outlets are the Varanday terminal in Russia's far north, operated by Lukoil, and Sakhalin Island from which the Sokol and Vityaz grades are exported to Asia. Despite having some notional spare capacity, these terminals' export volumes are governed more by fluctuations in crude production at supplying fields than by market forces. Thus, it is doubtful whether these terminals could ship at their recent maximum levels for an extended period.

Regarding the above, an important caveat is that Transneft must give exporters the green light to move their crude to outlets as they see fit. Additionally, an important consideration limiting the utilisation of spare export capacity concerns crude quality. For example, there may not be enough light and medium crudes to send eastwards via the ESPO line, and thus heavy crudes would be required to fill up the excess capacity on the line. This would therefore compromise on quality and could reduce demand from refiners for the grade. Similarly, the quality of Urals shipped via Novorossiysk has suffered as exporters have sent more light grades eastwards or have refined them domestically. This has seen exporters penalised for the lower gravity and higher sulphur content. Therefore, if crudes cannot be blended to the required qualities to meet market demands, then this could partially negate the effect of Russia holding the spare capacity.

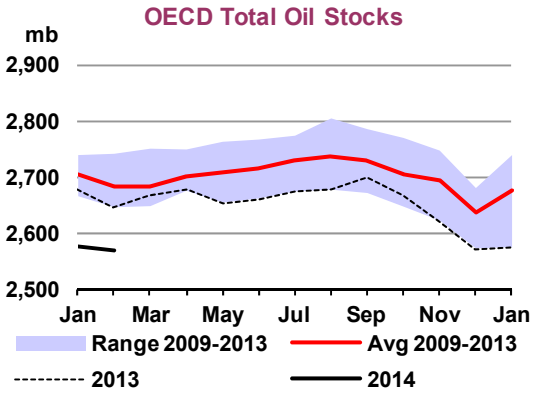
OECD STOCKS

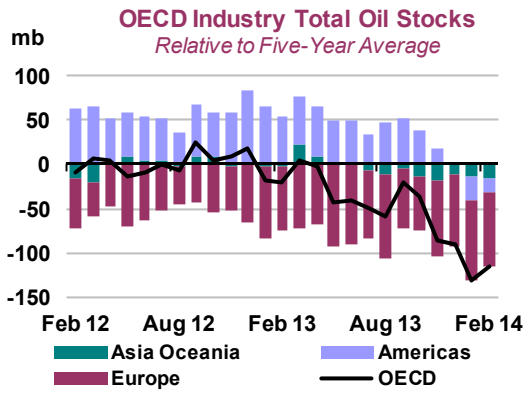
Summary

- **Total OECD commercial oil inventories posted a relatively shallow seasonal draw of 6.5 mb in February, to 2 567 mb**. Refined product inventories covered 29.4 days of forward demand, level with an upwardly revised January.

- **Following upward revisions to January data, that month's deficit to the five-year average narrowed to 132 mb**, from an earlier estimate of 154 mb presented in last month's *Report*. In February, the gap closed further to 115 mb.

- **Preliminary data for March suggest an unseasonal 31.1 mb plunge in OECD inventories** after Japanese crude and product holdings dropped counter-seasonally ahead of the 31 March deadline for the shuttering of a tranche of refining capacity and before the 1 April increase in sales tax.





OECD Inventory Position at End-February and Revisions to Preliminary Data

Following exceptionally steep destocking in 4Q13 and preliminary reports of further large stock draws in January 2014, OECD commercial oil inventories changed course in February, when they posted a markedly smaller draw than typical for that month, falling by 6.5 mb to stand at 2 567 mb by end-month. Inventories of refined products led the decline, drawing by 17.5 mb, and outweighing a combined 11.0 mb build in crude oil, NGLs and refinery feedstocks. All product categories drew, most notably other products (-7.9 mb) and fuel oil (-6.2 mb). Refined product inventories covered 29.4 days of forward demand at end-February, on a par with an upwardly revised January level. Inventories in the OECD Americas stabilised after the severe cold weather that hit the region in January, bouncing back marginally by 0.8 mb, while draws of 5.2 mb and 2.2 mb were posted in OECD Asia Oceania and OECD Europe, respectively.

Following the receipt of more complete data, January inventories were adjusted upwards by 22.2 mb. The net effect of these revisions is that the 13.2 mb January stock draw presented in last month's *Report* has become a slim 2.4 mb build. Upward revisions focused on the OECD Americas (+13.0 mb) and OECD Europe (+9.3 mb). Within OECD Americas, a 9.9 mb upward adjustment was made to 'other products', centred in the US. Due to these revisions, the January deficit to the five-year average has narrowed from the 154 mb presented in last month's *Report* to 132 mb. Since February's draw was weaker than the 23.8 mb five-year average decrease, the shortfall of OECD inventories to the seasonal average has narrowed further to 115 mb.

Revisions versus 14 March 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Dec-13	Jan-14	Dec-13	Jan-14	Dec-13	Jan-14	Dec-13	Jan-14
Crude Oil	**0.3**	**8.8**	**3.3**	**0.2**	**0.0**	**-1.8**	**3.6**	**7.1**
Gasoline	0.0	2.5	-2.0	0.7	0.0	0.4	-2.0	3.5
Middle Distillates	0.0	0.0	1.9	-1.3	0.0	0.5	1.9	-0.9
Residual Fuel Oil	0.0	0.3	2.1	2.1	0.0	0.0	2.1	2.4
Other Products	0.0	9.9	0.0	2.3	0.0	1.0	0.0	13.2
Total Products	**0.0**	**12.6**	**2.0**	**3.7**	**0.0**	**1.8**	**2.0**	**18.2**
Other Oils[1]	0.0	-8.3	1.1	5.4	0.0	-0.1	1.0	-3.0
Total Oil	**0.3**	**13.0**	**6.4**	**9.3**	**0.0**	**-0.1**	**6.6**	**22.2**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary data for March point to an unseasonal 31.1 mb plunge in OECD March inventories where both crude and products fell. The majority of this draw (28.7 mb) was located in Japan where refiners drew down crude stocks ahead of the 31 March deadline for the shuttering of a tranche of refining capacity, while increased demand ahead of a 1 April hike in the sales tax led to lower product stocks. Elsewhere, US inventories rose by a seasonal 4.5 mb while European holdings contracted by a broadly seasonal 6.8 mb. On a product-by-product basis, crude oil stocks remained relatively stable (+0.8 mb) after a large build in the US, as seasonal refinery maintenance there reached a peak, offset the aforementioned draw in Japan. Meanwhile, refined products dropped by 27.0 mb, led by falls of 18.6 mb and 12.4 mb in motor gasoline and middle distillates, respectively.

Preliminary Industry Stock Change in February 2014 and Fourth Quarter 2013

	February 2014 (preliminary) *(million barrels)*				February 2014 (preliminary) *(million barrels per day)*				Fourth Quarter 2013 *(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**4.5**	**0.6**	**1.5**	**6.7**	**0.16**	**0.02**	**0.06**	**0.24**	**-0.22**	**-0.07**	**-0.14**	**-0.42**
Gasoline	-4.6	1.6	1.1	-1.8	-0.16	0.06	0.04	-0.07	0.08	-0.01	-0.01	0.07
Middle Distillates	3.3	-1.1	-3.8	-1.6	0.12	-0.04	-0.14	-0.06	-0.09	-0.03	-0.03	-0.15
Residual Fuel Oil	-2.5	-2.1	-1.7	-6.2	-0.09	-0.07	-0.06	-0.22	0.03	-0.05	-0.01	-0.03
Other Products	-6.3	0.3	-1.9	-7.9	-0.22	0.01	-0.07	-0.28	-0.50	0.01	-0.10	-0.59
Total Products	**-10.0**	**-1.3**	**-6.2**	**-17.5**	**-0.36**	**-0.05**	**-0.22**	**-0.63**	**-0.48**	**-0.08**	**-0.14**	**-0.70**
Other Oils[1]	6.3	-1.5	-0.5	4.3	0.22	-0.05	-0.02	0.15	-0.24	0.03	-0.06	-0.27
Total Oil	**0.8**	**-2.2**	**-5.2**	**-6.5**	**0.03**	**-0.08**	**-0.18**	**-0.23**	**-0.95**	**-0.12**	**-0.34**	**-1.40**

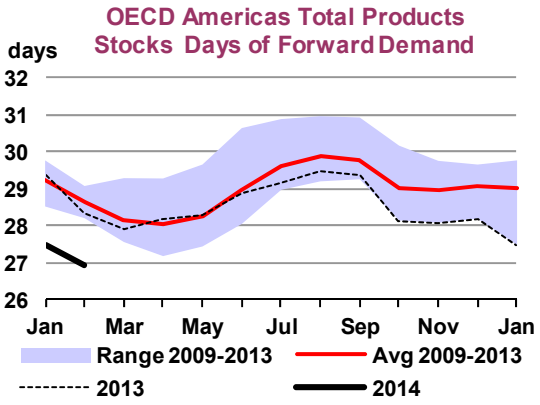
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

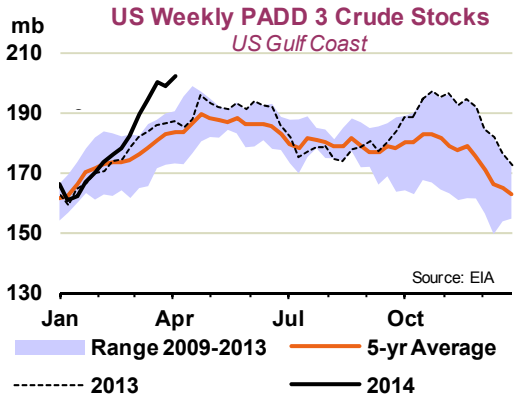
Recent OECD Industry Stock Changes

OECD Americas

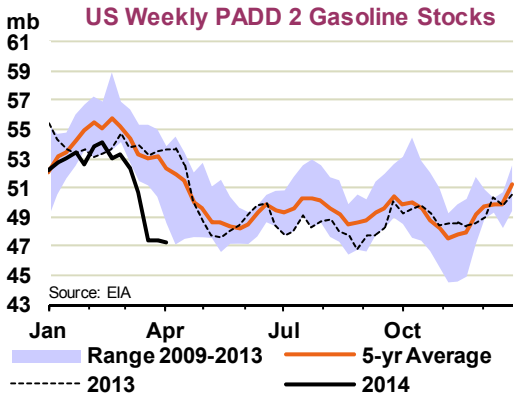
Industry inventories in OECD Americas inched up by a slight 0.8 mb in February following January's cold-weather-related draw in heating fuel inventories. A flotilla of middle distillate cargoes arrived in the region in February, lifting middle distillate inventories (including 10 ppm distillate fuel oil) counter-seasonally by 3.3 mb. Inventories of 'other products' (including propane) continued to slide along seasonal lines, however, to stand at the bottom of the seasonal range by end-month. Crude inventories posted a relatively shallow seasonal build of 4.5 mb, while NGLs and refinery feedstocks soared by 6.3 mb. At end-month, refined products covered 26.9 days of forward demand, 0.5 days lower than at end-January.

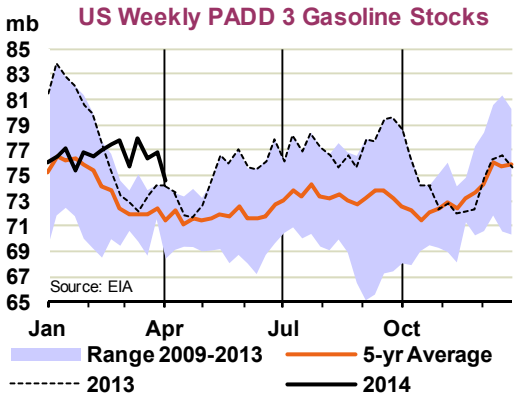
The contrasting stock changes in middle distillates and 'other products' underscores the fact that while middle distillate inventories could be replenished by imports, the propane shortage was not as easy for market participants to respond to. While the global trade in middle distillates is highly developed with the associated infrastructure to support it, the global trade in propane and LPG is less liquid. Therefore, whereas extra middle distillate supplies from Russia and Europe could be quickly sourced, propane imports remained at their normal seasonal levels of approximately 100 kb/d in February.





Preliminary weekly data from the US Energy Information Administration (EIA) point to a 4.5 mb build in US inventories during March, led by an 18.0 mb surge in crude stocks. This headline figure conceals sharp regional shifts in crude holdings, however. As noted in last month's *Report*, Midcontinent (PADD 2) stocks have drained as new pipelines from PADD 2 to PADD 3 have come online. This trend slowed in March with PADD 2 stocks slipping by 1.1 mb while those in PADD 3 soared by 18.2 mb on the back of planned refinery maintenance, which reduced regional throughputs. The fall in PADD 2 inventories was centred on the NYMEX WTI delivery point of Cushing, Oklahoma, where stocks fell by 4.7 mb. This draw helped to prop up prices for the grade in comparison to other global benchmarks.



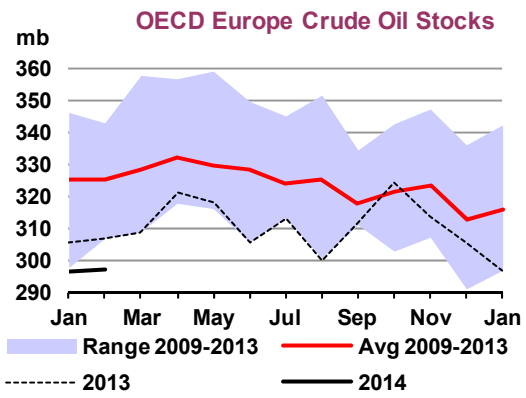


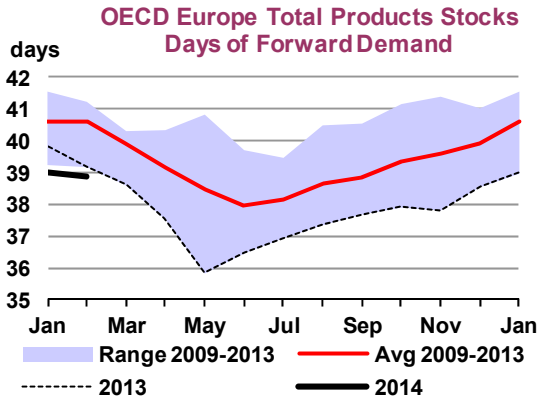
Refined product stocks fell by 15.3 mb in March, nearly twice the seasonal draw for the month, according to preliminary data. Much of this decrease was reported in motor gasoline (-15.6 mb) where refiners destocked winter-grade product in preparation for their switch to summer grade. PADD 2 stocks fell by 5.9 mb or 11% while those in PADD 1 dropped by 4.4 mb (8%). In contrast, PADD 3 inventories slipped by 2.0 mb, only accounting for 3 % of gasoline inventory there. On a national level, gasoline inventories covered 23.4 days of forward demand, one day less than the five-year average.

OECD Europe

OECD European industry inventories drew by a slim 2.2 mb in February. Since the fall was weaker than the 10.7 mb five-year average draw for the month, the region's deficit to the marker fell to 82 mb from 91 mb one month earlier. A 1.3 mb decrease in refined products offset a 0.6 mb rise in crude oil to pressure aggregate stocks lower. All told, at end-February refined products covered 38.9 days of forward demand, a rise of 0.1 days from end-January. With the European winter remaining warmer than normal, regional middle distillates inventories (including 10 ppm gasoil, the regional liquid fuel of choice for space heating) drew by a slight 1.1 mb, weaker than the 7.6 mb seasonal draw for the month. Consequently, the deficit of stocks versus the five-year average narrowed to 18.7 mb at end-month from 25.3 mb at end-January. End-user heating oil (10 ppm gasoil) stocks in Germany, the

region's largest consumer, dropped by two percentage points to stand at 53% of capacity at month-end, level with one year earlier.

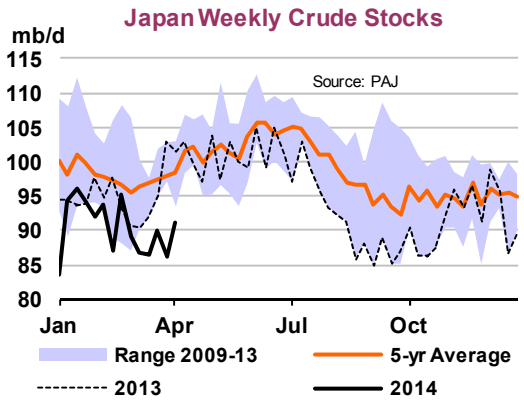


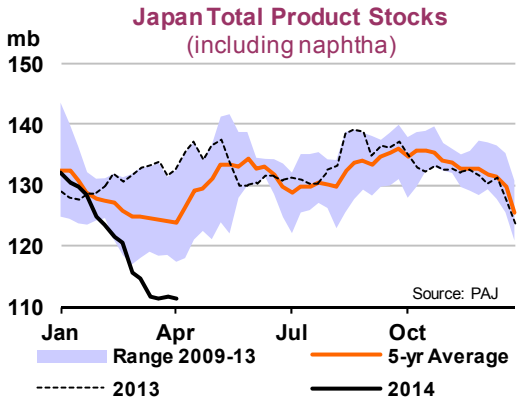


Preliminary data from Euroilstock suggest that European inventories fell by a broadly seasonal 6.8 mb in March with both crude (-3.3 mb) and refined products (-3.5 mb) posting draws. On the products side, all categories bar fuel oil (+0.3 mb) drew. Notably, middle distillates and motor gasoline fell by 2.3 mb and 1.2 mb, respectively. Data pertaining to refined products held in regional independent storage indicate that volumes rose, led by builds in light products.

OECD Asia Oceania

Commercial inventories in OECD Asia Oceania drew by a seasonal 5.2 mb in February after a 6.2 mb fall in refined products more-than-offset a 1.5 mb rise in crude oil. Among refined products, only motor gasoline posted a build (1.1 mb). Middle distillates drew by a seasonal 3.8 mb to leave inventories at a slim 2.1 mb deficit to the five-year average. As the region's refineries approached the second quarter peak maintenance season, refined product stocks stood 5.9 mb below year-earlier levels but due to diminished demand covered 20.8 days of forward demand, 0.4 days above end-January and 0.3 days below a year-earlier.





Preliminary weekly data from the Petroleum Association of Japan (PAJ) indicate that stocks there fell by an exceptionally steep 28.7 mb in March. Crude oil inventories plunged by 15.5 mb as refiners ran down their feedstocks ahead of the 31 March deadline for the shuttering of a tranche of refining capacity. Refining capacity is being reduced in order to meet new government targets regarding the national average ratio between cracking and crude-distillation capacity.

Japanese refined product stocks dropped by an additional 8.1 mb as end-user demand reportedly picked up ahead of the 1 April increase in the sales tax, from 5% to 8%. With refiners reluctant to increase runs

amid weak margins, product inventories have been on a steady downward trajectory since the turn of the year, led by a combined 15 mb draw in kerosene and gasoil.

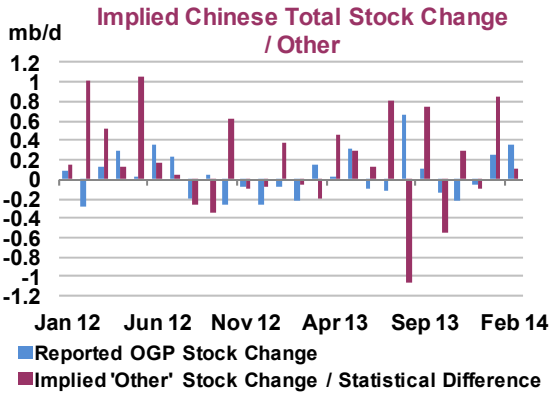
OECD Asian Economies Building Storage to Take Advantage of Globalised Trade

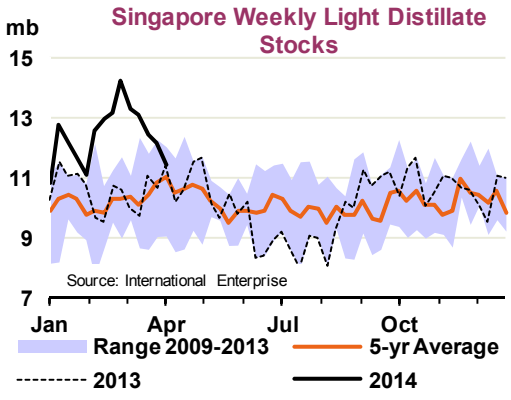
As global oil trade continues to move away from the Atlantic Basin to the Pacific, Japan and Korea are jostling to position themselves as regional trading hubs. Korea, in particular, appears to have made the development of a large-scale storage hub, designed to support regional trade, a national priority. In recent years, the administration has repeatedly voiced support for the development of the southeastern port of Ulsan to become the region's premier oil trade and storage hub. The hub has had considerable success, reportedly growing at a rate of 3% per year since 2001. Moreover, following a recent government feasibility study, the Ulsan tank farm will be expanded to store 28.4 mb of crude, refined products and petrochemicals by 2020. This would lift Korea's total commercial storage capacity to 58 mb, higher than that of the current Asian storage powerhouse, Singapore. The Ulsan expansion project will be undertaken by Korean companies KNOC and S-Oil in partnership with independent tank storage provider, Vopak.

Meanwhile, since 2011, Japan has also sought to leverage its oil-market experience and proximity to several large Asian oil importers. The administration's strategy has been to strengthen its ties with Saudi Arabia, one of its major crude suppliers, by providing crude storage free of charge. Such an arrangement has permitted Japan to improve its energy security while at the same time allowing Saudi Arabia to pre-position crude in a key consumer market, beyond such naval chokepoints as the Straits of Hormuz and the Malacca Straits, through which most Middle East tankers bound for Asia must sail. Under the terms of the agreement, state-owned Japan Oil, Gas and Metals Corporation (JOGMEC) leases storage tanks at the Okinawa terminal to Saudi Aramco and in return has first refusal rights on the crude stored at the terminal in the event of an emergency. Such was the success of the deal that in late 2013, Japan announced that it was extending it for a further three years and increasing the amount of crude stored to 6.3 mb from 3.8 mb. Saudi Aramco uses the site primarily for strategic storage with shipping data indicating that only 13 crude cargoes have left the port since 2011 as the oil is likely periodically 'turned over'. Destinations of the cargoes include China, Indonesia, Korea, Taiwan and even the US West Coast.

Recent Developments in Singapore and China Stocks

Data from *China Oil, Gas and Petrochemicals* (*China OGP*) indicate that Chinese commercial inventories built by an equivalent 30.7 mb in February (data are reported in terms of percentage stock change), led by a 20.7 mb rise in refined products. This increase in products likely results from the commissioning of several new refineries in January. Gasoil stocks rose by 13.9 mb (20%) amid reports of sluggish domestic demand during the Chinese New Year holiday and of exporters not shipping their quotas abroad.





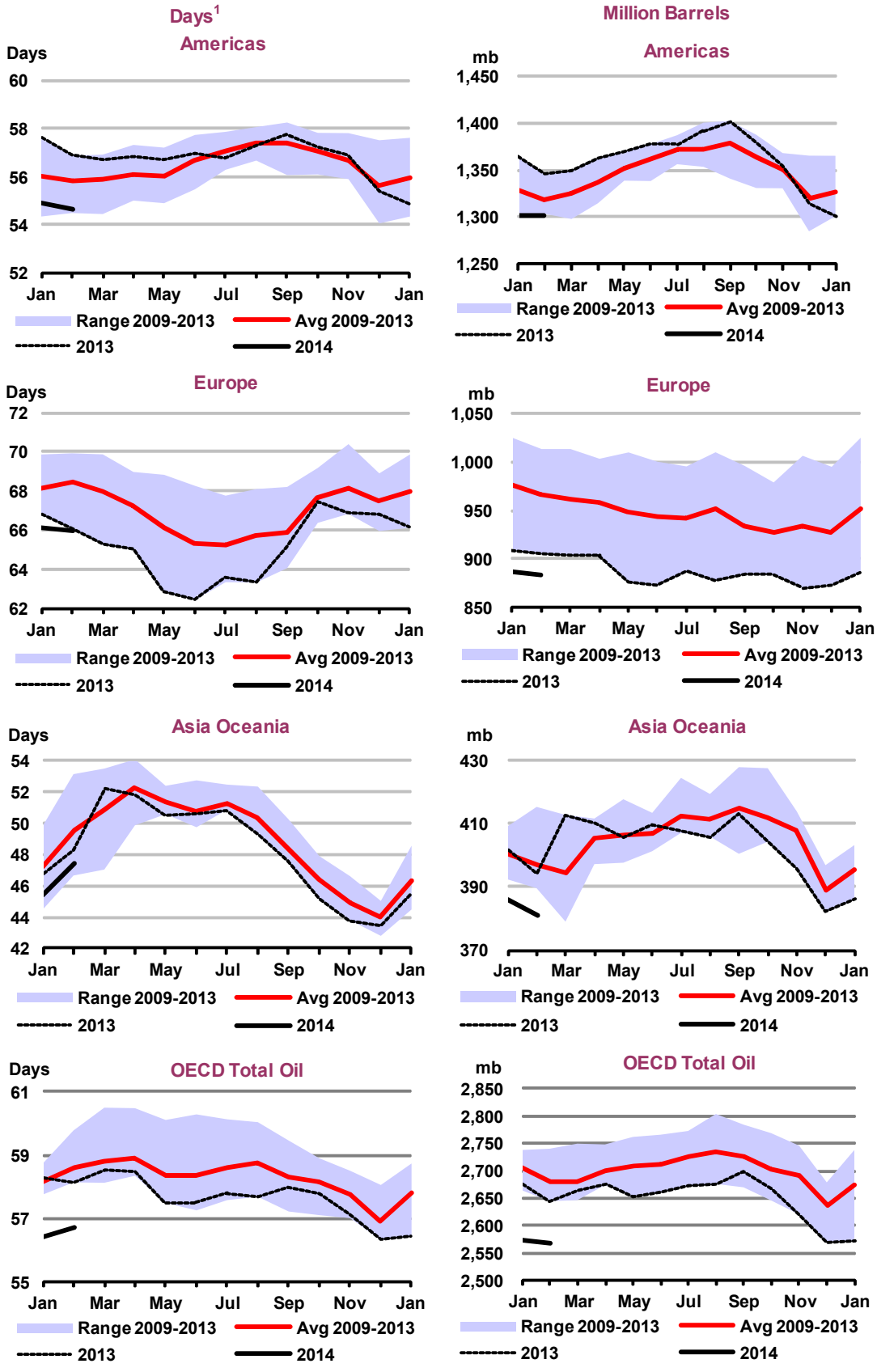
There has been much recent speculation about the possibility that China could be adding to Phase 2 of their Strategic Petroleum Reserve. After China likely refrained from further building strategic stocks in 2013, data indicate that crude supply (imports and domestic production) surged ahead of refinery runs in January and February, implying a larger crude stock build than indicated by *OGP* data. In January, as imports hit a record 6.7 mb/d, this gap between crude supply and demand widened to 850 kb/d, the

most since May 2012, when China was in the midst of building Phase 2 storage. In February, the gap fell back to 110 kb/d.

Data from International Enterprise pertaining to the land-based storage of refined products in Singapore indicate that inventories dropped by a slim 0.4 mb in March after light distillates plunged from their previous record levels. Much of this drop can be pinned on lower imports, notably of naphtha from the Atlantic Basin, while demand from the Philippines and Vietnam – among others – remained high. Following healthy imports from Saudi Arabia and India, and amid reportedly low bunker fuel demand, residual fuel oil stocks soared by 1.7 mb over the month. Most of this build was posted in the final week of the month. Meanwhile, middle distillates stocks inched up by 0.5 mb over the month.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

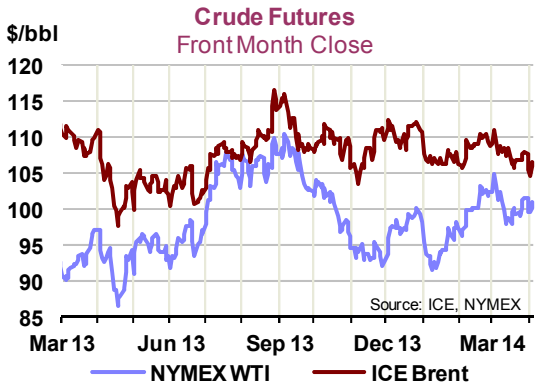
Summary

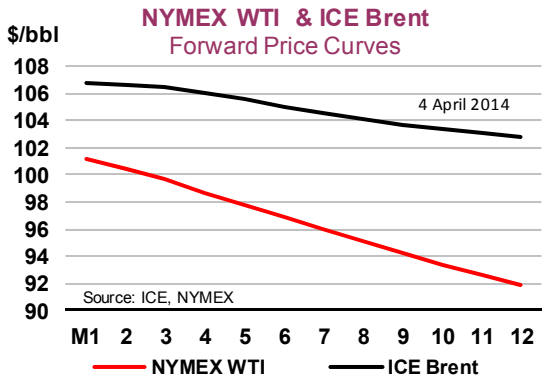
- **Crude oil prices oscillated in a narrow range in March, with supply outages in Libya and northern Iraq as well as market anxiety over Russian-Ukraine tensions** countering seasonally weaker demand and reduced refinery throughputs. By early April, market expectations of an imminent restart of limited Libyan exports pressured ICE Brent prices lower, last trading at $107.75/bbl. By contrast, a steady increase in US refinery demand supported NYMEX WTI at $103.50/bbl.

- **Spot prices for benchmark crudes in March were marginally lower month-on-month (m-o-m), with seasonally weaker demand** and scheduled maintenance in the Atlantic basin and Asia curbing refining runs in all major markets, which in turn weighed on prices.

- **Spot product prices posted a mixed month with cracks at the top and bottom of the barrel outperforming middle distillates,** which were hit by low seasonal demand and plentiful supply.

- **Rates for crude carriers experienced another underwhelming month in March as demand for crude was curbed ahead of the second-quarter refinery maintenance season** while product tanker markets were characterised by a geographical split as rates for vessels on voyages to Asia firmed while those in the Atlantic Basin weakened.





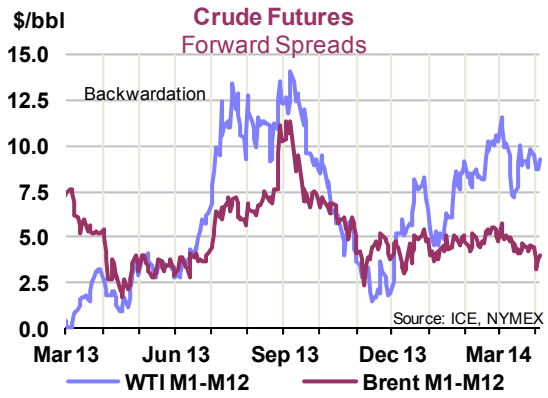
Market Overview

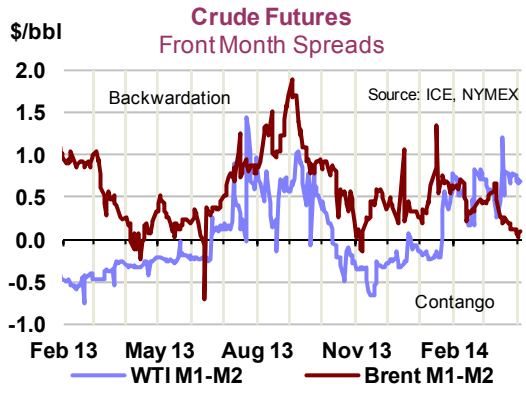
Oil prices oscillated in a narrow range in March, with supply outages in Libya and northern Iraq and market anxiety over Russian-Ukraine tensions countering seasonally weaker demand and reduced refinery throughputs. ICE Brent futures remained near five-month lows, declining by $1.08/bbl to $107.75/bbl while NYMEX WTI was off a smaller $0.17/bbl to an average $100.50/bbl. By early April, market expectations of an imminent restart of limited Libyan exports pressured ICE Brent prices lower, last trading at $107.75/bbl. By contrast, a steady increase in US refinery demand supported NYMEX WTI at $103.50/bbl.

Oil markets are closely following difficult negotiations to end the port blockades between the federalist rebels in eastern Libya and the central government in Tripoli, with both sides issuing a raft of conflicting reports on the status of a planned resumption of exports. A resolution to the nine-month standoff may be near but the devil is in the details, and the timing of the resumption could face a multitude of problems and delays. Initial reports in early April suggested it was a matter of days before a resolution to the conflict would be reached, with Brent crude falling $3/bbl as the market began to factor in the return of Libyan supplies. By 9 April, however, it appeared that it could be weeks before exports resume and

even then by a smaller volume than originally envisioned. Efforts are reportedly underway to restart the two smaller of the four ports, Zuetina and Hariga, which would amount to under 200 kb/d, but so far the central-government controlled oil protection force has been unable to secure the facilities. Plans to resume operations at the larger Es Sider and Ras Lanuf are still in limbo as negotiators thrash out details, including demands from the rebels that the group's leader, Ibrahim al-Jathran, be given amnesty. Another sticking point is to guarantee that former guard members who deserted the government-run Petroleum Facilities Guard (PFG) to join al-Jathran be allowed to return to their jobs.

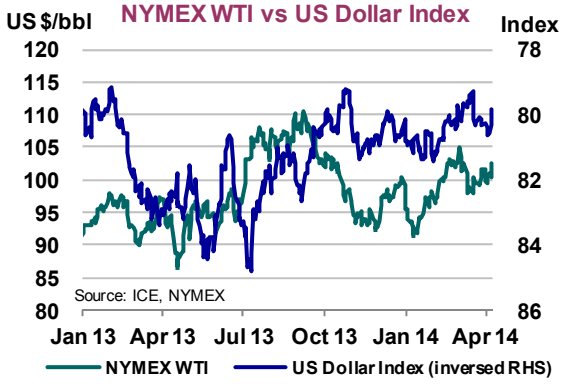
The continued loss of Libyan crude combined with a near total cut-off of Iraqi Kirkuk supplies in March led to a tightening of sour crude markets. In addition, OPEC crude supplies posted an exceptional decline of near 900 kb/d to just 29.62 mb/d, the lowest level in five months. For all the geopolitical issues that could potentially unhinge markets, prices for the Brent M1-M12 futures contract have remained relatively stable. The Brent M1-12 contract narrowed marginally in March, to $4.65/bbl compared with $4.95/bbl in February and $4.50/bbl in January.





While market attention has been transfixed on supply issues in March and April, weaker demand data for 1Q14 have emerged, in part due to relatively mild winter weather conditions in Europe and Korea and a waning demand outlook for China. A slowdown in Chinese oil demand growth, that emerged mid-2013, has continued in line with the underlying macroeconomic trend, with demand for industrial fuels particularly soft.





By early April, markets seesawed. Uncertainty surrounding the return of Libyan supplies to the market, escalating tensions between Russian and Ukraine, suspension of Iraqi Kirkuk crude exports and expectations of a pick up in demand combined to lift prices briefly before they eased again. After posting a seasonal low in April, however, refinery throughput rates are forecast to rise 2.4 mb/d by June. A steady uptrend in financial markets may also lend support to commodity markets.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

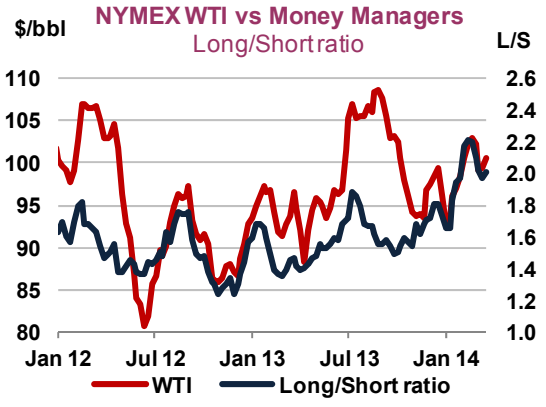
	Jan	Feb	Mar	Mar-Feb Avg Chg	% Chg	Week Commencing: 03 Mar	10 Mar	17 Mar	24 Mar	31 Mar
NYMEX										
Light Sweet Crude Oil	94.86	100.68	100.51	-0.17	-0.2	102.77	99.25	99.41	100.40	100.47
RBOB	111.12	115.89	123.12	7.23	5.9	124.87	124.02	121.43	122.33	121.72
No.2 Heating Oil	127.30	128.65	123.93	-4.73	-3.8	126.91	123.62	122.21	123.13	121.80
No.2 Heating Oil ($/mmbtu)	22.45	22.69	21.86	-0.83	-3.8	22.38	21.80	21.55	21.72	21.48
Henry Hub Natural Gas ($/mmbtu)	4.55	5.16	4.49	-0.68	-15.1	4.59	4.51	4.43	4.43	4.38
ICE										
Brent	107.11	108.83	107.75	-1.08	-1.0	109.07	108.12	106.45	107.35	106.21
Gasoil	122.71	123.66	121.14	-2.53	-2.1	123.26	121.30	119.66	120.57	119.07
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-12.25	-8.15	-7.24	0.91		-6.30	-8.87	-7.04	-6.95	-5.74
NYMEX No.2 Heating Oil - WTI	32.44	27.97	23.42	-4.56		24.14	24.37	22.80	22.73	21.33
NYMEX RBOB - WTI	16.26	15.21	22.61	7.40		22.10	24.77	22.02	21.93	21.25
NYMEX 3-2-1 Crack (RBOB)	21.65	19.46	22.88	3.42		22.78	24.64	22.28	22.19	21.28
NYMEX No.2 - Natural Gas ($/mmbtu)	17.90	17.53	17.37	-0.16		17.79	17.29	17.12	17.28	17.10
ICE Gasoil - ICE Brent	15.60	14.83	13.39	-1.45		14.19	13.18	13.21	13.22	12.86

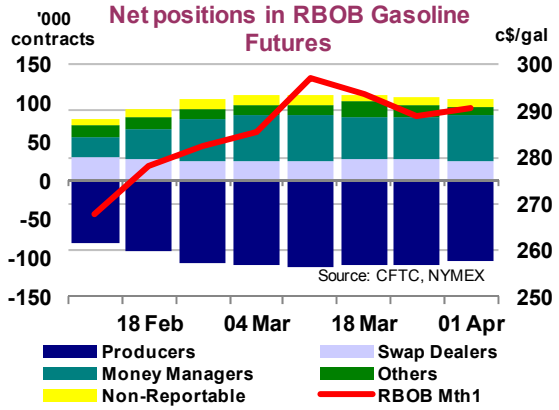
Source: ICE, NYMEX.

Futures Markets

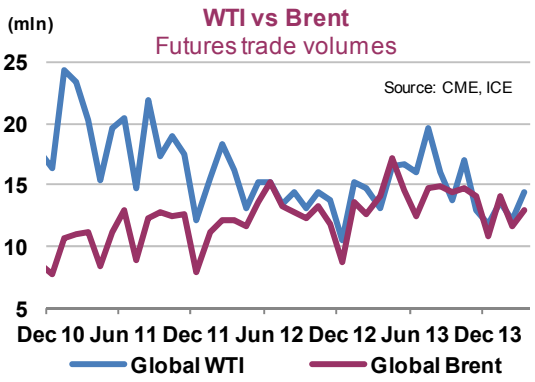
Activity Levels

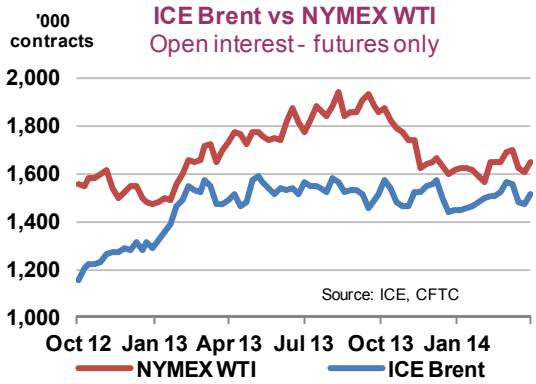
Managed money net long positions in NYMEX WTI futures eased between 25 February and 4 April after peaking to an all time high in late February and early March, as WTI retreated under the $100/bbl threshold. The ratio between long and short hedge funds' positions is now gravitating around the 2-to-1 level, which it had not reached in more than three years. Hedge funds reduced their net long exposure to ICE Brent as well, as the price eased throughout the month, although trading in a narrow $5/bbl range. On the products side, hedge funds raised their net long exposure to RBOB gasoline to their highest since August 2013, ahead of the switch to summer grade. Money managers also reduced their net longs in both New York ULSD and ICE Gasoil, as prices eased throughout the month.





In terms of outstanding futures contracts, ICE Brent inched up just above 1% y-on-y, while NYMEX WTI dropped by 5%. The fall in WTI was even steeper when considering futures and options, down almost 12% y-o-y. Global WTI trading volumes stood over Brent's for the second consecutive month, after being neck-to-neck for seven consecutive months. Both contracts were seasonally up on the month in double digits (12% Brent and 18% WTI). On a year-on-year basis, Brent was down 7%, while WTI was up almost 10%.





Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

01 April 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	285.7	340.8	-55.1	*Short*	↓ -5.9	↓ -10.0
Swap Dealers' Positions	276.1	631.3	-355.2	*Short*	↑ 5.3	↑ 33.0
Money Managers' Positions	587.0	293.2	293.8	*Long*	↑ 11.1	↓ -35.4
Others' Positions	403.0	305.0	98.0	*Long*	↓ -10.5	↑ 10.7
Non-Reportable Positions	92.7	74.2	18.5	*Long*	↓ 0.0	↑ 1.7
Open Interest			**1644.5**		↑ 39.9	↑ 0.6

Source: CFTC

Positions on ICE Brent Crude Futures

Thousand Contracts

01 April 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	604.6	843.0	-238.4	*Short*	↑ 7.6	↑ 3.7
Swap Dealers' Positions	428.8	264.8	164.0	*Long*	↓ -6.3	↑ 5.0
Money Managers' Positions	321.6	188.0	133.6	*Long*	↓ -2.4	↓ -12.3
Others' Positions	119.4	180.8	-61.5	*Short*	↑ 2.2	↑ 3.8
Non-Reportable Positions	35.1	32.8	2.3	*Long*	↓ -1.1	↓ -0.3
Open Interest			**1509.4**		↑ 34.4	↓ -9.8

Source: ICE

Financial Regulation

The US Commodity Futures Trading Commission (CFTC), citing problems in now-mandatory swaps data reporting, is seeking public comment on the reporting rules, aiming to improve the Commission's data reporting standards. The 60-day public comment process is part of the swap data review carried out by the CFTC in order to resolve reporting challenges. The internal working group in charge of the review is expected to make recommendations by the end of July.

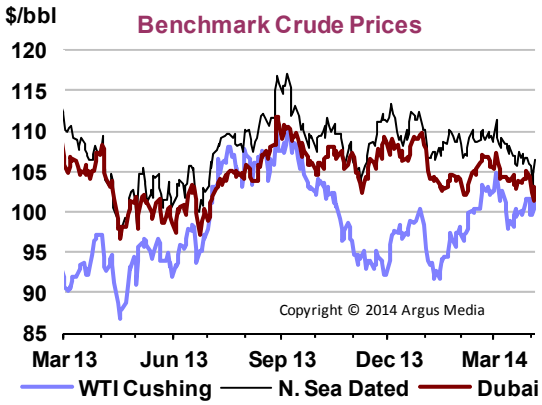
The CFTC issued no-action letters on 21 March, dispensing firms dealing swaps with utilities from being registered as swap dealers, provided that they remain under the $8 billion per year threshold. The letter follows a petition from gas and power utilities requesting relief for hedging risk stemming from electric or natural gas operations.

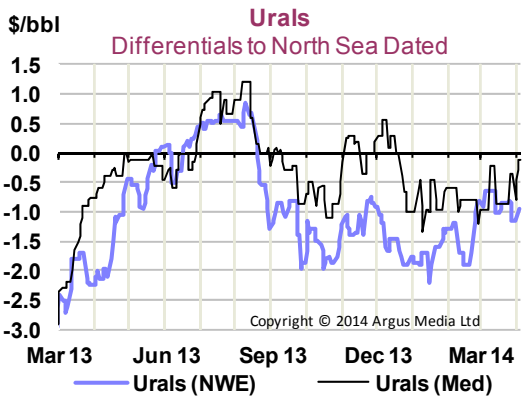
EU registered swaps-trading platforms (so-defined Multilateral Trading Facilities) have now until 15 May to meet the CFTC standards in order to be exempted from registering as swaps dealers in the US, a deadline previously set on 24 March. The extended CFTC relief follows the Commission's announcement of further clarifications and amended conditions to qualify for exemption.

Spot Crude Oil Prices

Spot prices for benchmark crudes in March were marginally lower m-o-m, with seasonally weaker demand and scheduled maintenance in the Atlantic basin and Asia curbing refining runs in all major markets. Global refinery throughputs are forecast to tumble by 2 mb/d from February to a seasonal low of 74.9 mb/d in April before steadily recovering to meet peak summer demand.

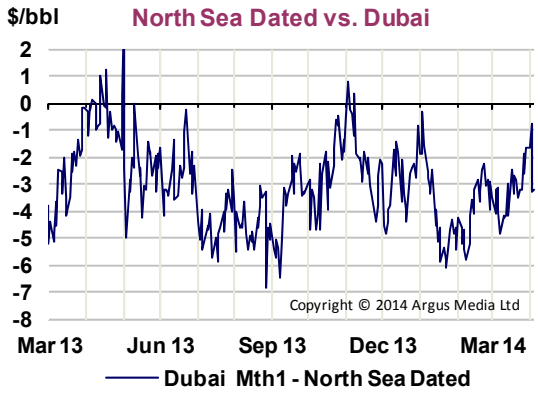
In Europe, expectations of a recovery in Libyan supplies and relatively high exports of Iraqi Basrah crude combined to push Brent lower, down by $1.29/bbl to an average $107.55/bbl in March. Spot prices for Dubai were down a smaller $0.70/bbl to $104.30/bbl, with stronger demand for fuel oil-rich crudes tempering reduced demand overall from refiners. US WTI posted the smallest m-o-m loss at just $0.15/bbl to $100.57/bbl as domestic refiners started their ramp-up from maintenance turnarounds.

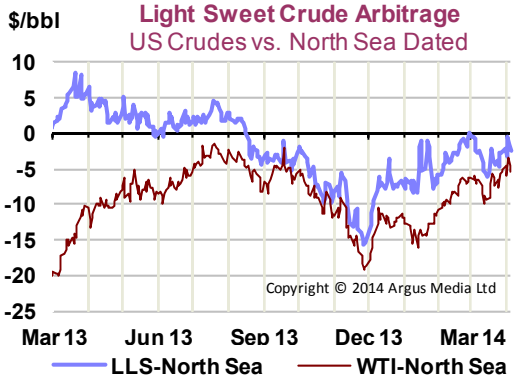




By early April, reports of an imminent start-up of Libyan crude exports to Europe and reduced refinery runs added further downward pressured on European markets. The price spread between Brent and Urals crudes in the Mediterranean, however, narrowed on tight sour markets. The near complete loss of Libyan and Iraqi Kirkuk crudes in March and helped strengthen Urals relative to Brent. Exports of Kirkuk have been halted since 2 March following sabotage to the key Iraq-Turkey pipeline to the Mediterranean port of Ceyhan. Technicians have been unable to make repairs to the pipeline due to attacks on workers.

The Brent-Urals differential narrowed from $0.95/bbl at the start of March to just $0.35/bbl by 31 March. After initial expectations in early April of an imminent resumption of Libyan exports, it appears conflicting negotiating demands and operational issues may delay the restart until at least 13 April, according to officials, and even then, volumes from the Zuetina and Hariga ports will be relatively modest at under 200 kb/d.





In Asia, relatively stronger demand for heavier, sour grades strengthened Dubai crude relative to Brent and lighter African grades. With the decline in spot prices of Brent outpacing Dubai, the discount

between the grades narrowed by around $0.60/bbl m-o-m, to -$3.25/bbl in March compared with around -$3.85/bbl in February and an average -$4.15/bbl in January.

In the US, the WTI-Brent differential also narrowed as the benchmark was supported by rising refinery throughputs through March at the US Gulf Coast and a steady drawdown in crude oil stocks at the Cushing, Oklahoma storage terminal (see *'OECD Stocks'* section). The WTI-Brent spread was just under -$7/bbl in March compared with about -$8.10/bbl in February and around -$13.30/bbl in January. The LLS has also steadily gained on Brent, with the differential narrowing in early April to -$1.90/bbl compared with -$3.35/bbl on average in March.

Spot Crude Oil Prices and Differentials

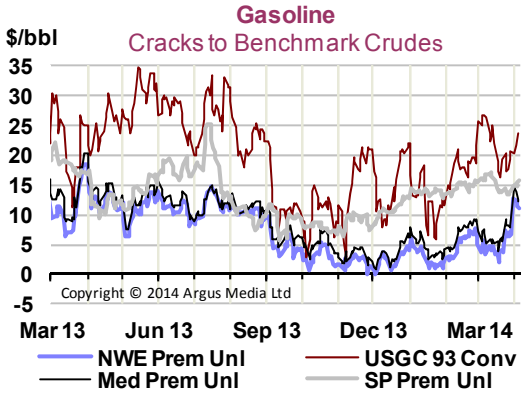
(monthly and weekly averages, $/bbl)

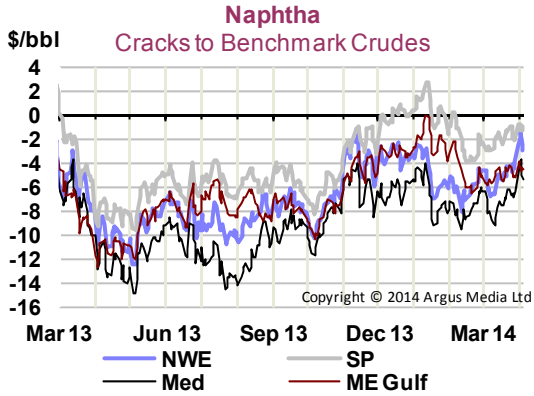
	Jan	Feb	Mar	Mar-Feb Avg Chg	%	Week Commencing: 03 Mar	10 Mar	17 Mar	24 Mar	31 Mar
Crudes										
North Sea Dated	108.17	108.84	107.55	-1.29	-1.2	109.26	108.02	106.60	106.62	105.24
Brent (Asia) Mth 1	107.95	108.75	107.75	-1.00	-0.9	109.24	108.02	106.83	106.98	106.06
WTI (Cushing) Mth 1	94.86	100.72	100.57	-0.15	-0.2	102.77	99.25	99.50	100.57	100.47
Urals (Mediterranean)	107.36	108.02	106.87	-1.15	-1.1	108.31	107.69	105.75	106.07	104.89
Dubai	104.02	105.00	104.30	-0.70	-0.7	105.40	104.07	103.61	104.11	103.14
Tapis (Dated)	107.11	107.65	105.33	-2.32	-2.2	107.22	106.02	104.44	104.04	102.54
Differential to North Sea Dated										
WTI (Cushing)	-13.31	-8.11	-6.98	1.14		-6.50	-8.77	-7.09	-6.05	-4.76
Urals (Mediterranean)	-0.80	-0.81	-0.68	0.14		-0.95	-0.33	-0.85	-0.55	-0.35
Dubai	-4.15	-3.84	-3.25	0.59		-3.87	-3.95	-2.99	-2.51	-2.10
Tapis (Dated)	-1.06	-1.19	-2.22	-1.03		-2.04	-2.00	-2.16	-2.58	-2.70
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.70	0.34	0.17	-0.17		0.44	0.50	0.04	-0.20	-0.18
Forward WTI Cushing Mth1-Mth2	0.02	0.49	0.59	0.09		0.61	0.37	0.70	0.63	0.70
Forward Dubai Mth1-Mth2	0.41	0.16	0.33	0.17		0.32	0.32	0.38	0.37	0.27

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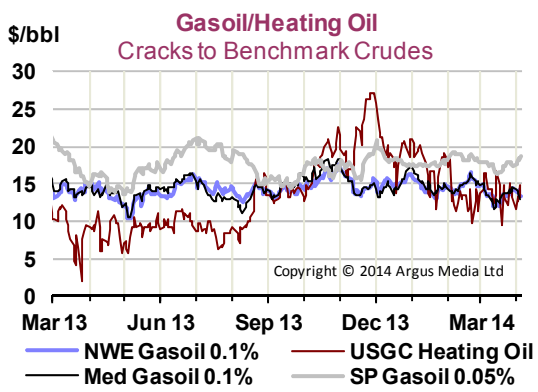
Spot Product Prices

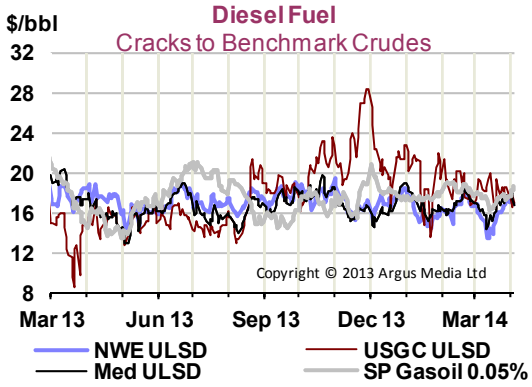
Spot product prices in major markets endured a mixed month, with cracks at the top and bottom of the barrel out performing middle distillates, which were hit by low seasonal demand and plentiful supply. US **gasoline** markets received a major boost from heavy stock draws ahead of the switch from winter grade product to summer grade. In the US Gulf cracks briefly exceeded $25/bbl in early March but then seesawed from thereon, gaining $3.40/bbl on average throughout the month. European markets were also buoyed by the US switch to summer grade product, and in late-March both the NWE and MED cracks soared to nearly $15/bbl, their highest level since summer 2013. In Singapore, the crack against Dubai lost some ground mid-month as reportedly high stocks in a number of key consumers dampened demand.



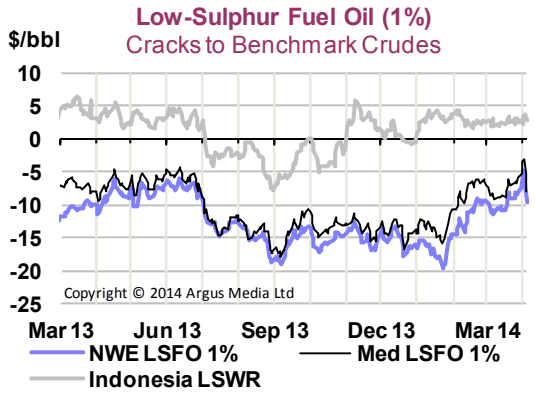


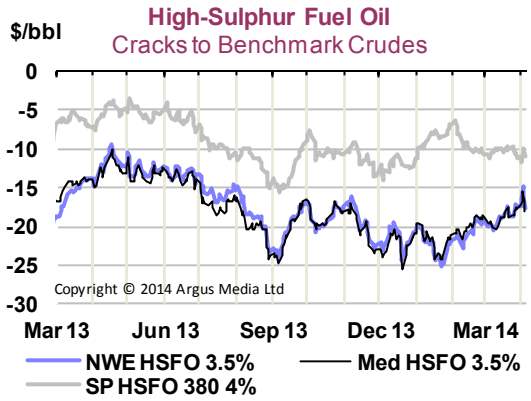
Naphtha cracks strengthened while remaining in negative territory, across all surveyed markets in March. European markets experienced the greatest uptick as demand from refiners for naphtha as a gasoline blending component remained strong. In late March, the NWE crack rose to a discount of close to $2/bbl versus Brent, its highest value since late 2012 after supplies to the region tightened after Mediterranean naphtha headed to Asia instead. Additional upward momentum came as volumes in independent storage declined. In Singapore, gains were not as impressive as in Europe as the crack against Dubai firmed by $0.40/bbl. Upward pressure came as arrivals from Europe remained scant while gains were tempered as demand from Korea's petrochemical sector remained underwhelming.





European **middle distillate** markets performed especially poorly throughout March. Gasoil cracks were dragged lower after a decline in Brent was outstripped by falls in spot product prices after underwhelming seasonal demand, in the wake of an especially warm winter, and plentiful supply. However, from late-month onwards cracks experienced a resurgence as imports reportedly tailed off and a number of refiners reportedly curbed runs for maintenance and in response to poor margins. In the US, diesel prices came under pressure from the closure of the Houston Ship Channel in late-month which disrupted exports while US stocks also built. In Asia, kerosene spot prices softened at a faster pace than falls in crude as the heating demand season finished while demand for transport use has yet to take off. Consequently the Singapore jet kerosene crack plunged by $2.10 over the month.





European **residual fuel** cracks continued their recent improvement as spot prices remained relatively stable while regional marker crudes weakened. Low sulphur fuel oil (LSFO) cracks exceeded year-ago levels as the discount versus crude narrowed to -$5/bbl in late March before falling back again by early-April. Much of the recent strength has come from import demand from Singapore as the arbitrage to move product there remains open, buoyed by low freight costs. LSFO cracks in Singapore remained firmly in positive territory for a third consecutive month after regional demand remand firm while the high sulphur fuel oil crack languished at -$10/bbl as high imports from the US and Europe capped gains.

Spot Product Prices

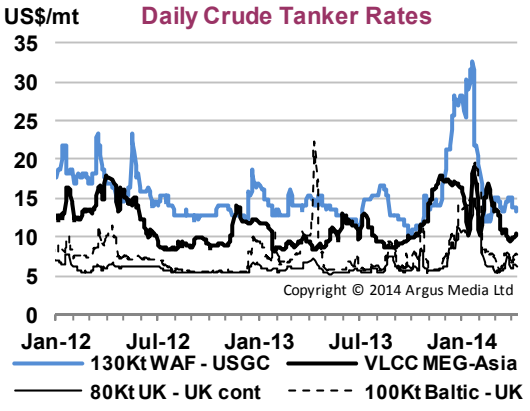
(monthly and weekly averages, $/bbl)

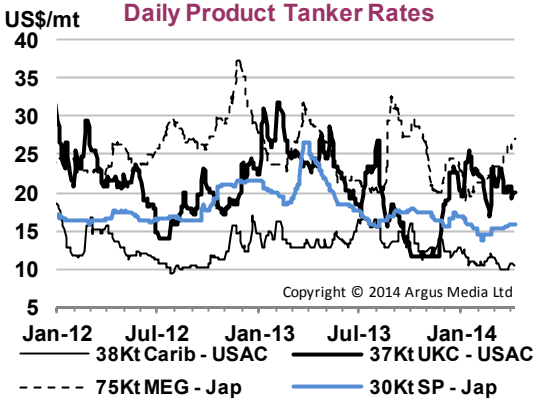
	Jan	Feb	Mar	Mar-Feb Chg	Mar-Feb %	Week Commencing: 03 Mar	10 Mar	17 Mar	24 Mar	31 Mar	Jan	Feb	Mar	Chg
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	110.83	114.10	112.67	-1.42	-1.2	113.82	112.28	110.05	113.34	117.23	2.66	5.26	5.12	-0.14
Naphtha	103.29	102.78	102.45	-0.33	-0.3	103.46	102.21	101.58	102.31	102.97	-4.88	-6.06	-5.10	0.96
Jet/Kerosene	123.28	123.40	120.24	-3.17	-2.6	122.26	120.08	118.92	119.81	118.53	15.11	14.56	12.69	-1.88
ULSD 10ppm	124.11	125.58	123.16	-2.42	-1.9	125.25	122.33	121.70	123.35	122.37	15.95	16.74	15.61	-1.13
Gasoil 0.1%	122.56	123.65	120.93	-2.73	-2.2	123.20	120.79	119.48	120.44	118.98	14.40	14.82	13.38	-1.44
LSFO 1%	91.50	97.60	97.87	0.28	0.3	98.37	97.54	97.28	98.17	98.39	-16.67	-11.24	-9.68	1.56
HSFO 3.5%	85.70	88.22	88.79	0.57	0.6	89.27	88.69	88.46	88.78	88.74	-22.47	-20.61	-18.76	1.86
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	111.81	115.05	113.71	-1.34	-1.2	114.81	113.30	111.09	114.41	118.32	4.45	7.03	6.83	-0.19
Naphtha	100.56	100.24	99.63	-0.61	-0.6	100.65	99.34	98.74	99.53	100.37	-6.80	-7.78	-7.25	0.54
Jet Aviation fuel	121.85	122.22	118.66	-3.56	-2.9	120.75	118.47	117.29	118.25	117.16	14.48	14.20	11.79	-2.41
ULSD 10ppm	124.06	125.03	123.30	-1.73	-1.4	124.94	122.99	122.06	123.31	122.38	16.70	17.01	16.43	-0.57
Gasoil 0.1%	122.18	122.87	120.36	-2.50	-2.0	122.35	120.04	119.09	120.12	118.46	14.82	14.84	13.49	-1.35
LSFO 1%	94.08	100.45	99.24	-1.21	-1.2	99.91	98.90	98.35	99.65	99.88	-13.29	-7.58	-7.63	-0.06
HSFO 3.5%	85.40	88.12	88.03	-0.09	-0.1	88.70	87.97	87.51	87.97	87.99	-21.96	-19.90	-18.84	1.06
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	114.63	124.75	125.87	1.12	0.9	133.89	126.48	121.07	122.37	125.50	11.94	18.50	21.68	3.18
Unleaded	107.12	112.88	114.21	1.33	1.2	114.65	115.21	114.15	112.91	117.97	4.43	6.63	10.02	3.39
Jet/Kerosene	122.00	124.68	121.43	-3.25	-2.6	125.80	121.39	118.86	119.87	119.14	19.31	18.43	17.24	-1.19
ULSD 10ppm	121.78	124.83	122.56	-2.27	-1.8	126.13	121.96	120.66	121.61	120.70	19.09	18.58	18.37	-0.21
Heating Oil	119.80	119.23	118.11	-1.12	-0.9	122.95	117.09	115.90	117.06	116.29	17.11	12.98	13.92	0.95
No. 6 3%*	88.25	90.39	89.37	-1.02	-1.1	90.21	89.67	88.90	88.82	88.37	-14.44	-15.86	-14.82	1.04
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	117.83	119.71	119.40	-0.32	-0.3	121.54	120.48	117.64	118.01	118.27	13.81	14.71	15.10	0.38
Naphtha	104.50	102.60	102.30	-0.30	-0.3	102.57	102.11	101.68	102.59	102.10	0.48	-2.40	-2.00	0.40
Jet/Kerosene	121.64	122.83	120.02	-2.81	-2.3	121.82	119.87	118.60	119.75	119.22	17.62	17.83	15.72	-2.11
Gasoil 0.05%	121.57	123.56	121.69	-1.87	-1.5	123.24	121.10	120.57	121.78	121.23	17.55	18.56	17.39	-1.17
LSWR Cracked	107.24	107.77	106.85	-0.92	-0.9	107.86	106.35	106.28	106.83	106.14	3.22	2.77	2.55	-0.22
HSFO 180 CST	96.53	96.45	95.13	-1.32	-1.4	95.39	94.88	95.16	95.12	93.92	-7.49	-8.55	-9.17	-0.62
HSFO 380 CST 4%	95.38	95.62	93.94	-1.68	-1.8	94.60	94.04	93.60	93.60	92.33	-8.64	-9.38	-10.36	-0.98

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Freight

Rates for crude carriers experienced another underwhelming month in March as demand for crude was curbed ahead of the second quarter refinery maintenance season. The benchmark VLCC Middle East Gulf – Asia trade has been especially hard hit. Rates stood at less than $10/mt in late-March, considerably down on the recent mid-February peak of $16.80/mt. This decrease can be attributed to Asian refiners cutting their purchases of Middle Eastern sour crudes ahead of the second quarter maintenance season when approximately 1.6 mb/d of regional capacity is expected to be offline.





West African Suezmax markets seesawed throughout the month as, despite the recent increase in long-haul trade to Asia, the supply of tonnage remained plentiful. In Northwest Europe, rates on trades

from the Russian terminal of Primorsk suffered after the ice-class premium was removed as ice restrictions were lifted at the port ahead of schedule following an unusually warm winter. However, following a late-month uptick in Urals loadings at Baltic terminals, rates briefly rallied to $8/mt.

Product tanker markets were characterised by a geographical split as rates for vessels on voyages to Asia firmed while those in the Atlantic Basin weakened. In the East, rates on the Middle East Gulf – Japan route firmed by approximately $3.50/bbl over the month while gains on the Singapore – Japan trade amounted to a muted $0.50/bbl over March. It is likely that strength was gained from refiners stock building ahead of second quarter maintenance. Indeed, April normally coincides with a prolonged period of stock building in both OECD and non-OECD Asia economies.

In the Atlantic basin, product trade reportedly remained thin. Rates on the benchmark UK – US Atlantic Coast trade gradually softened over the month as the tonnage pool easily absorbed cargoes released onto the market. By early-April it sat approximately $2.50/bbl lower than in early-March. It should be noted that despite the closure of the Houston Ship Channel due to a fuel spill and reports of its disruption to US diesel exports, little effect was felt in tanker markets due to the plethora of suitable vessels in the Atlantic Basin.

REFINING

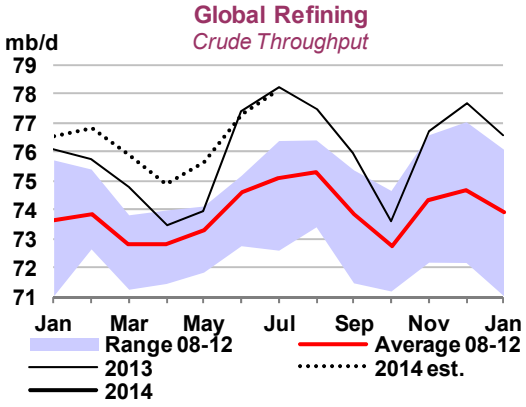
Summary

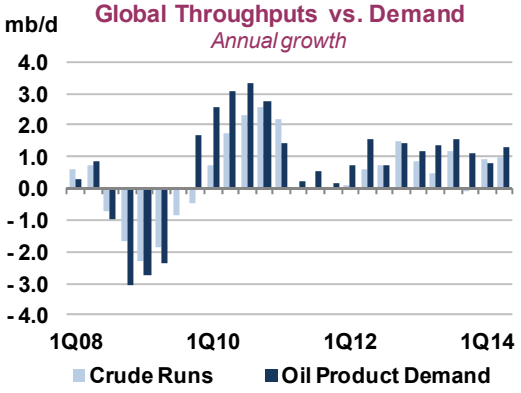
- **Global refinery crude demand inched slightly higher in February from a month earlier, averaging 76.8 mb/d.** Refinery activity will decline seasonally through April on scheduled maintenance in the Atlantic basin and the Pacific. Global crude runs fall by close to 2.0 mb/d from February to April, before rebounding sharply to meet peak summer demand. Throughputs are set to average 75.9 mb/d in 2Q14, down 0.5 mb/d from 1Q14 but 1.0 mb/d higher year-on-year (y-o-y).

- **Global refinery throughput estimates for 1Q14 have been lowered by 135 kb/d since last month's *Report,*** to average 76.4 mb/d, following weaker OECD activity. A rebound in Indian throughputs and robust Russian runs provided a partial offset. Annual growth remains pegged at 0.9 mb/d, with the US, the Middle East and Russia the main contributors. In contrast, European and Asian refinery activity contracted by a combined 0.7 mb/d.

- **OECD crude throughputs inched up marginally in February, to 36.5 mb/d, on the back of improved utilisation rates in Europe.** Despite a seasonal decline, North American throughputs stood an impressive 710 kb/d above a year earlier, offsetting structural declines in Europe and Asia Oceania.

- **Seasonal refinery maintenance tightened product markets and provided a welcome boost to European and Asian benchmark refining margins in the second half of March and early April**. On a monthly basis, however, surveyed refinery margins in Europe and Singapore were pressured lower in March from February by weaker product prices, while US refiners experienced a short-term boost courtesy of a seasonal change in gasoline specifications.





Global Refinery Overview

Global refinery throughput estimates for February are largely unchanged since last month's *Report*, at 76.8 mb/d, 265 kb/d higher than a downwardly revised January assessment. Final monthly data for January submitted by OECD member countries were some 230 kb/d lower than preliminary data had indicated, while weaker-than-expected monthly data for non-OECD countries reduced the January assessment by a further 120 kb/d. A stronger than expected rebound in Indian refinery activity in February, and surging Russian throughputs in March provided a partial offset, leaving 1Q14 global crude runs at 76.4 mb/d, down 135 kb/d compared to last month's *Report*. Annual gains totalling some 0.9 mb/d, were led by the US, (+690 kb/d), Russia (+320 kb/d) and the Middle East (+575 kb/d), partly blunted by continued contraction in Europe and Asia.

Refinery activity is set to plunge by nearly 2.0 mb/d from February through April due to spring maintenance. US refinery outages are expected to have already peaked in early March. European and

Russian turnarounds are expected to peak over April and May, while maintenance in Asia Oceania runs is concentrated over May and June. Global crude run estimates for 2Q14 are largely unchanged since last month's *Report* at 75.9 mb/d, down 0.5 mb/d on average from 1Q14, but 1 mb/d higher than in 2013. As in 1Q14, annual gains stem from the US, the Middle East and Russia, though non-OECD Asian throughput growth (including China) is expected to improve after a period of marked weakness.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

	Dec 13	**4Q2013**	Jan 14	Feb 14	Mar 14	**1Q2014**	Apr 14	May 14	Jun 14	**2Q2014**	Jul 14
Americas	19.1	**18.5**	18.3	18.2	18.1	**18.2**	18.2	18.9	19.1	**18.8**	19.3
Europe	11.1	**10.8**	11.1	11.4	11.1	**11.2**	11.2	11.2	11.6	**11.3**	11.7
Asia Oceania	7.0	**6.7**	6.9	6.9	6.7	**6.8**	6.2	5.9	6.1	**6.1**	6.4
Total OECD	37.2	**36.1**	36.4	36.5	35.9	**36.2**	35.6	36.0	36.8	**36.1**	37.4
FSU	7.0	**6.9**	7.0	7.0	7.1	**7.0**	6.7	6.9	7.0	**6.9**	7.1
Non-OECD Europe	0.5	**0.5**	0.4	0.4	0.4	**0.4**	0.5	0.3	0.4	**0.4**	0.5
China	9.9	**9.8**	9.8	9.8	9.9	**9.8**	9.7	9.6	9.8	**9.7**	10.0
Other Asia	9.8	**9.6**	9.8	10.0	9.7	**9.8**	9.8	9.7	9.8	**9.7**	10.0
Latin America	4.8	**4.8**	4.8	4.8	4.8	**4.8**	4.7	4.8	4.9	**4.8**	4.7
Middle East	6.3	**6.1**	6.3	6.1	6.0	**6.1**	6.0	6.2	6.4	**6.2**	6.4
Africa	2.3	**2.2**	2.2	2.1	2.2	**2.2**	2.0	2.0	2.1	**2.1**	2.1
Total Non-OECD	40.5	**39.9**	40.2	40.4	40.0	**40.2**	39.3	39.6	40.4	**39.8**	40.7
Total	77.7	**76.0**	76.6	76.8	75.9	**76.4**	74.9	75.6	77.3	**75.9**	78.1

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

While European and Singapore benchmark margins staged a remarkable recovery in early April, structural weakness persists. The improvement most likely followed temporary supply tightness on the back of seasonal maintenance, rather than product demand strength. Simple refiners in mature OECD economies outside of the US remain under pressure, and capacity consolidation continues. BP announced in early April it will shut its 100 kb/d Bulwer Island refinery in Australia by mid-2015, arguing that "the growth of very large refineries in the Asia-Pacific region was driving structural change within the fuels supply chain in Australia and putting huge commercial pressure on smaller scale plants". This will be the third Australian refinery closing in four years, following the shutdown of Shell's Clyde refinery in 2012 and the scheduled closure of Caltex' Kurnell refinery later this year. Shell also recently agreed a deal to sell its Geelong refinery to European energy trader Vitol. In Japan, the first phase of a government plan to rationalise the country's downstream industry was just completed, with another 400 kb/d of capacity permanently shut effective 31 March. The latest plant closures bring total Japanese capacity reductions to 0.8 mb/d since 2008, leaving it with just over 4 mb/d of crude distillation capacity at the start of April. In Europe, the collapse in early April of exclusive talks between Murphy affiliate Murco and a potential buyer of UK's Milford Haven plant increases its risk of closure. The company, which has been trying to sell the refinery for the last three years, has entered into discussion with employees over the future of the site.

Refinery Margins

Surveyed refinery margins had a mixed month in March with weaker product prices in Europe and Singapore pressuring margins lower there while US refiners benefited from a seasonal change in gasoline specifications. The prevailing trend, outlined in last month's *Report*, of sour crudes strengthening versus sweet grades - especially in Europe and Asia - continued into March, with refiners running such grades as Urals and Dubai facing weaker margins.

IEA/KBC Global Indicator Refining Margins[1]

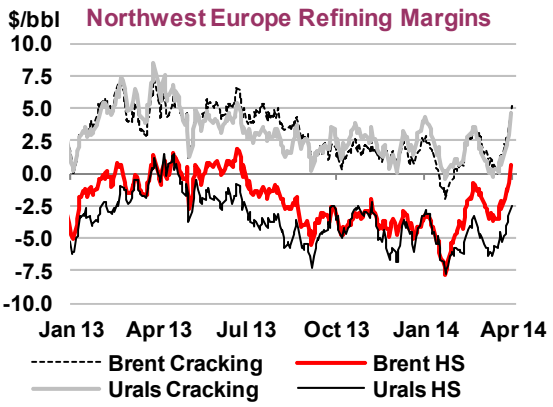
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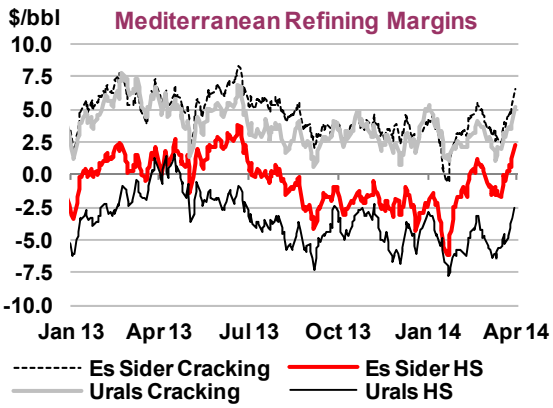
	Monthly Average				Change	Average for week ending:				
	Dec 13	Jan 14	Feb 14	Mar 14	Mar 14-Feb 14	07 Mar	14 Mar	21 Mar	28 Mar	04 Apr
NW Europe										
Brent (Cracking)	1.42	0.21	2.01	1.51	-0.50	1.37	0.70	0.70	2.54	5.22
Urals (Cracking)	2.17	1.51	2.05	1.08	-0.97	0.69	0.14	0.57	2.20	4.60
Brent (Hydroskimming)	-3.95	-5.35	-2.51	-2.47	0.05	-2.83	-3.29	-2.91	-1.44	0.58
Urals (Hydroskimming)	-4.80	-5.52	-4.82	-5.18	-0.36	-5.82	-6.05	-5.24	-4.15	-2.55
Mediterranean										
Es Sider (Cracking)	3.26	2.18	4.17	3.70	-0.47	3.38	2.96	3.17	4.72	6.48
Urals (Cracking)	2.63	2.78	3.03	2.70	-0.33	2.56	1.63	2.54	3.56	5.16
Es Sider (Hydroskimming)	-2.46	-3.44	-0.21	-0.49	-0.28	-1.00	-1.24	-0.90	0.61	2.24
Urals (Hydroskimming)	-6.25	-6.05	-5.27	-5.11	0.15	-5.48	-6.12	-5.03	-4.27	-2.89
US Gulf Coast										
50/50 HLS/LLS (Cracking)	6.10	5.97	7.30	9.01	1.71	7.03	11.11	9.97	8.13	8.07
Mars (Cracking)	2.44	0.26	-0.33	1.37	1.70	-1.85	2.99	2.44	1.65	2.57
ASCI (Cracking)	2.05	0.07	-0.54	1.17	1.71	-2.10	2.79	2.40	1.41	2.14
50/50 HLS/LLS (Coking)	7.37	7.27	8.35	9.85	1.50	7.83	11.83	10.86	9.03	9.03
50/50 Maya/Mars (Coking)	6.53	6.55	6.49	7.13	0.63	4.93	8.30	8.48	6.65	7.85
ASCI (Coking)	6.33	5.24	4.89	6.36	1.47	3.56	7.88	7.34	6.44	7.40
US Midcon										
WTI (Cracking)	7.71	12.71	13.63	16.88	3.25	17.54	19.39	15.27	15.36	16.63
30/70 WCS/Bakken (Cracking)	17.14	14.73	17.79	19.78	1.99	21.83	23.27	17.98	16.54	17.34
Bakken (Cracking)	17.33	16.27	19.50	22.90	3.40	25.15	26.59	20.67	19.61	20.74
WTI (Coking)	8.87	14.09	15.14	18.48	3.34	19.22	20.90	16.76	17.03	18.46
30/70 WCS/Bakken (Coking)	19.10	17.60	21.64	23.69	2.05	26.24	27.19	21.46	20.34	21.43
Bakken (Coking)	17.46	16.53	19.85	23.21	3.35	25.53	26.88	20.91	19.92	21.10
Singapore										
Dubai (Hydroskimming)	-3.00	-1.30	-1.80	-2.36	-0.56	-2.73	-2.16	-2.37	-2.19	-2.24
Tapis (Hydroskimming)	-1.89	-2.93	-2.42	-1.26	1.16	-1.66	-1.86	-1.35	-0.53	0.51
Dubai (Hydrocracking)	4.11	4.95	4.67	4.14	-0.53	3.97	4.32	3.90	4.32	4.44
Tapis (Hydrocracking)	1.74	0.14	0.71	1.65	0.94	1.34	1.18	1.43	2.32	3.39

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

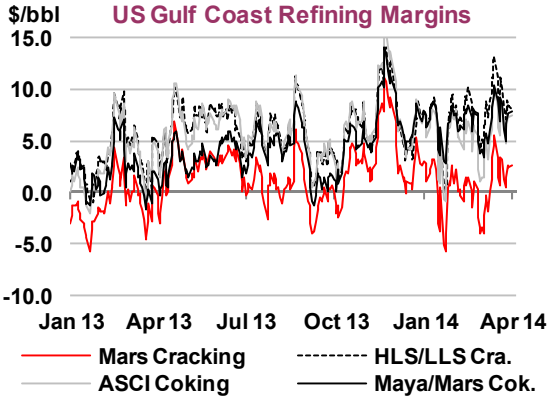
Despite weakening crude prices, European refinery margins remained in the doldrums in March, softening by $0.45/bbl and $0.23/bbl on average in Northwest Europe and the Mediterranean, respectively. Complex refiners, especially in Northwest Europe, faced even steeper declines in margins than simple refiners, after middle distillate prices came under pressure from ample imports and weak demand following a warmer-than-usual winter.

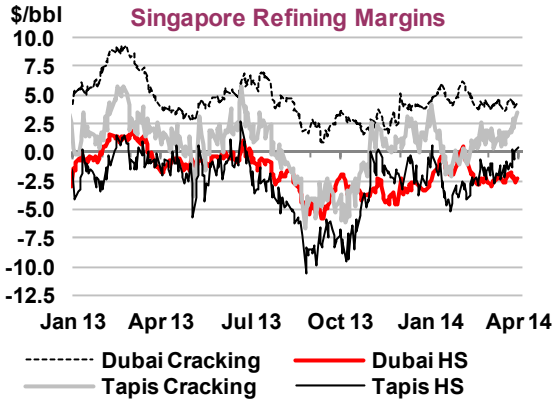




Simple refiners, in contrast, managed to buttress their losses as fuel oil prices held up better than those for products at the lighter end of the barrel. The relative price of feedstocks also had a bearing on margins, with refiners running Brent benefitting from the grade weakening versus other regional markers. Nonetheless, European refinery margins experienced a remarkable resurgence of late, more than doubling from late-March onwards on the back of surging gasoline and gasoil cracks. Notably, the Brent hydroskimming margin returned to positive territory for the first time since summer 2013.

Despite rising US crude prices versus other global benchmarks, US refiners experienced the greatest gains of all surveyed regions. Gulf Coast refiners, in particular, saw their margins rise by $1.45/bbl on average, while those in the midcontinent soared by $2.90/bbl. As in previous months, midcontinent refiners benefitted from WTI and WCS trading at a discount to Gulf Coast markets. In general, US margins received a short-term boost from rising gasoline prices after refiners drew down their stocks of winter-grade gasoline ahead of their seasonal switch to summer-grade product. Elsewhere, some strength was seen in middle distillates and high-sulphur fuel oil.





Margins were mixed in Singapore. As outlined in last month's *Report*, refiners running Dubai remained at a distinct disadvantage to those running Tapis. Indeed, the trend became even more pronounced after Tapis again weakened significantly against Dubai: refiners utilising Tapis enjoyed an average increase of $1.05/bbl in their margins, while those running Dubai saw margins fall by $0.55/bbl. With product prices performing poorly across the barrel, Tapis weakness was the main factor propelling margins upwards.

OECD Refinery Throughput

OECD refinery crude runs inched up by 100 kb/d in February, to 36.5 mb/d on average, on a recovery in European throughputs. Overall, OECD throughputs were only slightly lower than a year earlier, though regional differences persisted. European refiners processed 250 kb/d more crude in February than a month earlier, narrowing their y-o-y deficit to 330 kb/d, from 430 kb/d in January and 1 mb/d on average in the second half of 2013. In contrast, the commencement of spring turnarounds curbed refinery activity in North America in February, lowering regional throughputs by 140 kb/d m-o-m. Averaging 18.2 mb/d, regional throughputs were nevertheless up 0.7 mb/d y-o-y, with US crude throughputs a massive 1.0 mb/d higher. Lastly, OECD Asia Oceania's refinery throughputs were largely unchanged from January, but 0.5 mb/d below the same month in 2013.

Preliminary OECD estimates for January have been revised downwards by 230 kb/d since last month's *Report* with the submission of official data. Japan led the downward revisions (-105 kb/d), followed by the US (-100 kb/d) and Germany (-80 kb/d). February estimates were also lowered by just over 200 kb/d, following weaker data for Europe and Asia Oceania. In all, 1Q14 throughputs are now pegged at 36.2 mb/d, 120 kb/d lower than the previous year and 190 kb/d less than in last month's *Report*.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

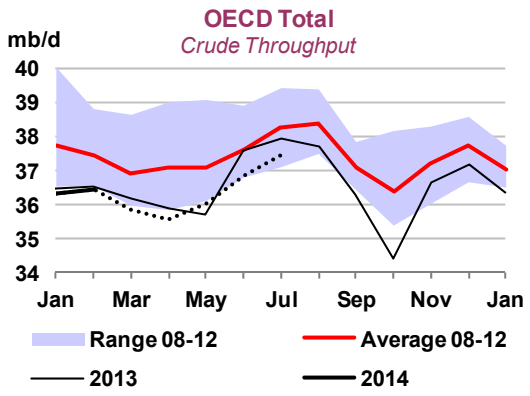
	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Change from Jan 14	Change from Feb 13	Utilisation rate[1] Feb 14	Utilisation rate[1] Feb 13
US[2]	15.63	14.99	15.65	16.07	15.30	15.22	-0.08	0.97	84.9%	80.0%
Canada	1.73	1.58	1.69	1.66	1.67	1.74	0.07	-0.08	94.9%	95.1%
Chile	0.19	0.16	0.16	0.18	0.18	0.17	0.00	-0.02	76.2%	84.9%
Mexico	1.13	1.09	1.16	1.19	1.20	1.08	-0.12	-0.16	65.5%	75.2%
OECD Americas	**18.67**	**17.82**	**18.66**	**19.10**	**18.35**	**18.21**	**-0.14**	**0.71**	**84.2%**	**81.0%**
France	1.06	0.93	1.14	0.96	1.08	1.07	-0.01	-0.14	76.5%	86.5%
Germany	1.86	1.97	1.96	1.89	1.81	1.91	0.10	-0.06	94.4%	92.2%
Italy	1.26	1.24	1.33	1.27	1.29	1.17	-0.12	-0.09	59.9%	60.5%
Netherlands	0.91	0.76	0.92	0.97	1.04	1.11	0.07	0.11	86.3%	77.7%
Spain	1.13	1.06	1.06	1.12	1.06	1.13	0.07	0.01	74.8%	74.0%
United Kingdom	1.14	0.95	1.00	1.19	1.19	1.10	-0.09	-0.19	62.8%	74.4%
Other OECD Europe	3.73	3.37	3.75	3.69	3.63	3.86	0.23	0.03	77.6%	77.5%
OECD Europe	**11.10**	**10.29**	**11.15**	**11.09**	**11.11**	**11.36**	**0.25**	**-0.33**	**76.2%**	**77.3%**
Japan	3.21	2.88	3.33	3.53	3.43	3.45	0.02	-0.21	79.3%	79.5%
South Korea	2.40	2.51	2.61	2.48	2.51	2.47	-0.04	-0.25	81.0%	89.2%
Other Asia Oceania	0.91	0.93	0.92	0.96	0.96	0.96	0.01	-0.01	80.1%	80.6%
OECD Asia Oceania	**6.52**	**6.32**	**6.86**	**6.97**	**6.90**	**6.89**	**-0.01**	**-0.47**	**80.0%**	**83.0%**
OECD Total	**36.28**	**34.42**	**36.67**	**37.15**	**36.35**	**36.46**	**0.10**	**-0.09**	**80.7%**	**80.2%**

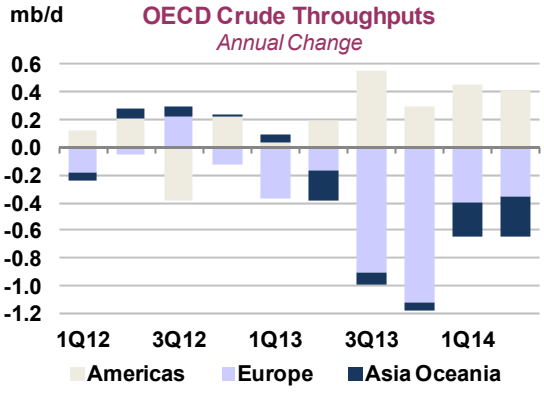
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

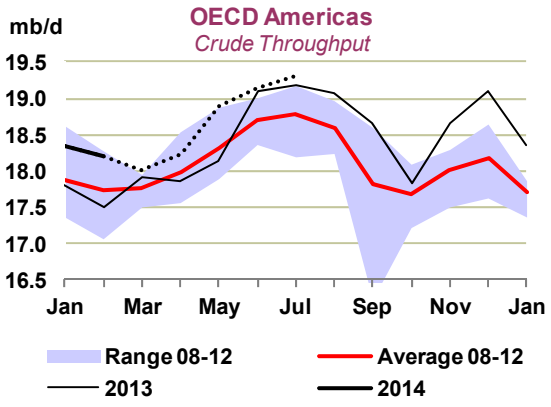
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

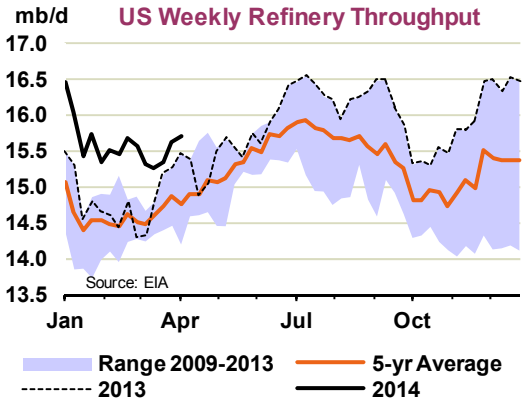
Seasonal maintenance is projected to curb OECD throughputs by a further 0.9 mb/d through April, when OECD runs are expected to bottom out at 35.6 mb/d. After that, North American and European throughputs are expected to rebound seasonally, even as Pacific refinery activity edges down further through May. In all, OECD throughput estimates for 2Q14 are unchanged since last month's *Report*, at 36.1 mb/d, 210 kb/d below a year earlier.



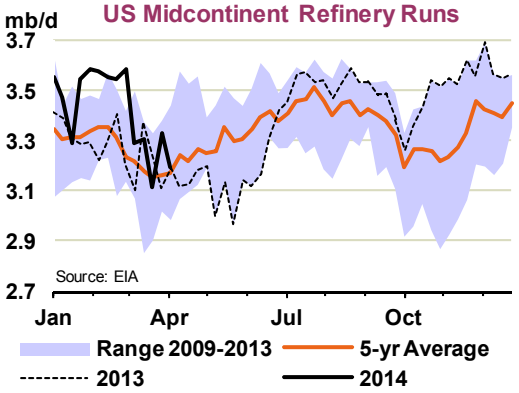


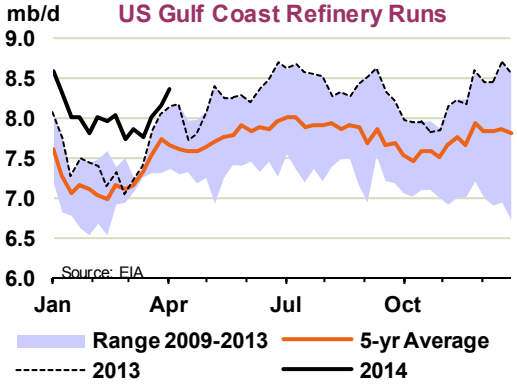
Crude oil processed in **North America** declined by 140 kb/d in February, as both US and Mexican refiners scaled back runs. US throughputs fell 80 kb/d m-o-m, to average 15.2 mb/d, but stood a hefty 970 kb/d above year-earlier levels. The latest official monthly export data show US refiners exported 3 mb/d of oil products in January, of which 1.3 mb/d were middle distillates, down from a record 3.5 mb/d in December. Net imports were 1.7 mb/d, down from 2.3 mb/d in December and up from 1 mb/d a year earlier. Mexican throughputs declined by 120 kb/d m-o-m as Pemex's Madero refinery underwent planned maintenance.





In March, US refinery crude throughputs fell another 100 kb/d on average, with sharp declines in the US midcontinent offset by smaller gains elsewhere. Refinery maintenance curbed midcontinent crude runs by 290 kb/d m-o-m to average 3.3 mb/d, the lowest since May 2013. Husky reportedly reduced throughputs at its 160 kb/d Lima refinery while conducting maintenance and upgrading work. Phillips 66 was also undertaking maintenance at its 330 kb/d Wood River refinery in March, while a malfunction at BP's Whiting refinery briefly halted operations. Regional throughputs will likely remain subdued also in April, as Valero's Memphis refinery reportedly has had its planned six-week maintenance pushed back into April from March.

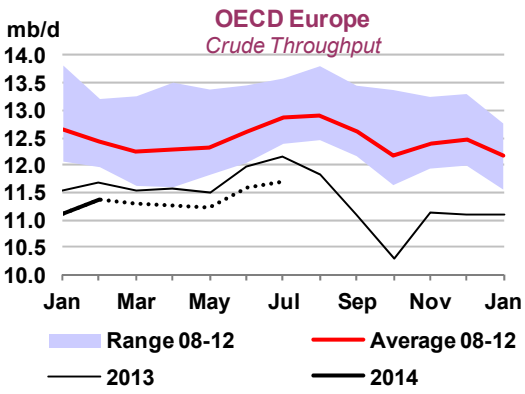




According to weekly data, US Gulf Coast throughputs were unchanged month-on-month in March, averaging 7.8 mb/d. Year-on-year gains narrowed to 350 kb/d, from 740 kb/d in February and 620 kb/d in January. By the week ending 28 March, however, regional crude throughputs had rebounded to 8.05 mb/d, their highest weekly level since early January. Regional refinery outages have included, among others, Phillips 66's 250 kb/d Westlake refinery, ExxonMobil's 500 kb/d Baton Rouge refinery, Motiva's 235 kb/d Convent plant, Phillips 66's 250 kb/d Belle Chasse facility and Marathon's 475 kb/d Texas City unit.

European throughputs rose 250 kb/d month on month, to 11.4 mb/d, but were 330 kb/d below a year earlier. Italy and the UK led the year-on-year declines. The former has closed 320 kb/d of capacity since 2008, but utilisation rates nevertheless fell to 59.9% in February, the lowest since at least the start of 2004. Eni's Gela refinery in Sicily halted operations after a fire and has yet to restart. UK throughputs were dragged down by maintenance at Valero's Pembroke refinery. The 210 kb/d Grangemouth refinery also started planned maintenance in early March. Also in the UK, exclusive talks between Murco and a potential buyer for the 106 kb/d Milford Haven refinery collapsed in early April. The company has been trying to sell the plant for over three years, and has entered into discussion with employees over the future of the plant. Unless a new buyer is found quickly, the risk of closure is looking increasingly likely.

Year-on-year contractions have nevertheless decreased over the past few months. In February, regional runs were 330 kb/d below the year earlier, compared with 430 kb/d in January and 1.0 mb/d over the 2H13. Surplus capacity is expected to buffer the impact of maintenance shutdowns, and a boost in refinery margins in the second half of March and in early April could further limit losses. Preliminary data from Euroilstock, released 9 April, show EU15 + Norway refinery intake falling by around 300 kb/d in March as maintenance work intensified. In all, European throughputs are expected to average 11.2 mb/d in 1Q14 and 11.3 mb/d in 2Q14.



A New Green Start for Italy's Venice Refinery

Italy's oldest refinery, Eni's Porto Marghera plant in Venice, is in the midst of a first-of-its-kind transformation. At a relatively limited investment of around €100 million, the simple 80 kb/d refinery, which halted operations in September 2012 due to poor margins, is being converted into a "biorefinery" as part of Eni's Green Strategy. The plant will be able to produce a new generation of high quality "drop-in" biofuels, mainly green hydrotreated vegetable oil (HVO) (80%), but also green naphtha and green LPG, to replace convential oxygenated biofuels (biodiesel FAME) which Eni currently sources in the market to meet its increasing blending obligations.

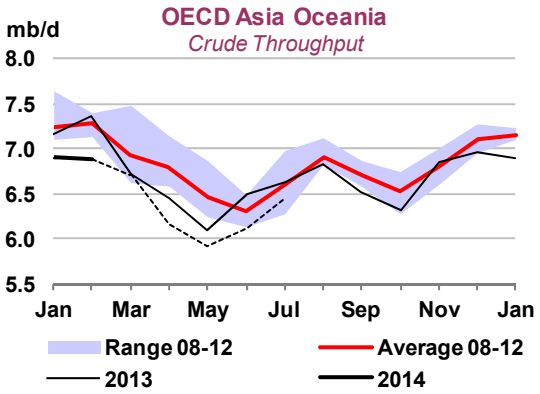
Due to fuel quality requirements set out in the EU Fuel Quality Directive, the share of FAME biodiesel in diesel is currently limited to max 7%, a constraint which may be overcome by using HVO. The new plant will thus provide Eni with more flexibility to meet the EU's current target of a 10% share renewable energy in the transport sector by 2020.

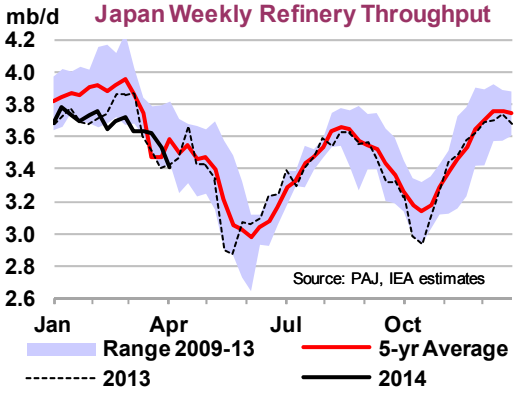
The "biorefinery" is based on a proprietary Ecofining technology, developed by Eni and UOP, which hydrogenates the triglyceride content in lipid materials such as vegetable oil, cooking oils, and animal fats. The first feedstocks processed will be palm oil imported from suppliers able to provide the sustainability certificates approved by the European Commission. Eni started the plant conversion process in the second quarter of 2013 and was to start biofuel production this month.

In this first phase, the Ecofining technology is being used together with existing refinery units, allowing a maximum biofuel output of 400 kt/y (or about 9 kb/d). Once the second phase is completed in 2015, a new steam reforming unit will increase hydrogen production and allow the plant to increase capacity to 560 kt/y (or 13 kb/d).

Refinery runs in **OECD Asia Oceania** were largely unchanged in February from a month earlier, averaging 6.9 mb/d. Regional runs stood some 0.5 mb/d below the previous year, however, with Japan and Korea leading the contraction. Significant capacity rationalisation compounded the impact of weak regional product demand and refining margins to curb runs. A further 400 kb/d of capacity was cut in March ahead of the 31 March deadline set by METI by which refiners had to choose between curbing crude distillation capacity or investing in new upgrading units to lift their upgrading ratio.

Weekly data from the Petroleum Association of Japan show Japanese crude throughputs falling by 85 kb/d in March, to 3.55 mb/d. As highlighted in earlier *Reports*, nameplate capacity reductions would not result in equal declines in processing volumes, as much of the idled capacity was already effectively mothballed. Overcapacity elsewhere in the system will also likely limit the impact. Seasonal refining maintenance through the end of June could, however, amplify the impact of permanent plant closures by reducing available capacity at other plants. Japanese refinery runs are expected to contract by 210 kb/d on average in 2Q14 y-o-y, taking regional throughputs to 6.1 mb/d.





Downstream Woes Down Under

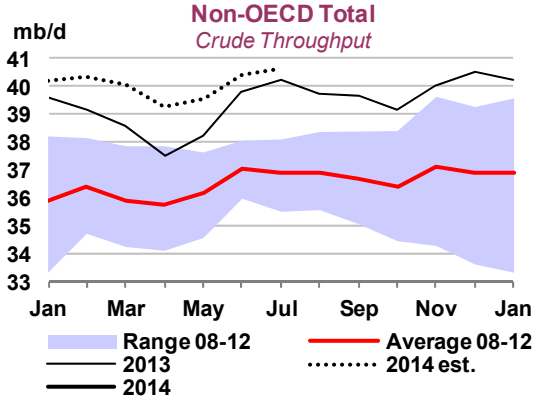
As in Japan, Australia's downstream industry is currently going through a massive transformation and consolidation. In contrast to Japan, however, rationalisation efforts have not fallen out of coordinated government measures, but rather individual industry business decisions, and rather due to increased competition than declining demand. In the latest blow to the country's refining capacity, BP announced in early April it will cease refining operations at its 101 kb/d Bulwer Island refinery in Brisbane by mid-2015. Australia's refining and marketing sector, characterised by small and aging facilities, has undergone significant restructuring in recent years. The industry, counting eight refineries in Australia in 2003, has struggled to compete with new, larger plants operating in the Asia Pacific region.

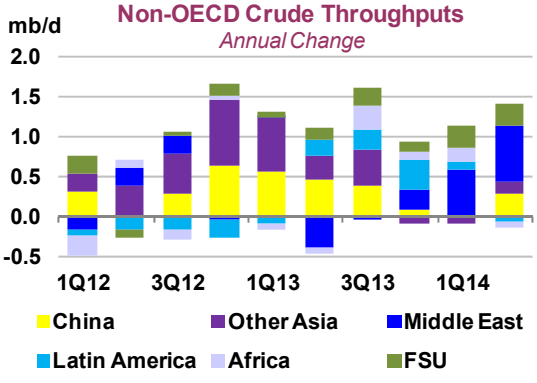
As a result, Australia is on track to reduce the number of its refineries to four, with a combined capacity of 430 kb/d by next year, from 820 kb/d just a decade ago. ExxonMobil mothballed its 78 kb/d Port Stanvac refinery in 2003 and Shell converted its 79 kb/d Clyde refinery in Sydney to an import terminal in September 2012. The company averted the same fate for its 120 kb/d Geelong refinery however, as it agreed to sell the plant and 870-site service stations to European energy trader Vitol for $2.6 billion.

Caltex is on track to convert its 135 kb/d Kurnell plant to an import terminal by the end of this year, and with the Bulwer Island plant closing next year, Australia's refining capacity will have been nearly cut in half in a decade. According to the most recent IEA data, Australia consumed 1.1 mb/d of oil products in 2013, 150 kb/d higher than in 2003. Net petroleum product imports averaged 370 kb/d last year, of which 75% was middle distillates. Australia also imported some 240 kb/d of crude oil in 2013.

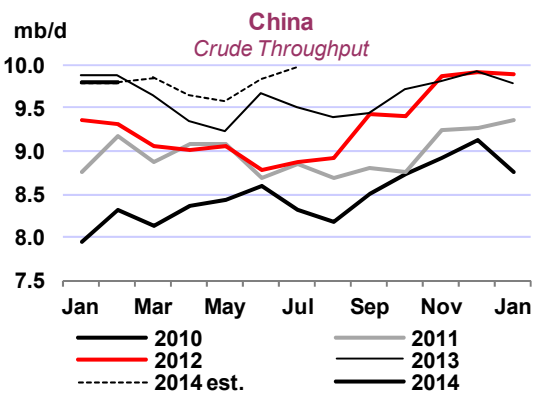
Non-OECD Refinery Throughput

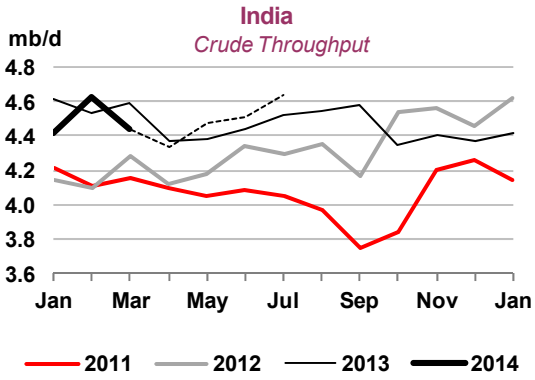
Non-OECD refinery throughput estimates for 1Q14 and 2Q14 have been raised by 130 kb/d and 60 kb/d, to 40.2 mb/d and 39.8 mb/d respectively, on higher Russian and 'Other Asian' runs. Russian refinery throughputs surged 470 kb/d year-on-year in March, while Indian refinery runs also recovered in February after four consecutive months of year-on-year contractions. Non-OECD runs will nevertheless decline seasonally through April, as maintenance intensifies. Annual growth is unchanged at 1 mb/d for both 1Q14 and 2Q14. Annual gains are set to come from the Middle East and Russia, while Asian runs are expected to continue posting modest growth.





As no new official data for **China's** refinery operations had been released at the time of writing, the Chinese throughput estimates are left largely unchanged. According to the latest data from the National Statistics Bureau, Chinese refinery runs averaged 9.8 mb/d over January and February, 1.0% lower than the same period a year earlier. Seasonal maintenance is expected to curb runs from March onwards, partly offset by the ramping up of newly commissioned capacity. Seasonal maintenance commenced last month with Sinopec's 160 kb/d Jinling Petchem refinery going offline. Scheduled outages increase over April and May with CNPC's 400 kb/d Dalian plant and Sinopec's Changling, Yanshan, Shijiazhuang and Shanghai refineries planning extensive shutdowns. Newly commissioned capacity is nevertheless expected to underpin Chinese runs in coming months. Around 530 kb/d of new capacity came on line around the start of the year, including Sinopec's 90 kb/d Yangzi expansion, CNPC's new 200 kb/d Pengzhou refinery and Sinochem's 240 kb/d Quanzhou plant.

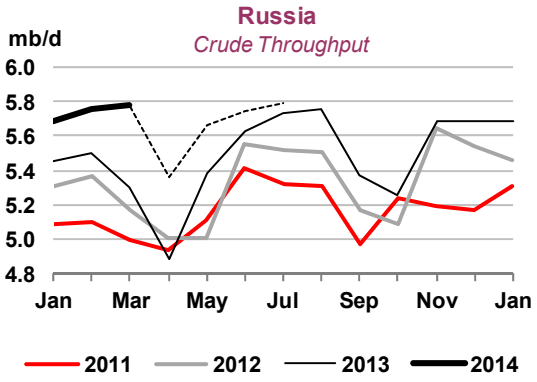


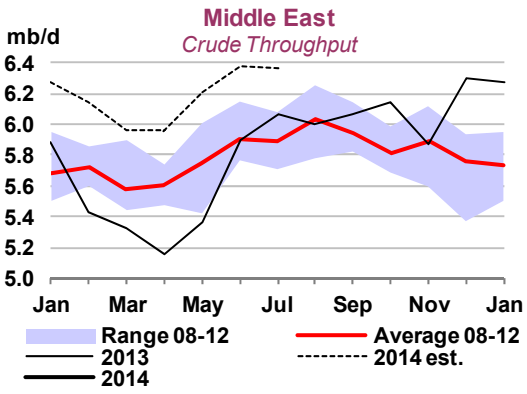


Rebounding **Indian** refinery throughputs in February boosted non-OECD Asian runs to an estimated 10 mb/d, from 9.8 mb/d a month earlier. After four months of annually contracting runs, Indian refiners posted year-on-year gains in February estimated at some 85 kb/d. At 4.6 mb/d, Indian throughputs were 135 kb/d higher than our previous forecast. The increase came despite a decline at state-owned IOC refineries, hit by a leak on the Salaya-Mathura pipeline that cut runs at the company's 160 kb/d Mathura refinery in the northern state of Uttar Pradesh. BPCL's 120 kb/d Bina refinery also saw lower runs, in this case due to a power outage. In contrast, Reliance's Jamnagar complex is estimated to have processed 1.38 mb/d, 130 kb/d more than a year earlier. Maintenance is expected to have subsequently curbed runs at the Reliance refinery in March, when a 330 kb/d crude unit went offline. BPCL is planning to shut a crude unit at its Mumbai refinery for 15 days in April-May as it performs maintenance on its cracker unit. India's oil product exports also bounced back in February, to 1.46 mb/d, up 8.3% on the previous month and 14% higher than in February 2013.

In **Malaysia**, Petronas finally approved the $16 billion RAPID project, which includes a 300 kb/d refinery and a petrochemical complex, after repeated delays. The project is to be built in the southern Johor state in Malaysia and is expected to start up in 2019, from an original target of 2016. Concerns over the project's economic viability, and in particular the LPG/Naphtha crackers ability to compete with ethane crackers in the US, had delayed the final investment decision. The partial lifting of fuel subsidies in Malaysia last year eased Petronas' subsidy burden and has made the project more attractive. The refinery will be Malaysia's largest and will increase the country's refining capacity to 880 kb/d. In comparison, Malaysia's oil product demand averaged 740 kb/d in 2013.

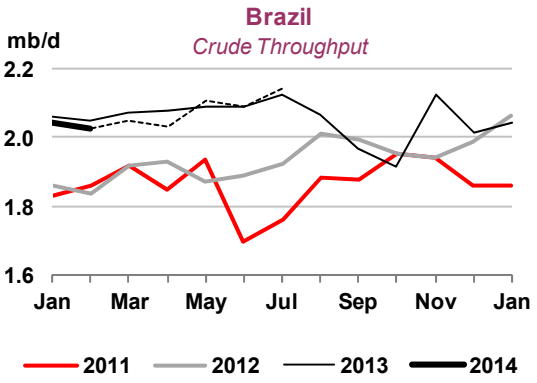
Preliminary ministry data show **Russian** refinery runs inching higher in March, to 5.78 mb/d from 5.75 mb/d a month earlier. Throughputs were an impressive 470 kb/d higher than the previous year, despite similar known outages. Just under 400 kb/d of capacity was reported offline in March, compared with 370 kb/d in the same month a year earlier. While turnarounds are expected to intensify over April, with 560 kb/d so far reported offline, this pales in comparison with the extensive 1.1 mb/d offline last year. As a result, April estimates have been adjusted upwards from the previous *Report*, to 5.4 mb/d.

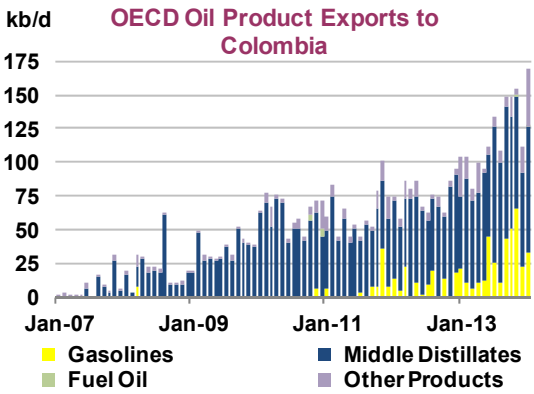




Middle Eastern refinery throughputs are estimated largely unchanged in January from December, at an average 6.3 mb/d. According to JODI data, Saudi Arabian crude throughputs averaged 2.04 mb/d, 330 kb/d higher than a year earlier and in line with our forecast. According to a Total financial filing, the Total - Saudi Aramco JV Jubail refinery will reach full production capacity by mid-2014. The filing adds that all refining and petrochemical units were expected to be operational by the end of 1Q14, with production reaching full capacity by mid-year. Commercial exports started in September 2013. Kuwait's refinery runs fell 65 kb/d in January from a month earlier, to 860 kb/d, as a power outage affected all of the country's three refineries during the month. Iran's 330 kb/d Abadan refinery reportedly was shut on 10 March for one month, reducing the country's fuel oil exports, while Iraqi supplies to refineries fell in February, by 60 kb/d to 565 kb/d.

In **Latin America**, Brazilian refiners processed 2 mb/d in February, largely unchanged from both the previous month and a year earlier. After expanding throughputs by 130 kb/d on average in 2013, capacity constraints are expected to limit gains this year. The first phase of the 230 kb/d Abreu e Lima refinery in Pernambuco state (115 kb/d CDU) is set to be completed in 4Q14, with a second unit due to start up in 2Q15. The project, which Petrobras originally intended to undertake with Petróleos de Venezuela SA (PDVSA), has faced repeated delays and cost overruns. The latest cost estimates for the plant is some $18.5 billion, compared with a 2007 estimate of $4 billion.





In Colombia, state-owned Ecopetrol shut the crude unit at its 80 kb/d Cartagena refinery in February, to start integrating its operations with the $6.5 billion Reficar refinery which is being built on an adjacent site. The refinery project will raise nameplate capacity to 165 kb/d and make it possible for Colombia to process heavy domestic crudes, which up until now had to be exported. The refinery will reportedly remain offline until sometime in the first half of 2015, increasing the country's import requirements for the duration. Colombia imported some 170 kb/d of oil products from OECD countries in January 2014, almost entirely from the US. The country's largest refinery, the Barrancabermeja plant, is also currently being modernised, a project due to be completed in 2018.

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

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.2	24.3	24.0	23.7	24.0	24.3	24.4	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.8	13.2	13.8	14.0	13.6	13.7	13.1	13.6	14.0	13.8	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.7	8.4	8.8	7.8	8.0	8.5	8.3
Total OECD	47.0	46.5	46.3	45.5	45.9	46.2	46.0	45.9	45.5	46.3	46.5	46.1	45.6	45.3	46.2	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.9	9.3	9.5	9.6	9.9	10.3	9.8	10.0	10.0	10.1	10.2	10.1	10.2	10.4	10.5	10.7	10.4
Other Asia	10.7	11.0	11.3	11.4	11.1	11.5	11.4	11.8	11.7	11.4	11.8	11.7	12.0	12.1	11.8	12.2	12.0
Latin America	6.1	6.2	6.1	6.3	6.5	6.6	6.4	6.4	6.6	6.7	6.7	6.6	6.6	6.7	6.9	6.9	6.8
Middle East	7.3	7.5	7.3	7.8	8.2	7.6	7.7	7.5	7.9	8.4	7.7	7.9	7.7	8.2	8.6	8.0	8.1
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0
Total Non-OECD	41.4	42.5	42.9	43.9	44.7	45.0	44.1	44.4	45.3	45.8	45.8	45.3	45.5	46.7	47.3	47.4	46.7
Total Demand[4]	88.4	89.0	89.2	89.4	90.6	91.3	90.1	90.3	90.8	92.1	92.4	91.4	91.2	92.1	93.5	94.0	92.7
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	17.9	17.2	18.2	18.3	18.4	18.9	18.5
Europe[2]	4.1	3.8	3.8	3.6	3.1	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.4	3.2	2.9	3.2	3.2
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Total OECD	18.9	19.0	19.9	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.6	21.0	22.1	22.0	21.9	22.7	22.2
NON-OECD SUPPLY																	
FSU	13.5	13.5	13.7	13.6	13.5	13.7	13.6	13.8	13.8	13.8	14.0	13.8	13.9	13.9	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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.3	4.3	4.2	4.3	4.3
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.5	2.5	2.6	2.5	2.5
Total Non-OECD	29.9	29.9	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.9	29.6	29.8	29.8	29.7	29.8	29.8
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.6	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.1	2.0	1.7	2.1	2.4	2.1	2.1
Total Non-OPEC[5]	52.6	52.8	53.4	52.9	53.0	54.2	53.4	53.8	54.2	55.0	55.8	54.7	55.8	56.0	56.2	56.9	56.2
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.5	30.0				
NGLs	5.6	5.9	6.2	6.3	6.4	6.4	6.3	6.4	6.4	6.5	6.4	6.4	6.5	6.6	6.7	6.7	6.6
Total OPEC[5]	34.8	35.8	37.5	38.0	37.8	37.1	37.6	36.8	37.3	37.1	36.2	36.9	36.5				
Total Supply[9]	87.4	88.7	90.9	90.8	90.8	91.3	91.0	90.7	91.5	92.1	92.0	91.6	92.3				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4	-1.4	-0.2					
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0					
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.5	-1.4	-0.2					
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2	0.3	0.1					
Miscellaneous to balance[10]	-0.9	0.0	1.5	0.9	-0.1	0.5	0.7	-0.1	0.9	-0.7	0.8	0.2					
Total Stock Ch. & Misc	-1.0	-0.3	1.8	1.4	0.3	0.0	0.9	0.3	0.7	0.0	-0.3	0.2	1.1				
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.2	30.2	29.5	30.3	31.2	30.7	30.4	30.1	30.2	30.6	30.1	30.3	28.9	29.4	30.6	30.5	29.9

4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.4	-	0.1	-	-0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	0.1	-	-	-	-	0.1	-	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	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	-
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.2	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.3	-0.4	-0.2
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-0.2	-0.3	-0.3	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1					
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	0.1	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	0.1	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-	-	-0.1	-	-	-	-	-	-	-	-0.1	-					
Total Stock Ch. & Misc	-	-	-0.1	-	-	-	-	-	-	-	-	-					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	0.1	-	-	-	-	-	-	-	-	-	-	0.1	0.3	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.60	23.73	23.77	23.62	23.73	23.79	24.19	24.28	24.00	23.74	23.95	24.27	24.39	24.09
Europe[2]	14.28	13.72	13.82	13.85	13.69	13.77	13.22	13.84	13.98	13.58	13.66	13.08	13.61	13.95	13.77	13.60
Asia Oceania[3]	8.23	9.17	8.06	8.32	8.79	8.58	8.94	7.90	8.09	8.68	8.40	8.79	7.77	8.00	8.49	8.26
Total OECD	46.47	46.26	45.49	45.89	46.25	45.97	45.89	45.53	46.26	46.54	46.06	45.61	45.33	46.22	46.64	45.95
Asia	20.35	20.86	21.04	21.00	21.86	21.19	21.79	21.75	21.48	22.06	21.77	22.24	22.54	22.29	22.91	22.50
Middle East	7.46	7.28	7.80	8.24	7.57	7.72	7.53	7.92	8.41	7.68	7.89	7.74	8.18	8.62	7.97	8.13
Latin America	6.17	6.15	6.35	6.50	6.55	6.39	6.35	6.58	6.72	6.74	6.60	6.59	6.74	6.89	6.88	6.78
FSU	4.39	4.31	4.43	4.63	4.62	4.50	4.31	4.50	4.83	4.83	4.62	4.44	4.60	4.86	4.86	4.69
Africa	3.49	3.64	3.63	3.63	3.73	3.66	3.80	3.82	3.72	3.80	3.78	3.86	3.98	3.93	4.03	3.95
Europe	0.66	0.67	0.68	0.67	0.68	0.68	0.65	0.68	0.69	0.71	0.68	0.67	0.70	0.69	0.71	0.69
Total Non-OECD	42.52	42.91	43.92	44.67	45.01	44.13	44.44	45.25	45.85	45.81	45.34	45.54	46.73	47.28	47.36	46.74
World	88.99	89.18	89.41	90.57	91.26	90.11	90.32	90.78	92.11	92.35	91.40	91.15	92.06	93.51	94.00	92.69
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.67	19.13	19.28	18.94	18.77	18.91	19.14	19.22	19.01
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.28	8.26	8.06	8.16	7.89	8.07	8.22	8.15	8.08
China	9.32	9.52	9.61	9.88	10.31	9.83	10.03	10.04	10.13	10.21	10.10	10.21	10.41	10.48	10.70	10.45
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.75	4.56	4.93	4.01	4.17	4.51	4.41
India	3.20	3.37	3.45	3.19	3.41	3.35	3.44	3.46	3.16	3.42	3.37	3.50	3.55	3.27	3.52	3.46
Russia	3.21	3.19	3.24	3.41	3.36	3.30	3.21	3.32	3.63	3.54	3.43	3.34	3.41	3.63	3.55	3.48
Brazil	2.87	2.85	2.92	3.02	3.11	2.97	2.97	3.07	3.13	3.18	3.09	3.12	3.14	3.21	3.24	3.18
Saudi Arabia	2.79	2.57	3.00	3.32	2.79	2.92	2.73	3.06	3.33	2.83	2.99	2.80	3.16	3.42	2.92	3.08
Canada	2.27	2.18	2.22	2.34	2.37	2.28	2.28	2.31	2.31	2.26	2.29	2.27	2.26	2.37	2.35	2.31
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.38	2.31	2.33	2.24	2.27	2.40	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.02	2.11	2.10	2.14	2.09
Iran	1.79	1.81	1.83	1.78	1.76	1.79	1.79	1.80	1.81	1.79	1.80	1.87	1.85	1.83	1.83	1.85
Total	61.89	61.97	61.82	62.72	63.25	62.44	62.63	62.54	63.56	63.79	63.13	63.05	63.12	64.10	64.54	63.71
% of World	69.5%	69.5%	69.1%	69.2%	69.3%	69.3%	69.3%	68.9%	69.0%	69.1%	69.1%	69.2%	68.6%	68.6%	68.7%	68.7%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.8	1.9	2.2	1.6	0.0	0.7	0.3	0.4	0.4
Europe[2]	-2.8	-3.5	-2.1	-5.7	-2.8	-3.6	-3.6	0.1	1.0	-0.8	-0.8	-1.1	-1.7	-0.2	1.4	-0.4
Asia Oceania[3]	0.5	5.6	7.6	2.8	1.5	4.3	-2.5	-2.0	-2.7	-1.3	-2.1	-1.6	-1.7	-1.1	-2.3	-1.7
Total OECD	-1.2	-1.6	0.3	-2.1	-0.9	-1.1	-0.8	0.1	0.8	0.6	0.2	-0.6	-0.4	-0.1	0.2	-0.2
Asia	3.5	3.1	3.1	4.5	5.8	4.1	4.4	3.4	2.3	0.9	2.7	2.0	3.6	3.8	3.9	3.3
Middle East	2.0	3.4	4.4	4.5	1.9	3.5	3.4	1.6	2.0	1.5	2.1	2.8	3.2	2.5	3.8	3.1
Latin America	1.5	3.4	3.4	2.5	4.5	3.5	3.3	3.6	3.3	2.8	3.3	3.8	2.4	2.6	2.1	2.7
FSU	6.3	6.0	2.3	1.1	0.9	2.4	0.0	1.7	4.4	4.6	2.7	3.0	2.1	0.5	0.6	1.5
Africa	-1.2	3.6	3.3	7.2	5.5	4.9	4.6	5.2	2.3	1.7	3.4	1.4	4.2	5.9	6.1	4.4
Europe	-0.2	3.6	3.9	1.3	-0.7	2.0	-3.9	-0.3	2.7	4.3	0.7	3.9	3.1	0.2	0.7	1.9
Total Non-OECD	2.7	3.5	3.3	4.0	4.3	3.8	3.6	3.0	2.6	1.8	2.7	2.5	3.3	3.1	3.4	3.1
World	0.7	0.8	1.8	0.8	1.6	1.3	1.3	1.5	1.7	1.2	1.4	0.9	1.4	1.5	1.8	1.4
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.12	-0.38	-0.14	-0.34	0.35	0.18	0.46	0.52	0.38	0.01	0.17	0.08	0.10	0.09
Europe[2]	-0.41	-0.49	-0.30	-0.84	-0.39	-0.51	-0.49	0.02	0.14	-0.11	-0.11	-0.14	-0.23	-0.03	0.19	-0.05
Asia Oceania[3]	0.05	0.49	0.57	0.23	0.13	0.35	-0.23	-0.16	-0.23	-0.11	-0.18	-0.14	-0.13	-0.09	-0.20	-0.14
Total OECD	-0.55	-0.73	0.15	-1.00	-0.41	-0.50	-0.37	0.04	0.37	0.30	0.09	-0.28	-0.20	-0.04	0.10	-0.10
Asia	0.69	0.64	0.64	0.90	1.20	0.84	0.93	0.71	0.49	0.20	0.58	0.45	0.78	0.81	0.85	0.72
Middle East	0.14	0.24	0.33	0.35	0.14	0.26	0.25	0.13	0.16	0.11	0.16	0.21	0.25	0.21	0.29	0.24
Latin America	0.09	0.20	0.21	0.16	0.28	0.21	0.20	0.23	0.22	0.18	0.21	0.24	0.16	0.17	0.14	0.18
FSU	0.26	0.24	0.10	0.05	0.04	0.11	0.00	0.07	0.20	0.21	0.12	0.13	0.10	0.03	0.03	0.07
Africa	-0.04	0.13	0.12	0.25	0.20	0.17	0.17	0.19	0.08	0.06	0.13	0.05	0.16	0.22	0.23	0.17
Europe	0.00	0.02	0.03	0.01	-0.01	0.01	-0.03	0.00	0.02	0.03	0.00	0.02	0.02	0.00	0.00	0.01
Total Non-OECD	1.14	1.47	1.42	1.72	1.85	1.61	1.52	1.33	1.17	0.80	1.21	1.11	1.48	1.44	1.55	1.39
World	0.59	0.74	1.56	0.72	1.45	1.12	1.15	1.37	1.54	1.10	1.29	0.83	1.28	1.40	1.64	1.29
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.19	0.01	0.06	0.00	-0.03
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.19	0.00	0.02	0.03	-0.04
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.00	0.00	0.01
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	-0.36	0.03	0.08	0.03	-0.06
Asia	0.00	0.12	0.01	0.03	0.04	0.05	0.10	0.04	0.09	0.14	0.09	0.20	0.07	0.13	0.16	0.14
Middle East	0.00	0.00	-0.01	0.01	0.01	0.00	-0.01	0.00	0.00	0.02	0.00	0.05	-0.02	-0.01	-0.02	0.00
Latin America	0.00	-0.01	-0.01	-0.02	-0.02	-0.01	-0.03	-0.03	-0.02	-0.01	-0.02	0.08	-0.04	-0.07	-0.04	-0.02
FSU	0.00	0.00	0.01	0.01	0.01	0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.03	-0.06	-0.07	-0.07	-0.06
Africa	0.00	-0.01	0.00	0.00	0.01	0.00	0.02	-0.01	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	0.00	-0.01
Europe	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.11	0.00	0.03	0.04	0.05	0.08	-0.01	0.06	0.12	0.06	0.30	-0.05	-0.02	0.03	0.06
World	0.00	0.11	0.00	0.03	0.05	0.05	0.08	-0.01	0.06	0.15	0.07	-0.06	-0.02	0.06	0.06	0.01
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.11	0.00	0.04	0.04	0.05	-0.03	-0.01	0.03	0.10	0.02	-0.14	-0.01	-0.01	-0.08	-0.06

1 As of the August 2012 OMR, includes Chile.

2 As of the August 2012 OMR, includes Estonia and Slovenia.

3 As of the August 2012 OMR, includes Israel.

* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2012	2013	1Q13	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14 [2]	Latest month vs. Dec 13	Latest month vs. Jan 13
Americas[3]											
LPG&Ethane	3.14	3.29	3.64	2.97	3.02	3.55	3.59	3.74	3.82	0.08	0.09
Naphtha	0.34	0.38	0.37	0.39	0.40	0.38	0.38	0.38	0.36	-0.02	-0.03
Motor Gasoline	10.34	10.44	10.05	10.58	10.73	10.41	10.41	10.32	9.77	-0.55	-0.04
Jet/Kerosene	1.65	1.68	1.58	1.68	1.76	1.70	1.69	1.69	1.65	-0.04	0.10
Gasoil/Diesel Oil	4.96	5.07	5.16	5.01	4.89	5.21	5.13	5.10	5.51	0.40	0.22
Residual Fuel Oil	0.78	0.69	0.75	0.68	0.76	0.58	0.58	0.46	0.55	0.09	-0.19
Other Products	2.42	2.44	2.18	2.46	2.64	2.47	2.66	2.31	2.19	-0.12	-0.09
Total	23.62	24.00	23.73	23.79	24.19	24.28	24.44	24.00	23.85	-0.15	0.06
Europe[4]											
LPG&Ethane	0.94	1.04	1.05	1.11	1.04	0.98	0.93	0.99	0.96	-0.02	-0.03
Naphtha	1.20	1.19	1.26	1.16	1.21	1.14	1.18	1.17	1.38	0.20	0.08
Motor Gasoline	1.99	1.93	1.80	1.96	2.06	1.90	1.87	1.86	1.74	-0.12	-0.01
Jet/Kerosene	1.21	1.22	1.11	1.23	1.33	1.20	1.20	1.13	1.07	-0.06	0.00
Gasoil/Diesel Oil	5.95	5.97	5.78	6.01	5.96	6.12	6.17	5.77	5.52	-0.25	-0.09
Residual Fuel Oil	1.09	0.97	1.02	0.99	0.96	0.92	0.92	0.91	0.96	0.05	-0.08
Other Products	1.39	1.33	1.21	1.38	1.42	1.31	1.35	1.22	1.00	-0.22	-0.15
Total	13.77	13.66	13.22	13.84	13.98	13.58	13.61	13.06	12.63	-0.43	-0.28
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.95	0.82	0.79	0.86	0.87	0.93	0.86	-0.06	-0.09
Naphtha	1.78	1.82	1.83	1.72	1.81	1.90	1.94	1.99	2.03	0.04	0.14
Motor Gasoline	1.61	1.59	1.54	1.56	1.67	1.59	1.60	1.63	1.45	-0.18	-0.04
Jet/Kerosene	0.88	0.87	1.13	0.69	0.68	0.99	1.00	1.20	1.17	-0.03	-0.10
Gasoil/Diesel Oil	1.76	1.77	1.80	1.72	1.71	1.84	1.90	1.89	1.71	-0.18	-0.04
Residual Fuel Oil	0.91	0.76	0.91	0.67	0.73	0.75	0.77	0.80	0.86	0.06	-0.10
Other Products	0.80	0.75	0.79	0.73	0.71	0.75	0.79	0.79	0.72	-0.07	-0.09
Total	8.58	8.40	8.94	7.90	8.09	8.68	8.86	9.22	8.79	-0.43	-0.32
OECD											
LPG&Ethane	4.96	5.19	5.63	4.90	4.85	5.39	5.39	5.65	5.64	-0.01	-0.03
Naphtha	3.32	3.39	3.46	3.27	3.42	3.42	3.49	3.55	3.77	0.22	0.19
Motor Gasoline	13.93	13.96	13.39	14.11	14.45	13.89	13.88	13.81	12.97	-0.85	-0.09
Jet/Kerosene	3.74	3.77	3.82	3.60	3.77	3.89	3.88	4.02	3.90	-0.13	-0.01
Gasoil/Diesel Oil	12.67	12.81	12.74	12.74	12.57	13.18	13.19	12.76	12.73	-0.03	0.09
Residual Fuel Oil	2.77	2.43	2.67	2.35	2.45	2.25	2.27	2.17	2.37	0.20	-0.37
Other Products	4.61	4.52	4.18	4.57	4.78	4.53	4.80	4.32	3.91	-0.40	-0.33
Total	45.97	46.06	45.89	45.53	46.26	46.54	46.91	46.29	45.28	-1.01	-0.55

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2012	2013	1Q13	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14 [2]	Latest month vs. Dec 13	Latest month vs. Jan 13
United States[3]											
LPG	2.26	2.42	2.68	2.11	2.20	2.68	2.71	2.80	2.92	0.12	0.15
Naphtha	0.24	0.28	0.28	0.28	0.28	0.27	0.27	0.26	0.25	-0.01	-0.04
Motor Gasoline	8.69	8.78	8.42	8.91	9.03	8.75	8.76	8.68	8.21	-0.47	-0.01
Jet/Kerosene	1.41	1.43	1.35	1.43	1.50	1.45	1.43	1.46	1.39	-0.07	0.08
Gasoil	3.74	3.84	3.93	3.77	3.67	3.97	3.87	3.94	4.27	0.34	0.21
Residual Fuel Oil	0.37	0.32	0.37	0.26	0.36	0.28	0.32	0.21	0.29	0.08	-0.08
Other Products	1.83	1.88	1.62	1.90	2.08	1.89	2.07	1.74	1.65	-0.09	-0.04
Total	18.54	18.94	18.66	18.67	19.13	19.28	19.44	19.09	19.00	-0.09	0.27
Japan											
LPG	0.52	0.50	0.59	0.46	0.44	0.50	0.50	0.56	0.54	-0.02	-0.07
Naphtha	0.71	0.76	0.77	0.70	0.75	0.81	0.84	0.86	0.86	0.00	0.06
Motor Gasoline	0.98	0.96	0.92	0.94	1.03	0.96	0.97	1.00	0.87	-0.13	-0.02
Jet/Kerosene	0.54	0.54	0.77	0.38	0.37	0.63	0.64	0.82	0.80	-0.01	-0.08
Diesel	0.43	0.43	0.43	0.42	0.44	0.46	0.47	0.46	0.40	-0.06	0.02
Other Gasoil	0.40	0.39	0.45	0.35	0.35	0.41	0.42	0.46	0.42	-0.04	-0.02
Residual Fuel Oil	0.56	0.46	0.57	0.38	0.44	0.45	0.45	0.50	0.55	0.05	-0.06
Other Products	0.58	0.52	0.57	0.49	0.50	0.52	0.55	0.57	0.51	-0.06	-0.09
Total	4.73	4.56	5.08	4.11	4.32	4.75	4.84	5.22	4.96	-0.27	-0.24
Germany											
LPG	0.10	0.11	0.11	0.12	0.11	0.10	0.09	0.10	0.10	-0.01	-0.01
Naphtha	0.38	0.40	0.42	0.39	0.38	0.39	0.40	0.40	0.44	0.03	0.03
Motor Gasoline	0.43	0.43	0.39	0.44	0.45	0.42	0.41	0.40	0.39	-0.01	0.01
Jet/Kerosene	0.19	0.18	0.16	0.19	0.20	0.18	0.17	0.16	0.16	0.00	0.01
Diesel	0.70	0.70	0.64	0.72	0.75	0.71	0.74	0.63	0.66	0.03	0.05
Other Gasoil	0.38	0.40	0.40	0.45	0.35	0.38	0.40	0.31	0.36	0.05	-0.05
Residual Fuel Oil	0.13	0.12	0.13	0.12	0.12	0.12	0.12	0.11	0.13	0.01	-0.01
Other Products	0.08	0.07	0.04	0.08	0.09	0.07	0.08	0.04	0.04	0.00	-0.01
Total	2.39	2.40	2.30	2.51	2.44	2.37	2.42	2.16	2.26	0.10	0.03
Italy											
LPG	0.11	0.11	0.13	0.10	0.10	0.12	0.12	0.13	0.12	-0.01	-0.01
Naphtha	0.09	0.09	0.09	0.10	0.08	0.07	0.08	0.08	0.09	0.01	0.01
Motor Gasoline	0.22	0.21	0.19	0.19	0.23	0.22	0.21	0.22	0.20	-0.02	0.03
Jet/Kerosene	0.09	0.09	0.08	0.09	0.11	0.09	0.09	0.08	0.09	0.00	0.01
Diesel	0.45	0.42	0.40	0.42	0.43	0.42	0.40	0.41	0.39	-0.02	0.01
Other Gasoil	0.11	0.12	0.12	0.11	0.11	0.13	0.12	0.12	0.09	-0.03	-0.02
Residual Fuel Oil	0.10	0.07	0.07	0.08	0.07	0.06	0.06	0.06	0.07	0.01	0.00
Other Products	0.20	0.19	0.19	0.18	0.21	0.20	0.19	0.19	0.14	-0.05	-0.08
Total	1.35	1.30	1.28	1.28	1.33	1.31	1.26	1.29	1.18	-0.11	-0.05
France											
LPG	0.11	0.11	0.14	0.10	0.08	0.11	0.11	0.13	0.12	0.00	-0.01
Naphtha	0.13	0.14	0.15	0.15	0.15	0.10	0.08	0.11	0.15	0.04	0.01
Motor Gasoline	0.16	0.16	0.14	0.16	0.17	0.15	0.14	0.15	0.13	-0.02	0.00
Jet/Kerosene	0.15	0.15	0.14	0.16	0.17	0.15	0.15	0.15	0.14	-0.01	0.01
Diesel	0.68	0.68	0.65	0.69	0.70	0.69	0.66	0.68	0.64	-0.04	0.01
Other Gasoil	0.28	0.29	0.34	0.27	0.26	0.29	0.28	0.27	0.28	0.01	-0.07
Residual Fuel Oil	0.07	0.06	0.07	0.06	0.05	0.06	0.06	0.06	0.05	-0.01	-0.01
Other Products	0.15	0.14	0.13	0.16	0.16	0.13	0.15	0.09	0.10	0.01	-0.02
Total	1.74	1.73	1.75	1.75	1.76	1.68	1.63	1.64	1.61	-0.03	-0.07
United Kingdom											
LPG	0.11	0.11	0.10	0.13	0.11	0.09	0.09	0.09	0.11	0.01	0.01
Naphtha	0.02	0.03	0.04	0.03	0.03	0.02	0.02	0.02	0.04	0.02	0.00
Motor Gasoline	0.32	0.31	0.31	0.31	0.31	0.30	0.32	0.30	0.30	0.00	-0.02
Jet/Kerosene	0.31	0.31	0.31	0.30	0.32	0.33	0.35	0.31	0.29	-0.01	-0.01
Diesel	0.45	0.47	0.44	0.47	0.47	0.48	0.51	0.48	0.41	-0.07	0.03
Other Gasoil	0.12	0.12	0.12	0.13	0.13	0.11	0.11	0.10	0.12	0.02	-0.01
Residual Fuel Oil	0.05	0.04	0.05	0.04	0.04	0.04	0.03	0.05	0.04	0.00	-0.02
Other Products	0.12	0.13	0.13	0.14	0.13	0.11	0.11	0.11	0.11	0.00	-0.01
Total	1.50	1.51	1.50	1.54	1.52	1.49	1.54	1.46	1.43	-0.03	-0.02
Canada											
LPG	0.41	0.42	0.49	0.42	0.37	0.40	0.41	0.45	0.42	-0.03	-0.05
Naphtha	0.09	0.09	0.08	0.09	0.09	0.08	0.08	0.08	0.09	0.00	-0.01
Motor Gasoline	0.74	0.76	0.73	0.78	0.81	0.74	0.76	0.72	0.69	-0.03	-0.02
Jet/Kerosene	0.12	0.13	0.12	0.13	0.15	0.13	0.14	0.11	0.14	0.03	0.01
Diesel	0.30	0.30	0.32	0.30	0.29	0.27	0.29	0.25	0.26	0.00	-0.06
Other Gasoil	0.22	0.25	0.22	0.24	0.25	0.29	0.28	0.26	0.32	0.06	0.08
Residual Fuel Oil	0.06	0.04	0.04	0.05	0.04	0.04	0.04	0.05	0.06	0.01	0.02
Other Products	0.32	0.30	0.29	0.30	0.30	0.31	0.32	0.30	0.28	-0.03	-0.03
Total	2.28	2.29	2.28	2.31	2.31	2.26	2.32	2.22	2.24	0.02	-0.07

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)

	2012	2013	2014	4Q13	1Q14	2Q14	3Q14	4Q14	Jan 14	Feb 14	Mar 14
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.51	9.46				9.50	9.59	9.31
Iran	3.00	2.68		2.71	2.81				2.78	2.85	2.80
Iraq	2.95	3.08		3.08	3.31				3.09	3.60	3.26
UAE	2.65	2.76		2.73	2.74				2.72	2.74	2.75
Kuwait	2.46	2.55		2.53	2.51				2.52	2.52	2.50
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.71				0.72	0.70	0.70
Angola	1.78	1.72		1.64	1.63				1.65	1.61	1.62
Nigeria	2.10	1.95		1.91	1.95				1.92	1.98	1.94
Libya	1.39	0.90		0.30	0.36				0.50	0.36	0.22
Algeria	1.17	1.15		1.14	1.07				1.08	1.10	1.02
Ecuador	0.50	0.51		0.52	0.52				0.53	0.52	0.52
Venezuela	2.50	2.50		2.47	2.45				2.46	2.42	2.46
Total Crude Oil	31.30	30.45		29.80	30.02				29.99	30.51	29.62
Total NGLs[1]	6.31	6.43	6.59	6.45	6.46	6.58	6.65	6.67	6.46	6.46	6.46
Total OPEC	37.61	36.88		36.25	36.48				36.45	36.97	36.08
NON-OPEC[2]											
OECD											
Americas[6]	15.85	17.20	18.47	17.85	18.24	18.30	18.43	18.92	18.04	18.32	18.36
United States[5]	9.17	10.31	11.37	10.81	11.12	11.32	11.34	11.68	10.89	11.13	11.33
Mexico	2.92	2.89	2.90	2.90	2.87	2.93	2.90	2.92	2.87	2.88	2.87
Canada	3.75	3.99	4.19	4.14	4.23	4.05	4.18	4.31	4.28	4.29	4.14
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02
Europe[7]	3.46	3.28	3.15	3.27	3.35	3.16	2.90	3.21	3.38	3.40	3.29
UK	0.94	0.85	0.76	0.80	0.87	0.77	0.61	0.81	0.91	0.89	0.81
Norway	1.91	1.84	1.82	1.88	1.90	1.81	1.73	1.82	1.90	1.91	1.89
Others	0.60	0.59	0.58	0.59	0.59	0.57	0.57	0.58	0.57	0.60	0.59
Asia Oceania[8]	0.56	0.48	0.55	0.47	0.48	0.55	0.58	0.59	0.48	0.48	0.48
Australia	0.48	0.41	0.45	0.40	0.39	0.46	0.48	0.48	0.39	0.39	0.39
Others	0.08	0.07	0.10	0.07	0.09	0.09	0.10	0.11	0.09	0.09	0.09
Total OECD	19.87	20.95	22.18	21.59	22.07	22.01	21.91	22.72	21.90	22.19	22.13
NON-OECD											
Former USSR	13.62	13.85	13.82	14.02	13.91	13.86	13.71	13.78	14.01	14.00	13.74
Russia	10.73	10.88	10.85	10.99	10.90	10.89	10.77	10.85	11.01	10.94	10.74
Others	2.89	2.97	2.97	3.02	3.02	2.98	2.94	2.94	3.00	3.06	3.00
Asia	7.82	7.71	7.74	7.68	7.77	7.77	7.69	7.74	7.78	7.76	7.77
China	4.17	4.18	4.26	4.22	4.26	4.28	4.23	4.25	4.28	4.23	4.27
Malaysia	0.67	0.66	0.66	0.64	0.65	0.65	0.66	0.66	0.65	0.67	0.65
India	0.91	0.90	0.89	0.90	0.90	0.90	0.89	0.88	0.91	0.90	0.90
Indonesia	0.89	0.84	0.79	0.81	0.81	0.80	0.77	0.79	0.81	0.82	0.81
Others	1.17	1.14	1.14	1.11	1.14	1.14	1.14	1.15	1.14	1.14	1.14
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	4.19	4.18	4.24	4.23	4.22	4.19	4.23	4.31	4.19	4.21	4.24
Brazil[5]	2.16	2.12	2.13	2.18	2.15	2.09	2.10	2.16	2.14	2.15	2.16
Argentina	0.66	0.63	0.62	0.63	0.63	0.62	0.61	0.61	0.63	0.63	0.62
Colombia	0.95	1.01	1.08	1.00	1.02	1.06	1.10	1.13	1.02	1.01	1.04
Others	0.42	0.42	0.42	0.41	0.42	0.42	0.41	0.41	0.41	0.42	0.43
Middle East[3]	1.46	1.36	1.33	1.34	1.33	1.33	1.33	1.32	1.32	1.34	1.33
Oman	0.92	0.95	0.96	0.96	0.95	0.95	0.96	0.95	0.96	0.95	0.95
Syria	0.17	0.06	0.03	0.03	0.03	0.03	0.02	0.02	0.03	0.03	0.03
Yemen	0.18	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.13	0.15	0.15
Others	0.18	0.21	0.21	0.21	0.21	0.21	0.20	0.20	0.21	0.21	0.21
Africa	2.27	2.33	2.52	2.44	2.47	2.49	2.55	2.55	2.47	2.47	2.48
Egypt	0.72	0.70	0.66	0.68	0.67	0.67	0.66	0.65	0.68	0.67	0.67
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.62	1.52	1.56	1.58	1.66	1.66	1.55	1.55	1.56
Total Non-OECD	29.49	29.57	29.78	29.86	29.84	29.77	29.66	29.83	29.92	29.92	29.70
Processing Gains[4]	2.14	2.18	2.21	2.18	2.21	2.19	2.24	2.22	2.21	2.21	2.21
Global Biofuels[5]	1.86	2.00	2.06	2.15	1.66	2.08	2.40	2.10	1.65	1.68	1.66
TOTAL NON-OPEC	53.36	54.71	56.23	55.77	55.79	56.05	56.22	56.86	55.68	56.00	55.70
TOTAL SUPPLY	90.97	91.58		92.02	92.27				92.13	92.96	91.78

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Oct2013	Nov2013	Dec2013	Jan2014	Feb2014*	Feb2011	Feb2012	Feb2013	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	536.4	525.5	500.1	507.9	512.4	486.4	486.7	524.8	0.35	-0.18	0.02	-0.22
Motor Gasoline	246.5	250.6	261.0	271.2	266.6	265.0	267.4	262.8	-0.06	0.01	-0.08	0.08
Middle Distillate	188.8	189.9	197.2	185.5	188.8	225.7	216.3	195.6	-0.20	0.03	0.11	-0.09
Residual Fuel Oil	43.5	43.5	45.6	45.7	43.2	43.7	44.2	45.4	0.03	0.00	-0.03	0.03
Total Products[3]	678.6	668.7	669.5	651.8	641.8	671.4	681.4	670.9	-0.43	0.38	0.16	-0.48
Total[4]	1379.6	1354.3	1315.0	1301.1	1301.9	1303.6	1328.2	1345.6	-0.17	0.31	0.27	-0.95
OECD Europe												
Crude	323.8	313.2	305.2	296.3	296.9	327.1	306.2	306.6	0.07	-0.04	0.07	-0.07
Motor Gasoline	88.0	87.1	88.9	93.5	95.2	105.4	98.2	97.3	0.08	-0.10	0.01	-0.01
Middle Distillate	250.2	250.6	257.0	264.5	263.4	288.5	280.5	260.6	0.02	-0.10	0.15	-0.03
Residual Fuel Oil	68.9	67.9	67.5	68.9	66.9	80.6	75.0	78.7	0.03	-0.03	-0.05	-0.05
Total Products[3]	496.3	492.2	504.3	522.1	520.8	577.3	559.6	536.2	0.09	-0.27	0.02	-0.08
Total[4]	883.7	870.4	873.8	886.1	884.0	971.6	933.1	904.9	0.21	-0.33	0.12	-0.12
OECD Asia Oceania												
Crude	151.7	150.0	144.8	143.9	145.5	156.1	163.3	149.3	0.09	0.01	-0.12	-0.14
Motor Gasoline	25.1	25.4	24.3	26.2	27.4	26.0	24.6	27.1	0.04	0.00	-0.03	-0.01
Middle Distillate	68.4	65.0	67.8	67.3	63.5	58.8	55.7	63.9	0.04	-0.03	0.10	-0.03
Residual Fuel Oil	19.4	18.4	19.3	20.1	18.5	18.5	20.2	21.4	0.00	-0.01	0.00	-0.01
Total Products[3]	181.3	173.7	170.0	173.0	166.7	163.3	155.0	172.6	0.03	-0.06	0.17	-0.14
Total[4]	404.3	395.9	382.0	386.0	380.9	391.7	389.6	394.0	0.18	-0.04	0.04	-0.34
Total OECD												
Crude	1011.8	988.6	950.2	948.1	954.7	969.6	956.3	980.7	0.51	-0.20	-0.02	-0.42
Motor Gasoline	359.6	363.1	374.2	390.9	389.1	396.4	390.2	387.2	0.06	-0.10	-0.09	0.07
Middle Distillate	507.4	505.5	522.1	517.3	515.7	573.0	552.5	520.1	-0.15	-0.10	0.36	-0.15
Residual Fuel Oil	131.8	129.7	132.5	134.7	128.6	142.8	139.5	145.4	0.06	-0.03	-0.07	-0.03
Total Products[3]	1356.2	1334.7	1343.8	1346.8	1329.3	1412.0	1395.9	1379.7	-0.31	0.04	0.35	-0.70
Total[4]	2667.6	2620.6	2570.8	2573.3	2566.7	2667.0	2650.9	2644.5	0.22	-0.05	0.43	-1.40

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			
	Oct2013	Nov2013	Dec2013	Jan2014	Feb2014*	Feb2011	Feb2012	Feb2013	1Q2013	2Q2013	3Q2013	4Q2013
OECD Americas												
Crude	696.0	696.0	696.0	696.0	696.0	726.5	696.0	696.0	0.01	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	204.8	206.7	206.1	206.4	206.5	185.9	188.2	205.3	0.02	0.03	-0.03	0.01
Products	261.7	260.6	260.1	260.4	262.4	237.4	235.1	265.3	0.08	-0.04	0.04	-0.03
OECD Asia Oceania												
Crude	385.7	385.8	386.6	386.6	386.5	390.3	393.6	389.6	-0.04	-0.04	-0.01	0.02
Products	29.9	30.1	30.5	30.6	30.6	20.0	19.7	22.5	0.02	0.00	0.06	0.02
Total OECD												
Crude	1286.5	1288.4	1288.6	1288.9	1289.0	1302.7	1277.7	1290.8	-0.02	-0.01	-0.04	0.03
Products	292.6	291.7	291.7	291.9	293.9	257.4	255.8	288.8	0.10	-0.04	0.09	-0.01
Total[4]	1582.8	1584.3	1584.4	1584.9	1587.0	1561.6	1534.9	1583.0	0.08	-0.04	0.05	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2012		End March 2013		End June 2013		End September 2013		End December 2013 [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
OECD Americas										
Canada	174.1	76	171.3	74	174.4	75	183.1	80	170.3	-
Chile	8.9	25	9.5	25	9.3	26	11.2	33	9.8	-
Mexico	47.5	23	48.7	23	50.0	24	50.0	24	48.7	-
United States[4]	1808.8	97	1794.2	96	1818.7	95	1832.6	95	1761.0	-
Total[4]	2061.4	87	2045.9	86	2074.4	86	2099.0	87	2011.9	85
OECD Asia Oceania										
Australia	37.5	34	37.5	33	39.7	35	36.6	32	36.8	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	590.6	116	591.3	144	587.9	136	590.7	124	575.3	-
Korea	175.4	76	187.6	82	182.3	81	190.7	80	177.8	-
New Zealand	7.8	49	9.0	61	8.8	61	8.2	52	9.2	-
Total	811.5	91	825.4	104	818.7	101	826.3	95	799.1	91
OECD Europe[5]										
Austria	22.9	95	22.5	82	22.0	79	21.3	82	22.2	-
Belgium	38.7	58	38.8	63	37.0	57	39.4	64	41.0	-
Czech Republic	20.2	118	20.3	107	18.5	95	20.3	102	20.0	-
Denmark	21.6	149	23.7	153	22.1	138	21.3	140	23.7	-
Estonia	1.5	55	1.6	65	1.5	50	1.4	49	1.6	-
Finland	26.3	136	36.8	190	38.2	193	41.0	210	39.0	-
France	162.3	93	160.9	92	165.5	94	166.1	99	167.5	-
Germany	287.1	125	290.5	116	288.4	118	286.9	121	288.6	-
Greece	30.8	112	32.2	111	26.6	84	26.7	92	25.6	-
Hungary	15.1	123	16.6	123	15.4	111	15.7	111	15.4	-
Ireland	10.3	74	10.1	73	10.4	77	10.7	78	10.0	-
Italy	125.5	98	130.9	102	125.7	94	130.8	100	125.1	-
Luxembourg	0.7	11	0.7	11	0.6	10	0.7	11	0.7	-
Netherlands	121.3	128	132.5	129	123.1	122	120.7	123	115.5	-
Norway	27.9	126	26.9	105	24.2	103	27.9	117	28.7	-
Poland	63.9	139	63.3	132	61.0	111	61.9	119	60.4	-
Portugal	21.3	97	23.1	93	21.7	83	22.1	88	23.1	-
Slovak Republic	8.5	119	8.7	120	8.6	104	8.3	101	8.8	-
Slovenia	5.3	111	5.0	96	5.2	106	5.3	103	5.4	-
Spain	120.1	101	123.8	104	117.1	96	120.3	99	111.6	-
Sweden	27.6	91	28.7	88	27.6	88	25.8	91	28.9	-
Switzerland	36.8	147	36.5	142	36.7	145	37.2	130	35.9	-
Turkey	62.0	104	62.0	86	63.9	82	63.2	86	62.3	-
United Kingdom	80.9	54	79.6	51	83.9	55	81.8	55	83.2	-
Total	1338.7	101	1375.6	99	1344.8	96	1356.9	100	1344.2	103
Total OECD	4211.6	92	4246.9	93	4237.9	92	4282.2	92	4155.2	91
DAYS OF IEA Net Imports[6]	-	148	-	149	-	160	-	161	-	157

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 2013 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]		
4Q2010	4244	1565	2679	90	33	57
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4212	1547	2664	92	34	58
1Q2013	4247	1582	2665	93	35	59
2Q2013	4238	1578	2660	92	34	58
3Q2013	4282	1583	2700	92	34	58
4Q2013	4155	1584	2571	91	35	56

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 4Q2013 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2011	2012	2013	1Q13	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14	Year Earlier Jan 13	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.69	0.66	0.85	0.76	0.78	0.73	0.74	0.84	-0.11
Europe	0.83	0.85	0.79	0.67	0.88	0.86	0.77	0.82	0.69	0.81	0.69	0.12
Asia Oceania	1.24	1.26	1.21	1.22	1.20	1.16	1.25	1.32	1.32	1.26	1.32	-0.06
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.44	0.44	0.47	0.49	0.50	0.48	0.40	0.08
Europe	0.02	0.05	0.01	-	0.02	0.02	0.02	0.02	-	0.00	-	-
Asia Oceania	0.40	0.45	0.43	0.49	0.34	0.43	0.45	0.40	0.44	0.45	0.50	-0.05
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.56	0.26	0.40	0.31	0.30	0.28	0.28	0.62	-0.34
Europe	0.11	0.26	0.25	0.18	0.26	0.34	0.22	0.22	0.27	0.24	0.14	0.10
Asia Oceania	0.34	0.33	0.31	0.35	0.35	0.30	0.24	0.25	0.26	0.34	0.28	0.06
Kuwait Blend												
Americas	0.08	0.22	0.28	0.29	0.23	0.30	0.30	0.26	0.33	0.46	0.35	0.11
Europe	0.08	0.09	0.10	0.08	0.11	0.12	0.07	0.02	0.08	0.02	0.13	-0.11
Asia Oceania	0.57	0.65	0.64	0.65	0.62	0.63	0.65	0.59	0.65	0.80	0.67	0.13
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.10	0.10	0.06	0.05	0.04	0.08	0.11	0.13	-0.02
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	-	0.02	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.02	0.01	0.04	0.03	0.04	0.02	-	0.02	-
Asia Oceania	0.51	0.33	0.30	0.39	0.25	0.31	0.24	0.21	0.30	0.27	0.41	-0.14
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.60	0.62	0.61	0.62	0.56	0.70	0.60	0.76	-0.16
Europe	0.05	0.08	0.07	0.06	0.08	0.10	0.04	0.09	0.02	0.08	0.05	0.04
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.63	0.67	0.70	0.79	0.79	0.81	0.69	0.75	-0.06
Europe	0.12	0.14	0.14	0.15	0.16	0.14	0.13	0.13	0.06	0.16	0.17	-0.01
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.57	1.44	1.44	1.53	1.55	1.49	1.50	1.59	-0.09
Europe	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.04	0.03	0.02	0.01	-	-	-	0.03	-
Europe	0.64	0.55	0.47	0.47	0.42	0.52	0.46	0.48	0.53	0.55	0.51	0.04
Asia Oceania	0.02	0.07	0.06	0.11	0.04	0.02	0.05	-	0.13	0.23	0.10	0.13
Russian Urals												
Americas	0.01	0.00	0.00	-	0.02	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.85	1.93	1.64	1.76	1.62	1.83	1.65	1.76	-0.11
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.07	0.02	0.09	0.05	0.03	0.03	0.03	0.07	-0.03
Europe	0.62	0.53	0.59	0.59	0.60	0.59	0.57	0.55	0.57	0.63	0.56	0.07
Asia Oceania	-	-	0.00	-	0.01	-	-	-	-	-	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	0.01	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.86	0.78	0.42	0.22	0.19	0.14	0.19	0.89	-0.71
Asia Oceania	0.01	0.04	0.03	0.05	0.03	0.02	0.02	0.06	0.01	-	0.04	-
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.14	0.15	0.01	-	-	-	-	-	-
Europe	0.45	0.58	0.53	0.65	0.46	0.46	0.57	0.50	0.60	0.56	0.73	-0.16
Asia Oceania	0.05	0.04	0.03	0.02	0.05	0.03	0.02	-	0.03	0.03	0.03	0.00

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	1Q13	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14	Year Earlier Jan 13	% change
Crude Oil												
Americas	6870	6101	5116	5039	5266	5479	4681	4585	4692	4464	5258	-15%
Europe	8988	9346	8921	8935	9243	9112	8399	8258	8276	8265	8812	-6%
Asia Oceania	6609	6761	6553	6991	6242	6465	6519	6718	6697	6736	7091	-5%
Total OECD	22468	22208	20590	20965	20750	21056	19599	19561	19666	19466	21162	-8%
LPG												
Americas	30	20	17	36	14	4	14	10	18	11	30	-64%
Europe	318	287	382	353	400	361	412	371	405	384	316	21%
Asia Oceania	568	620	546	598	547	524	517	519	499	524	601	-13%
Total OECD	916	927	945	987	961	890	942	900	923	918	947	-3%
Naphtha												
Americas	42	20	17	21	20	16	11	9	5	12	13	-8%
Europe	298	381	313	348	275	305	323	253	333	348	422	-17%
Asia Oceania	884	900	927	954	939	866	949	1001	968	1119	981	14%
Total OECD	1224	1301	1257	1324	1235	1187	1284	1263	1306	1479	1416	4%
Gasoline[3]												
Americas	762	730	659	610	806	637	583	528	572	455	547	-17%
Europe	222	212	115	119	97	127	119	147	192	173	124	39%
Asia Oceania	95	86	83	96	91	73	72	76	58	98	93	6%
Total OECD	1079	1028	857	825	994	837	775	752	822	727	764	-5%
Jet & Kerosene												
Americas	77	73	81	51	82	93	98	96	71	37	50	-26%
Europe	397	398	446	327	435	509	512	509	464	353	436	-19%
Asia Oceania	58	62	74	107	56	53	82	76	100	80	112	-28%
Total OECD	532	533	602	484	573	655	692	681	635	470	598	-21%
Gasoil/Diesel												
Americas	72	59	58	83	81	46	21	27	19	148	63	135%
Europe	1044	984	1121	1070	963	1170	1278	1226	1010	1132	1081	5%
Asia Oceania	147	185	162	177	166	137	170	193	160	174	176	-1%
Total OECD	1263	1227	1341	1330	1211	1352	1468	1446	1190	1454	1320	10%
Heavy Fuel Oil												
Americas	268	206	165	163	150	193	155	181	124	197	173	14%
Europe	537	521	551	541	512	613	539	631	514	586	628	-7%
Asia Oceania	153	224	242	260	197	221	290	288	338	331	252	31%
Total OECD	958	951	959	965	859	1027	985	1099	976	1114	1052	6%
Other Products												
Americas	871	813	812	735	863	902	746	728	595	526	732	-28%
Europe	700	636	792	826	777	764	800	719	768	746	873	-15%
Asia Oceania	366	356	385	381	372	404	382	401	381	479	419	14%
Total OECD	1937	1805	1989	1942	2013	2070	1929	1849	1744	1751	2024	-13%
Total Products												
Americas	2122	1921	1809	1700	2018	1891	1629	1579	1406	1386	1608	-14%
Europe	3516	3419	3720	3583	3460	3849	3983	3857	3686	3722	3879	-4%
Asia Oceania	2271	2432	2420	2572	2368	2279	2463	2553	2503	2805	2633	7%
Total OECD	7909	7773	7949	7855	7846	8018	8075	7989	7595	7913	8120	-3%
Total Oil												
Americas	8993	8022	6926	6739	7283	7370	6310	6164	6099	5851	6867	-15%
Europe	12504	12765	12641	12518	12703	12960	12382	12115	11962	11987	12692	-6%
Asia Oceania	8880	9194	8973	9564	8611	8744	8982	9271	9200	9541	9724	-2%
Total OECD	30377	29981	28540	28820	28596	29075	27674	27550	27261	27380	29282	-6%

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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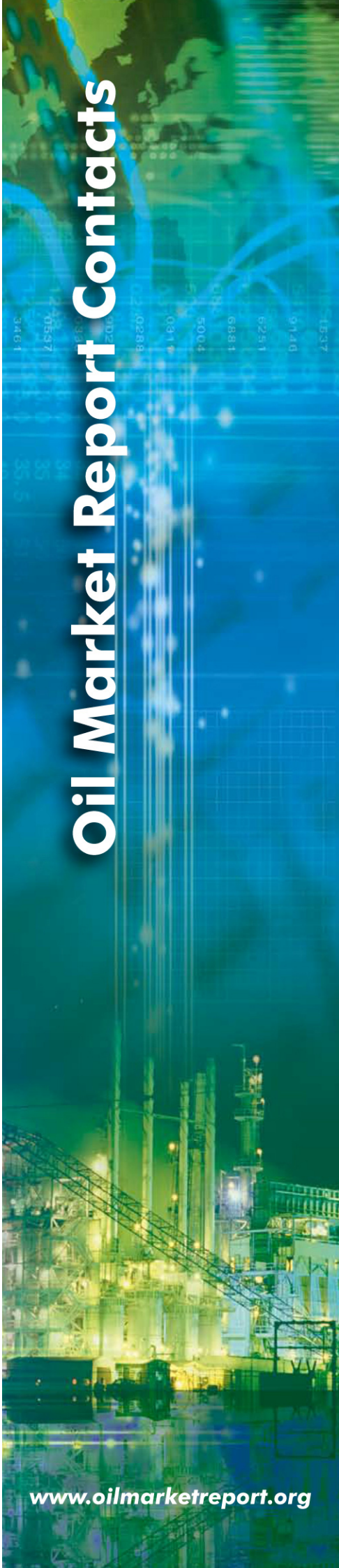
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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 9 August 2013), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 15 May 2014





International Energy Agency

15 May 2014

HIGHLIGHTS

- **Oil prices rose marginally month-on-month in April, supported by continued tensions between Russia and the Ukraine,** supply outages in OPEC and non-OPEC countries and stepped up crude buying as refiners complete seasonal turnarounds. ICE Brent futures were last trading at $109.85/bbl and NYMEX WTI at $102.10/bbl.

- **Forecast global demand growth for 2014 has been raised marginally** since last month's *Report*, to 1.32 mb/d, on higher 1Q14 data. Baseline adjustments to 2012 add 0.1 mb/d to the historical average and total demand, now pegged at 92.8 mb/d in 2014.

- **Global supplies rose 700 kb/d month-on-month to 92.1 mb/d in April,** with roughly half of the increase stemming from OPEC producers. Global supplies were 820 kb/d higher than a year earlier, with non-OPEC annual output growth of 1.8 mb/d more than offsetting an OPEC crude oil decline of 960 kb/d.

- **After hitting five-month lows in March, OPEC crude oil production rebounded by 405 kb/d, to 29.90 mb/d in April**. The 'call on OPEC crude and stock change' for 2H14 was raised by 140 kb/d to 30.7 mb/d.

- **Global refinery crude throughputs hit a seasonal low in April, estimated at 75.4 mb/d,** on plant maintenance and seasonally weak demand. Runs are set to rebound steeply until August as turnarounds unwind and demand increases. Global throughputs are projected to average 76.2 mb/d in 2Q14, 0.4 mb/d lower than in 1Q14.

- **OECD industry inventories slipped by 2.5 mb in March to 2 570 mb,** as a steep drawdown of product stocks partly offset rising crude and feedstock holdings. Preliminary data indicate that OECD commercial stocks surged by 52.1 mb in April, reducing the deficit to the five year average to 79 mb from 110 mb at end March.

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OIL Medium-Term Market Report 2014



Market Analysis and Forecasts to 2019

International Energy Agency

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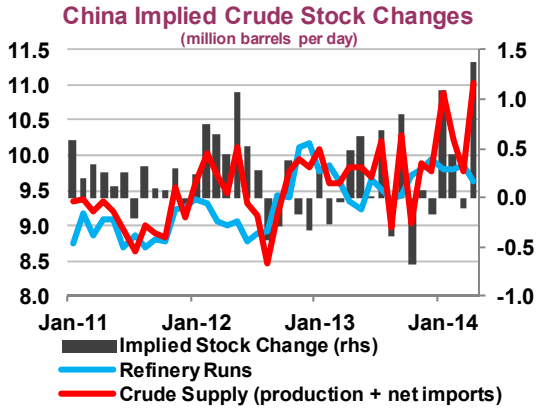
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EAST SIDE STORAGE

April is the time of year when crude and product demand typically hits a seasonally low point, allowing markets to rebalance. The latest data show that this year was no exception. Yet crude prices remain elevated and forecast balances call for a significant rise in OPEC production from current levels for the second half of the year. While OPEC has more than enough capacity to deliver, it remains to be seen whether it will manage to overcome the above-ground hurdles that have plagued some of its member countries lately.

This month's preliminary data also show a sharp rise in Chinese crude oil imports which is not matched by commensurate rises in demand or crude runs. If confirmed, the data imply an unprecedented crude stock build of 1.4 mb/d for April alone. This has fuelled reports that China might have begun filling a recently completed expansion of its strategic petroleum reserve facilities. While that would benefit energy security not just in China but globally, crude imports of that scale might also support oil markets and keep commercial stocks from rising further elsewhere.

Indeed, despite recent builds, OECD stocks remain tight by historical standards. After sinking to a 110 mb deficit to their five-year average in February and March, OECD stocks bounced back in April by more than 50 mb on seasonally easing demand, preliminary data show. Product stock cover inched up by 0.5 days of forward demand, reversing declines in March, while a steep drop in global throughputs helped crude stocks extend earlier builds. Yet even if those preliminary builds are confirmed, OECD stocks would still stand at a nearly 80 mb deficit to average levels as of end-April. Product builds, welcome as they may be, are heavily concentrated in US propane, not the product most in demand. Much of the crude build also centres in the US, hence is not directly accessible to international markets.



While OPEC production gains of around 400 kb/d went some ways towards easing markets last month, that gain will be insufficient to meet market needs in the second half of the year, when consumption bounces back seasonally. In order to balance forecast demand, OPEC countries would need to hike third-quarter production by another 900 kb/d from April levels. Whether Libya can keep its ports open and unlock its exports is unclear. Meanwhile, Iraq faces renewed security threats in the North, while outside OPEC new politically-driven disruptions have intensified in Colombia and South Sudan.

China's crude import strategy is another factor not captured in supply and demand balances. Surging Chinese imports reached an all-time high of 6.81 mb/d in April, customs data show. This, according to tanker tracking data, includes steep increments from Russia, Oman, Angola and Iraq, imports from which surged to more than 700 kb/d, a record. China's imports from Iran also jumped in April to over 600 kb/d based on preliminary data, the highest since June 2012.

How Chinese importers plan to use those barrels remains an open question. Reports of Chinese budget allocations to expand strategic reserves suggest that the oil is going into storage, a view backed by the fact that some of the Chinese ports where crude imports rose the most border the new strategic facilities in Tianjin and Huangdao. Beijing's plans going forward will affect how much crude becomes available to the larger market.

Then again, China's fast growing refining capacity is under-utilised amid a slowdown in demand growth. Two new refineries totalling 440 kb/d of capacity were just commissioned, adding to surplus capacity. Having become net exporters of key products in March, refiners may simply be planning to make more use of their plants, setting the stage for even higher product exports. In that case too, consumers will enjoy more supply, but the effect on international markets will play out differently.

DEMAND

Summary

- **The forecast of global oil demand for 2014 has been revised marginally upwards by 65 kb/d, to 92.8 mb/d**, based on revisions to historical non-OECD demand and higher estimates for OECD deliveries across the 1Q14.

- **Baseline non-OECD demand has been adjusted higher**, lifting the global demand estimate for 2012 by 85 kb/d, to 90.2 mb/d. India, China and Saudi Arabia lead the upward revisions based on new and more comprehensive demand data from those countries.

- **The assessment of 1Q14 demand has been raised by 190 kb/d to 91.3 mb/d**, reflecting mostly stronger-than-expected demand in the US in February and other upward revisions for Japan, Germany and the UK.

- **The forecast of global demand growth for 2014 is revised marginally upwards to 1.32 mb/d on revisions to the assessment of 1Q14 demand**, partly offset by slightly lower expectations of economic growth for the year in the latest International Monetary Fund (IMF) forecast. Changes to non-OECD baseline demand are roughly growth-neutral.

Global Oil Demand (2012-2014)

(million barrels per day)

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.6	3.8	3.8	3.7	3.8	3.7	3.8	3.9	3.9	4.0	3.9
Americas	29.5	29.9	30.2	30.3	30.0	30.1	30.4	30.9	31.1	30.6	30.4	30.6	31.2	31.3	30.9
Asia/Pacific	30.1	29.2	29.4	30.7	29.9	30.8	29.7	29.6	30.7	30.2	31.1	30.4	30.3	31.4	30.8
Europe	14.4	14.5	14.5	14.4	14.4	13.9	14.5	14.7	14.3	14.3	13.7	14.3	14.6	14.5	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Middle East	7.3	7.8	8.3	7.6	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.7	8.0	8.2
World	**89.3**	**89.5**	**90.7**	**91.3**	**90.2**	**90.4**	**90.8**	**92.1**	**92.4**	**91.4**	**91.3**	**92.1**	**93.5**	**94.0**	**92.8**
Annual Chg (%)	0.8	1.8	0.8	1.6	1.3	1.2	1.5	1.6	1.2	1.4	1.1	1.4	1.5	1.8	1.4
Annual Chg (mb/d)	0.7	1.6	0.7	1.4	1.1	1.1	1.3	1.5	1.1	1.2	1.0	1.2	1.4	1.6	1.3
Changes from last OMR (mb/d)	0.09	0.10	0.09	0.05	0.08	0.03	0.05	0.02	0.03	0.03	0.19	0.01	0.04	0.03	0.07

Global Overview

This month's *Report* incorporates upward data revisions to both baseline non-OECD demand and 1Q14 OECD deliveries, partly offset by moderately lower expectations of economic growth for 2014. In aggregate, those revisions lift the estimate of global demand for 2014 by around 65 kb/d, to 92.8 mb/d. The growth forecast, at roughly 1.3 mb/d for 2014, is only very marginally up (+35 kb/d) on last month's *Report* as the latest IMF quarterly economic update, which entails a slightly less strong pace of global economic growth in 2014, has curbed momentum.

Revisions to the non-OECD demand baseline add 85 kb/d to the 2012 global demand estimate to 90.2 mb/d, as more comprehensive data for India, China and Saudi Arabia have become available. Meanwhile, the estimate of 1Q14 global demand has been raised by 190 kb/d, to 91.3 mb/d, due to sizeable upward revisions to OECD demand, most notably Japan, the US, Germany and the UK.

The upward adjustment to the global 2014 demand forecast would have been even higher had it not been for the partially offsetting influence provided by the IMF's curbed macroeconomic assessment. The IMF's latest quarterly *World Economic Outlook* (WEO), published in April, cut roughly ten basis points from its 2014 global economic outlook, compared to January's WEO. Global economic activity is now

expected to rise by 3.6% in 2014, up from 3.0% in 2013 but below the 3.7% growth rate assumed in the IMF's January WEO. "In advanced economies, (economic) growth is expected to increase to about 2.25% in 2014-15, an improvement of about one percentage point compared with 2013", the IMF said. "Key drivers are a reduction in fiscal tightening, except in Japan, and still highly accommodative monetary conditions". Focusing on emerging markets, the IMF envisages growth picking up gradually, from 4.7% in 2013 to about 5% in 2014, but warned that "the global recovery is still fragile despite (recently) improved prospects, and significant downside risks – both old and new – remain. Recently, some new geopolitical risks have emerged (such as Ukraine). On old risks, those related to emerging market economies have increased with the changing external environment".

Economic Outlook, 2014
IMF projections

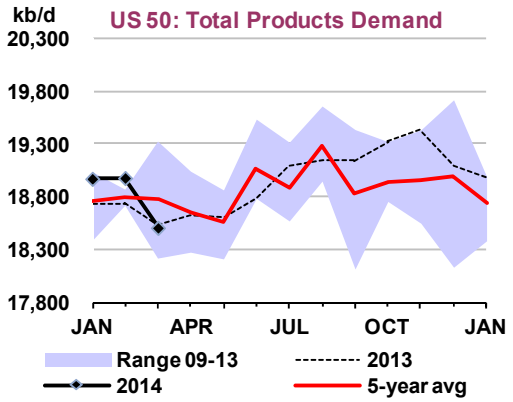
% change	Apr-14	Jan-14
WORLD	**3.6**	**3.7**
US	2.8	2.8
Germany	1.7	1.6
France	1.0	0.9
Italy	0.6	0.6
Spain	0.9	0.6
UK	2.9	2.4
Canada	2.3	2.2
Japan	1.4	1.7
China	7.5	7.5
India	5.4	5.4
Brazil	1.8	2.3
Russia	1.3	2.0

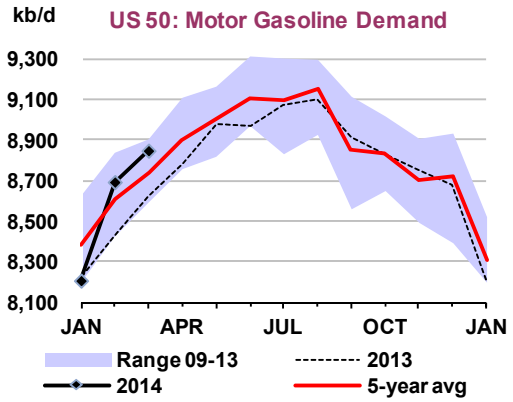
Source: IMF

Top 10 Consumers

US

US Department of Energy monthly data show roughly 19.0 mb/d of oil products were delivered in February, up from a previous 18.5 mb/d estimate based on preliminary weekly statistics. Far from declining, US demand now looks to have grown by 1.3% year-on-year (y-o-y) for that month. Although the estimate of demand for February is 440 kb/d above last month's projection, the 1Q14 estimate at 18.8 mb/d, is only 45 kb/d higher than last month's forecast, as weekly estimates for March were considerably weaker. Those estimates remain subject to revision, however.



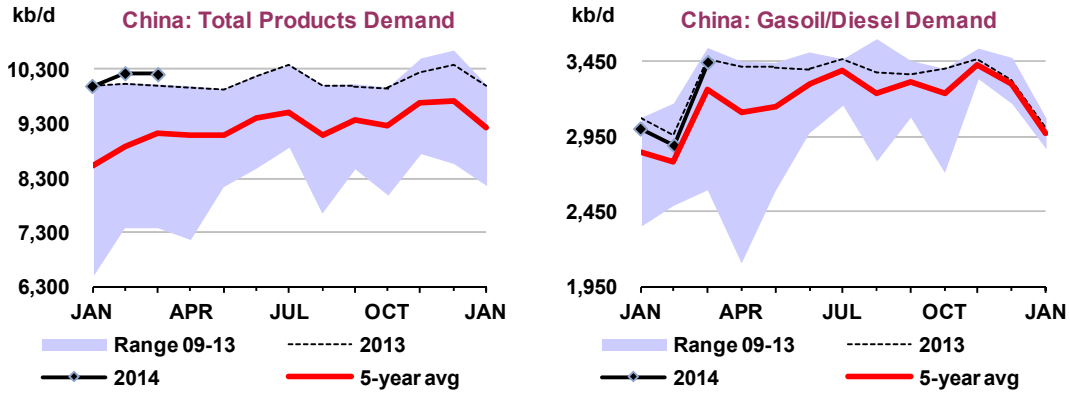


Estimates of US transport fuel demand led the large February US data revision, with gasoline deliveries now assessed at 8.7 mb/d and those of gasoil/diesel at 4.2 mb/d. These numbers are respectively up on the year earlier by 3.2% and 5.0%, suggesting that a combination of higher consumer confidence and lower prices at the pump has more than offset travel disruptions caused by exceptionally cold weather earlier this year. US gasoil demand likely gained some additional traction in February as the very cold weather raised space-heating requirements.

Looking at March, based on US Department of Energy weekly statistics, roughly 18.5 mb/d of oil products were delivered, 0.1% down on the year earlier and 240 kb/d less than our previous prediction. Absolute y-o-y declines in residual fuel oil and LPG roughly offset gains in gasoline and jet/kerosene. Looking forward to the year as a whole, a gain of around 0.4% is now foreseen, to an annual average of around 19.0 mb/d in 2014.

China

Relatively challenging economic conditions continue to dampen expectations of Chinese oil demand for 2014. An estimated 10.2 mb/d of oil products were delivered in March, up 2.0% on the year, trimming the approximation of 1Q14 demand to 10.1 mb/d. The Chinese oil demand estimate for March remained constrained by a combination of steeply falling gasoil/diesel and fuel oil deliveries, in line with the ongoing industrial slowdown that is sweeping the economy.



Other factors than the economy are also dampening the apparent demand figures, including reports of relatively high product exports – 2.8% up on the year earlier – and anti-pollution policies. Some cities are reportedly imposing quotas on new vehicles purchased, in an effort to ease pollution and ease congestion. Nonetheless, gasoline has been providing in recent months some of the strongest momentum to Chinese demand, alongside jet/kerosene demand, which continues to rise sharply in line with passenger traffic.

China: Demand by Product

(thousand barrels per day)

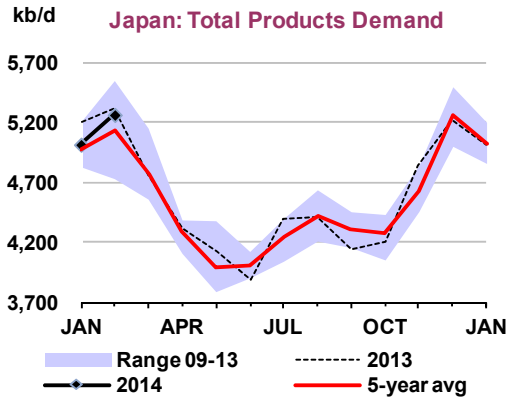
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	762	785	815	24	29	3.1	3.7
Naphtha	1,007	1,082	1,139	75	57	7.4	5.3
Motor Gasoline	1,967	2,088	2,212	121	123	6.2	5.9
Jet Fuel & Kerosene	433	480	506	47	26	10.9	5.4
Gas/Diesel Oil	3,407	3,346	3,430	-61	84	-1.8	2.5
Residual Fuel Oil	508	463	466	-45	4	-8.8	0.8
Other Products	1,783	1,847	1,879	64	32	3.6	1.7
Total Products	**9,867**	**10,091**	**10,446**	**225**	**355**	**2.3**	**3.5**

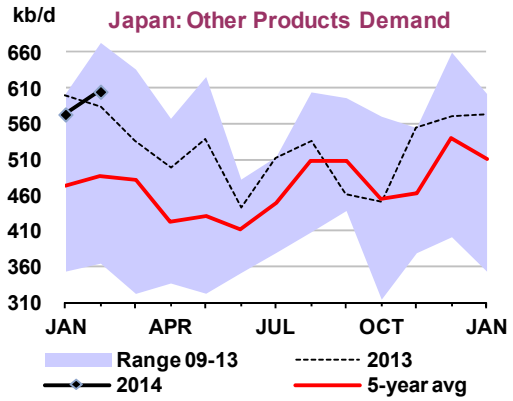
For 1Q14 as a whole, a relatively subdued +1.3% y-o-y growth trend is now projected as economic momentum appears to be easing back to an 18-month low. Growth, however, should pick up through the remainder of the year, as near 7.5% economic growth is forecast to support relatively strong gains in gasoline, jet fuel and petrochemical products to say the least. It is worth noting, finally, that April's implied 1.4 mb/d total (commercial and government) crude oil stock-build (see *Stocks*) is not part of implied apparent Chinese demand – which remains equal to the sum of refinery output and net product imports, minus product inventory builds.

Japan

A combination of upwardly revised historical numbers for both fuel oil and 'other products' contributed towards a revised 1Q14 estimate of 5.0 mb/d. Official data show residual fuel oil deliveries of approximately 565 kb/d in February, a shallower y-o-y decline than previously expected, based on

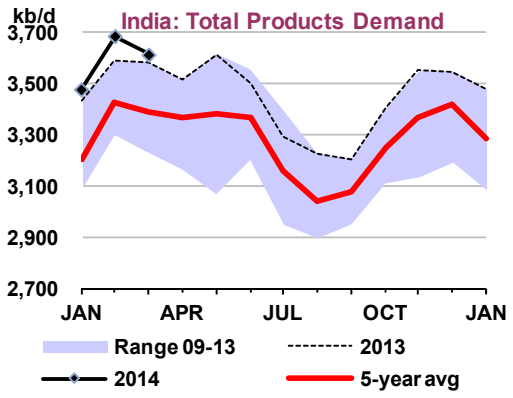
stronger-than-expected demand from the power generation sector. The same factor supported demand for 'other products', which includes crude oil burnt for electricity generation. Preliminary estimates of March demand pointed towards deliveries of roughly 4.8 mb/d, 105 kb/d above our month-earlier forecast. Upwardly revised estimates for 1Q14 raise the 2014 forecast to 4.4 mb/d. Although this still represents a 3.1% decline for the year as a whole, consequential on the expectation that some the country's nuclear capacity will come back online in 2014, stronger 1Q14 data have considerably reduced the magnitude of the contraction.

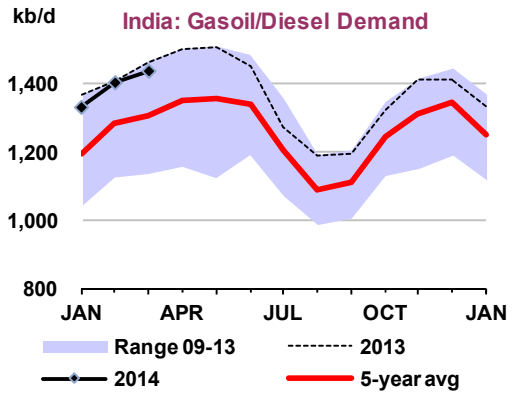




India

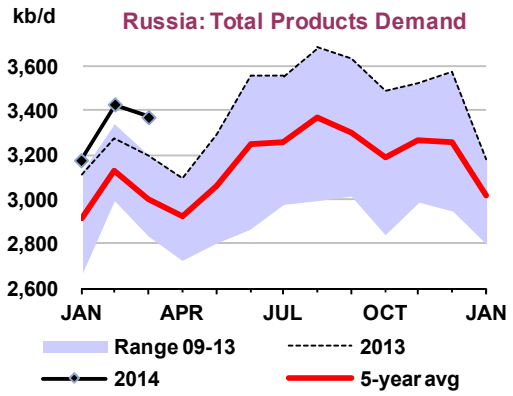
Preliminary estimates show that Indian oil demand grew by 0.8% in March y-o-y, to roughly 3.6 mb/d. The March gain represents the eighth consecutive month of demand growth, reversing a protracted period of contraction around mid-2013, as rising sales of gasoline and LPG offset declines in most other product categories. Diesel deliveries, in particularly, have been falling since mid-2013 as government efforts to reduce the diesel subsidy have seen diesel prices rise in comparison to those of gasoline. In contrast, gasoline use has been on the rise. With revisions to March and February demand roughly offsetting each other, the growth forecast for the year as a whole has been left roughly unchanged at +2.6%, with total Indian oil demand forecast to average around 3.5 mb/d in 2014.

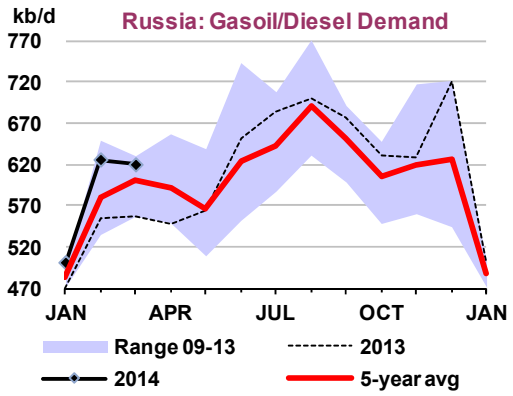




Russia

Despite concerns about the health of the Russian economy, recent oil demand data remain relatively robust. An estimated 3.4 mb/d of oil products were delivered in March, 5.3% up on the year earlier, marking 13 consecutive months of annual growth. The strongest gains are registered in the gasoil, residual fuel oil and 'other products' categories. Russian industrial output rose y-o-y in both February and March, by 2.1% and 1.4%, respectively, according to the Federal State Statistics Service. For the year as a whole, Russian demand is projected to grow by a relatively modest 1.7%, to 3.5 mb/d, consequential on forecasts that the underlying economy will be facing headwinds (see *Report* dated *11 April 2014*).





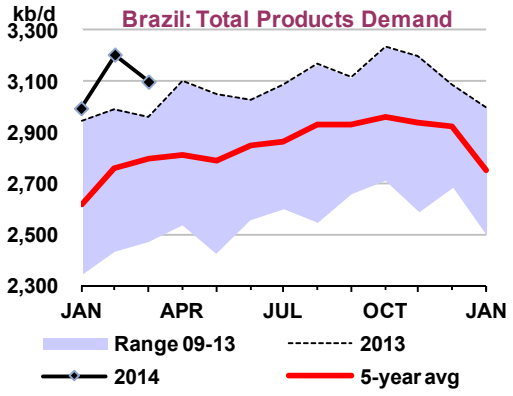
Top-10 Oil Consumers

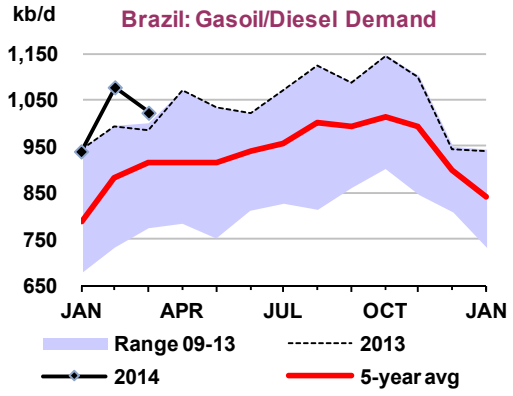
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Feb-14	2013	2014	Feb-14	2013	2014	Feb-14	2013	2014
US50	18,984	18,939	19,017	251	397	78	1.3	2.1	0.4
China	10,230	10,091	10,446	189	225	355	1.9	2.3	3.5
Japan	5,266	4,563	4,424	-49	-163	-139	-0.9	-3.5	-3.1
India	3,687	3,454	3,543	99	29	89	2.8	0.8	2.6
Russia	3,427	3,416	3,473	149	116	57	4.6	3.5	1.7
Brazil	3,204	3,081	3,172	212	109	91	7.1	3.7	2.9
Saudi Arabia	2,854	3,025	3,122	133	66	97	4.9	2.2	3.2
Korea	2,365	2,305	2,312	-22	4	6	-0.9	0.2	0.3
Canada	2,358	2,303	2,327	71	26	24	3.1	1.1	1.0
Germany	2,353	2,405	2,430	32	17	25.0	1.4	0.7	1.0
% global demand	60%	59%	59%						

Brazil

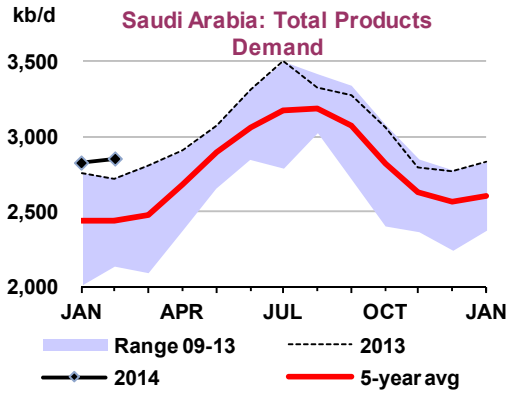
Weaker-than-anticipated gasoil demand led the sharp drop in overall deliveries seen in March, to 3.1 mb/d. This compares to the previous multi-month high of 3.2 mb/d seen in February. At an estimated 1.1 mb/d in March, gasoil deliveries came out 50 kb/d below the month earlier forecast, as economic tailwinds curbed industrial activity. Indeed the latest data from the Instituto Brasileiro de Geografia e Estatística reported industrial activity rising by just 0.4% on a month-on-month basis in February, while the most recent manufacturing sentiment indicators point towards a deterioration in expectations since the turn of the year.

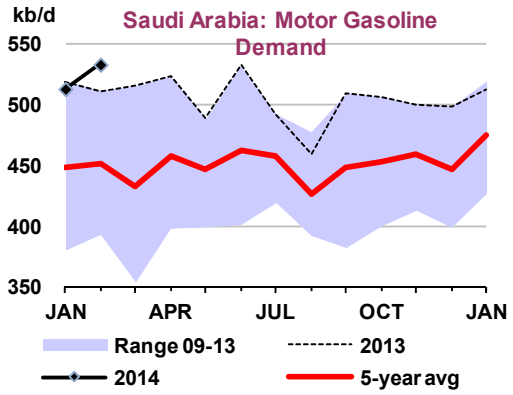




Saudi Arabia

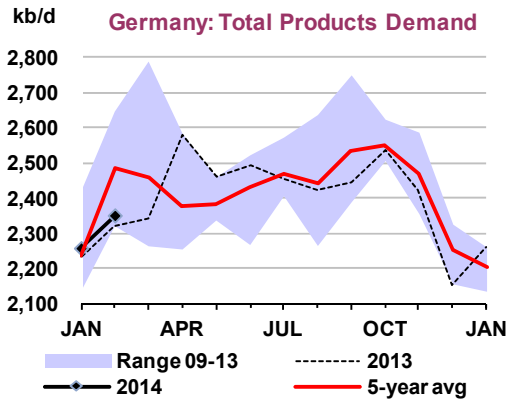
At approximately 2.9 mb/d in February, Saudi Arabian oil deliveries exceeded both month- and year-earlier levels. Year-on-year growth climbed to a seven-month high in February, supported by strong gains in gasoline and jet/kerosene, both products that have garnered support from a recent uptick in consumer confidence. The forecast for the year as a whole, at 3.1 mb/d, amounts to a gain of 3.2% on 2013 levels, and has been revised up on last month's *Report*, reflecting stronger-than-anticipated 1Q14 demand (with 70 kb/d added since last month's *Report*).

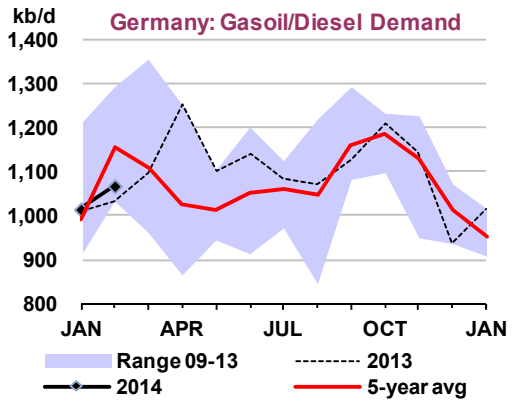




Germany

Strong growth in gasoil/diesel demand saw German oil deliveries average out at 2.4 mb/d in February, a three-month high. Official February government data surprised on the upside, 60 kb/d above our month-earlier assessment, the majority of this upside was attributable to the scale of the uptick in German gasoil deliveries. At 1.1 mb/d in February, total German gasoil demand broke multi-month highs and were roughly 3.4% up on the year. Earlier expectations of subdued German gasoil deliveries, on account of an unusually warm winter, apparently missed an additional industrial requirement that emerged. Total industrial output in Germany rose by 4.9% up on the year in February, and increased further in March, a seventh consecutive monthly gain. For the year as a whole, growth of 1.0% in total oil demand is being forecast, to 2.4 mb/d, on the back of the additional German economic momentum. At 295 000 in March, Germany car registrations were at a 21-month high, further underpinning both gasoline and diesel deliveries in 2014.

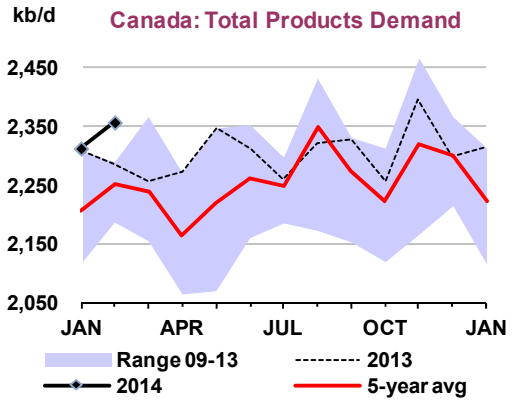


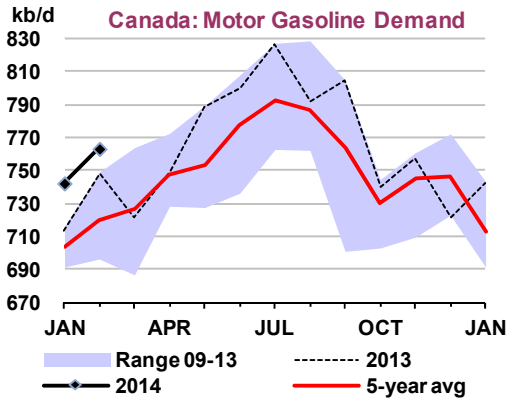


Canada

Strong gains in gasoline and gasoil use pushed annual growth in Canadian oil demand up to an eight-month high of 3.1% in February. Gasoil demand gained traction from cold winter temperatures, while gasoline deliveries rose to a five-month high on the back of rising consumer confidence. The Conference

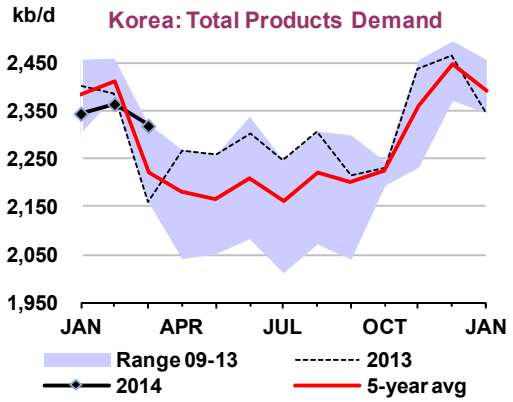
Board of Canada's index of consumer confidence rose by 4.2 points in February, with the balance of opinion rising across all the main categories. For the year as a whole, a relatively robust 1.0% gain is now being forecast for Canadian oil demand, one-tenths of a percentage point above our month earlier prediction on the strength of the higher 1Q14 estimate.

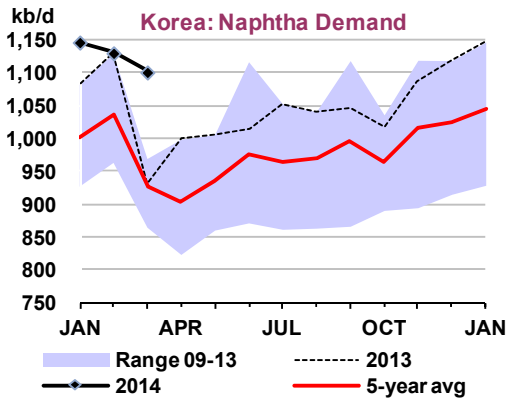




Korea

Strong petrochemical demand, plus continued gains in gasoil, saw total South Korean oil deliveries average out at around 2.3 mb/d in March, equivalent to growth of roughly 7.4% on the year earlier. At an estimated 1.1 mb/d in March, naphtha deliveries posted their sharpest y-o-y gain in 21 months, while gasoil demand, at 415 kb/d in March, was 2.2% above the year earlier level. Underpinning rising oil deliveries in recent months has been Korea's relatively supportive macroeconomic environment, with forward-looking surveys of business sentiment showing an 'expansionary' bias. The Korean economy grew by 0.9% in 1Q14 from 4Q13. For the year as a whole, total demand is forecast to average 2.3 mb/d, modestly up on the year as the relatively strong macroeconomic underpinnings partly offset projections of efficiency gains across the economy.





OECD

The OECD oil demand trajectory seems to have flattened out in y-o-y terms in February and March, with respective y-o-y changes of -0.1% and +0.4% posted. The key question now is what happens next. Despite signs of a rebound in oil demand in 2013, OECD oil markets remain entrenched in long-term structural decline as anticipated efficiency gains outstrip the effect of economic growth. The period 2Q13-4Q13 saw a break from this trend, as OECD economic momentum swung quickly from near-recessionary conditions to renewed growth, but oil demand gains look unlikely to outlast that economic bounce.

OECD Demand based on Adjusted Preliminary Submissions - March 2014

(million barrels per day)

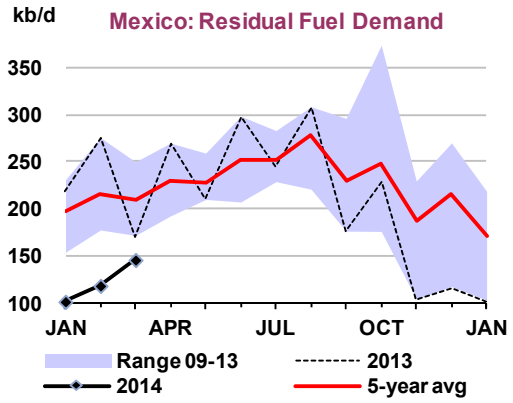
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.48**	**2.3**	**1.67**	**2.7**	**4.44**	**3.2**	**0.54**	**-16.7**	**0.56**	**-28.2**	**5.87**	**-1.24**	**23.57**	**0.0**
US50	8.85	2.6	1.42	2.2	3.53	3.6	0.23	-36.8	0.24	-43.9	4.24	-1.75	18.51	-0.1
Canada	0.74	2.5	0.12	11.5	0.29	-3.6	0.23	17.5	0.04	0.7	0.85	-4.32	2.27	0.7
Mexico	0.75	-1.6	0.07	3.3	0.39	2.8	0.04	-17.9	0.15	-14.3	0.64	7.95	2.04	0.7
OECD Europe	**1.83**	**-0.1**	**1.14**	**-0.7**	**4.31**	**3.5**	**1.51**	**-8.9**	**0.92**	**-7.6**	**3.53**	**1.62**	**13.24**	**-0.2**
Germany	0.41	2.1	0.16	-2.2	0.72	8.6	0.38	-13.5	0.12	-5.4	0.59	9.06	2.39	1.9
United Kingdom	0.31	5.7	0.33	-2.1	0.47	2.5	0.13	11.0	0.04	-4.2	0.28	8.01	1.56	3.5
France	0.14	1.0	0.14	0.1	0.66	-0.7	0.29	-9.0	0.05	-24.2	0.39	-5.27	1.68	-4.0
Italy	0.19	-6.0	0.08	-2.2	0.41	-2.9	0.10	-8.4	0.06	-19.1	0.37	-6.36	1.21	-5.7
Spain	0.10	-0.8	0.10	-1.0	0.42	4.3	0.16	-3.0	0.15	3.9	0.27	-2.01	1.21	0.9
OECD Asia & Oceania	**1.57**	**0.1**	**0.97**	**6.6**	**1.27**	**2.6**	**0.57**	**2.8**	**0.77**	**-6.0**	**3.49**	**4.16**	**8.64**	**2.4**
Japan	0.94	0.3	0.65	8.6	0.46	3.7	0.44	3.2	0.48	-4.4	1.82	-1.98	4.79	0.5
Korea	0.20	-0.2	0.14	6.0	0.30	2.2	0.12	2.2	0.23	-8.8	1.33	14.14	2.32	7.4
Australia	0.31	-1.0	0.13	-2.1	0.41	3.1	0.00	0.0	0.03	-4.2	0.25	1.69	1.13	0.8
OECD Total	**13.88**	**1.7**	**3.78**	**2.6**	**10.02**	**3.2**	**2.62**	**-8.4**	**2.25**	**-13.3**	**12.88**	**0.95**	**45.45**	**0.4**

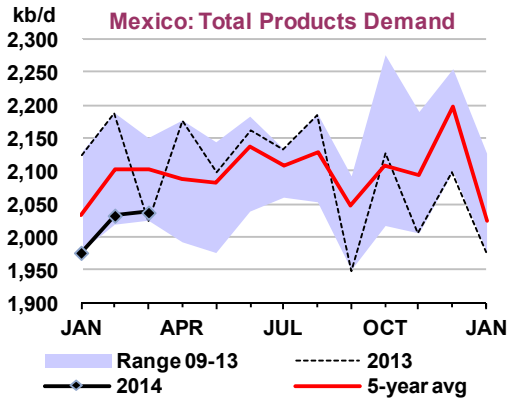
* Including US territories

Americas

North America in 1Q14 has maintained its position as the relatively strongest rising OECD regional demand centre. Deliveries in the OECD Americas edged 0.4% higher on a y-o-y basis in 1Q14, to 23.8 mb/d. These figures mask the true picture, however, as oil demand has not consistently grown across the region: while Canada and the US posted growth in y-o-y terms, Mexican oil use plunged by 4.5% y-o-y in 1Q14, to 2.0 mb/d, as the power sector increasingly shifts from residual fuel oil to natural gas.

Despite declining **Mexican** demand for residual fuel oil and gasoline, most other product categories have seen outright y-o-y increases in recent months. Gasoline deliveries have trended down since the end of 2012, as the assumed efficiency of the Mexican vehicle fleet has increased at a more rapid pace than the total transport stock has expanded.

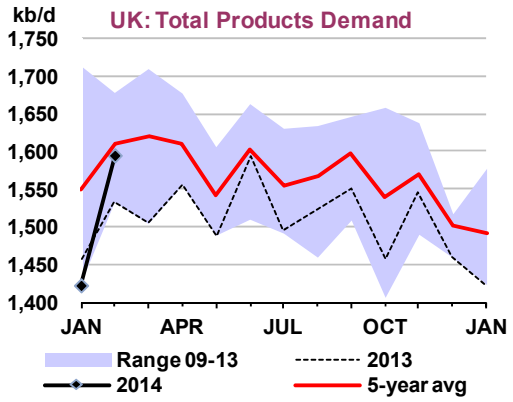


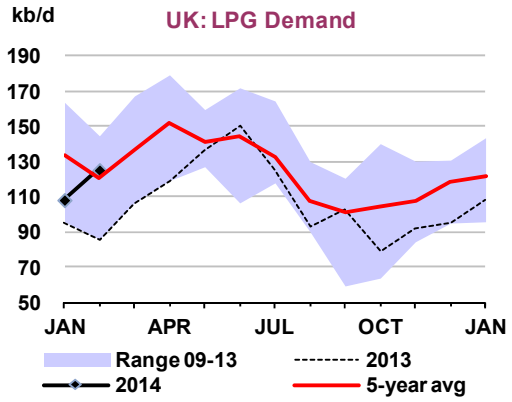


Europe

A recent uptick in German and UK oil demand helped lift the estimate of global demand for 1Q14. As noted above, German industrial activity is performing relatively well, having risen on a y-o-y basis in the seven months through March, with an equally robust performance seen in the **UK** recently. Driven largely by an uptick in LPG demand since the turn of the year, UK oil deliveries rose to a near two year

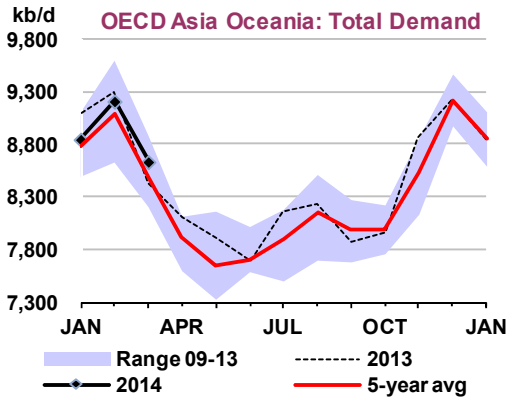
high of roughly 1.6 mb/d in February. Increasing petrochemical usage accounted for a large portion of the additional LPG needs (at the expense of naphtha), while resurgent gasoil demand (+14.9% y-o-y in February to 640 kb/d) provided the proverbial icing on the cake. Given the recent uptick in oil demand data, the forecast for the year as a whole has also now been raised, with overall growth now projected at 0.8%, up from 0.6% previously.

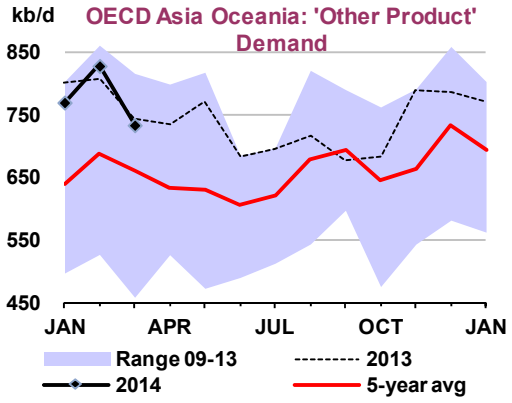




Asia Oceania

With roughly 8.9 mb/d delivered in 1Q14, the OECD Asia Oceania region posted its shallowest quarterly y-o-y demand decline in over a year, down 0.5% y-o-y after contraction of 1.3% in 4Q13 and 2.7% in 3Q13. This relative easing was largely attributable to the corresponding adjustment (mostly in the power sector) that has occurred in the region's largest economy, Japan.





Non-OECD

Despite stuttering somewhat in 4Q13, non-OECD oil demand rebounded strongly in 1Q14, as the Indian demand trend in particular showed some improvement (see *India* section, above). Other notably stronger 1Q14 demand contributors, whence compared to 4Q13, were China, Brazil, Iran and Saudi Arabia. Momentum is likely to build over the course of the year as the underlying macroeconomic situation improves. Total non-OECD deliveries are forecast to average out at around 45.8 mb/d in 2014, 3.1% up on the year.

Venezuela will reportedly be forced to import around 35 kb/d of additional gasoil, to compensate for Colombia having to re-direct previously exported natural gas back to the country as drought severely reduces hydroelectric capacity. This relative upside in the Venezuelan demand balance could easily, however, be offset by declines elsewhere in the crisis-hit economy. Latest JODI data, which

unfortunately end in September 2013, showed an 8.0% y-o-y contraction in demand to 735 kb/d. We forecast a modest uptick in Venezuelan demand in 2014, as additional power sector oil use, in response to the recent gas shortages, plus the ongoing presence of domestic price subsidies, should be more than enough to offset any economically-inflicted losses felt elsewhere.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
LPG & Ethane	4,880	4,949	5,007	143	168	3.0	3.5
Naphtha	3,011	3,072	3,180	3	51	0.1	1.6
Motor Gasoline	9,419	9,467	9,433	268	223	2.9	2.4
Jet Fuel & Kerosene	2,844	2,914	2,891	77	112	2.7	4.0
Gas/Diesel Oil	14,156	14,197	13,765	135	124	1.0	0.9
Residual Fuel Oil	5,481	5,532	5,572	-53	44	-0.9	0.8
Other Products	6,094	5,683	5,701	170	350	3.1	6.5
Total Products	**45,885**	**45,814**	**45,549**	**754**	**1,070**	**1.7**	**2.4**

Within the total 2014 non-OECD demand forecast, Africa, Asia and the Middle East are forecast to post the strongest growth. Recently steep gains have also been seen in Latin America, although those may prove short-lived as the macroeconomic outlook for that region underperforms according to IMF data. Strengthening industrial growth, particularly from the petrochemical sector, plus ongoing expansions in non-OECD transportation fuel demand are forecast to supported relatively robust projections for non-OECD gasoline, jet, gasoil, LPG and naphtha demand in 2014.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			ınual Chg (kb/d)		Annual Chg (%)	
	3Q13	4Q13	1Q14	4Q13	1Q14	4Q13	1Q14
Africa	3,663	3,758	3,830	57	77	1.5	2.1
Asia	21,521	22,043	22,206	122	366	0.6	1.7
FSU	4,827	4,822	4,422	215	127	4.7	3.0
Latin America	6,706	6,727	6,562	176	215	2.7	3.4
Middle East	8,485	7,762	7,860	156	259	2.0	3.4
Non-OECD Europe	683	702	669	28	26	4.1	4.0
Total Products	**45,885**	**45,814**	**45,549**	**754**	**1070**	**1.7**	**2.4**

SUPPLY

Summary

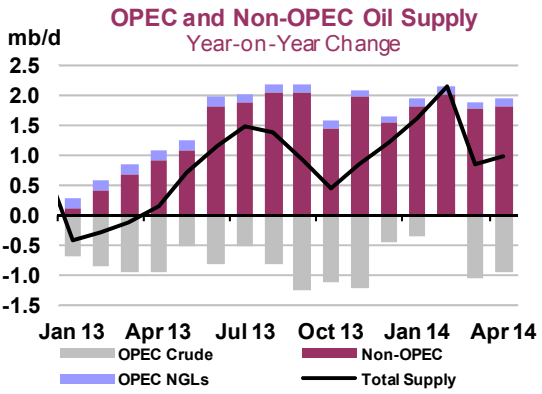
- **Global supplies rose 700 kb/d to 92.1 mb/d month-on-month (m-o-m) in April, with more than half of the increase accounted for by OPEC producers.** Compared with one-year ago, global supplies were 820 kb/d higher, with non-OPEC output growth of 1.8 mb/d more than offsetting the OPEC decline of 850 kb/d. OPEC crude oil production decreased by 960 kb/d year-over-year (y-o-y).

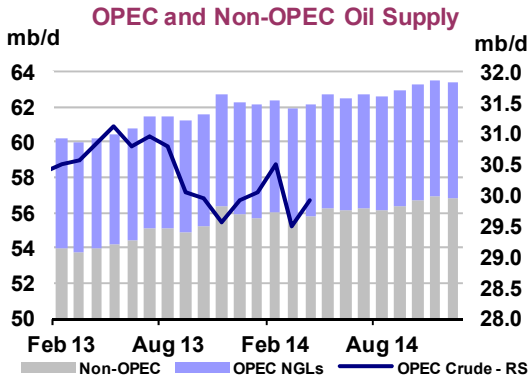
- **April 2014 total non-OPEC production rose by approximately 285 kb/d m-o-m, mainly boosted by increases in the US, UK and China.** Although sizeable, the April gains were not high enough to offset the March declines, which totalled about 550 kb/d amid lower output in nearly every region outside of Latin America.

- **Political, technical and operational issues continue to weigh on non-OPEC supply.** South Sudan and Colombia saw their 2014 outlook downgraded due to civil conflict, pipeline attacks and issues with local communities. Kazakhstan and Canada also saw reduced output forecasts as technical problems and heavier-than-expected maintenance took their toll on supply.

- **OPEC crude oil supplies flirted near the 30 mb/d mark again in April, led by higher output from Iraq, Saudi Arabia, Kuwait and Algeria.** After hitting five-month lows in March, crude oil production rebounded by 405 kb/d, to 29.90 mb/d. The 'call on OPEC crude and stock change' for 2H14 was raised by 140 kb/d to an average 30.7 mb/d, bringing the full-year 2014 average to 30.1 mb/d.

- **OPEC ministers will gather on 11 June in Vienna to review the market outlook for the remainder of 2014**. With prices trading in a narrow range and the 2014 'call on OPEC crude' in line with the current target, expectations are that ministers will maintain their 30 mb/d production ceiling.





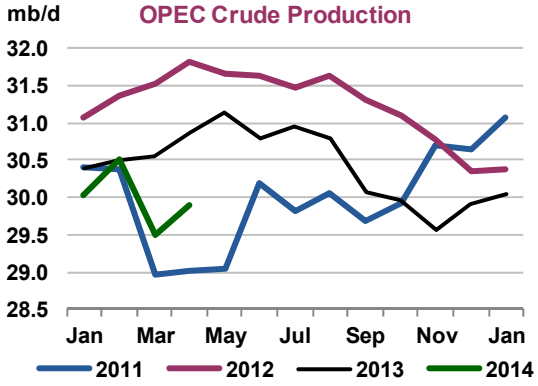
All world oil supply data for April discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary April supply data.

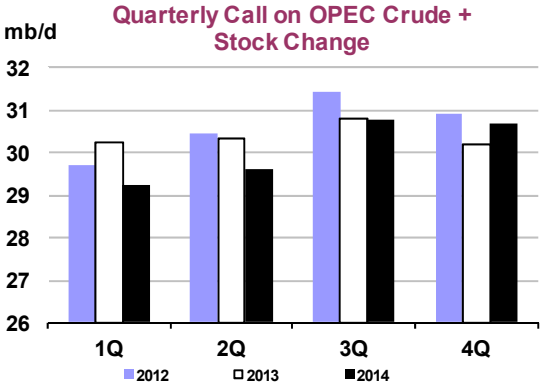
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 approximately –200 kb/d to -400 kb/d for non-OPEC as a whole.

OPEC Crude Oil Supply

OPEC crude oil supplies flirted near the 30 mb/d mark again in April, led by higher output from Iraq, Saudi Arabia, Kuwait and Algeria. After reaching five-month lows in March, crude oil production rebounded by 405 kb/d, to 29.90 mb/d.

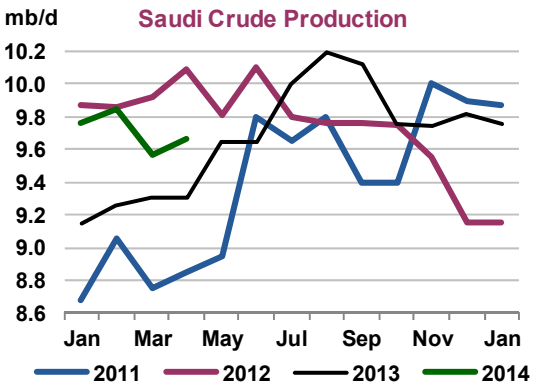
OPEC ministers will gather on 11 June in Vienna to review the market outlook for the remainder of 2014. With prices trading in a narrow range and the 2014 'call on OPEC crude' in line with the current target, expectations are that ministers will maintain the 30 mb/d ceiling originally agreed in January 2012. Supporting this view, Saudi Arabia's oil minister, Ali Naimi, said on 9 May that "supply is highly sufficient, demand is great and the market is fairly stable." He added "there is no reason for a change. Absolutely no reason." OPEC crude oil output in the first four months of the year has averaged remarkably close to the group's 30 mb/d target at 29.98 mb/d.

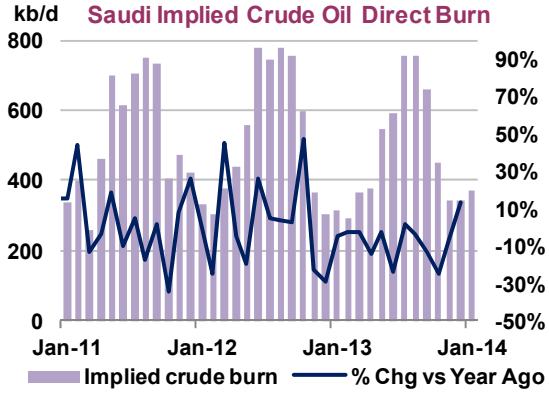




The 'call on OPEC crude and stock change' for 2Q14 was raised by 100 kb/d to 29.6 mb/d and for 2H14 by 140 kb/d to an average 30.7 mb/d. The increased call reflects a combination of modestly higher demand and reduced OPEC NGLs and non-OPEC supply numbers. For the full year 2014, 'the call' was raised by 200 kb/d to 30.0 mb/d. OPEC's 'effective' spare capacity in April was estimated at 3.45 mb/d, down from 3.53 mb/d in March.

Saudi Arabia's crude output averaged 9.66 mb/d in April, up by nearly 100 kb/d from the previous month. Saudi production is expected to increase further in coming months in line with the onset of seasonally higher domestic demand for crude burn at power plants. Crude burn typically falls to yearly lows of 300 kb to 325 kb/d in the first quarter before demand picks up for fuel oil burn at power plants starting in the second quarter, averaging last year between April and September at around 615 kb/d.





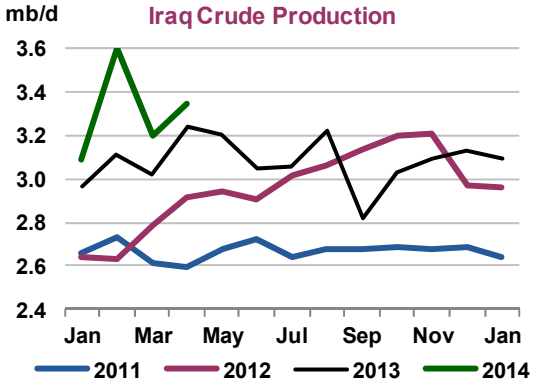
Saudi Arabia reduced official selling prices for its benchmark Arab Light for Asian customers by $0.20/bbl for June sales, with Arab Medium and Arab Heavy down more steeply by $0.40/bbl and $0.65/bbl,

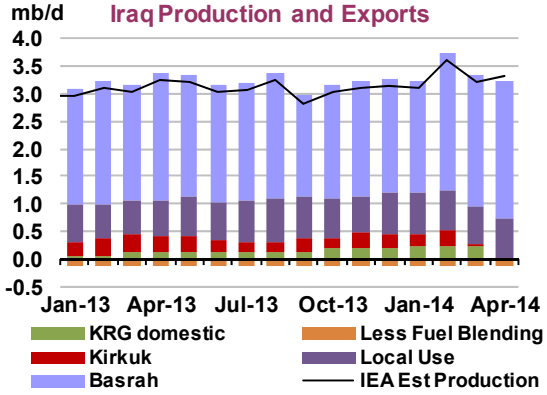
respectively. The steeper cuts for the medium and heavy grades largely reflects weaker fuel oil crack spreads in Asia. Saudi Aramco adjusts its monthly OSPs based on discussions with its regular customers and after calculating the change in the value of its oil over the past month, based on refining yields. Kuwait, Iraq and Iran typically follow the Kingdom's price changes, though the latter two countries have regularly undercut the Saudi prices in the past year.

Iraqi production rose by 140 kb/d to 3.34 mb/d in April following the start of new production in the southern region of the country and despite the continued suspension of pipeline flows from the northern fields to the Mediterranean port at Ceyhan, Turkey. Crude exports rose by 110 kb/d to 2.51 mb/d, with shipments of Basrah crude from the Gulf export terminals accounting for total exports last month. This marked a record high for southern exports, which rose by about 140 kb/d on the month.

Production from the giant West Qurna-2 field in southern Iraq started at end-March, with initial output building to 120 kb/d. However, Iraq's southern exports may remain capped at 2.5 to 2.6 mb/d for the remainder of the year due to technical constraints.

By contrast, exports of northern Kirkuk crude to Ceyhan, Turkey were totally suspended compared with around 30 kb/d in March following attacks to the Iraq-Turkey pipeline, which cut off pipeline flows from 2 March. Iraqi officials report that the violence continued in the region where renewed attacks forced workers to halt repair work.



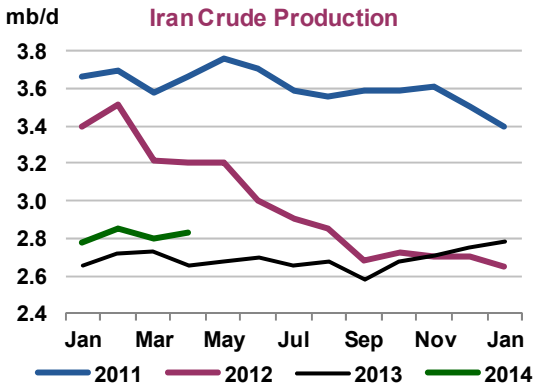


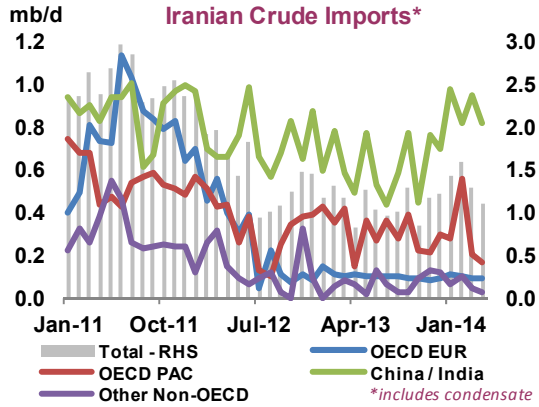
Crude exports from the KRG region to the Kirkuk-Ceyhan pipeline were expected to resume at 100 kb/d in April as a goodwill gesture on the part of the government in Irbil in its dispute with Baghdad but the plan was suspended with the northern pipeline out of commission. Iraq typically trucks around 10 kb/d of crude to Jordan but these volumes also remain suspended due to security issues in Anbar province. KRG production was estimated at around 235 kb/d in April.

Iranian crude oil production rose marginally in April, up 30 kb/d to 2.83 mb/d. After declining by 10 mb last month, crude oil held in floating storage was down just 2 mb to 20 mb at end April, data from Gibson Shipbrokers show. Estimated April import volumes, however, were down by about 180 kb/d to 1.11 mb/d compared with 1.29 mb/d in March. Imports of Iranian crude reached a 20-month high of 1.58 mb/d in February but have since edged lower.

Preliminary data for April show increased imports from China at +60 kb/d to 615 kb/d, South Korea at +70 kb/d to 130 kb/d, Turkey at +30 kb/d to 125 kb/d and Syria at +15 kb/d to around 30 kb/d. The increase in crude imports, however, were more than offset by reduced volumes by India at -185 kb/d to 200 kb/d and Japan at -105 kb/d to just 35 kb/d. In March, NITC initially reported that Albania was the destination for its tanker called the "Swallow," which was carrying approximately 30 kb/d of Iranian crude, but the vessel ultimately offloaded in Turkey, shipping data shows. Import volumes are based on

data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports. Iranian imports in April also include increased sales of condensates, with volumes from Iran's Asaluyeh terminal averaging around 230 kb/d compared with 150 kb/d in March.





The fourth round of talks between Iran and the five permanent UN Security Council members plus Germany and the EU (P5+1) started on 13 May in Vienna, with talks expected to conclude on 16 May. The talks are at a difficult stage, with the 20 July end of the six-month period for reaching an agreement in the negotiations nearing. However, the agreement also allows for the negotiations to be extended by mutual consent under the interim deal, the Joint Plan of Action (JPOA), agreed in November in Geneva. The JPOA called for limited easing of sanctions on Tehran's oil and banking sectors but the overall sanctions regime remains in effect pending a permanent settlement of the nuclear dispute. The goal is a long-term settlement that would place broad, verifiable limits on the scope of Iranian nuclear activities in exchange for a phased removal of sanctions.

Many analysts believe the latest round of talks will be the most difficult. Issues still to be addressed include among others: the number of uranium-enriching centrifuges Iran is allowed to use; the future of Iran's research and development on sensitive technologies; the final terms of sanctions relief to Iran; and crucially, the fixed time-frame in which Iran must comply with the final agreement. Some Iranian officials are reportedly envisioning only a few years, while the US and other partners see a period of 20 years.

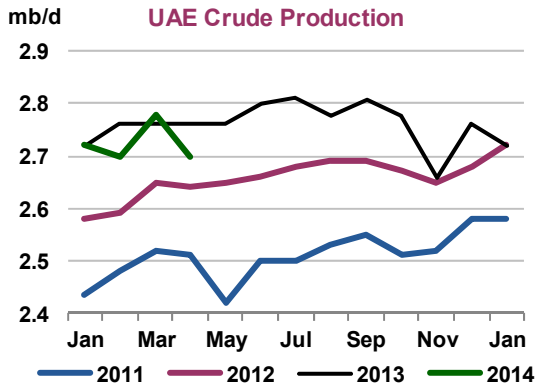
OPEC Crude Production

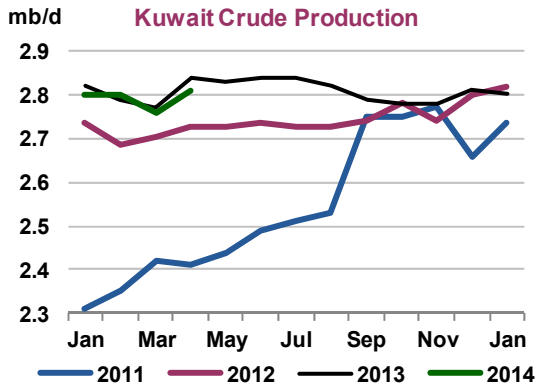
(million barrels per day)

	Feb 2014 Supply	Mar 2014 Supply	Apr 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Apr 2014 Supply	1Q14 Average Crude Supply
Algeria	1.10	1.02	1.12	1.20	0.08	1.07
Angola	1.61	1.47	1.60	1.70	0.10	1.57
Ecuador	0.55	0.55	0.55	0.55	0.00	0.55
Iran	2.85	2.80	2.83	2.90	0.07	2.81
Iraq	3.60	3.20	3.34	3.65	0.31	3.29
Kuwait[2]	2.80	2.76	2.81	2.90	0.09	2.79
Libya	0.36	0.24	0.22	1.00	0.78	0.37
Nigeria[3]	1.94	1.94	1.92	2.00	0.08	1.93
Qatar	0.73	0.71	0.70	0.75	0.05	0.72
Saudi Arabia[2]	9.85	9.57	9.66	12.40	2.74	9.72
UAE	2.70	2.78	2.69	2.90	0.21	2.73
Venezuela[4]	2.42	2.46	2.46	2.60	0.14	2.45
Total OPEC	**30.51**	**29.50**	**29.90**	**34.55**	**4.65**	***29.99***
(excluding Iraq, Nigeria, Libya and Iran)					**3.41**	

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 440 kb/d in April.

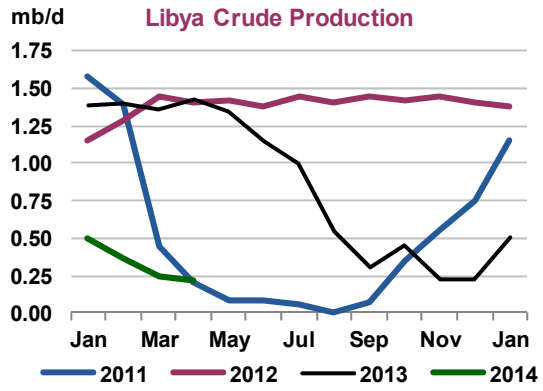
Kuwaiti crude output rose by 50 kb/d to 2.81 mb/d in April. By contrast, crude supplies from the **UAE** were down 90 kb/d to 2.69 mb/d in April while volumes from Qatar were off a small 10 kb/d to 700 kb/d.

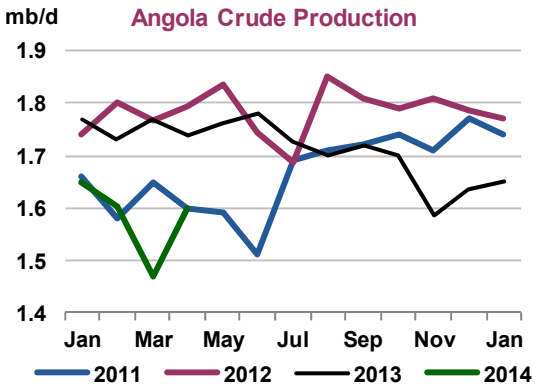




Libyan crude supplies edged lower in April despite official reports that the government in Tripoli and the federalist rebels in the eastern region reached a deal in April to end the blockade and gradually reopen four idled eastern oil export terminals, which collectively account for around 700 kb/d of the country's export capacity. April output was off by 20 kb/d to 220 kb/d and officials say production in May is just 235 kb/d, well below the 1.5 to 1.6 mb/d the country was producing before the latest turmoil started unfolding in May 2013.

The deal reportedly reached in early April to reopen major oil ports controlled by rebels in the east unravelled over opposition to the appointment of the new prime minister, which strengthens the Islamists in the country. The two smaller eastern terminals of Hariga and Zueitina reopened, but the larger Ras Lanuf and Es Sider terminals, with a combined capacity of around 500 kb/d, remain shut. Since then, two smaller eastern fields have been shut-in, the Zultun and Raquba oilfields with a combined capacity of 40 kb/d. Libyan officials and protesters in the western region of the country said the Sharara and Elephant fields would reopen by 13 May but at writing there has been no restart. The two fields can collectively produce about 470 kb/d.



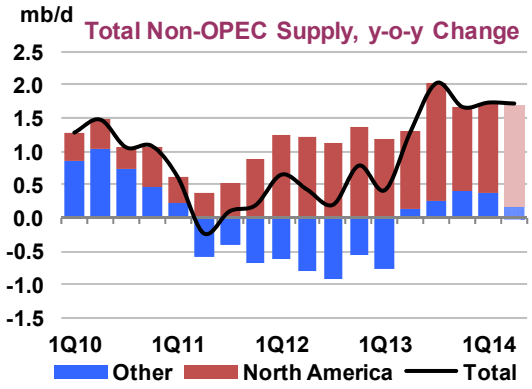


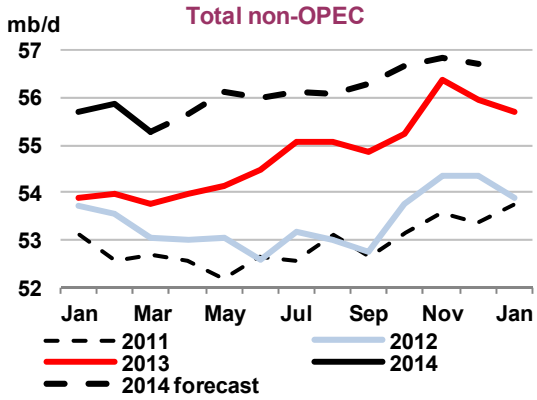
Angolan crude output rebounded in April to 1.6 mb/d, up 130 kb/d from a downwardly revised 1.47 mb/d in March, reflecting maintenance work at the Greater Plutonio floating production, storage and offloading (FPSO) facility. Operator BP restarted Plutonio on 15 April, with output building up to its 180 kb/d capacity by the last week in April. Meanwhile, Angola's LNG plant shut production on 25 April due to technical problems. Chevron $10 billion Angola LNG plant has suffered setbacks and operated below 50% since starting up last year. Prior to the shut down the plant was producing about 15 kb/d of NGLs.

Crude oil production from **Nigeria** edged marginally lower by 20 kb/d to 1.92 mb/d in April. Theft and sabotage continue to curb the country's output, with Forcados crude still under *force majeure*.

Non-OPEC Overview

Non-OPEC supply fell by about 550 kb/d in March, amid lower output in nearly every region outside of Latin America. Even OECD Americas production edged marginally lower as an increase in the US of roughly 120 kb/d m-o-m only partially offset declines in Canada (-185 kb/d) and Mexico (-20 kb/d). Disruptions in Colombia, the Middle East and Africa contributed to the overall drop. Colombia's crude oil output was about 100 kb/d below capacity due to pipeline attacks and unrest. Yet total non-OPEC production in March was approximately 1.7 mb/d higher than a year earlier, and 1.8 mb/d higher in 1Q14 y-o-y. Production is estimated to have recovered somewhat in April, with supplies increasing about 285 kb/d to 55.8 mb/d.





Overall non-OPEC production is now expected to grow by about 1.5 mb/d for 2014 as a whole, roughly 100 kb/d below last month's forecast. The downward revision is due to lower forecasts for Azerbaijan, China, Colombia, Kazakhstan, Mexico and South Sudan, which more than offset upward revisions among a number of producers, including Brazil and Russia. Total non-OPEC supplies are expected to average 56.1 mb/d in 2014.

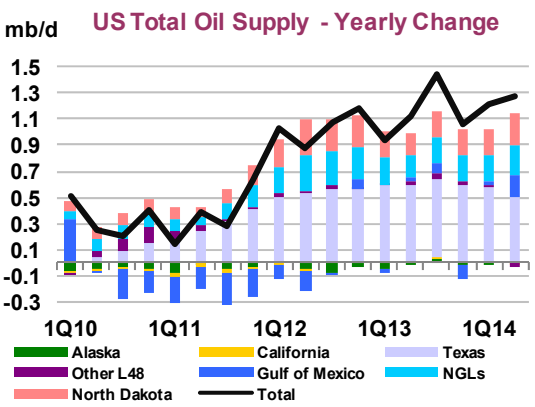
Compared with a high-water mark of 1.8 mb/d in a previous edition of this *Report*, our non-OPEC supply growth outlook for 2014 has been lowered by about 400 kb/d (OMR, October 2013, '*Looking at 2014 Non-OPEC Supply Growth'*). This is in large part due to political factors in South Sudan and Colombia, but also technical and operational issues in Kazakhstan and Canada. In South Sudan, although we had not forecast a return of production to capacity levels for 2014, resurging turmoil and the outbreak of a civil conflict in December 2013 have significantly reduced supply expectations (from 210 kb/d in November 2013 to 140 kb/d in April 2014). Likewise, pipeline attacks and issues with indigenous peoples have curtailed Colombia's production in the first four months of the year, and significant supply risk remains.

The Kashagan field in Kazakhstan restarted in October 2013 after an initial aborted start-up in September, but only operated for a few days before leaks caused a shut-down. Since then, serious problems have emerged, such that the operating consortium has recently conceded that production will not restart until 2H15 at the earliest. Canadian synthetics projects are set to experience heavier maintenance than we had foreseen last year, and with unplanned outages, at least one major producer has downgraded its production outlook for the year. The Russian production outlook is also slightly lower, but on a percentage basis, relatively unchanged. Despite the lowered growth outlook for non-OPEC, the 2014 forecast remains the largest absolute y-o-y growth in non-OPEC liquids since 1984.

OECD

North America

US – April preliminary, Alaska actual, other states estimated: US crude oil production is estimated to have reached 8.3 mb/d in April as the US Gulf of Mexico (US GOM) raised output, the Bakken play resumed growth following a 1Q14 slowdown, and light tight oil (LTO) production in Texas continued increasing. Given that final data for February show that crude oil production exceeded 8.0 mb/d, barring a major outage, US crude oil output is expected to remain above 8.0 mb/d on a monthly basis in 2014 and to reach 8.6 mb/d in 4Q14. Texas alone (including state waters) is expected to add nearly 250 kb/d to the annual growth due to continued output expansion in the Eagle Ford play and the Permian Basin. Although new-well oil production per rig has been flat, the rig count rebounded to 509 in March, after falling to 446 as recently as October 2013. Moreover, new drilling on the Permian may yield improved results, as techniques perfected on the Eagle Ford and Bakken plays are now being implemented. The large but mature Spraberry field in the Permian is also being reappraised for the implementation of tight oil drilling techniques. Planned offtake capacity in the Permian region will grow as well, as the new 300 kb/d capacity BridgeTex line from Colorado City (Texas) to Houston is expected to start getting filled in late 2Q14, and the extant Longhorn Pipeline will implement a 50 kb/d expansion before the end of 3Q14.



Natural gas liquids production is estimated to have remained at just under 2.7 mb/d in April, roughly unchanged since March and February (final data). Production is expected to grow to more than 2.8 mb/d by 4Q14, however, as import demand from Canada (for pentanes plus and ethane) will be robust, and capacity to take liquids to the Gulf Coast for processing and export continues to grow. Although Williams Cos. decided in April to cancel the planned Bluegrass NGLs Pipeline from the Marcellus and Utica plays to Kentucky where it would have connected to a converted portion of the Texas Gas Transmission System, these two plays have other options. This Report has previously discussed Sunoco Logistics' Mariner West pipeline that takes NGLs to Ontario and the ATEX pipeline already taking NGLs to the Gulf Coast, and Sunoco Logistics is developing Mariner East to take NGLs to a terminal near Philadelphia. CSX announced in April that it will begin railing NGLs from fractionators on the Marcellus play within 18 months, and Norfolk Southern recently announced an expansion of its railed NGLs. The boom of NGLs production in Texas itself has also reduced capacity to take volumes from other regions of the country. In particular, offtake of ethane, which has more limited uses than other liquids, has been a concern, with estimates of US ethane rejection in 2013 exceeding 200 kb/d. Mariner East will eventually enable ethane exports to Europe, however, given the huge price differential, for example, between US ethane-based ethylene and naphtha-based ethylene in Europe. Already in early May, the 40-kb/d Vantage Pipeline began exporting ethane from the Williston Basin (which includes the Bakken play) into the Alberta Ethane Gathering System for use by petrochemical facilities.

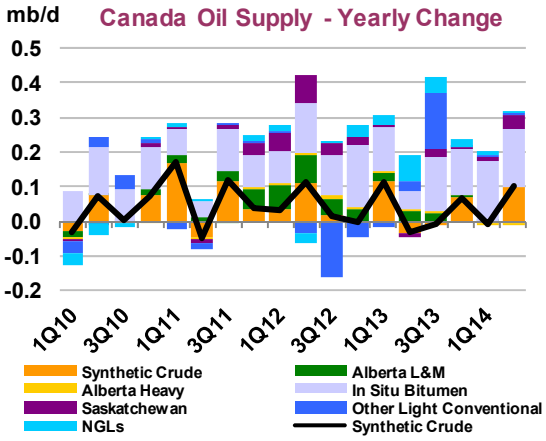
Total liquids production in the US (excluding biofuels and processing gain) is estimated to have surpassed 11 mb/d in March (and again in April) for the first time since at least the 1980s. Final total liquids production in February was just slightly under 11.0 mb/d, with April estimated at 11.3 mb/d.

Update on North American Railed Crude Regulation

As often noted in this *Report* (most recently in the issue dated January 2014, '*Rail Transport of Crude Oil in the Spotlight in North America*'), rail has taken an increasingly prominent role in the midstream petroleum sector in the US and Canada. With that increase, however, has come a series of accidents, prompting questions about the way in which railed crude is handled. Most recently, a CSX crude train derailed in Virginia and caught fire on 30 April. In response, Canadian and US regulatory authorities have taken new actions in recent weeks.

In Canada, the Ministry of Transport announced in mid-April that the original model DOT-111 oil tank car must be retrofitted to higher safety standards or retired within three years. This will affect at least 65 000 rail cars, according to one estimate, as far more cars enter Canada in a given year than are present in the country on a given day. About 5 000 of the oldest-model tank cars will have to be phased out even quicker. Given the integrated crude oil transport network, this may put pressure on US regulators to hasten actions in order to avoid restricting Canadian access to US rail cars in the future. As Canadian Minister of Transport Lisa Raitt noted in discussing the regulations, "If you have to start separating out the Canadian cars from the US railcars, I don't know if there is enough to go around."

The US National Transportation Safety Board has moved more deliberately than Canadian regulators. Nevertheless, the US Department of Transportation announced in early May a rule that companies transporting crude oil by rail must now inform officials of any shipments entering their state. The US Secretary of Transportation acknowledged in a non-binding safety alert that same week that the unreinforced DOT-111 cars are inadequate to transport crude oil from a safety perspective. The US Pipeline and Hazardous Materials Safety Administration continues to test Bakken crude oil for characteristics that create additional safety risks. Preliminary results indicate that it is more flammable than traditional US crude grades. A definitive finding of such could lead to specific additional regulations for handling Bakken LTO.

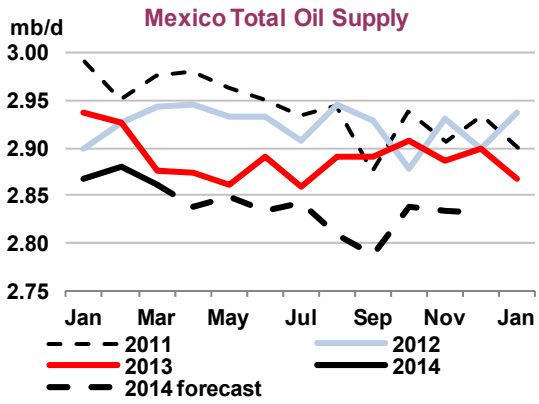


Canada – February preliminary: Total liquids production in February is estimated to have stayed even with January, at 4.3 mb/d. Synthetics and mined bitumen production remained at 2.2 mb/d, flat from December and January levels. Production of synthetics is estimated to have declined in March and April, however, as both scheduled maintenance (at Suncor's U-2 upgrader, from 8 March to 1 May) and an unplanned outage (at Canadian Oil Sands' (COS) Syncrude's 8-1 Coker since mid-April) have affected output. Given a downgraded outlook for the year by COS and further maintenance on other projects, 1Q14 is likely to be the peak quarter for the year as far as synthetics output is concerned. In contrast, bitumen production is expected to keep ramping up, thanks to projects such as Cenovus' Christina Lake E, which ramped up in 1Q14 (65 kb/d), and Suncor's 38 kb/d MacKay project, due to commence production in late 2014, with steam injection already started in April. The Kearl Project ramped up to just over 80 kb/d in January before falling slightly in February. Capacity output of 120 kb/d is not expected to be achieved before 2015.

Conventional and tight crude oil production, including field condensate, was about 1.4 mb/d in February, and is expected to decline slightly in 2014, to 1.3 mb/d, as conventional fields in Alberta experience declines. Canadian NGLs production was at about 720 kb/d in February, with the yearly average expected to be lower at 670 kb/d, given seasonality of supply and slowly declining ethane production.

Mexico – March actual, April preliminary: Mexican crude oil production fell slightly in March, to just under 2.5 mb/d. This is the first monthly total to decline to less than 2.5 mb/d since July 2013, when the offshore KMZ complex's production reached similarly low levels of about 840 kb/d. Mexican NGLs were

up slightly in March, however, to 375 kb/d, the highest monthly output since August 2012. Total liquids production for the month was 2.9 mb/d. Preliminary April crude oil output was essentially flat m-o-m, at just slightly under 2.5 mb/d.

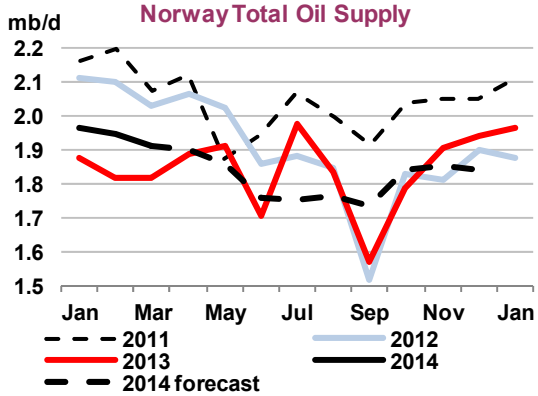


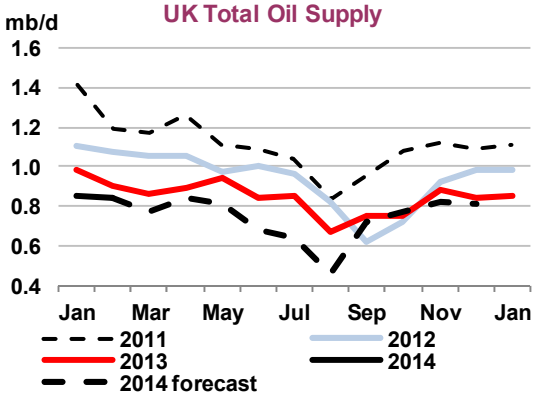
At the end of April, the government unveiled its draft reform laws for the energy sector that build on the constitutional reforms passed in December 2013 (OMR, January 2014, '*Watershed Energy Reform Approved in Mexico*'). The package consists of eight new draft laws and 13 draft modifications to existing laws, and covers important topics such as state-owned Petróleos Mexicanos' (Pemex) tax burden, bid rounds on available acreage, Pemex's ability to partner with other oil companies, local content requirements, and guaranteed role for Pemex on cross-border fields among other issues. These draft laws, part of secondary legislation, were originally scheduled to be considered, modified, and voted on by 20 April, but it now appears unlikely they will be voted on by Congress before June. The legislation will be discussed in this *Report* once it is in its final form and has been approved.

North Sea

Total North Sea output (which includes Norway, UK, Denmark, Netherlands offshore and Germany offshore) in 1Q14 has fallen to 2.5 mb/d compared with prior-year levels of 2.9 mb/d. Seasonal maintenance is expected to reduce total North Sea production to about 2.3 mb/d in 3Q14 as Buzzard, Forties, Oseberg, Ekofisk and Grane undergo repairs. Overall North Sea output is projected to decline to about 2.4 mb/d in 2014.

Norway – February actual, March preliminary: Total oil output in Norway averaged 1.9 mb/d in February, inching marginally lower by about 15 kb/d m-o-m. Preliminary March data published by the Norwegian Petroleum Directorate indicate that production saw a further decline of about 35 kb/d during the month mainly due to technical problems and repair work at Oseberg Sør, Skuld and Volve. Norway's total liquids output is expected to average 1.8 mb/d in 2014, roughly flat y-o-y. Statoil began production from the Gudrun field on 7 April in the Norwegian North Sea, the first platform project in almost a decade. The field has approximately 184 million barrels of oil equivalent of reserves, and is a high-pressure and high-temperature field. Six other fields are projected to come online in 2014, including Brynhild, Boyla, Fram H North, Knarr, Svalin and Valemon in the North Sea. Eni's Goliat oilfield in the Barents Sea, although initially scheduled also to come online in 2014, likely will be delayed to 1Q15 as a result of significant work still outstanding to complete the FPSO. Goliat would be the first crude-oil producing field in Norway's Barents Sea, with peak production capacity of 109 kb/d.





UK – January actual, February preliminary: UK production averaged about 850 kb/d in January, approximately 10 kb/d higher than in December. Preliminary February data indicate that output fell to about 810 kb/d, however, with NGLs accounting for about half of the monthly decline in production. The 1Q14 total UK output is estimated at about 800 kb/d and we expect that 2Q14 UK output will see a further decline to about 770 kb/d as the effects of both planned and unplanned maintenance take their toll on production. The Buzzard field experienced an unplanned outage in April, which resulted in an approximately 45 kb/d production decline for the month. Meanwhile, 2Q14 and 3Q14 are also expected to be busy maintenance periods for the UK's largest field.

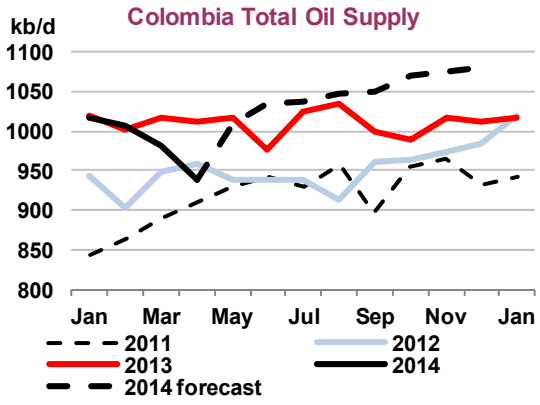
Loadings of the North Sea crudes that underlie the Brent benchmark are expected to fall to 830 kb/d in May, revised upwards from an initially scheduled 775 kb/d. The newly released May loadings were boosted by two Forties cargoes that were deferred from April. June production of Brent, Forties, Oseberg and Ekofisk (BFOE) crudes is expected to fall to approximately 790 kb/d, roughly 125 kb/d lower than estimated May production, while loadings were scheduled at 880 kb/d.

Non-OECD

Americas

Brazil – March actual: Brazilian crude and field condensate production grew by about 45 kb/d in March over February, to an average of 2.2 mb/d. Although March production jumped by 14% y-o-y, that gain largely reflects the severity of the production problems experienced in 1Q13. Still, crude oil and condensate output is up about 65 kb/d over January 2014. Some of the increase is coming from pre-salt fields, which, according to Petrobras, hit an all-time production peak of about 430 kb/d in the first half of April, after averaging about 395 kb/d in March (itself a monthly record). The P-58 FPSO on the Parque das Baleias complex was producing about 50 kb/d from three pre-salt wells by mid-April after starting up in March. Marlim Sul maintained its position as Brazil's largest producing field, at about 265 kb/d. About 75% of Brazil's crude oil and condensate production was in the offshore Campos Basin for the month.

Petrobras, which produces about 91% of the country's oil, plans 15 more pre-salt wells in 2014, but success in the offshore pre-salt has come at a price. Costs for the company as a whole have increased by about 30% each year in the past three years just to maintain the company's total crude and condensate production at roughly 2011 levels, as legacy fields decline rapidly. To grow output, the company must successfully bring online projects such as the P-61 platform on the Papa Terra field and the Cidade de Ilhabela FPSO on the Sapinhoa Norte field planned for 3Q14, although we expect that these projects will be delayed.

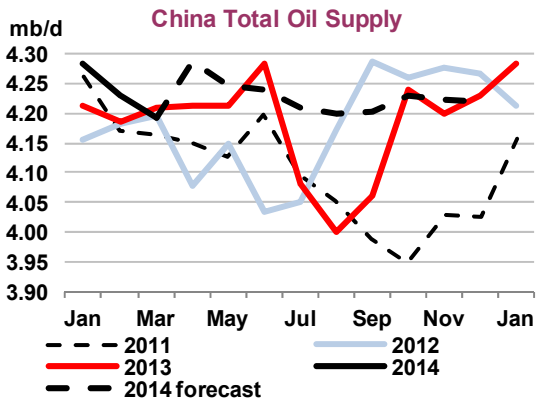


Colombia – April actual: Colombian crude oil production fell to a 20-month low in April because of rebel attacks on infrastructure and indigenous protests that prevented repair workers from reaching affected infrastructure. Crude oil production was at 935 kb/d for the month, over 100 kb/d less than the country's production capacity. The largest outage was on the Caño Limón-Covenas line, which was attacked on 25 March. Repairs could not proceed until early May, when an agreement with an indigenous group was reached. Production was shut-in due to lack of storage near producing fields, although pumping had reportedly resumed on the line at the time of writing. The new Bicentenario Pipeline that offtakes Colombia's largest field (Rubiales) has also been hit by attacks and has been affected by the outages on Caño Limón-Covenas, with which it is connected.

The problems in Colombia have not been confined to April, however, as state company Ecopetrol, the country's largest producer, lost an average of 52 kb/d of crude oil production in 1Q14 from security, social and operational problems. Key foreign producers Occidental and Pacific Rubiales have also experienced production and transport shut-ins. There were 33 pipeline attacks in 1Q14. Nevertheless, crude oil production averaged about 1 mb/d for the quarter, evidencing the potential for rapid output growth should the political and security environment improve. Colombia has been expanding production capacity despite these periodic outages.

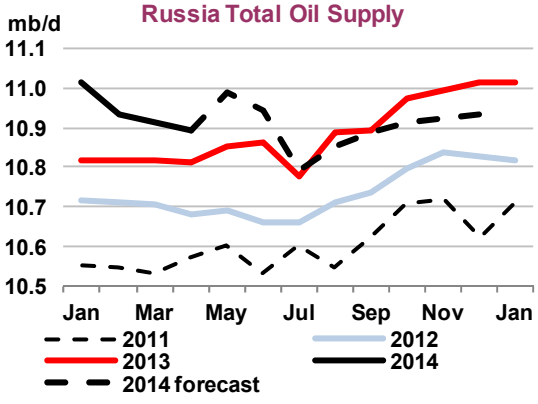
Asia

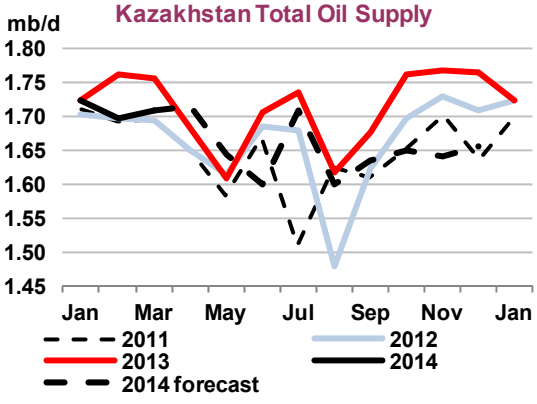
China – March actual: March production data show that China's production fell to 4.2 mb/d, a decline of about 35 kb/d m-o-m. The decrease was mainly due to declines in offshore production during the month. Estimates for April show that China's output increased by about 90 kb/d, reversing the March production declines and reaching 4.3 mb/d. China's total output is expected to average 4.2 mb/d in 2014, approximately 1% higher than in 2013.



Former Soviet Union

Russia – April actual, May preliminary: Russia's April output averaged 10.9 mb/d of which 10.1 mb/d was crude oil. Production in April was about 20 kb/d lower than in March wholly because of declines in non-crude liquids production. Russia's total 2014 production is expected to average 10.9 mb/d (10.1 mb/d of which is expected to be crude oil), about 40 kb/d higher than the 2013 average. Rosneft once again saw its production slide in April, although declines were somewhat lower than in prior months, while Bashneft, Gazprom Neft and Gazprom registered m-o-m production increases. The latter's output rise was mainly due to the Orenburg, Yugra and Prirazlomnoye developments. The Prirazlomnoye field in the Pechora Sea was launched late last year but saw its first cargo shipped earlier this month to Europe. Although it is not expected to reach peak production at 133 kb/d until 2021, cargoes of the new Arctic Oil grade are expected to continue to be sold under direct contracts albeit at small volumes.





Kazakhstan – March actual, April preliminary: Total liquids production in Kazakhstan increased to 1.7 mb/d in March, reversing the previous month's losses but still coming up short of the year-ago production level, as the country faces declines from its older fields and an expected production boost from Kashagan remains elusive. The increase in March production m-o-m occurred as Tengizchevroil boosted output, but these increases will be short-lived as the maintenance period for Tengiz approaches. Tengizchevroil announced that 60 kb/d of oil will be offline for the month of May, while June will see

approximately 85 kb/d of oil affected by maintenance. The field is expected to bounce back to normal operating level by July. As a result, we expect that Kazakhstan's production will fall to 1.6 mb/d in 2014, a decline of about 45 kb/d y-o-y.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	2Q2013	3Q2013	4Q2013	1Q2014	Jan 14	Feb 14	Mar 14	Latest month vs. Feb 14	Latest month vs. Mar 13
Crude											
Black Sea	1.81	1.78	1.80	1.75	1.78	1.74	1.67	1.77	1.79	0.02	-0.08
Baltic	1.67	1.57	1.68	1.44	1.58	1.33	1.33	1.38	1.28	-0.09	-0.35
Arctic/FarEast	0.65	0.80	0.80	0.81	0.82	0.88	0.92	0.81	0.91	0.10	0.13
BTC	0.66	0.64	0.71	0.65	0.61	0.58	0.58	0.59	0.58	-0.01	0.01
Crude Seaborne	**4.79**	**4.80**	**5.00**	**4.65**	**4.79**	**4.53**	**4.50**	**4.54**	**4.56**	**0.02**	**-0.29**
Druzhba Pipeline	1.08	1.03	1.02	1.06	1.05	1.01	1.02	1.04	0.96	-0.08	-0.04
Other Routes	0.52	0.56	0.54	0.56	0.60	0.71	0.71	0.73	0.70	-0.03	0.15
Total Crude Exports	**6.39**	**6.39**	**6.55**	**6.27**	**6.44**	**6.26**	**6.23**	**6.32**	**6.22**	**-0.10**	**-0.17**
Of Which: Transneft[1]	4.22	4.07	4.15	3.98	4.07	3.95	3.93	4.01	3.91	-0.09	-0.25
Products											
Fuel oil[2]	1.72	1.62	1.77	1.68	1.44	1.55	1.64	1.52	1.48	-0.04	-0.01
Gasoil	0.79	0.84	0.86	0.81	0.73	1.02	0.95	1.09	1.01	-0.08	0.01
Other Products	0.44	0.50	0.48	0.53	0.53	0.62	0.64	0.69	0.53	-0.15	0.10
Total Product	**2.95**	**2.97**	**3.11**	**3.02**	**2.70**	**3.18**	**3.23**	**3.29**	**3.02**	**-0.27**	**0.10**
Total Exports	**9.34**	**9.36**	**9.66**	**9.29**	**9.14**	**9.44**	**9.45**	**9.61**	**9.24**	**-0.37**	**-0.08**
Imports	0.09	0.08	0.06	0.10	0.09	0.07	0.06	0.08	0.08	0.00	0.01
Net Exports	**9.25**	**9.29**	**9.60**	**9.20**	**9.05**	**9.36**	**9.39**	**9.53**	**9.16**	**-0.37**	**-0.09**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

FSU net exports slipped by 370 kb/d to 9.16 mb/d in March. Declining product shipments accounted for 270 kb/d of the fall. In particular, naphtha volumes plummeted by 160 kb/d to 400 kb/d from their previous record levels as less product was shipped via Pacific outlets. Additionally, gasoil and fuel oil dropped by 80 kb/d and 40 kb/d, respectively.

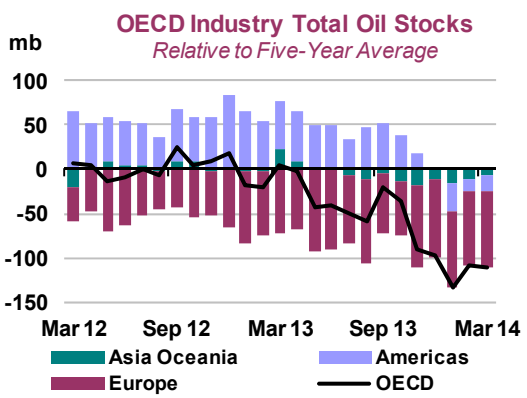
Crude exports dropped by 100 kb/d in March led by a 90 kb/d drop in shipments through Russia's Transneft pipeline network. Volumes sent via the ports of Primorsk and Ust Luga on Russia's Baltic coast fell by 80 kb/d but these were offset by an 80 kb/d hike in cargoes sent via Novorossiysk on the Black Sea. Flows through the Druzhba pipeline contracted by 80 kb/d to 960 kb/d, its lowest volume in over a year as deliveries to the Slovak Republic and the Czech Republic via the southern spur fell. In the East, deliveries to China continued apace, with combined deliveries through the ESPO spur and via Kazakhstan reaching 460 kb/d, while tanker data indicate that an additional 90 kb/d was shipped via Kozmino. Recent reports indicate that since the crude shipped to China via Kazakhstan is delivered under a swap agreement for Kazakhstani crude, the export stream is lighter and sweeter than Urals at 38 API and 0.55 % sulphur and more closely resembles ESPO.

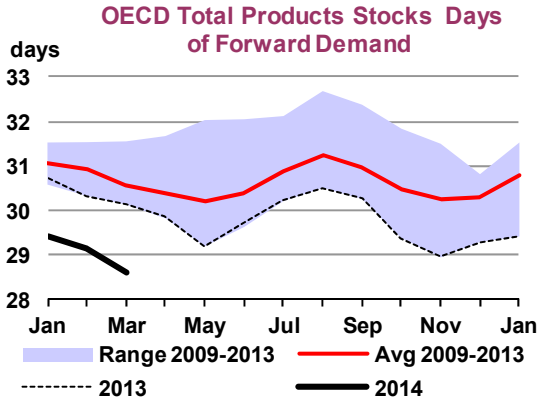
Outside of Russia, deliveries through the CPC pipeline slipped by 70 kb/d to 830 kb/d in March but volumes nevertheless remained 150 kb/d above last year, as capacity continues to be ramped up and construction to expand the line gradually draws to a close. Preliminary data indicate that flows reached a record level in April of over 900 kb/d. Meanwhile, despite the recent return of Tengiz crude to the BTC, flows along the route remained constrained at 580 kb/d in March, about 130 kb/d lower than last summer's highs.

OECD STOCKS

Summary

- **OECD industry inventories slipped by 2.5 mb in March to 2 570 mb,** broadly in line with seasonal trends. The deficit of inventories versus five-year average levels remained at a wide 110 mb.
- **Refined product inventories fell seasonally by 24.2 mb,** slightly more than average, to cover 28.6 days of forward demand at end-March, 0.6 days lower than at end-February.
- **Preliminary data indicate that OECD commercial inventories surged by 52.1 mb during April** after stocks replenished across all regions. If confirmed by official data, that would reduce the deficit to the five-year average to 79 mb.
- **Chinese commercial crude inventories drew by 7.0 mb.** However, preliminary data suggest that total crude inventories soared by 1.4 mb/d in April after imports outpaced refinery runs and production.





OECD Inventory Position at End-March and Revisions to Preliminary Data

OECD industry inventories slipped by 2.5 mb in March to 2 570 mb, broadly in line with seasonal trends. Therefore, the deficit of inventories versus five-year average levels remained at a wide 110 mb. Refined products accounted for 98 mb of the deficit while crude stood at a 7 mb shortfall. On a geographic basis, the deficit continues to be centred in OECD Europe.

Preliminary Industry Stock Change in March 2014 and First Quarter 2014

	March 2014 (preliminary) (million barrels)				March 2014 (preliminary) (million barrels per day)				First Quarter 2014 (million barrels per day)			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**16.7**	**-3.8**	**5.9**	**18.8**	**0.54**	**-0.12**	**0.19**	**0.61**	**0.33**	**-0.03**	**0.14**	**0.44**
Gasoline	-17.0	-2.5	-2.0	-21.4	-0.55	-0.08	-0.07	-0.69	-0.11	0.03	0.01	-0.06
Middle Distillates	-3.3	-1.2	-5.6	-10.1	-0.11	-0.04	-0.18	-0.32	-0.15	0.05	-0.13	-0.24
Residual Fuel Oil	0.0	-1.6	2.6	1.1	0.00	-0.05	0.08	0.03	-0.02	-0.04	0.02	-0.03
Other Products	4.5	0.0	1.7	6.2	0.15	0.00	0.05	0.20	-0.16	0.04	0.00	-0.12
Total Products	**-15.7**	**-5.2**	**-3.3**	**-24.2**	**-0.51**	**-0.17**	**-0.11**	**-0.78**	**-0.44**	**0.09**	**-0.09**	**-0.45**
Other Oils[1]	1.7	1.5	-0.3	3.0	0.06	0.05	-0.01	0.10	0.02	0.03	0.01	0.07
Total Oil	**2.7**	**-7.5**	**2.4**	**-2.5**	**0.09**	**-0.24**	**0.08**	**-0.08**	**-0.08**	**0.09**	**0.06**	**0.06**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

On a product-by-product basis, motor gasoline inventories plunged by 21.4 mb on the month, twice the seasonal average, as US refiners destocked ahead of a switch from winter to summer grade product. Meanwhile middle distillates fell by 10.1 mb, slightly weaker than the 13.9 mb five-year average draw for the month, to leave inventories at a 53 mb deficit to the average and 17 mb lower than year-ago levels.

All told, OECD refined product inventories fell by 24.2 mb, slightly more than the 21.9 mb seasonal draw for the month. On a days-of-forward-demand basis, refined product inventories covered 28.6 days at end-March, 0.6 days lower than at end-February.

Some offset was provided by crude oil inventories, which built by a seasonal 18.8 mb, a figure that disguised strong regional contrasts. In the OECD Americas, crude oil jumped by 16.7 mb amid surging domestic production and in spite of throughputs remaining unusually strong. In OECD Asia Oceania, crude built by a counter-seasonal 2.4 mb after refiners entered seasonal turnarounds and despite a number of Japanese refineries running down inventories as they reduced capacity. Meanwhile, in OECD Europe, crude stocks plunged by 7.5 mb, even as refinery maintenance slashed regional throughputs by 280 kb/d.

Revisions versus 11 April 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Jan-14	Feb-14	Jan-14	Feb-14	Jan-14	Feb-14	Jan-14	Feb-14
Crude Oil	**-6.0**	**0.9**	**8.9**	**10.1**	**-0.2**	**6.4**	**2.7**	**17.3**
Gasoline	0.0	1.3	-0.7	-1.6	0.0	0.2	-0.8	-0.1
Middle Distillates	0.0	-1.6	-4.9	-6.8	-0.9	-2.2	-5.7	-10.6
Residual Fuel Oil	0.0	0.9	0.4	-1.8	0.1	0.2	0.6	-0.7
Other Products	0.0	3.2	0.4	-0.8	0.3	-0.2	0.6	2.3
Total Products	**0.0**	**3.8**	**-4.8**	**-11.0**	**-0.5**	**-2.0**	**-5.3**	**-9.1**
Other Oils[1]	1.0	-1.9	0.5	-0.3	0.0	0.0	1.6	-2.2
Total Oil	**-5.0**	**2.8**	**4.6**	**-1.2**	**-0.7**	**4.4**	**-1.1**	**6.0**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

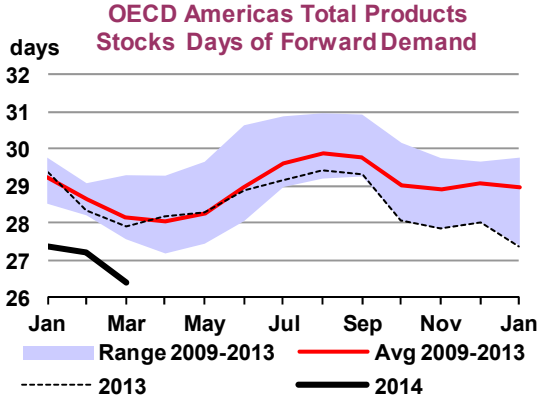
Upon the receipt of more complete data, February data were revised upwards by 6.0 mb while January data were adjusted down by 1.1 mb. Therefore, a 6.5 mb preliminary draw in February OECD inventories presented in last month's *Report* has turned into a slight 0.6 mb build. Together with this month's slim draw, OECD stocks are now estimated to have built by a slender 5.4 mb, or 60 kb/d, during 1Q14. In comparison, over the past five years, OECD industry inventories have replenished by 270 kb/d in the first quarter on average.

Preliminary data indicate that OECD commercial inventories surged by 52.1 mb during April. All OECD regions restocked but the build was centred in the OECD Americas (+43.7 mb) where stocks of refined products rebounded. Meanwhile, holdings in OECD Asia Oceania adhered to seasonal trends, rising by 7.9 mb, while European inventories inched up counter-seasonally by 0.5 mb. If those preliminary data are confirmed, the deficit of OECD inventories to the five-year average would have narrowed to 79 mb. Crude oil accounted for the bulk of the build, rising by 26.3 mb on the month, while seasonal restocking of 'other products', notably propane in the US, accounted for a further 18.8 mb.

Recent OECD Industry Stock Changes

OECD Americas

Commercial inventories in the OECD Americas rose by 2.7 mb in March, significantly less than the 6.1 mb five-year average build for the month. Soaring crude oil holdings (+16.7 mb) drove stocks upwards as domestic production remained at record levels, and despite persistently high refinery throughputs. On the other hand, refined product holdings fell by 15.7 mb, twice the five-year average draw. The decline was concentrated in motor gasoline (-16.7 mb) as US refiners ran down stocks ahead of a switch from winter to summer grade and amid steady demand and soaring US exports. The draw was also likely amplified by



US gasoline imports falling to an average of 410 kb/d over January and February, 150 kb/d lower than December. Inventories of middle distillates slipped by 3.3 mb, while stocks of 'other products' bucked the trend, building by 4.5 mb, broadly in line with seasonal patterns. At end-March, regional refined products covered 26.4 days of forward demand, 0.8 days above end-February.

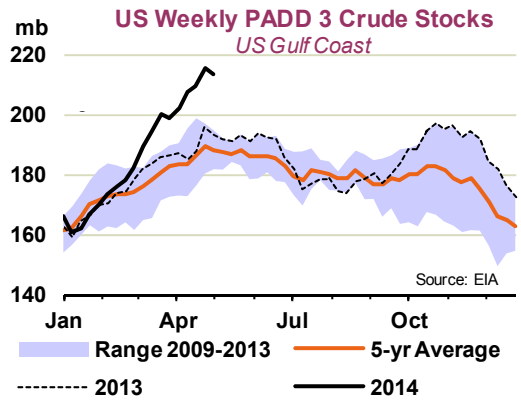
US to Create Federal Gasoline Stockpile

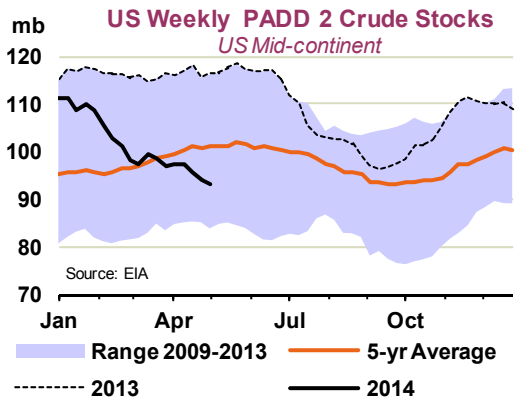
In early May, the US Department of Energy (DoE) announced plans to stockpile 1 mb of gasoline in the US Northeast (PADD 1) to buffer against disruptions and fuel shortages such as those that occurred in the wake of Hurricane Sandy in 2012. The aim of the federal gasoline reserve is to bridge short-term supply gaps in the event of a failure in the region's infrastructure, based in part on the perception that the region's petroleum supply chain has changed over the past half-decade following the closure of a portion of refining capacity. Over this period, the region has increased its reliance on the Colonial Pipeline for refined product deliveries from Gulf Coast refiners. Therefore, any outage on this line would leave it relatively exposed given the constraints in acquiring adequate volumes of replacement product on available Jones Act compliant vessels.

The reserve will be run along similar lines to the existing Northeast Home Heating Oil Reserve. Although the gasoline will be acquired and owned by the US government, it will be held at leased commercial terminals at two sites, each containing 500 000 barrels; one in New England, likely close to Boston, and one in New York harbour. Initial information suggest that the reserve will be launched in late-summer 2014 upon the completion of contracts for storage, service and product acquisition and it will have a budget of $200 million, financed by the $495 million raised by the recent SPR test sale, spread over five years covering product acquisition and storage costs.

Indications are that the reserve will be composed of both Reformulated Blendstock for Oxygenate Blending (RBOB) and Conventional Gasoline Blending Components (CBOB). The site managers are expected to be responsible for dealing with stock turnover, including the transition from winter grade to summer grade inventory. The purchaser of the RBOB or CBOB, in case of an emergency drawdown, would be responsible for ethanol blending.

Weekly data from the US EIA indicate that US industry inventories surged by 43.7 mb in April. Refined products led stocks higher rising by 24.3 mb with 'other products' climbing by 21.8 mb, far steeper than their 8.4 mb average build for the month, as US propane inventories restocked.





Crude oil inventories continued their almost relentless recent building, rising by a further 16.0 mb during April. Only in the final week of the month did they post a draw (2.5 mb). Moreover, this was only the second draw posted since the second week of January. During this period, crude stocks have soared by approximately 44 mb. This month, additional upward momentum came from the beginning of deliveries from an SPR test sale. Over April, the SPR declined by 2.9 mb to stand at 693 mb with these volumes bolstering US commercial inventories.

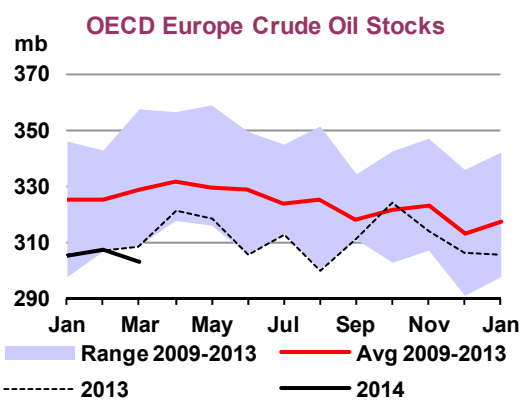
That aggregate build in US crude stocks was accompanied by strong regional shifts. An ongoing drain of crude inventories from PADD 2 to PADD 3 continued in April with PADD 2 holdings falling by 4.0 mb while

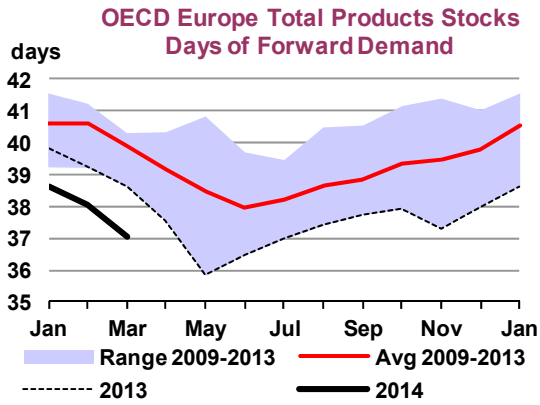
PADD 3 stocks surged by 13.4 mb. Stocks at the Cushing, Oklahoma storage hub dropped by 3.2 mb to stand at 24.2 mb at end-month, roughly 25 mb below a year earlier, while at end-April PADD 3 stocks stood at a record 213.6 mb. According to the most recent EIA survey of storage capacity (based on September 2013 data), PADD 3 stocks now stand at 78% of working capacity. These diverging trends in crude stocks have been echoed by shifts in crude pricing; during April WTI held steady against Brent while LLS weakened by approximately $5/bbl against WTI.

OECD Europe

Commercial inventories in OECD Europe dropped by 7.5 mb during March, broadly in line with seasonal patterns, after refined products and crude oil fell by 5.2 mb and 3.8 mb, respectively. Some offset was provided by NGLs and refinery feedstocks (+1.5 mb). All told, the region's deficit versus the five-year average stood at 86 mb at end-month, a slight increase compared to a month-earlier.

The fall in crude oil was counter-seasonal – stocks built by an average 3.6 mb in that month for the last five years – and counter-intuitive as it occurred against the backdrop of a 280 kb/d drop in regional throughputs and peak seasonal refinery maintenance. On the product side, stocks of motor gasoline accounted for almost half of the draw, contracting by 2.5 mb on the month, while stocks of fuel oil and middle distillates fell by 1.2 mb and 1.6 mb, respectively. At end-month, refined products covered 37.1 days of forward demand, 1.0 days below one month earlier.





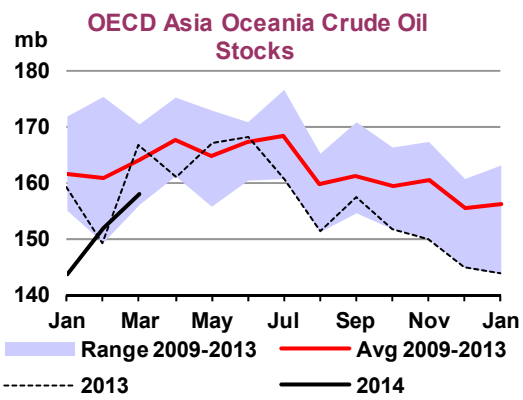
Preliminary data from Euroilstock point to a slim 0.5 mb build in European commercial inventories in April after a 2.7 mb draw in refined products was more than offset by a 3.1 mb increase in crude oil. All product categories bar middle distillates (+3.0 mb) declined, notably motor gasoline (-3.2 mb) and fuel oil (-2.0 mb). Since the rise in total oil was counter seasonal, the region's deficit to average levels narrowed to 83 mb.

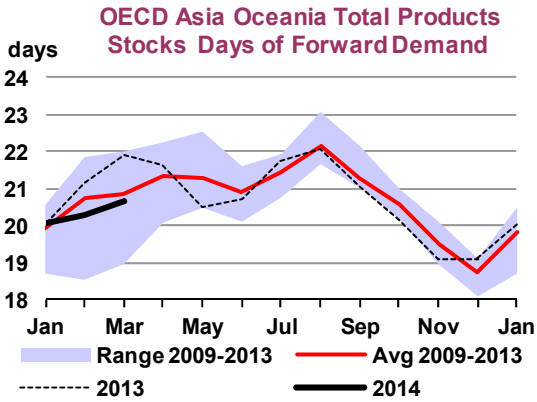
OECD Asia Oceania

Total oil inventories in OECD Asia Oceania rose counter-seasonally by 2.4 mb in March. As a result, the region's deficit versus the seasonal average shrank to 7 mb from 11.5 mb at end-February. A 5.9 mb increase in crude oil, twice the seasonal average, led the build amid seasonal refinery maintenance. In Japan, however, crude inventories grew by a relatively shallow 1.4 mb. This was tempered by a number of refiners who depleted inventories ahead of a 1 April Government deadline for upgrading or shuttering simple units, resulting in a substantial reduction in the country's aggregate crude distillation capacity.

Refined product inventories in OECD Asia Oceania drew by 3.3 mb. The stock draw was led by seasonal declines in middle distillates and motor gasoline of 5.6 mb and 2.0 mb, respectively, which more than offset a steep 2.6 mb rise in fuel oil. Official Japanese data indicate a weak 1.7 mb draw in refined product inventories, significantly slimmer than the preliminary 8.1 mb draw suggested by weekly data from the Petroleum Association of Japan. The effect of a 1 April increase in the Japanese sales tax might

thus have been less pronounced than first thought. On a days' of forward demand basis, regional refined product holdings covered 20.7 days at end-March, 0.4 days above end-February.



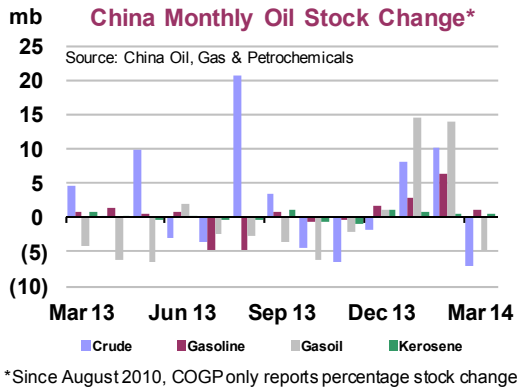


Latest weekly data from the Petroleum Association of Japan suggest that stocks there built by 7.9 mb in April after crude oil stocks climbed by a steep 7.2 mb as refiners reduced their throughputs. Nonetheless, all refined product categories built except 'other products' (-2.5 mb). Notably, motor gasoline and middle distillates restocked by 1.4 mb and 1.1 mb, respectively while NGLS and feedstocks drew by a combined 0.5 mb.

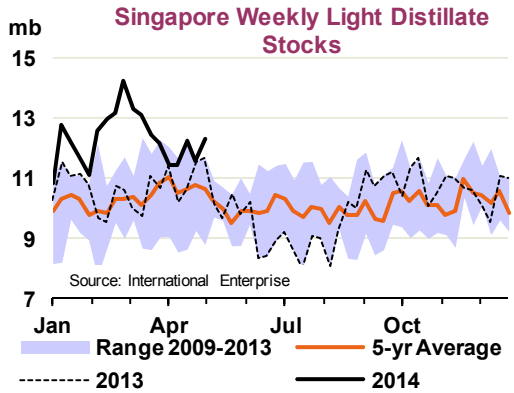
Recent Developments in Singapore and China Stocks

According to data from *China Oil, Gas and Petrochemicals*, Chinese commercial oil inventories drew by an equivalent 9.8 mb (data are reported in terms of percentage stock change) during March to bring to a halt three consecutive months of stocks building where inventories increased by an implied 60 mb. March crude inventories fell by 7.0 mb (-2.9%) after imports dropped from their recent record highs while refinery throughputs inched up to 9.9 mb/d. The impact of the high refinery activity was offset by high product exports. Indeed, China returned to being a net product exporter for the first time since January 2010. All told, March refined product inventories fell by 2.8 mb, driven lower by a 4.6 mb slump in gasoil inventories, offsetting builds in gasoline and kerosene of 1.2 mb and 0.6 mb, respectively.

Preliminary information suggests that crude imports rebounded to a record high of 6.81 mb/d in April. When combined with preliminary estimates of refinery runs and crude production, this implies a significant 1.4 mb/d rise in total (commercial and government) Chinese crude stocks. This build is 300 kb/d higher than those posted in 2Q12 when China was in the midst of filling a tranche of Phase 2 SPR capacity.



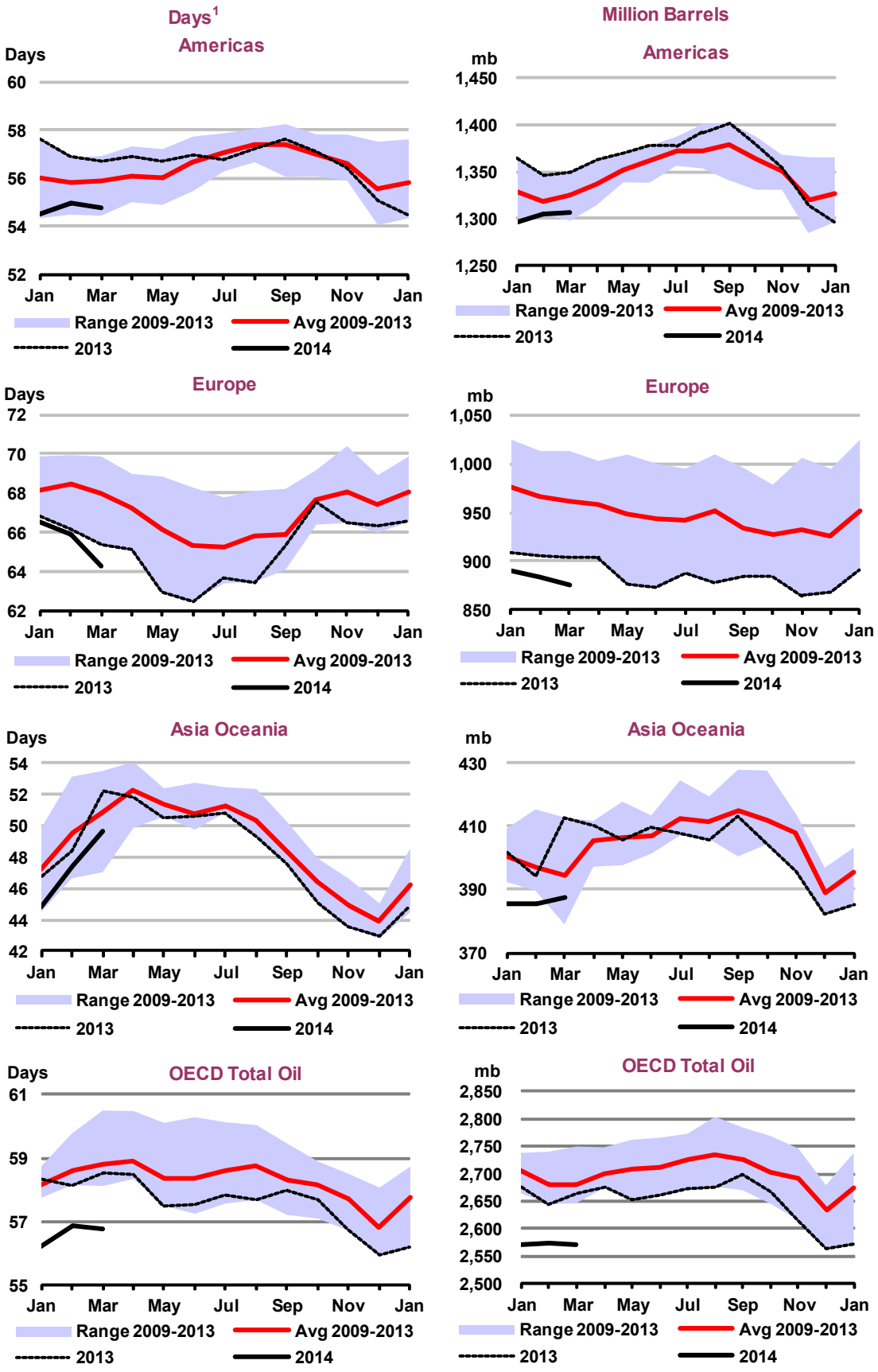
*Since August 2010, COGP only reports percentage stock change



Weekly data from *International Enterprise* indicate that land-based refined product holdings in Singapore built by 2.6 mb during April. Rising residual fuel oil (+1.5 mb) led stocks higher after imports from the Atlantic basin remained high as arbitrage to the region remained open. At the lighter end of the barrel distillates built by 0.7 mb in March to stand 1.7 mb and 0.6 mb above the five-year average and twelve months earlier, respectively.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

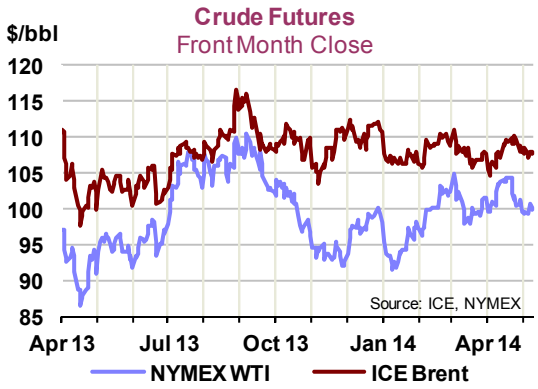
Summary

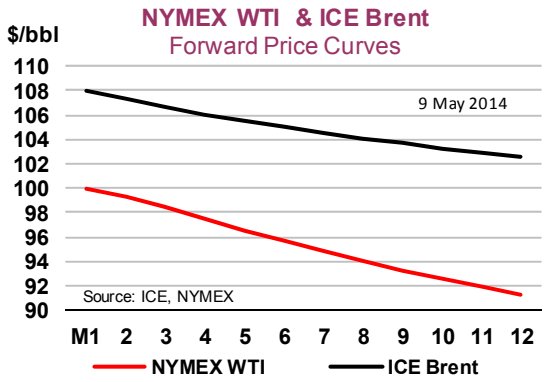
- **Oil prices rose marginally month-on-month in April, supported by continued tensions between Russia and Ukraine, supply outages in Libya and northern Iraq and stepped up crude buying** as refiners come out of maintenance turnarounds, which combined to offset the impact of seasonally weaker demand. ICE Brent futures were last trading at $109.85/bbl and NYMEX WTI at $102.10/bbl.

- **Spot prices for benchmark crudes were buoyed by improved refining margins and increased throughput rates as plants return from maintenance turnarounds in the Atlantic basin.** Prices for sweet crudes were especially robust on stronger demand for gasoline, increased runs and continued outages of lighter Libyan supplies while sour grade crudes were relatively weaker, especially in Asia, due to poor crack spreads for fuel oil.

- **Spot product prices firmed at the top and middle of the barrel in April,** supported by strong petrochemical demand, seasonal product specification changes, refinery maintenance and strong product stock draws, notably in the US. On the other hand, fuel oil cracks remained muted at best.

- **Vessel oversupply continued to cap gains for both crude and product tankers over April.** Rates for VLCCs on voyages between the Middle East Gulf and Asia weakened over much of April as Asian refinery maintenance limited demand for Middle Eastern grades.





Market Overview

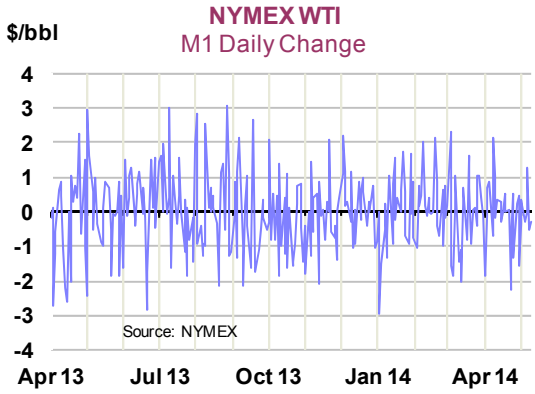
Oil prices rose marginally month-on-month in April, supported by continued tensions between Russia and the Ukraine, supply outages in Libya and northern Iraq, and stepped up crude buying as refiners come out of maintenance turnarounds, which combined to offset the impact of seasonally weaker demand. ICE Brent futures were up by $0.34/bbl to $108.09/bbl while NYMEX WTI gained a stronger $1.52/bbl to an average $102.03/bbl. By early May, however, ICE Brent posted stronger gains, last trading at $109.85/bbl while NYMEX WTI was largely unchanged from average April levels at around $102.10/bbl.

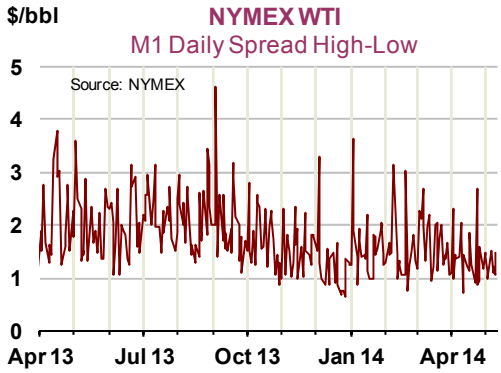
The front-month ICE Brent-Nymex WTI spread narrowed over the month on sharply lower stocks at Cushing, which are now a staggering 25 mb below year-ago levels, averaging around $6.05/bbl in April compared with $7.25/bbl in March.

Oil futures markets were caught in the cross-fire of conflicting reports over the much touted imminent resumption of Libyan exports in April, which ultimately failed to materialise. Expectations that an end to

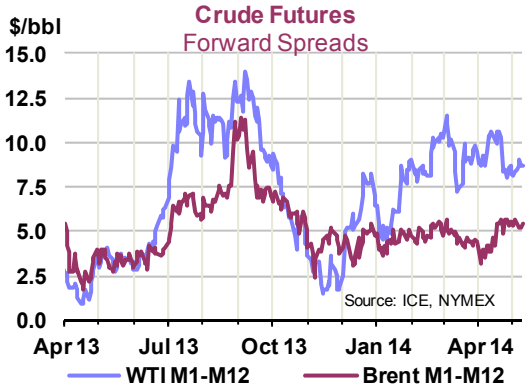
the near 10-month stand-off between the rebels in eastern Libya and the central government in Tripoli were scuppered following the appointment of a new Islamist prime minister on 6 May. Libya's newly-appointed Prime Minister, Ahmed Maitiq, has publicly said he hopes to form a "crisis cabinet" to seek national reconciliation and improve security but even within the government opposition is fierce, following a turbulent parliamentary vote. The escalating security situation in Libya is expected to keep output severely curbed and exports at low levels in the near term.

While the continued loss of Libyan crude and cut-off of Iraqi Kirkuk supplies in April led to a tightening of physical supplies, an apparent surge in Chinese crude imports also played a role. Preliminary data shows that crude imports rebounded to a record high of 6.81 mb/d in April. When combined with latest estimates of refinery runs and crude production, this implies a substantial 1.4 mb/d rise in total (commercial and government) Chinese crude stocks. This implied build is 300 kb/d higher than those posted in 2Q12 when China was in the midst of filling a tranche of Phase 2 SPR capacity.





Heightened prospects of an increase in international sanctions on Russia following the worsening situation in Ukraine also continue to inject uncertainty into the futures market. Yet WTI prices have traded in a very narrow $2/bbl range in April. Underscoring the relative stability of markets, the Brent the M1-M12 futures contract are also little changed month-on-month. The Brent M1-12 spread averaged around $4.70/bbl in April compared with $4.65/bbl in March. Similarly, the WTI M1-M12 price spread averaged $9.35/bbl in April versus $9.20/bbl in March.





Meanwhile, market expectations for the lifting of sanctions on Iranian exports faded further this week as the fourth round of oil talks between Iran and the five permanent UN Security Council members plus Germany and the EU (P5+1) started on 13 May in Vienna. Talks are expected to conclude on 16 May. The initial optimism that Iran and the international community would reach a binding long-lasting agreement on the Tehran's nuclear ambitions that gripped oil market attention last autumn have been replaced with a more sombre realisation that negotiations will be protracted. With the 20 July end of the six-

month period for reaching an agreement in the negotiations nearing, most analysts expect the negotiations to be extended. The interim deal agreed in November in Geneva allows for the negotiations to be extended by mutual consent. Key issues still have to be addressed, not least the final terms of sanctions relief to Iran.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

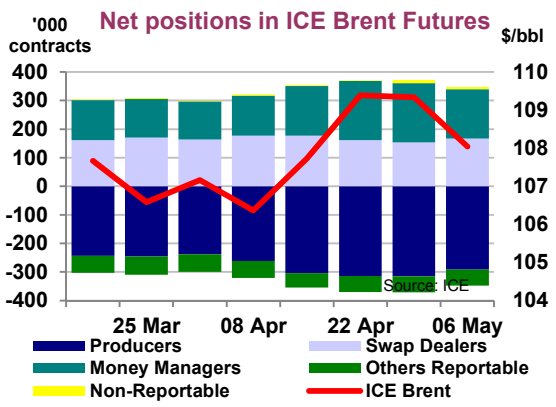
	Feb	Mar	Apr	Apr-Mar Avg Chg	% Chg	Week Commencing: 07 Apr	14 Apr	21 Apr	28 Apr	05 May
NYMEX										
Light Sweet Crude Oil	100.68	100.51	102.03	1.52	1.5	102.75	103.96	102.10	100.21	100.00
RBOB	115.89	123.12	126.49	3.37	2.7	125.47	127.84	129.70	125.96	121.92
No.2 Heating Oil	128.65	123.93	124.12	0.19	0.2	123.07	125.84	125.97	123.42	122.21
No.2 Heating Oil ($/mmbtu)	22.69	21.86	21.89	0.03	0.2	21.71	22.19	22.22	21.77	21.55
Henry Hub Natural Gas ($/mmbtu)	5.16	4.49	4.61	0.12	2.6	4.57	4.60	4.70	4.77	4.67
ICE										
Brent	108.83	107.75	108.09	0.34	0.3	107.25	109.23	109.65	108.30	107.77
Gasoil	123.66	121.14	121.83	0.69	0.6	120.46	123.52	123.83	122.06	121.07
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-8.15	-7.24	-6.06	1.18		-4.50	-5.27	-7.55	-8.09	-7.77
NYMEX No.2 Heating Oil - WTI	27.97	23.42	22.09	-1.33		20.32	21.88	23.87	23.21	22.21
NYMEX RBOB - WTI	15.21	22.61	24.46	1.85		22.72	23.88	27.60	25.75	21.92
NYMEX 3-2-1 Crack (RBOB)	19.46	22.88	23.67	0.79		21.92	23.22	26.35	24.90	22.02
NYMEX No.2 - Natural Gas ($/mmbtu)	17.53	17.37	17.28	-0.09		17.13	17.59	17.51	17.00	16.89
ICE Gasoil - ICE Brent	14.83	13.39	13.74	0.35		13.21	14.29	14.18	13.76	13.30

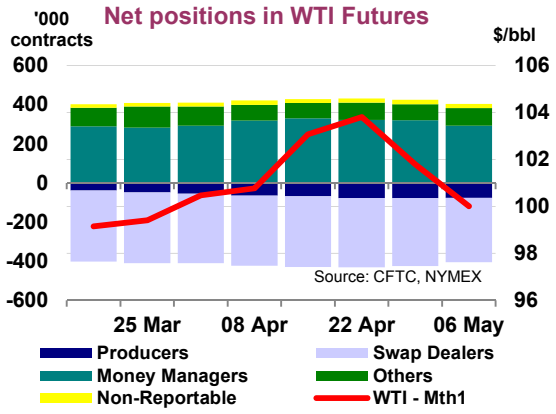
Source: ICE, NYMEX.

Futures Markets

Activity Levels

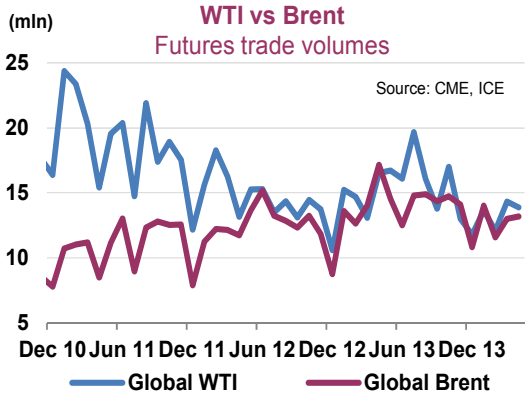
Managed money net long positions in ICE Brent futures retreated in early May, after having previously climbed to highs unseen since September 2013 as the North Sea grade flirted around $110/bbl, to then edge lower by $2/bbl. Hedge funds saw little movement in their NYMEX WTI net long exposure throughout the month, as the Cushing benchmark moved within a narrow $4/bbl range. Net longs in RBOB gasoline futures retreated by 15% in early May as prices eased about $0.10/gal, after having broken the 100 000 contracts mark for the first time since February 2013. Also, net long futures positions in NYMEX heating oil (based on the New York Harbour ultra low sulphur diesel contract) built throughout the month, but finally retreated as prices eased.

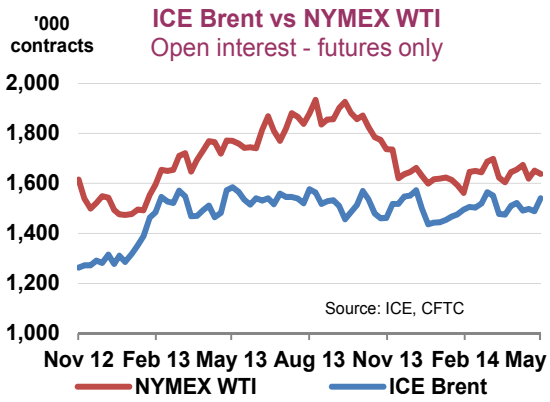




In terms of outstanding futures contracts, ICE Brent inched up about 2% on the month, but was down 2.5% on the year, while NYMEX WTI was stable month on month (m-o-m) but dropped 7.5% year-on-year (y-o-y). The fall in WTI was even steeper when considering futures and options, down 14% y-o-y.

Global trading volumes were little changed on the month, albeit somehow converging, with WTI still slightly above Brent. Both contracts were down from the previous year in double digits, 16% and 23% for WTI and Brent, respectively.





Positions on ICE Brent Crude Futures

Thousand Contracts

06 May 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	634.9	926.9	-292.0	*Short*	↑ 23.6	↓ -53.6
Swap Dealers' Positions	424.2	257.2	167.0	*Long*	↑ 12.9	↑ 3.1
Money Managers' Positions	317.1	144.8	172.3	*Long*	↓ -34.6	↑ 38.7
Others' Positions	127.4	182.9	-55.4	*Short*	↑ 0.7	↑ 6.0
Non-Reportable Positions	36.8	28.8	8.1	*Long*	↓ -2.7	↑ 5.8
Open Interest			**1540.5**		↑ 51.9	↑ 31.1

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

06 May 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	261.2	337.4	-76.3	*Short*	↑ 2.3	↓ -21.1
Swap Dealers' Positions	287.7	616.4	-328.7	*Short*	↑ 18.3	↑ 26.5
Money Managers' Positions	587.5	294.8	292.7	*Long*	↓ -27.7	↓ -1.1
Others' Positions	408.5	318.0	90.4	*Long*	↑ 8.4	↓ -7.6
Non-Reportable Positions	93.6	71.8	21.8	*Long*	↓ -1.4	↑ 3.3
Open Interest			**1638.4**		↓ -13.1	↓ -6.1

Source: CFTC

Financial Regulation

The European Securities and Markets Authority (ESMA) has communicated its intention to ease the phasing in of the central clearing requirement for derivatives contract trades, addressing the so-called 'frontloading' requirement. The term refers to the clearing requirement, which came into force as of the first EU approval of a central clearing counterparty (CCP), on 18 March 2014. Within six months from the first CCP approval, ESMA is required to provide draft technical standards, defining the derivatives assets

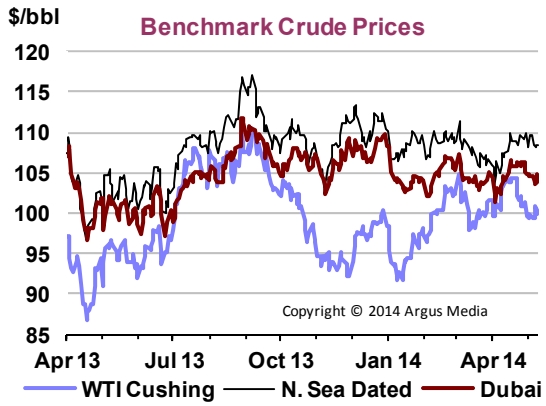
subjects to central clearing requirements. This leaves a period of legal uncertainty for derivatives traded after 18 March, hence the need to cover for higher capital cost, so-called 'frontloading'. ESMA is now proposing an eight to nine months relief period for trades executed during this period of legal uncertainty.

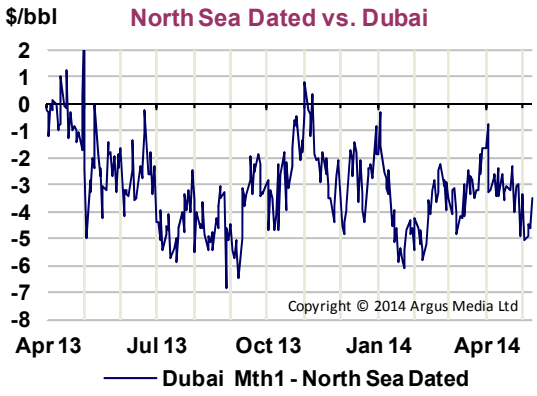
US regulator Commodity Futures Trading Commission (CFTC) extended no-action relief from phone conversation recordkeeping to commodity trading advisers who are members of designated contract (DCM) markets or swap execution facilities (SEF).

Another exemption, this time for EU-registered swaps-trading platforms to meet CFTC standards in order to register as swaps dealers in the US, is set to expire on 15 May. The CFTC had previously extended the deadline in order to allow for further clarifications and amended conditions to qualify for exemption.

Spot Crude Oil Prices

Spot prices for benchmark crudes in April were supported by improved refining margins and increased throughput rates as plants returned from maintenance turnarounds in the Atlantic basin. Global refinery runs are forecast to increase by 2 mb/d by June from April lows in order to meet rising summer demand and replenish low refined product stocks levels, especially of gasoline (see *Refining*). Spot prices for sweet crudes were especially robust on firming demand for gasoline, increased runs and continued outages of Libya supplies while sour grades crudes were relatively weaker, especially in Asia, due to poor crack spreads for fuel oil.



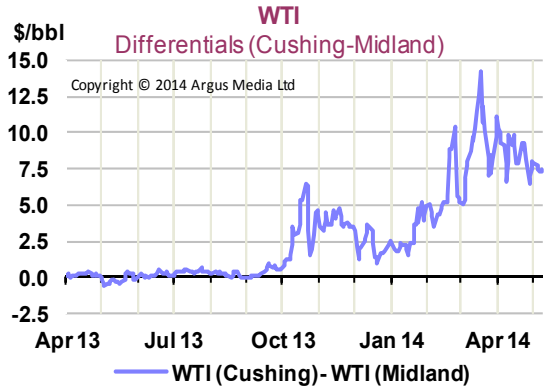


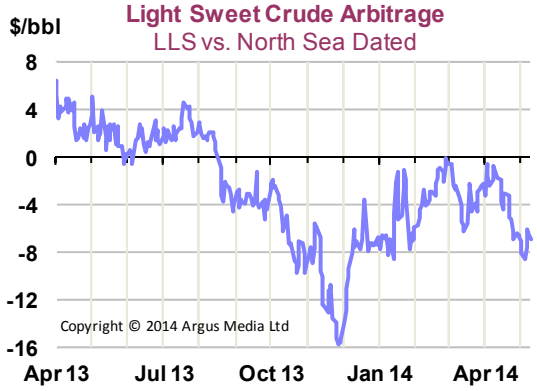
Brent prices were up only a modest $0.07/bbl to average $107.62/bbl in April on expectations of a recovery in Libyan supplies, increased exports of Iraqi Basrah crude and refinery turnarounds. Spot prices for Dubai were up by $0.40/bbl to $1.04/bbl, despite reduced runs, which hit a seasonal low in April of just 5.7 mb/d in OECD Asia. Stock building in China, however, may have lent support to the Asian benchmark during April. The Brent-Dubai price spread between the grades narrowed by around $0.35/bbl m-o-m, to -$2.90/bbl in April before widening again to -$4.35/bbl in early May.

Spot prices for WTI posted the largest increase in April, up $1.50/bbl to $102.07/bbl amid increased refinery throughput rates in the US after scheduled maintenance turnarounds. The relatively stronger price gains also defy the continued build in crude stocks at the US Gulf Coast region. However, WTI was supported by strong regional shifts in crude oil stocks, with volumes at Cushing declining by 3.2 mb to just 24.2 mb at end month, or a staggering 25 mb below year-ago levels.

The planned start up of more domestic pipelines will further ease the bottlenecks in and out of Cushing, Oklahoma by mid-year. Enbridge's 600 kb/d Flanagan South pipeline from Illinois to Cushing and its 450 kb/d Seaway Twin pipeline from Cushing to the Gulf Coast are expected online at end-2Q14.

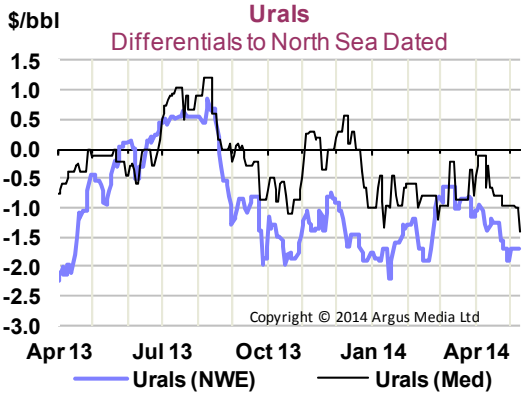
Magellan's 300 kb/d BridgeTex is scheduled to start line fill at the end of 2Q14 and will move crude produced in the Permian Basin to the Texas Gulf Coast (see *Non OPEC Supply)*. The infrastructure bottlenecks saw the WTI Cushing versus WTI Midland price differential balloon to over $9/bbl in March compared with a 4Q13 average of around $3/bbl. The pending start-up the Magellan line has helped narrow the spread to $8.70/bbl on average in April and to a discount of $7.60/bbl in early May. Meanwhile, the rising glut of crude oil stocks at the US Gulf Coast pressured the LLS – Brent spread in early May to around -$7.25/bbl compared with around $3.50/bbl.

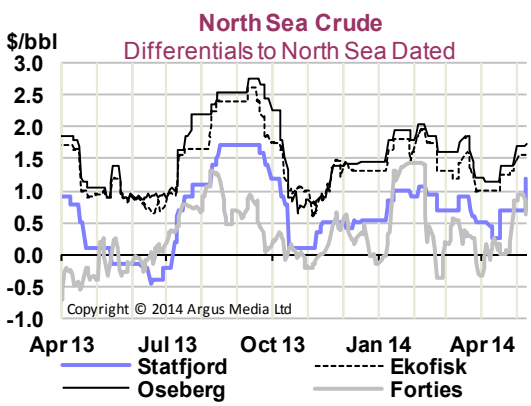




European crude markets were whiplashed by reports of an imminent start-up of Libyan crude exports that failed to materialise. The price spread between Brent and Urals crudes in the Mediterranean fell to just $0.25/bbl in the first week of April on the reports but by early May had widened to $1.10/bbl when it became clear further delays were in store. The deal reportedly reached in early April to reopen major oil ports controlled by rebels in the east unravelled over opposition to the appointment of the new prime minister, which strengthens the Islamists in the country (see *OPEC Supply*).

In addition, the continued loss off Iraqi Kirkuk crude in April also helped strengthen Urals relative to Brent. Exports of Kirkuk have been suspended since 2 March following attacks on the Iraq-Turkey pipeline flowing to the Mediterranean port of Ceyhan. It is unclear when exports will resume following further attacks on workers attempting to repair the pipeline.





The loss of Buzzard production in the North Sea Brent basket also distorted price relationships among the crudes that make up the benchmark grade—Stratfjord, Ekofisk, Oseberg and Forties. The differentials are expected to steadily recover as Buzzard output, which is part of the Forties stream, is gradually restored in May following the unplanned maintenance work. Forties supplies remain ample, however, in May and June with the closure of Hound Point's VLCC jetty resulting in Forties cargoes staying in Europe.

Spot Crude Oil Prices and Differentials

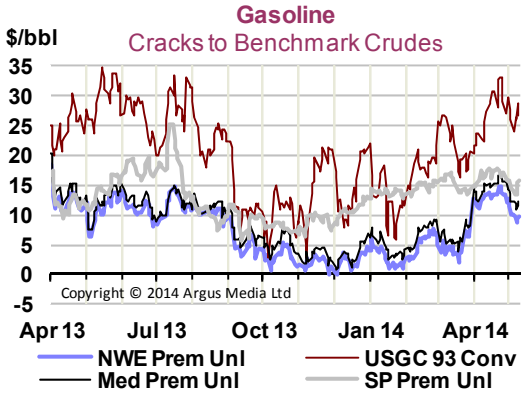
(monthly and weekly averages, $/bbl)

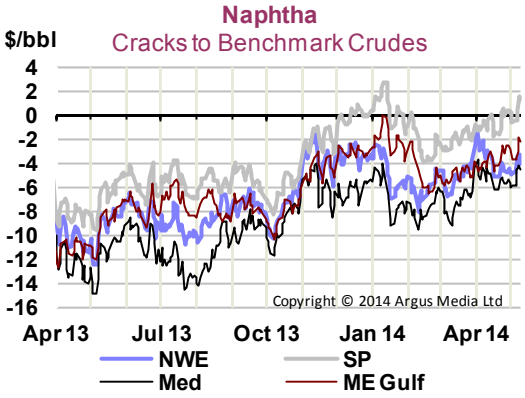
	Feb	Mar	Apr	Apr-Mar Avg Chg	Apr-Mar %	Week Commencing: 07 Apr	14 Apr	21 Apr	28 Apr	05 May
Crudes										
North Sea Dated	108.84	107.55	107.62	0.07	0.1	106.56	108.87	109.05	109.12	108.36
Brent (Asia) Mth 1	108.75	107.75	108.06	0.31	0.3	106.70	109.05	109.64	109.19	108.18
WTI (Cushing) Mth 1	100.72	100.57	102.07	1.50	1.5	102.75	103.97	102.26	100.21	100.00
Urals (Mediterranean)	108.02	106.87	107.04	0.17	0.2	106.31	108.14	108.17	108.17	107.26
Dubai	105.00	104.30	104.70	0.40	0.4	103.64	105.74	106.02	105.18	104.20
Tapis (Dated)	107.65	105.33	105.05	-0.28	-0.3	103.86	106.22	106.45	106.83	106.16
Differential to North Sea Dated										
WTI (Cushing)	-8.11	-6.98	-5.54	1.44		-3.81	-4.90	-6.79	-8.91	-8.36
Urals (Mediterranean)	-0.81	-0.68	-0.57	0.10		-0.25	-0.72	-0.88	-0.95	-1.10
Dubai	-3.84	-3.25	-2.91	0.34		-2.92	-3.13	-3.03	-3.94	-4.15
Tapis (Dated)	-1.19	-2.22	-2.57	-0.35		-2.70	-2.65	-2.60	-2.29	-2.20
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.34	0.17	0.04	-0.13		-0.13	0.06	0.09	0.53	0.48
Forward WTI Cushing Mth1-Mth2	0.49	0.59	0.69	0.10		0.90	0.81	0.39	0.69	0.76
Forward Dubai Mth1-Mth2	0.16	0.33	0.26	-0.07		0.28	0.31	0.17	0.28	0.53

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Spot Product Prices

Surveyed spot product prices firmed at the top and middle of the barrel in April, supported by strong petrochemical demand, seasonal product specification changes, refinery maintenance and strong product stock draws, notably in the US. On the other hand, fuel oil crack spreads remained muted at best.

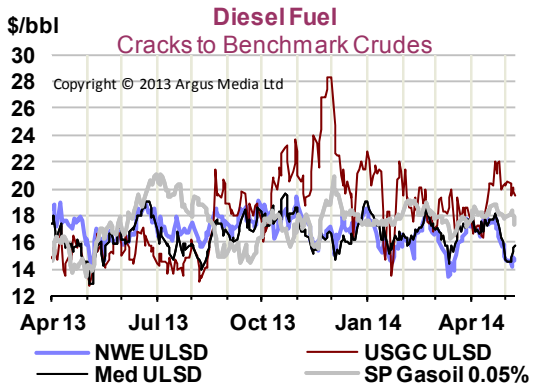


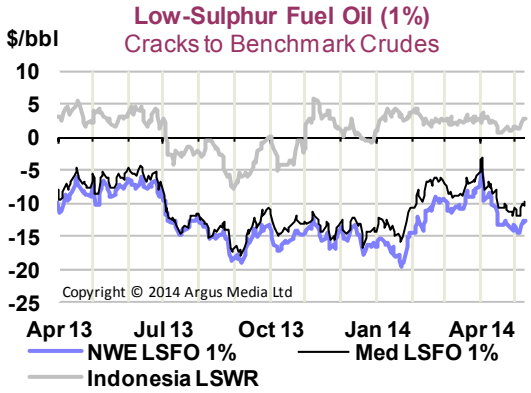


Light products strengthened across all surveyed markets in April. Naphtha cracks remained on an upward path as petrochemical demand, notably in Asia, remained strong while supplies of competing feedstock LPG remained tight. Indeed, naphtha cracks in Singapore emerged into positive territory late-month for the first time since January. Gasoline cracks posted the sharpest gains across all surveyed products as they hit their highest levels since early-summer 2013 on the back of firming spot prices. In the Atlantic Basin cracks were supported by refinery maintenance, steep draws in US inventories as winter grade product was destocked and robust demand which spurred European refiners to ship product westwards while Gulf Coast refiners received an additional boost as LLS weakened against other global benchmarks. Singapore gasoline cracks were muted in comparison, as Dubai remained firm.

Cracks for products in the middle of the barrel posted slim gains over the month as supplies remained ample. European diesel cracks were tempered as European prices remained range bound amid high Russian and US imports and weak demand. Meanwhile diesel cracks on the US Gulf Coast strengthened

during the month as exports, notably to Latin America and Europe, remained strong. In Asia, Singapore diesel cracks were tempered by plentiful supply as evidenced by inventory builds and a closed arbitrage to ship product to Europe.





Low sulphur fuel oil cracks weakened in Northwest Europe at the end of April amid strong supply and weak regional demand while the arbitrage to Asia remained closed limiting trade opportunities. A similar picture was prevalent in Singapore where cracks weakened, but remained in positive territory, against a background of underwhelming regional demand. However, in early-May, cracks began to firm again amid expectations for a seasonal uptick in bunker demand which offset negative sentiment coming from inventory builds.

Spot Product Prices

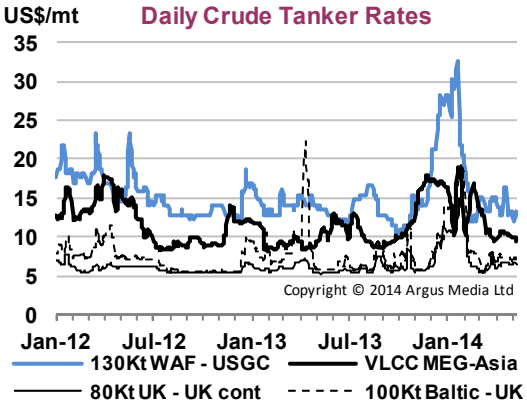
(monthly and weekly averages, $/bbl)

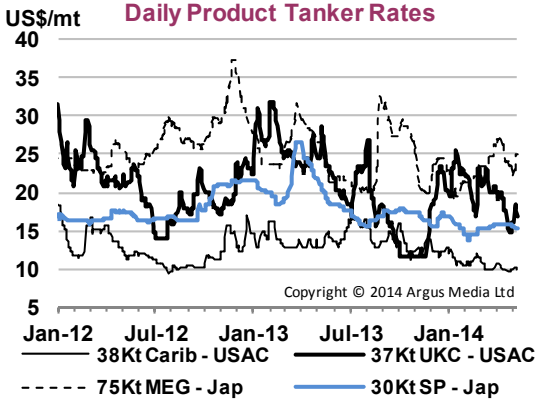
	Feb	Mar	Apr	Apr-Mar Chg	Apr-Mar %	Week Commencing: 07 Apr	14 Apr	21 Apr	28 Apr	05 May	Feb	Mar	Apr
Rotterdam, Barges FOB											**Differential to Dated Brent**		
Premium Unl 10 ppm	114.10	112.67	120.59	7.92	7.0	119.55	122.01	123.21	121.02	117.66	5.26	5.12	12.97
Naphtha	102.78	102.45	104.00	1.55	1.5	103.66	104.40	104.75	104.39	104.79	-6.06	-5.10	-3.62
Jet/Kerosene	123.40	120.24	120.90	0.66	0.6	119.71	122.32	122.71	121.69	120.96	14.56	12.69	13.28
ULSD 10ppm	125.58	123.16	124.55	1.39	1.1	123.57	126.46	126.11	124.27	122.99	16.74	15.61	16.93
Gasoil 0.1%	123.65	120.93	121.47	0.54	0.4	120.25	123.11	123.48	121.83	121.05	14.82	13.38	13.85
LSFO 1%	97.60	97.87	96.92	-0.96	-1.0	97.39	96.80	96.03	95.28	95.55	-11.24	-9.67	-10.70
HSFO 3.5%	88.22	88.79	88.86	0.06	0.1	88.58	89.28	89.19	88.06	87.82	-20.61	-18.76	-18.76
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	115.05	113.71	121.73	8.02	7.1	120.66	123.17	124.39	122.23	118.93	7.03	6.83	14.69
Naphtha	100.24	99.63	101.87	2.24	2.2	101.52	102.44	102.75	102.43	102.82	-7.78	-7.25	-5.18
Jet Aviation fuel	122.22	118.66	120.00	1.34	1.1	118.82	121.61	121.93	120.92	120.11	14.20	11.79	12.96
ULSD 10ppm	125.03	123.30	124.17	0.87	0.7	123.24	125.73	125.78	123.48	122.67	17.01	16.43	17.13
Gasoil 0.1%	122.87	120.36	121.10	0.74	0.6	120.06	122.99	123.01	121.23	120.37	14.84	13.49	14.06
LSFO 1%	100.45	99.24	98.47	-0.78	-0.8	98.87	98.51	97.57	96.83	97.14	-7.58	-7.63	-8.58
HSFO 3.5%	88.13	88.03	88.26	0.23	0.3	87.89	88.82	88.68	87.58	87.40	-19.90	-18.84	-18.78
US Gulf, FOB Pipeline											**Differential to LLS**		
Super Unleaded	124.75	125.87	131.45	5.57	4.4	129.33	135.40	134.88	130.20	127.84	18.50	21.68	27.27
Unleaded	112.88	114.21	122.34	8.13	7.1	122.69	123.51	124.82	119.59	116.29	6.63	10.02	18.16
Jet/Kerosene	124.68	121.43	121.32	-0.11	-0.1	120.20	123.27	123.07	120.63	119.53	18.43	17.24	17.14
ULSD 10ppm	124.83	122.56	123.16	0.60	0.5	121.97	125.12	125.18	122.43	121.33	18.58	18.37	18.98
Heating Oil	119.23	118.11	119.25	1.14	1.0	118.53	120.85	121.21	118.37	117.27	12.98	13.92	15.07
No. 6 3%*	90.39	89.37	90.69	1.33	1.5	90.17	91.83	91.98	91.07	91.18	-15.86	-14.82	-13.49
Singapore, FOB Cargoes											**Differential to Dubai**		
Premium Unleaded	119.71	119.40	121.27	1.87	1.6	120.52	122.96	123.14	120.74	118.64	14.71	15.10	16.57
Naphtha	102.60	102.30	104.06	1.76	1.7	102.90	104.78	105.55	105.24	104.67	-2.40	-2.00	-0.64
Jet/Kerosene	122.83	120.02	120.60	0.58	0.5	119.30	121.61	122.17	120.64	119.78	17.83	15.72	15.90
Gasoil 0.05%	123.56	121.69	122.93	1.25	1.0	121.78	123.98	124.54	123.06	122.16	18.56	17.39	18.23
LSWR Cracked	107.77	106.85	106.58	-0.27	-0.3	106.05	107.02	107.22	106.49	106.63	2.77	2.55	1.87
HSFO 180 CST	96.45	95.13	93.97	-1.16	-1.2	93.38	94.34	94.52	93.72	93.86	-8.55	-9.17	-10.73
HSFO 380 CST 4%	95.62	93.94	92.53	-1.40	-1.5	92.28	92.87	92.87	92.41	92.48	-9.38	-10.36	-12.17

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Freight

Rates for crude carriers remained subdued across all surveyed benchmark routes in April. After initially firming over the first few days of the month, The VLCC Middle East Gulf – Asia route weakened steadily over the rest of the month, as demand for Middle Eastern crudes remained tepid on seasonal refining maintenance in Asia. Additional downward pressure came from the bloated tanker pool, which mopped up any cargoes arriving on the market.





The Suezmax West Africa – US Gulf Coast trade experienced a volatile month with any rate gains being short-lived at best with plentiful tonnage limiting any upward movement. By early-May, the rate stood below $13/mt, approximately $1/mt below one-month earlier. In Northwest Europe, rates garnered some strength from high tanker demand as volumes of North Sea cargoes and Russian exports from Baltic terminals remained strong. However, as elsewhere, vessel oversupply capped gains. Consequently, the benchmark Aframax cross UK trade finished April at $6.50mt, a rise of only $0.40/mt compared to one-month earlier.

Product tankers also experienced a lacklustre month as low tanker demand combined with plentiful vessel availability. Rates on voyages east of Suez generally weakened over the month as traded volumes remained thin. Rates for the benchmark Singapore – Japan trade remained at just under $16/mt for much of April but began to weaken into early-May, at the time of writing they stood at close to $15/mt. In the Atlantic Basin, the picture was worse. Despite reportedly high volumes of European gasoline being shipped to the US in the wake of steep inventory draws there, the swollen tonnage pool continued to force rates downwards. Consequently, rates on the UK – US Atlantic coast trade remained on a steady downward trajectory throughout most of the month, hitting a nadir of $14.80 in the third week of April. However, from thereon in, rates began to climb as demand for European cargoes increased further in the wake of delayed US refinery maintenance which finally managed to reduce the vessel pool.

REFINING

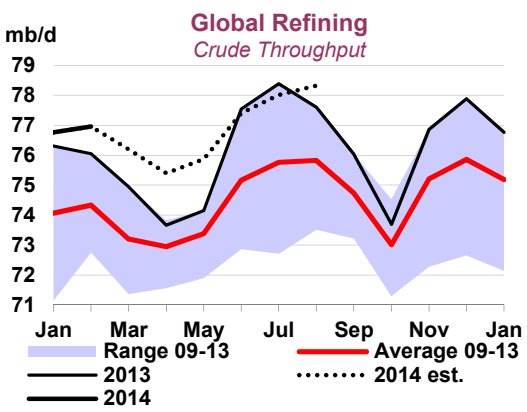
Summary

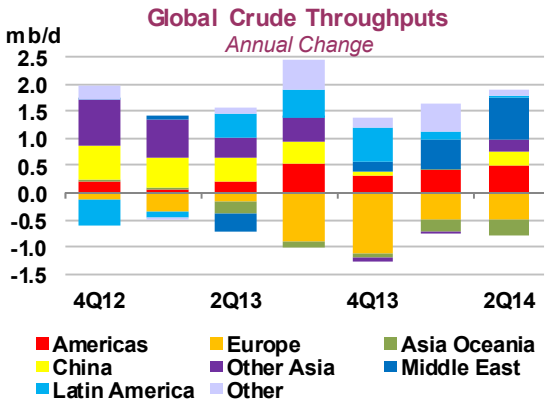
- **Global refinery crude throughputs hit a seasonal low in April, estimated at 75.4 mb/d,** on refinery maintenance and seasonally weak demand during the so-called 'shoulder' period between the northern hemisphere winter and the summer driving season. Runs are set to rebound steeply as turnarounds unwind and refiners rebuild depleted product stocks amid rising demand. In all, 2Q14 global throughputs are forecast to average 76.2 mb/d, 0.4 mb/d lower than in 1Q14.

- **Annual growth in global refinery activity recovered in 1Q14, to 0.9 mb/d, from only 130 kb/d in 4Q13.** Gains largely stemmed from the Middle East, Russia and the US, while Asian and European refiners, whether in the OECD or the non-OECD regions, saw only modest gains, or even losses, from a year earlier. Growth is forecast to rise to 1.1 mb/d in 2Q14, as non-OECD Asian refinery runs are set to rebound. The US and the Middle East are expected to remain the key growth drivers.

- **OECD crude runs fell 530 kb/d in March from a month earlier, to 35.7 mb/d on average.** Throughputs dropped by 280 kb/d and 190 kb/d in Europe and Asia Oceania, respectively, while runs in the OECD Americas were little changed as US refinery maintenance started to wind down from mid-month. Compared with a year earlier, OECD throughputs stood 440 kb/d lower, as a 420 kb/d year-on-year gain in the US tempered steep contractions in Europe, Japan and Canada.

- **Refinery margins generally posted a strong recovery in early April before plummeting again late-month.** Surging gasoline cracks, following steep stock draws, bolstered returns in Europe and the US. US Gulf Coast margins gained the most, up $5.15/bbl on average from March, supported by weak regional crude prices. In Northwest Europe margins were $2.40/bbl higher on average while the Mediterranean posted gains of $1.45/bbl. Margins in the US Midcontinent and in Singapore also improved, though gains were tempered by relative strength in crude prices.





Global Refinery Overview

Global refinery crude throughputs hit a seasonal low in April, estimated at 75.4 mb/d, some 2.5 mb/d less than the December 2013 high. While refiners in the US and Europe mostly completed spring turnarounds over February and March, Russian and Asian outages peak in April and May. Global refinery runs are set to rebound in the coming months, as maintenance is completed and refiners strive to meet increased demand and rebuild depleted product inventories. In all, 2Q14 global throughputs are expected to average 76.2 mb/d, 0.4 mb/d lower than in 1Q14.

Growth in global refinery activity recovered in 1Q14, to 0.9 mb/d, from only 130 kb/d in 4Q13. Gains largely stemmed from the Middle East, Russia and the US, while Asian and European refiners, whether in the OECD or the non-OECD region, saw only modest gains, or even losses, from a year earlier. Global throughputs are forecast to rise by 1.1 mb/d year-on-year (y-o-y) in 2Q14, led by a rebound in non-OECD Asian refinery runs. The US and the Middle East are expected to remain the key contributors to growth.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

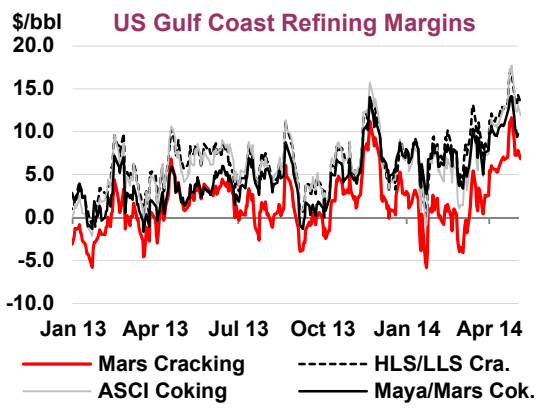
	4Q2013	Jan 14	Feb 14	Mar 14	**1Q2014**	Apr 14	May 14	Jun 14	**2Q2014**	Jul 14	Aug 14
Americas	**18.5**	18.3	18.1	18.1	**18.2**	18.5	18.9	19.2	**18.9**	19.3	19.1
Europe	**10.8**	11.1	11.2	11.0	**11.1**	11.0	11.2	11.4	**11.2**	11.5	11.5
Asia Oceania	**6.7**	6.9	6.9	6.7	**6.8**	6.3	5.8	6.0	**6.0**	6.4	6.7
Total OECD	**36.1**	36.3	36.3	35.7	**36.1**	35.9	35.8	36.6	**36.1**	37.2	37.4
FSU	**6.9**	7.0	7.1	7.1	**7.0**	6.7	6.9	7.0	**6.9**	7.1	7.1
Non-OECD Europe	**0.5**	0.4	0.4	0.4	**0.4**	0.4	0.4	0.3	**0.4**	0.4	0.4
China	**9.8**	9.8	9.8	9.9	**9.8**	9.6	9.6	9.8	**9.7**	10.0	10.0
Other Asia	**9.6**	9.8	10.0	9.9	**9.9**	9.8	9.8	9.9	**9.8**	9.9	9.9
Latin America	**4.8**	4.9	4.8	4.9	**4.8**	4.7	4.9	4.9	**4.8**	4.8	4.9
Middle East	**6.2**	6.4	6.3	6.1	**6.3**	6.1	6.4	6.6	**6.4**	6.6	6.7
Africa	**2.2**	2.2	2.2	2.2	**2.2**	2.1	2.1	2.2	**2.1**	2.0	2.0
Total Non-OECD	**40.0**	40.5	40.7	40.5	**40.5**	39.5	40.1	40.8	**40.1**	40.8	41.0
Total	**76.1**	76.8	77.0	76.2	**76.6**	75.4	75.9	77.4	**76.2**	78.0	78.3

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

The historical global crude runs series has been revised upwards since last month's *Report*, to account for crude processed by refineries in the semi-autonomous Kurdistan region of Iraq, currently excluded from official Iraqi refinery data. According to KRG official data, the region processed 180 kb/d of crude in 2013, up from 140 kb/d in 2012 and 85 kb/d in 2011. Since last month's *Report,* we have also increased our assessment of refinery crude intake in non-OECD Asia, largely on the back of an apparent rebound in Indian throughputs in March, but also due to a baseline revision to Malaysian refinery runs, based on an update of 2012 annual statistics.

Refinery margins generally posted a strong recovery in early April before plummeting again late-month. Surging gasoline cracks, following steep US stock draws, bolstered returns in Europe and the US. US Gulf Coast margins gained the most, up $5.15/bbl on average from March, as regional crude prices were pressured lower by ample supplies and surging inventories. Northwest European margins were $2.40/bbl higher on average while the Mediterranean posted gains of $1.45/bbl. Margins in the US Midcontinent and in Singapore also improved, but gains were tempered by relative strength in crude prices. The recovery in refinery margins was generally short-lived, however, with rates in both Europe and the US coming down from mid-April.



IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

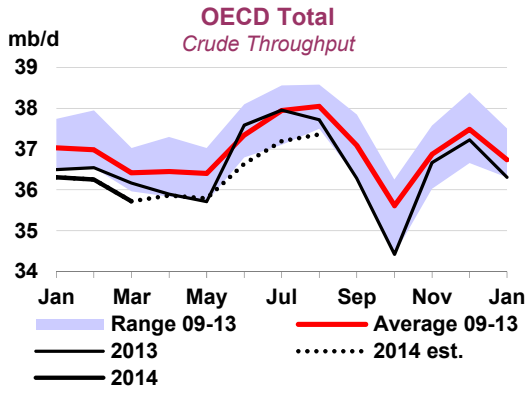
	Monthly Average				Change	Average for week ending:				
	Jan 14	Feb 14	Mar 14	Apr 14	Apr 14-Mar 14	11 Apr	18 Apr	25 Apr	02 May	09 May
NW Europe										
Brent (Cracking)	0.21	2.01	1.51	4.49	2.97	4.86	4.47	4.55	2.68	1.81
Urals (Cracking)	1.51	2.05	1.08	4.13	3.06	4.40	4.04	4.32	2.71	1.94
Brent (Hydroskimming)	-5.35	-2.51	-2.47	-0.85	1.62	-0.14	-1.21	-1.47	-3.07	-3.35
Urals (Hydroskimming)	-5.52	-4.82	-5.18	-3.32	1.86	-2.89	-3.66	-3.55	-4.92	-5.19
Mediterranean										
Es Sider (Cracking)	2.18	4.17	3.70	5.61	1.91	5.89	5.42	5.54	3.82	3.42
Urals (Cracking)	2.78	3.03	2.70	4.18	1.49	4.08	4.32	4.50	2.69	2.52
Es Sider (Hydroskimming)	-3.44	-0.21	-0.49	0.86	1.35	1.43	0.38	0.24	-1.25	-1.32
Urals (Hydroskimming)	-6.05	-5.27	-5.11	-4.04	1.08	-3.98	-4.12	-4.06	-5.66	-5.57
US Gulf Coast										
50/50 HLS/LLS (Cracking)	5.97	7.30	9.01	13.15	4.14	11.54	12.86	15.94	13.75	12.88
Mars (Cracking)	0.26	-0.33	1.37	7.25	5.88	5.56	6.82	10.11	7.81	6.79
ASCI (Cracking)	0.07	-0.54	1.17	7.13	5.96	5.20	6.71	10.37	7.90	7.11
50/50 HLS/LLS (Coking)	7.27	8.35	9.85	14.56	4.72	13.15	14.45	17.30	14.88	13.95
50/50 Maya/Mars (Coking)	6.55	6.49	7.13	10.98	3.86	9.81	10.78	13.65	10.27	8.24
ASCI (Coking)	5.24	4.89	6.36	12.72	6.36	10.75	12.42	16.09	13.02	11.76
US Midcon										
WTI (Cracking)	12.71	13.63	16.88	18.49	1.62	19.05	17.04	19.20	17.99	15.42
30/70 WCS/Bakken (Cracking)	14.73	17.79	19.78	20.66	0.88	20.93	19.98	21.76	20.28	19.37
Bakken (Cracking)	16.27	19.50	22.90	24.11	1.22	24.63	23.21	25.30	23.59	22.28
WTI (Coking)	14.09	15.14	18.48	20.49	2.01	21.40	19.12	21.03	19.59	16.91
30/70 WCS/Bakken (Coking)	17.60	21.64	23.69	24.59	0.90	25.08	23.87	25.62	23.72	22.43
Bakken (Coking)	16.53	19.85	23.21	24.66	1.46	25.32	23.82	25.81	23.99	22.61
Singapore										
Dubai (Hydroskimming)	-1.30	-1.80	-2.36	-2.44	-0.09	-2.13	-2.77	-2.74	-2.89	-2.38
Tapis (Hydroskimming)	-2.93	-2.42	-1.26	-0.32	0.94	-0.19	-0.58	-0.32	-1.53	-0.46
Dubai (Hydrocracking)	4.95	4.67	4.14	4.83	0.69	4.98	4.78	4.89	4.41	4.48
Tapis (Hydrocracking)	0.14	0.71	1.65	2.94	1.28	3.00	2.88	3.16	1.75	2.41

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

OECD Refinery Throughput

OECD refinery crude runs declined by 530 kb/d in March month-on-month (m-o-m), to average 35.7 mb/d. Throughputs remained firmly below both their five-year average and five-year range as structural shifts have become entrenched. Seasonal maintenance spanning all regions curbed runs, though by end-month US refinery throughputs were already on the rise, leaving North American crude intake only slightly lower, at 18.05 mb/d. In contrast, European refinery runs plunged by 280 kb/d, with weaker runs in Italy, Germany and Portugal dragging rates down. In OECD Asia Oceania, throughputs slumped by 190 kb/d, mainly on the back of weaker Japanese runs. Total OECD refinery crude intake were 440 kb/d below a year earlier in March, as a 420 kb/d annual gain in US throughputs was offset by y-o-y contractions in Canada, Japan and Europe. European



refinery runs were down 560 kb/d from the same month in 2013, due to both capacity reductions and weak refinery margins. Regional benchmark cracking margins remained exceptionally weak in the first quarter of this year, dragged lower by lacklustre demand and increased product imports.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

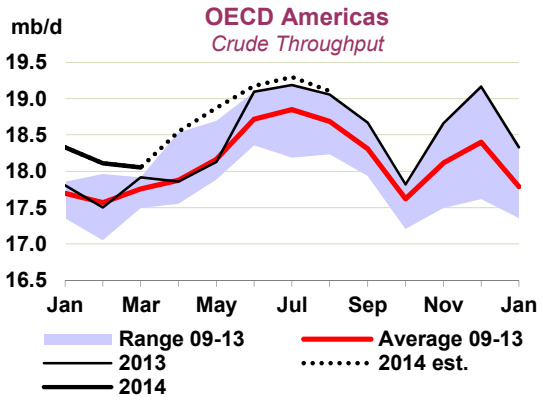
	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Change from Feb 14	Change from Mar 13	Utilisation rate[1] Mar 14	Utilisation rate[1] Mar 13
US[2]	14.99	15.65	16.07	15.30	15.12	15.12	0.00	0.42	84.3%	82.1%
Canada	1.58	1.69	1.73	1.65	1.74	1.58	-0.15	-0.18	86.4%	92.0%
Chile	0.16	0.16	0.18	0.18	0.17	0.17	0.00	0.01	74.6%	70.0%
Mexico	1.09	1.16	1.19	1.20	1.08	1.18	0.09	-0.11	71.2%	78.0%
OECD Americas	**17.82**	**18.66**	**19.17**	**18.33**	**18.11**	**18.05**	**-0.06**	**0.13**	**83.4%**	**82.5%**
France	0.93	1.14	0.96	1.08	1.07	1.04	-0.03	-0.08	74.4%	80.3%
Germany	1.97	1.96	1.89	1.81	1.90	1.81	-0.10	-0.03	89.5%	86.5%
Italy	1.24	1.33	1.27	1.29	1.17	1.05	-0.12	-0.13	53.7%	56.7%
Netherlands	0.76	0.92	0.97	1.01	1.04	1.01	-0.04	0.07	78.0%	72.6%
Spain	1.06	1.06	1.12	1.06	1.13	1.15	0.01	-0.03	75.7%	77.5%
United Kingdom	0.95	1.00	1.19	1.19	1.10	1.19	0.09	-0.07	75.7%	79.9%
Other OECD Europe	3.37	3.75	3.69	3.65	3.83	3.73	-0.10	-0.28	74.8%	80.9%
OECD Europe	**10.29**	**11.15**	**11.09**	**11.09**	**11.25**	**10.97**	**-0.28**	**-0.56**	**74.5%**	**77.1%**
Japan	2.88	3.33	3.53	3.43	3.46	3.25	-0.21	-0.12	74.3%	73.0%
South Korea	2.51	2.61	2.48	2.51	2.47	2.55	0.08	0.12	83.5%	79.7%
Other Asia Oceania	0.93	0.92	0.96	0.95	0.97	0.91	-0.06	-0.01	74.4%	75.5%
OECD Asia Oceania	**6.32**	**6.86**	**6.97**	**6.89**	**6.90**	**6.70**	**-0.19**	**-0.02**	**77.6%**	**75.7%**
OECD Total	**34.42**	**36.67**	**37.22**	**36.31**	**36.25**	**35.72**	**-0.53**	**-0.44**	**79.4%**	**79.4%**

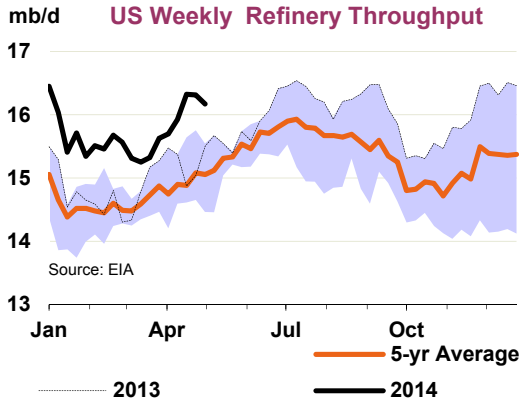
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

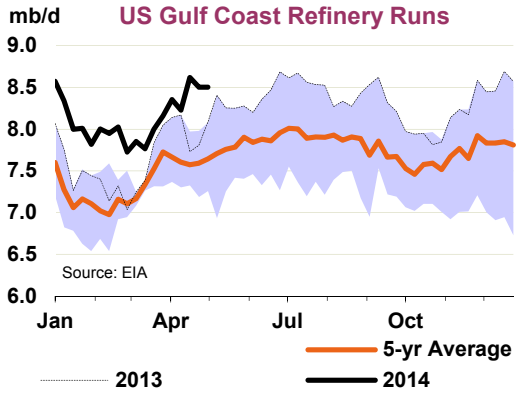
Refinery throughputs in the **OECD Americas** were little changed in March from a month earlier, reflecting flat US throughputs for the month on average. The latter slipped just below 15 mb/d in the first two weeks of March, their lowest since October, but by the last week of the month had climbed back to 15.3 mb/d as refineries returned from maintenance. A turnaround at Irving's Saint John, New Brunswick, plant curbed Canadian runs from March onwards, however, to an estimated 1.6 mb/d. According to preliminary data from the National Energy Board, Canadian throughputs fell further in April, to 1.4 mb/d on average, as Suncor's Montreal and Edmonton refineries were also taken offline for maintenance shutdowns.

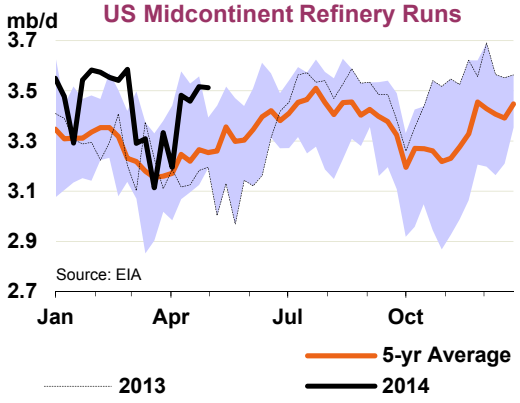




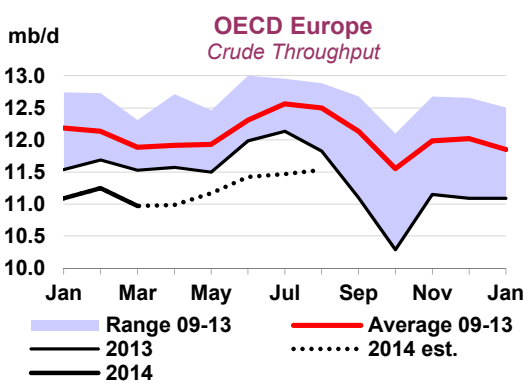
According to preliminary data, North American crude runs leapt higher in April on the back of surging US throughputs. US refiners processed 15.8 mb/d of crude in April, some 660 kb/d above March and 910 kb/d higher than the year earlier. Both the monthly and annual increases were led by the US Gulf Coast and Midcontinent refiners, up 430 kb/d and 196 kb/d m-o-m, respectively. US Gulf Coast refinery margins surged $5.15/bbl on average in April, as a steep gasoline stock draws pushed up gasoline prices while regional crude markers were pressured lower on ample supplies.

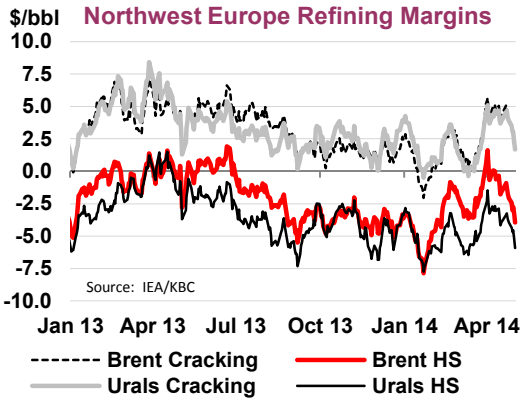
US throughputs are expected to remain high in coming months, but y-o-y gains will narrow due to capacity constraints in the summer, when refineries traditionally push through utilisation rates of 90%. By the end of this year, 85 kb/d of new crude processing capacity may come on stream, including 50 kb/d from the first phase of a condensate splitter project at Galena Park, Texas (expected to start up in November), and the remaining 35 kb/d from two small refineries in Thunder Butte and Dakota Prairie, both in North Dakota.





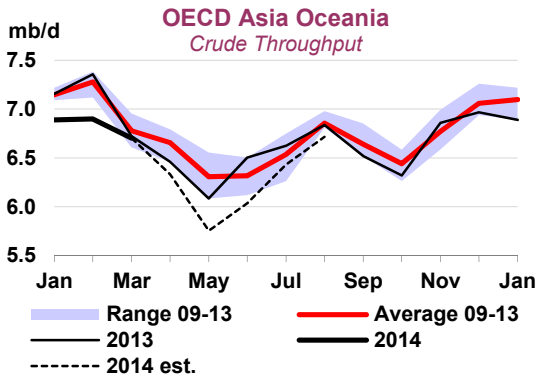
In **Europe,** refinery activity slowed in March, cutting crude intake by 280 kb/d from a month earlier. Italian crude runs fell 120 kb/d m-o-m, while German throughputs dropped by 100 kb/d. In Italy, maintenance at Eni's Gela refinery and API's Falconara plant and a fire at Lukoil's Isab refinery curbed throughputs, while in Germany, Gunvor's Ingolstadt, Shell's Wesseling and Bayernoil's Neustadt and Vohburg refineries contributed to the decline. A shutdown of Galp's Sines refinery reduced Portuguese runs by 60 kb/d from February. In contrast, UK throughputs rose 95 kb/d m-o-m, providing a partial offset.

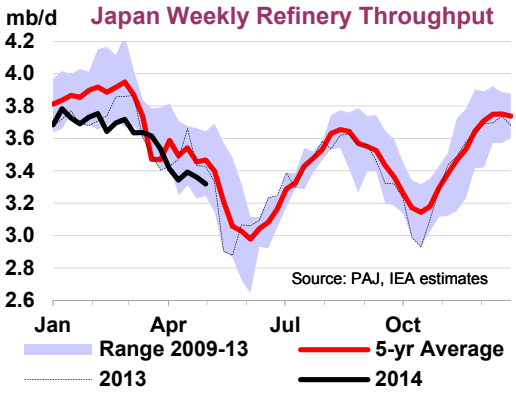




Regional refinery margins remained weak in March, despite extensive maintenance outages. European cracking margins averaged only $2.25/bbl, while simple margins were a negative $3.30/bbl. A sharp rebound in April, on the back of surging gasoline cracks was short-lived and by early May, ample regional supplies had eroded earlier gains.

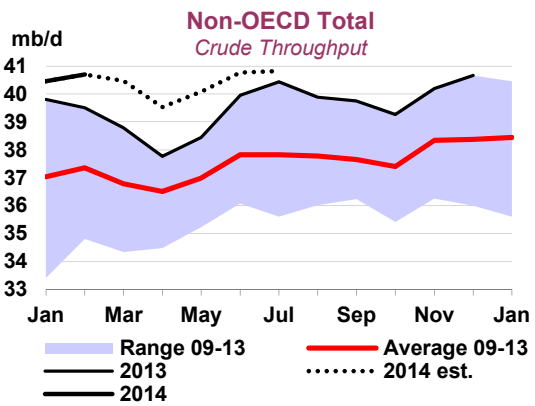
Refinery crude runs in **OECD Asia Oceania** trended lower in March, as Japanese refiners scaled back operations. South Korean refiners, in contrast, raised runs by 80 kb/d, to 2.55 mb/d, a six month high. According to weekly data from the Petroleum Association of Japan (PAJ), Japanese crude throughputs continued to decline in April, to just over 3.2 mb/d (including NGLs) in early May. On a monthly basis, crude intake declined another 130 kb/d, after a 210 kb/d decline in March. Refinery utilisation rates remained at around 85%, however, as nameplate capacity fell to 3.9 mb/d, from 4.4 mb/d at the end of March, ahead of an April government deadline to upgrade or idle simple refinery units.

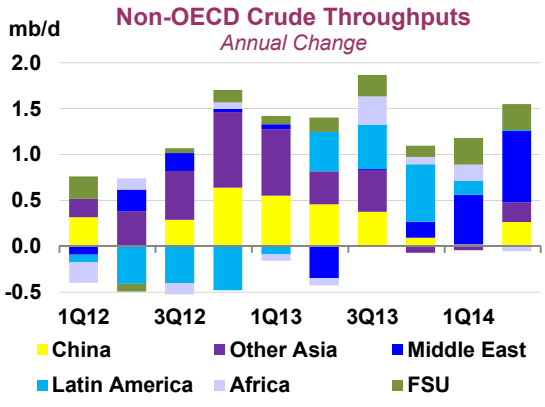




Non-OECD Refinery Throughput

Non-OECD refinery run estimates have been lifted since last month's *Report* by 350 kb/d on average for the first half of 2014, to 40.5 mb/d and 40.1 mb/d in 1Q14 and 2Q14, respectively. The bulk of the revision stems from the inclusion of crude processed in the semi-autonomous Kurdistan Regional Government of Iraq, previously not captured in the Iraqi throughput figures. Since last month's *Report* we have also increased our assessment of refinery crude intake in non-OECD Asia, largely on the back of an apparent rebound in Indian throughputs in March, but also due to a baseline revision to Malaysian refinery runs, based on an update of 2012 annual statistics. Annual growth is forecast to rise to 1.4 mb/d in 2Q14, up from 1.2 mb/d in 1Q14, driven in large part by the Middle East, and to a lesser degree the FSU. Chinese refinery crude demand growth is expected to resume in 2Q14, after two quarters of largely unchanged runs y-o-y.

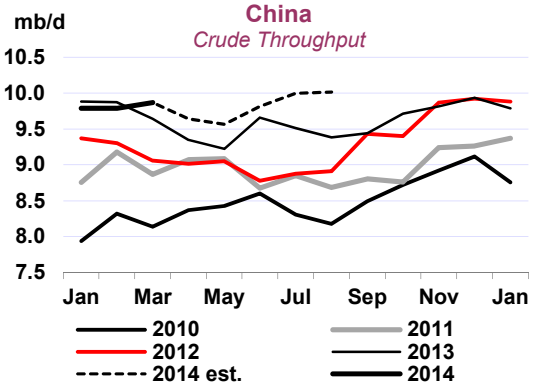


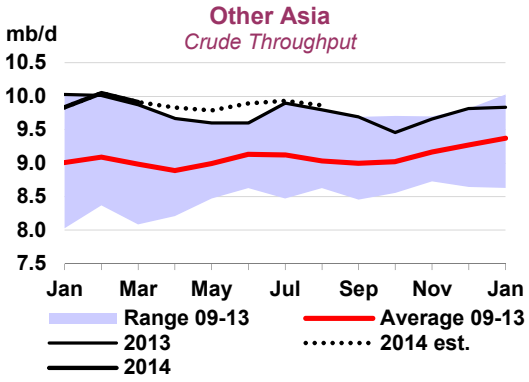


Chinese refiners processed 9.9 mb/d of crude in March, and 9.6 mb/d in April, in line with our forecast. Throughputs rose 80 kb/d above the January-February average in March, before maintenance curbed runs in April. Throughputs were nevertheless 230 kb/d and 290 kb/d above year-earlier levels, respectively. Most recent data meanwhile show China returning to be a net importer of products in April. According to data from the General Administration of Customs, in March, China became a net exporter

of key refined oil products for the first time since January 2010. The country imported 2.37 mt of key oil products (including naphtha, gasoline, jet, gasoil, fuel oil and some other products) in March, a drop of 24.3% y-o-y and the lowest level since August 2012, while exports of key products rose to 2.74 mt, their highest level since May 2013. On the back of slowing Chinese demand growth and surplus domestic refinery capacity, more refineries have been granted oil product export quotas recently.

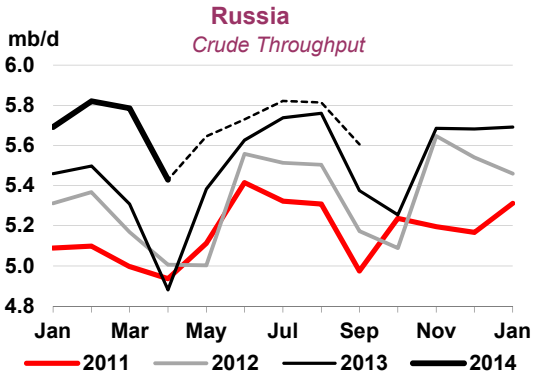
Crude oil imports meanwhile rose and the most recent data show that Chinese crude oil imports increased to a record 6.78 mb/d in April, up from 5.5 mb/d in March and 5.6 mb/d a year earlier. The rise in imports comes at the onset of the refinery maintenance season, suggesting crude may be going to storage. PetroChina reportedly shut its 410 kb/d Dalian refinery from 10 April until end-May. Other notable shutdowns include those of Sinopec's Changling and Shijiazhuang plants as well as PetroChina's Dagang refinery.

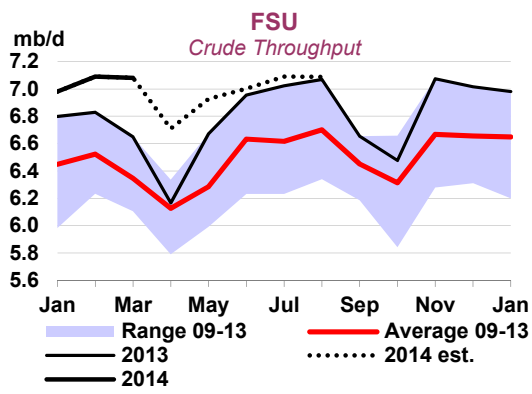




Indian refinery runs declined by about 80 kb/d m-o-m in March, a slightly weaker drop than expected. Maintenance at Reliance's Jamnagar complex is estimated to have curbed throughputs by a further 140 kb/d m-o-m, to average around 0.5 mb/d. Reliance reportedly shut one 330 kb/d CDU at its older, domestic oriented refinery for about four weeks from 18 February. BPCL meanwhile is planning to shut its 120 kb/d Bina refinery for a month from September for maintenance. The company was completing maintenance of a 90 kb/d crude unit at its Kochi refinery in early May. The company is planning to raise capacity at the plant from 190 kb/d to 310 kb/d by end 2015.

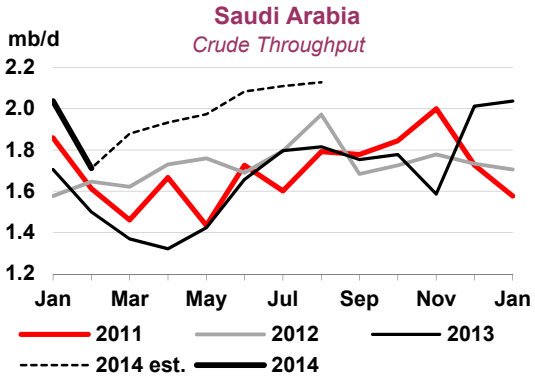
Russian refinery throughputs followed their normal seasonal pattern, down 360 kb/d in April, to 5.4 mb/d on average, in line with expectations. Maintenance peaked in April and runs are expected to rise again from May onwards. So far this year, Russian crude intake is up 0.4 mb/d on average, with April posting the highest annual gains of 550 kb/d.

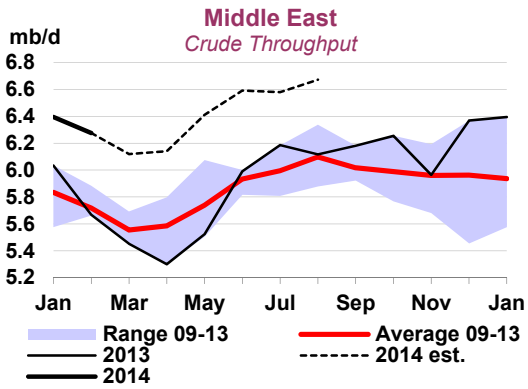




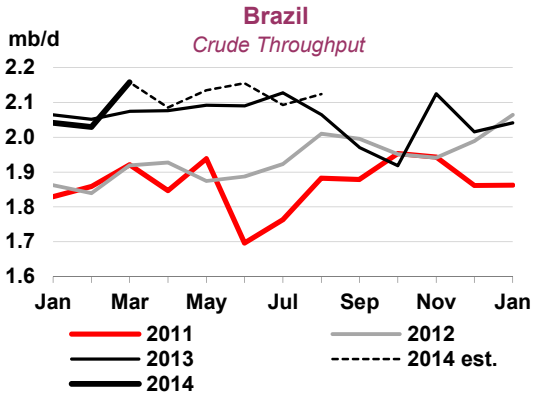
Since last month's *Report*, we have raised the historical **Middle Eastern** crude throughput assessment to include crude processed in the semi-autonomous KRG region of Iraq and to better reflect crude runs in OPEC countries UAE and Qatar, to exclude condensates, as these are counted with NGLs on both the supply and demand side for OPEC member countries. Official KRG data show that a total of 180 kb/d of crude was processed in the region in 2013, up 40 kb/d from 2012. As recently as 2009, KRG runs averaged only 17 kb/d. A re-evaluation of crude runs in the UAE and Qatar provided a slight offset, however, as these two countries were revised lower by a combined 55 kb/d in 2013.

Saudi Arabian crude runs plunged in February, to 1.7 mb/d, according to the most recent JODI data. Maintenance at Aramco's 240 kb/d Yanbu refinery and its 90 kb/d Jeddah refinery curbed runs. Both plants were scheduled to resume operations before month-end, likely propping up runs from March onwards. A 45-day shutdown of a 120 kb/d crude unit at the company's Riyadh refinery started in mid-April. We expect Saudi runs to peak at around 2.1 mb/d over the summer months, as SATORP's new Jubail refinery reaches full capacity. **Oman's** 116 kb/d Sohar refinery was closed in early May for repair work after a cooling pipe forced it to shut late April.





In **Latin America**, **Brazilian** crude runs hit a new record high in March of 2.2 mb/d, up 130 kb/d m-o-m and 80 kb/d y-o-y. A power plant outage forced Petrobras to shut its 250 kb/d REDUC refinery outside of Rio de Janeiro on 30 April. Operations partially resumed on 5 May, though some hydro-treating units were still offline. In Colombia, Ecopetrol shut the single CDU at its 80 kb/d Cartagena refinery in early March, to undergo a planned expansion of the refinery that will double its capacity by 2015. The country's second refinery, the 250 kb/d Barrancabermeja plant, is currently being upgraded to produce cleaner fuels (ULSD), and its capacity expanded by 50 kb/d by 2018.



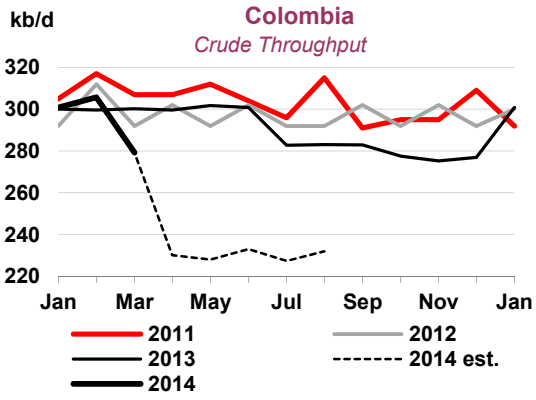


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.2	24.3	24.0	23.8	23.9	24.3	24.4	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.8	13.2	13.8	14.0	13.6	13.6	13.1	13.6	13.9	13.8	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.7	8.4	8.9	7.8	8.0	8.4	8.3
Total OECD	47.0	46.5	46.3	45.5	45.9	46.3	46.0	45.9	45.5	46.2	46.6	46.1	45.8	45.3	46.2	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.9	4.7
Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.9	9.3	9.6	9.7	9.9	10.3	9.9	10.0	10.0	10.1	10.2	10.1	10.1	10.4	10.5	10.7	10.4
Other Asia	10.8	11.1	11.4	11.5	11.2	11.6	11.4	11.8	11.8	11.4	11.8	11.7	12.1	12.1	11.8	12.2	12.1
Latin America	6.1	6.2	6.1	6.3	6.5	6.6	6.4	6.3	6.6	6.7	6.7	6.6	6.6	6.7	6.9	6.9	6.8
Middle East	7.3	7.5	7.3	7.8	8.3	7.6	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.7	8.0	8.2
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.6	3.8	3.8	3.7	3.8	3.7	3.8	3.9	3.9	4.0	3.9
Total Non-OECD	41.4	42.6	43.0	44.0	44.8	45.1	44.2	44.5	45.3	45.9	45.8	45.4	45.6	46.8	47.3	47.4	46.8
Total Demand[4]	88.5	89.1	89.3	89.5	90.7	91.3	90.2	90.4	90.8	92.1	92.4	91.4	91.3	92.1	93.6	94.0	92.8
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	17.9	17.2	18.1	18.3	18.4	18.9	18.4
Europe[2]	4.1	3.8	3.8	3.6	3.1	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.4	3.3	3.0	3.3	3.3
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Total OECD	18.9	19.0	19.9	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.6	21.0	22.0	22.1	22.0	22.8	22.2
NON-OECD SUPPLY																	
FSU	13.5	13.5	13.7	13.6	13.6	13.7	13.7	13.8	13.8	13.8	14.0	13.9	14.0	13.9	13.8	13.9	13.9
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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.3	4.2	4.2	4.2
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Total Non-OECD	29.9	29.9	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.9	29.6	29.8	29.7	29.5	29.7	29.7
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.6	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.1	2.5	2.1	2.1
Total Non-OPEC[5]	52.7	52.8	53.5	52.9	53.0	54.2	53.4	53.9	54.2	55.0	55.8	54.7	55.7	56.1	56.3	56.8	56.2
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.5	30.0				
NGLs	5.5	5.9	6.1	6.1	6.2	6.2	6.2	6.3	6.3	6.4	6.3	6.3	6.4	6.4	6.6	6.6	6.5
Total OPEC[5]	34.7	35.8	37.4	37.8	37.7	37.0	37.5	36.7	37.2	37.0	36.1	36.8	36.4				
Total Supply[9]	87.4	88.7	90.9	90.8	90.7	91.2	90.9	90.6	91.4	92.0	92.0	91.5	92.1				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4	-1.5	-0.2	0.1				
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0				
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.1				
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3				
Miscellaneous to balance[10]	-1.0	0.0	1.4	0.7	-0.3	0.4	0.5	-0.2	0.8	-0.8	0.8	0.1	0.4				
Total Stock Ch. & Misc	-1.1	-0.4	1.6	1.2	0.0	-0.2	0.7	0.3	0.6	-0.2	-0.4	0.1	0.8				
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.3	30.3	29.7	30.5	31.4	30.9	30.6	30.2	30.3	30.8	30.2	30.4	29.2	29.6	30.7	30.7	30.0

4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-
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	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Africa	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-	-0.1	-	-
Total Non-OECD	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	-	-	-	-	0.1	0.1	0.1	-
Total Demand	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	-	-	-	0.2	-	-	-	0.1
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-				
NGLs	-	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1
Total OPEC	-	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1				
Total Supply	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-0.1	-0.1				
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-	-0.1					
Total Stock Ch. & Misc	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.3				
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.3	0.1	0.1	0.2	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.60	23.73	23.77	23.62	23.73	23.79	24.18	24.34	24.01	23.82	23.87	24.30	24.43	24.11
Europe[2]	14.28	13.72	13.82	13.85	13.69	13.77	13.21	13.83	13.98	13.55	13.64	13.08	13.61	13.93	13.75	13.60
Asia Oceania[3]	8.23	9.17	8.06	8.31	8.80	8.58	8.93	7.90	8.09	8.68	8.40	8.89	7.81	7.98	8.45	8.28
Total OECD	46.47	46.26	45.49	45.89	46.25	45.97	45.87	45.52	46.24	46.57	46.05	45.79	45.29	46.21	46.63	45.98
Asia	20.42	20.96	21.14	21.10	21.92	21.28	21.84	21.80	21.52	22.04	21.80	22.21	22.55	22.33	22.95	22.51
Middle East	7.46	7.30	7.82	8.27	7.61	7.75	7.60	8.00	8.49	7.76	7.96	7.86	8.27	8.71	8.04	8.22
Latin America	6.17	6.15	6.34	6.50	6.55	6.39	6.35	6.57	6.71	6.73	6.59	6.56	6.73	6.89	6.87	6.77
FSU	4.39	4.31	4.42	4.63	4.61	4.49	4.30	4.50	4.83	4.82	4.61	4.42	4.60	4.85	4.85	4.68
Africa	3.49	3.62	3.61	3.60	3.70	3.63	3.75	3.78	3.66	3.76	3.74	3.83	3.93	3.88	3.99	3.91
Europe	0.66	0.67	0.68	0.67	0.68	0.67	0.65	0.68	0.69	0.71	0.68	0.67	0.70	0.69	0.71	0.69
Total Non-OECD	42.60	43.01	44.02	44.78	45.06	44.22	44.48	45.32	45.89	45.82	45.38	45.55	46.79	47.34	47.41	46.77
World	89.07	89.27	89.51	90.67	91.32	90.19	90.36	90.84	92.13	92.39	91.43	91.35	92.07	93.55	94.04	92.76
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.67	19.13	19.28	18.94	18.82	18.82	19.16	19.25	19.02
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.29	8.27	8.06	8.16	7.92	8.09	8.22	8.15	8.10
China	9.32	9.56	9.65	9.93	10.31	9.87	10.01	10.03	10.12	10.20	10.09	10.14	10.43	10.50	10.71	10.45
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.75	4.56	5.01	4.05	4.16	4.48	4.42
India	3.27	3.44	3.52	3.26	3.48	3.43	3.53	3.54	3.24	3.50	3.45	3.59	3.61	3.36	3.61	3.54
Russia	3.21	3.19	3.24	3.42	3.35	3.30	3.19	3.31	3.62	3.53	3.42	3.32	3.41	3.62	3.54	3.47
Brazil	2.87	2.85	2.92	3.01	3.10	2.97	2.97	3.06	3.12	3.17	3.08	3.10	3.14	3.21	3.24	3.17
Saudi Arabia	2.79	2.60	3.04	3.36	2.84	2.96	2.76	3.09	3.36	2.87	3.03	2.86	3.20	3.46	2.96	3.12
Canada	2.27	2.18	2.22	2.33	2.37	2.28	2.28	2.31	2.30	2.32	2.30	2.31	2.27	2.37	2.36	2.33
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.38	2.31	2.34	2.24	2.27	2.40	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.02	2.12	2.10	2.14	2.09
Iran	1.79	1.81	1.83	1.78	1.76	1.79	1.79	1.80	1.81	1.79	1.80	1.87	1.85	1.83	1.84	1.85
Total	61.96	62.10	61.97	62.88	63.36	62.58	62.72	62.64	63.64	63.93	63.24	63.30	63.23	64.26	64.67	63.87
% of World	69.6%	69.6%	69.2%	69.4%	69.4%	69.4%	69.4%	69.0%	69.1%	69.2%	69.2%	69.3%	68.7%	68.7%	68.8%	68.9%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.8	1.9	2.4	1.7	0.4	0.3	0.5	0.4	0.4
Europe[2]	-2.8	-3.5	-2.1	-5.7	-2.8	-3.6	-3.7	0.0	0.9	-1.0	-0.9	-1.0	-1.6	-0.3	1.4	-0.4
Asia Oceania[3]	0.5	5.6	7.6	2.8	1.5	4.3	-2.6	-2.0	-2.7	-1.3	-2.2	-0.5	-1.2	-1.4	-2.7	-1.4
Total OECD	-1.2	-1.6	0.3	-2.1	-0.9	-1.1	-0.8	0.1	0.8	0.7	0.2	-0.2	-0.5	-0.1	0.1	-0.2
Asia	3.6	3.2	3.3	4.7	5.7	4.2	4.2	3.1	2.0	0.6	2.4	1.7	3.5	3.7	4.1	3.3
Middle East	2.0	3.7	4.8	4.8	2.4	3.9	4.1	2.3	2.6	2.0	2.7	3.4	3.4	2.6	3.5	3.2
Latin America	1.5	3.4	3.4	2.5	4.5	3.4	3.3	3.5	3.2	2.7	3.2	3.4	2.5	2.7	2.1	2.7
FSU	6.3	5.9	2.2	1.2	0.6	2.4	-0.2	1.6	4.2	4.7	2.6	3.0	2.3	0.5	0.6	1.5
Africa	-0.9	2.6	3.0	6.2	4.7	4.1	3.8	4.7	1.7	1.5	2.9	2.1	4.0	5.8	6.1	4.5
Europe	-0.2	3.8	4.1	1.5	-0.5	1.5	-3.9	-0.4	2.4	4.3	0.5	4.2	2.8	0.2	0.5	1.7
Total Non-OECD	2.8	3.5	3.4	4.1	4.2	3.8	3.4	3.0	2.5	1.7	2.6	2.4	3.2	3.2	3.5	3.1
World	0.7	0.8	1.8	0.8	1.6	1.3	1.2	1.5	1.6	1.2	1.4	1.1	1.4	1.5	1.8	1.4
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.12	-0.39	-0.14	-0.34	0.35	0.18	0.45	0.57	0.39	0.09	0.08	0.12	0.09	0.10
Europe[2]	-0.41	-0.49	-0.30	-0.84	-0.39	-0.51	-0.50	0.01	0.13	-0.13	-0.12	-0.13	-0.22	-0.04	0.20	-0.05
Asia Oceania[3]	0.05	0.49	0.57	0.22	0.13	0.35	-0.23	-0.16	-0.23	-0.12	-0.19	-0.04	-0.09	-0.11	-0.23	-0.12
Total OECD	-0.55	-0.73	0.15	-1.00	-0.40	-0.50	-0.39	0.03	0.35	0.32	0.08	-0.08	-0.23	-0.03	0.06	-0.07
Asia	0.70	0.65	0.67	0.94	1.18	0.86	0.88	0.66	0.42	0.12	0.52	0.37	0.75	0.81	0.91	0.71
Middle East	0.14	0.26	0.36	0.38	0.18	0.29	0.30	0.18	0.21	0.16	0.21	0.26	0.27	0.22	0.27	0.26
Latin America	0.09	0.20	0.21	0.16	0.28	0.21	0.20	0.22	0.21	0.18	0.20	0.22	0.17	0.18	0.14	0.18
FSU	0.26	0.24	0.09	0.06	0.03	0.10	-0.01	0.07	0.19	0.21	0.12	0.13	0.10	0.03	0.03	0.07
Africa	-0.03	0.09	0.10	0.21	0.17	0.14	0.14	0.17	0.06	0.06	0.11	0.08	0.15	0.21	0.23	0.17
Europe	0.00	0.02	0.03	0.01	0.00	0.01	-0.03	0.00	0.02	0.03	0.00	0.03	0.02	0.00	0.00	0.01
Total Non-OECD	1.16	1.47	1.46	1.75	1.82	1.62	1.47	1.30	1.11	0.75	1.16	1.07	1.47	1.45	1.59	1.40
World	0.61	0.74	1.61	0.75	1.42	1.12	1.08	1.33	1.47	1.07	1.24	0.99	1.24	1.42	1.65	1.32
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.05	0.01	0.09	-0.08	0.03	0.04	0.02
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.02	-0.01	0.00	0.00	-0.02	-0.01	-0.01
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.04	-0.02	-0.04	0.02
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	-0.02	0.03	0.00	0.18	-0.04	-0.01	-0.01	0.03
Asia	0.07	0.10	0.10	0.10	0.07	0.09	0.05	0.04	0.04	-0.02	0.03	-0.03	0.01	0.03	0.05	0.02
Middle East	0.00	0.02	0.02	0.03	0.04	0.03	0.07	0.08	0.08	0.08	0.08	0.12	0.10	0.09	0.06	0.09
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.03	0.00	0.00	-0.01	-0.01
FSU	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01	0.00	-0.01	-0.01	-0.01	-0.02	0.00	-0.01	-0.01	-0.01
Africa	0.00	-0.02	-0.02	-0.03	-0.03	-0.03	-0.05	-0.04	-0.05	-0.04	-0.05	-0.03	-0.05	-0.06	-0.04	-0.04
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	0.00	0.00	0.00	-0.01
Total Non-OECD	0.08	0.10	0.10	0.10	0.05	0.08	0.05	0.07	0.04	0.01	0.04	0.01	0.06	0.06	0.05	0.04
World	0.08	0.10	0.10	0.10	0.06	0.08	0.03	0.06	0.03	0.04	0.03	0.19	0.01	0.04	0.04	0.07
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.02	0.00	0.05	0.03	-0.03	0.01	-0.07	-0.05	-0.07	-0.02	-0.05	0.16	-0.04	0.02	0.00	0.03

1 As of the August 2012 OMR, includes Chile.

2 As of the August 2012 OMR, includes Estonia and Slovenia.

3 As of the August 2012 OMR, includes Israel.

* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	1Q13	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14 [2]	Latest month vs. Jan 14	Latest month vs. Feb 13
Americas[3]											
LPG&Ethane	3.13	3.31	3.64	2.97	3.02	3.60	3.81	3.85	3.54	-0.31	-0.20
Naphtha	0.34	0.38	0.37	0.39	0.39	0.38	0.38	0.36	0.37	0.02	-0.01
Motor Gasoline	10.34	10.44	10.05	10.58	10.72	10.41	10.32	9.82	10.35	0.52	0.28
Jet/Kerosene	1.65	1.68	1.58	1.68	1.76	1.70	1.69	1.65	1.64	-0.01	0.06
Gasoil/Diesel Oil	4.96	5.07	5.16	5.01	4.89	5.22	5.10	5.50	5.45	-0.05	0.21
Residual Fuel Oil	0.78	0.69	0.75	0.68	0.76	0.58	0.46	0.55	0.50	-0.05	-0.23
Other Products	2.42	2.44	2.18	2.46	2.64	2.47	2.31	2.18	2.18	0.00	0.07
Total	23.62	24.01	23.73	23.79	24.18	24.34	24.08	23.90	24.02	0.12	0.18
Europe[4]											
LPG&Ethane	0.94	1.04	1.05	1.11	1.04	0.98	0.99	0.96	1.04	0.08	-0.02
Naphtha	1.20	1.19	1.26	1.15	1.20	1.14	1.17	1.37	1.33	-0.04	0.06
Motor Gasoline	1.99	1.93	1.80	1.96	2.06	1.90	1.86	1.74	1.82	0.08	-0.01
Jet/Kerosene	1.21	1.22	1.11	1.23	1.33	1.20	1.13	1.09	1.16	0.07	0.06
Gasoil/Diesel Oil	5.95	5.97	5.78	6.01	5.96	6.12	5.78	5.53	5.88	0.35	-0.04
Residual Fuel Oil	1.09	0.97	1.02	0.99	0.96	0.92	0.91	0.95	0.95	0.00	-0.06
Other Products	1.39	1.33	1.20	1.38	1.42	1.30	1.20	1.03	1.17	0.14	-0.11
Total	13.77	13.64	13.21	13.83	13.98	13.55	13.04	12.67	13.35	0.69	-0.12
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.95	0.82	0.79	0.86	0.93	0.86	0.95	0.08	-0.04
Naphtha	1.78	1.82	1.83	1.72	1.81	1.90	1.99	2.03	2.00	-0.02	0.08
Motor Gasoline	1.61	1.59	1.54	1.56	1.67	1.59	1.63	1.46	1.51	0.05	-0.07
Jet/Kerosene	0.88	0.87	1.13	0.69	0.68	0.99	1.20	1.17	1.16	-0.01	-0.05
Gasoil/Diesel Oil	1.76	1.77	1.79	1.72	1.71	1.84	1.88	1.71	1.89	0.18	0.03
Residual Fuel Oil	0.91	0.76	0.91	0.67	0.73	0.75	0.80	0.86	0.88	0.02	-0.06
Other Products	0.80	0.75	0.79	0.73	0.71	0.75	0.79	0.78	0.83	0.05	0.02
Total	8.58	8.40	8.93	7.90	8.09	8.68	9.22	8.85	9.21	0.36	-0.08
OECD											
LPG&Ethane	4.96	5.20	5.63	4.90	4.85	5.43	5.73	5.67	5.52	-0.14	-0.25
Naphtha	3.32	3.38	3.46	3.26	3.41	3.41	3.54	3.75	3.71	-0.04	0.13
Motor Gasoline	13.93	13.96	13.39	14.11	14.45	13.89	13.81	13.02	13.68	0.66	0.20
Jet/Kerosene	3.74	3.77	3.82	3.60	3.77	3.89	4.02	3.90	3.95	0.05	0.07
Gasoil/Diesel Oil	12.67	12.81	12.73	12.74	12.57	13.18	12.77	12.74	13.22	0.48	0.19
Residual Fuel Oil	2.77	2.43	2.67	2.35	2.45	2.25	2.18	2.35	2.32	-0.03	-0.35
Other Products	4.61	4.51	4.17	4.57	4.77	4.52	4.29	4.00	4.18	0.18	-0.02
Total	45.97	46.05	45.87	45.52	46.24	46.57	46.34	45.42	46.59	1.16	-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. North America comprises US 50 states, US territories, Mexico and Canada.
2 Latest official OECD submissions (MOS).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2012	2013	1Q13	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14 [2]	Latest month vs. Jan 14	Latest month vs. Feb 13
United States[3]											
LPG	2.26	2.42	2.68	2.11	2.20	2.68	2.80	2.92	2.61	-0.31	-0.16
Naphtha	0.24	0.28	0.28	0.28	0.28	0.27	0.26	0.25	0.25	0.00	-0.06
Motor Gasoline	8.69	8.78	8.42	8.91	9.03	8.75	8.68	8.21	8.70	0.49	0.27
Jet/Kerosene	1.41	1.43	1.35	1.43	1.50	1.45	1.46	1.39	1.39	0.00	0.05
Gasoil	3.74	3.84	3.93	3.77	3.67	3.97	3.94	4.27	4.17	-0.10	0.20
Residual Fuel Oil	0.37	0.32	0.37	0.26	0.36	0.28	0.21	0.29	0.21	-0.08	-0.10
Other Products	1.83	1.88	1.62	1.90	2.08	1.89	1.74	1.64	1.66	0.02	0.05
Total	18.54	18.94	18.66	18.67	19.13	19.28	19.09	18.98	18.98	0.01	0.25
Japan											
LPG	0.52	0.50	0.59	0.46	0.44	0.50	0.56	0.54	0.60	0.06	-0.02
Naphtha	0.71	0.76	0.77	0.70	0.75	0.81	0.86	0.86	0.85	-0.01	0.08
Motor Gasoline	0.98	0.96	0.92	0.94	1.03	0.96	1.00	0.87	0.88	0.01	-0.06
Jet/Kerosene	0.54	0.54	0.77	0.38	0.37	0.63	0.82	0.80	0.81	0.01	-0.04
Diesel	0.43	0.43	0.43	0.42	0.44	0.46	0.46	0.40	0.46	0.06	-0.01
Other Gasoil	0.40	0.39	0.45	0.35	0.35	0.41	0.46	0.42	0.49	0.07	0.01
Residual Fuel Oil	0.56	0.46	0.57	0.38	0.44	0.45	0.50	0.55	0.57	0.02	-0.03
Other Products	0.58	0.52	0.57	0.49	0.50	0.52	0.57	0.57	0.61	0.03	0.02
Total	4.73	4.56	5.08	4.11	4.32	4.75	5.22	5.02	5.27	0.25	-0.05
Germany											
LPG	0.10	0.11	0.11	0.12	0.11	0.10	0.10	0.10	0.10	0.00	-0.02
Naphtha	0.38	0.40	0.42	0.39	0.38	0.39	0.40	0.44	0.44	0.00	-0.01
Motor Gasoline	0.43	0.43	0.39	0.44	0.45	0.42	0.40	0.39	0.41	0.02	0.01
Jet/Kerosene	0.19	0.18	0.16	0.19	0.20	0.18	0.16	0.16	0.17	0.01	0.01
Diesel	0.70	0.70	0.64	0.72	0.75	0.71	0.63	0.66	0.71	0.05	0.05
Other Gasoil	0.38	0.40	0.40	0.45	0.35	0.38	0.31	0.36	0.36	0.00	-0.02
Residual Fuel Oil	0.13	0.12	0.13	0.12	0.12	0.12	0.11	0.13	0.12	-0.01	-0.02
Other Products	0.08	0.07	0.04	0.08	0.09	0.07	0.04	0.04	0.05	0.01	0.02
Total	2.39	2.41	2.30	2.51	2.44	2.37	2.16	2.26	2.35	0.09	0.03
Italy											
LPG	0.11	0.11	0.13	0.10	0.10	0.12	0.13	0.12	0.11	-0.01	-0.04
Naphtha	0.09	0.09	0.09	0.10	0.08	0.07	0.08	0.09	0.08	-0.01	-0.02
Motor Gasoline	0.22	0.21	0.19	0.19	0.23	0.22	0.22	0.20	0.20	0.01	0.00
Jet/Kerosene	0.09	0.09	0.08	0.09	0.11	0.09	0.08	0.09	0.08	-0.01	0.00
Diesel	0.45	0.42	0.40	0.42	0.43	0.42	0.41	0.39	0.45	0.06	0.04
Other Gasoil	0.11	0.12	0.12	0.11	0.11	0.13	0.12	0.09	0.08	-0.01	-0.05
Residual Fuel Oil	0.10	0.07	0.07	0.08	0.07	0.06	0.06	0.07	0.05	-0.01	-0.01
Other Products	0.20	0.19	0.19	0.18	0.21	0.20	0.19	0.14	0.17	0.04	-0.01
Total	1.35	1.30	1.28	1.28	1.33	1.31	1.29	1.18	1.22	0.04	-0.10
France											
LPG	0.11	0.11	0.14	0.10	0.08	0.11	0.13	0.12	0.12	0.00	-0.02
Naphtha	0.13	0.14	0.15	0.15	0.15	0.10	0.11	0.15	0.16	0.01	0.00
Motor Gasoline	0.16	0.16	0.14	0.16	0.17	0.15	0.15	0.13	0.14	0.00	0.00
Jet/Kerosene	0.15	0.15	0.14	0.16	0.17	0.15	0.15	0.14	0.14	0.00	-0.01
Diesel	0.68	0.68	0.65	0.69	0.70	0.69	0.68	0.64	0.67	0.04	0.00
Other Gasoil	0.28	0.29	0.34	0.27	0.26	0.29	0.27	0.28	0.29	0.02	-0.06
Residual Fuel Oil	0.07	0.06	0.07	0.06	0.05	0.06	0.06	0.05	0.05	0.00	-0.02
Other Products	0.15	0.14	0.13	0.16	0.16	0.13	0.09	0.10	0.13	0.03	0.00
Total	1.74	1.73	1.75	1.75	1.76	1.68	1.64	1.61	1.71	0.10	-0.10
United Kingdom											
LPG	0.11	0.11	0.10	0.14	0.11	0.09	0.09	0.11	0.13	0.02	0.04
Naphtha	0.02	0.03	0.04	0.03	0.03	0.02	0.02	0.02	0.02	0.00	-0.01
Motor Gasoline	0.32	0.31	0.31	0.31	0.31	0.30	0.30	0.30	0.32	0.02	0.00
Jet/Kerosene	0.31	0.31	0.31	0.30	0.32	0.33	0.31	0.31	0.34	0.03	0.05
Diesel	0.45	0.47	0.44	0.47	0.47	0.48	0.48	0.41	0.52	0.11	0.04
Other Gasoil	0.12	0.12	0.12	0.13	0.13	0.11	0.10	0.12	0.12	0.00	0.00
Residual Fuel Oil	0.05	0.04	0.05	0.04	0.04	0.04	0.05	0.03	0.03	0.00	-0.01
Other Products	0.12	0.13	0.13	0.14	0.13	0.11	0.11	0.12	0.12	0.00	-0.05
Total	1.50	1.51	1.50	1.55	1.52	1.49	1.46	1.42	1.60	0.17	0.06
Canada											
LPG	0.41	0.43	0.49	0.42	0.37	0.45	0.52	0.45	0.46	0.01	-0.03
Naphtha	0.09	0.08	0.08	0.09	0.09	0.08	0.08	0.09	0.09	0.01	0.03
Motor Gasoline	0.74	0.76	0.73	0.78	0.81	0.74	0.72	0.74	0.76	0.02	0.02
Jet/Kerosene	0.12	0.13	0.12	0.13	0.15	0.13	0.11	0.13	0.13	-0.01	0.01
Diesel	0.30	0.30	0.32	0.30	0.29	0.27	0.25	0.26	0.29	0.04	-0.05
Other Gasoil	0.22	0.25	0.22	0.24	0.25	0.29	0.26	0.31	0.30	0.00	0.07
Residual Fuel Oil	0.06	0.04	0.04	0.05	0.04	0.04	0.05	0.06	0.06	0.00	0.02
Other Products	0.32	0.30	0.29	0.30	0.30	0.31	0.30	0.28	0.25	-0.03	0.01
Total	2.28	2.30	2.28	2.31	2.30	2.32	2.30	2.31	2.36	0.04	0.07

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)

	2012	2013	2014	4Q13	1Q14	2Q14	3Q14	4Q14	Feb 14	Mar 14	Apr 14
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.51	9.46				9.59	9.31	9.40
Iran	3.00	2.68		2.71	2.81				2.85	2.80	2.83
Iraq	2.95	3.08		3.08	3.29				3.60	3.20	3.34
UAE	2.65	2.76		2.73	2.73				2.70	2.78	2.69
Kuwait	2.46	2.55		2.53	2.53				2.54	2.50	2.55
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.72				0.73	0.71	0.70
Angola	1.78	1.72		1.64	1.57				1.61	1.47	1.60
Nigeria	2.10	1.95		1.91	1.93				1.94	1.94	1.92
Libya	1.39	0.90		0.30	0.37				0.36	0.24	0.22
Algeria	1.17	1.15		1.14	1.07				1.10	1.02	1.12
Ecuador	0.50	0.52		0.53	0.55				0.55	0.55	0.55
Venezuela	2.50	2.50		2.47	2.45				2.42	2.46	2.46
Total Crude Oil	31.30	30.45		29.81	29.99				30.51	29.50	29.90
Total NGLs[1]	6.17	6.31	6.48	6.33	6.39	6.41	6.55	6.56	6.39	6.39	6.41
Total OPEC	37.48	36.77		36.14	36.39				36.90	35.89	36.31
NON-OPEC[2]											
OECD											
Americas[6]	15.85	17.20	18.43	17.88	18.15	18.27	18.42	18.87	18.18	18.16	18.19
United States[5]	9.17	10.31	11.38	10.84	11.03	11.35	11.43	11.71	10.99	11.17	11.29
Mexico	2.92	2.89	2.84	2.90	2.87	2.84	2.81	2.83	2.88	2.86	2.84
Canada	3.75	3.99	4.19	4.14	4.24	4.06	4.16	4.31	4.30	4.12	4.04
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
Europe[7]	3.46	3.28	3.25	3.29	3.41	3.28	3.02	3.32	3.54	3.31	3.38
UK	0.94	0.85	0.74	0.82	0.80	0.77	0.61	0.80	0.81	0.75	0.81
Norway	1.91	1.84	1.84	1.88	1.94	1.84	1.75	1.84	1.95	1.91	1.90
Others	0.60	0.59	0.67	0.59	0.66	0.67	0.66	0.67	0.78	0.65	0.67
Asia Oceania[8]	0.56	0.48	0.56	0.47	0.49	0.55	0.59	0.59	0.51	0.49	0.54
Australia	0.48	0.41	0.45	0.40	0.40	0.46	0.48	0.48	0.42	0.39	0.44
Others	0.08	0.08	0.10	0.07	0.09	0.10	0.10	0.11	0.09	0.10	0.10
Total OECD	19.87	20.96	22.24	21.65	22.05	22.10	22.02	22.78	22.24	21.96	22.11
NON-OECD											
Former USSR	13.66	13.88	13.89	14.05	13.99	13.89	13.79	13.88	14.03	13.91	13.90
Russia	10.73	10.88	10.92	10.99	10.96	10.94	10.84	10.92	10.94	10.91	10.89
Others	2.93	3.00	2.97	3.05	3.04	2.95	2.94	2.95	3.09	3.00	3.01
Asia	7.82	7.71	7.71	7.68	7.74	7.74	7.66	7.70	7.77	7.67	7.78
China	4.17	4.18	4.23	4.22	4.23	4.26	4.20	4.22	4.23	4.19	4.29
Malaysia	0.67	0.66	0.66	0.64	0.65	0.65	0.66	0.66	0.67	0.65	0.65
India	0.91	0.90	0.89	0.90	0.90	0.89	0.89	0.88	0.91	0.88	0.90
Indonesia	0.89	0.84	0.79	0.81	0.81	0.80	0.77	0.79	0.82	0.81	0.80
Others	1.17	1.14	1.14	1.11	1.14	1.14	1.14	1.15	1.14	1.14	1.14
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	4.19	4.18	4.24	4.24	4.22	4.23	4.22	4.27	4.24	4.24	4.23
Brazil[5]	2.16	2.12	2.18	2.18	2.18	2.20	2.16	2.18	2.18	2.21	2.25
Argentina	0.66	0.63	0.62	0.63	0.63	0.61	0.61	0.61	0.63	0.62	0.62
Colombia	0.95	1.01	1.03	1.00	1.00	0.99	1.04	1.07	1.01	0.98	0.94
Others	0.42	0.42	0.42	0.41	0.42	0.42	0.41	0.41	0.42	0.43	0.42
Middle East[3]	1.46	1.34	1.28	1.32	1.29	1.28	1.29	1.27	1.28	1.28	1.25
Oman	0.92	0.95	0.96	0.96	0.95	0.95	0.96	0.95	0.95	0.95	0.92
Syria	0.17	0.06	0.02	0.03	0.02	0.03	0.02	0.02	0.03	0.03	0.03
Yemen	0.18	0.14	0.11	0.14	0.12	0.11	0.11	0.11	0.11	0.11	0.11
Others	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.27	2.33	2.43	2.44	2.44	2.41	2.43	2.43	2.46	2.41	2.39
Egypt	0.72	0.70	0.66	0.68	0.67	0.67	0.66	0.65	0.67	0.67	0.67
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.53	1.52	1.52	1.51	1.53	1.54	1.54	1.50	1.48
Total Non-OECD	29.53	29.59	29.68	29.87	29.82	29.69	29.53	29.69	29.91	29.65	29.69
Processing Gains[4]	2.14	2.18	2.21	2.18	2.21	2.19	2.24	2.22	2.21	2.21	2.19
Global Biofuels[5]	1.86	2.01	2.10	2.15	1.67	2.11	2.46	2.14	1.68	1.67	1.79
TOTAL NON-OPEC	53.40	54.73	56.23	55.85	55.74	56.09	56.25	56.82	56.04	55.49	55.78
TOTAL SUPPLY	90.87	91.50		91.99	92.13				92.94	91.38	92.09

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Nov2013	Dec2013	Jan2014	Feb2014	Mar2014*	Mar2011	Mar2012	Mar2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	525.5	500.1	501.9	513.3	529.9	496.5	505.1	534.3	-0.18	0.02	-0.22	0.33
Motor Gasoline	250.6	261.0	271.2	267.8	250.9	250.9	255.9	260.0	0.01	-0.08	0.08	-0.11
Middle Distillate	189.9	197.2	185.5	187.2	184.0	220.3	207.0	192.9	0.03	0.11	-0.09	-0.15
Residual Fuel Oil	43.5	45.6	45.7	44.1	44.1	46.3	44.2	45.5	0.00	-0.03	0.03	-0.02
Total Products[3]	668.7	669.5	651.8	645.6	629.9	654.3	667.4	664.7	0.38	0.16	-0.48	-0.44
Total[4]	1354.2	1315.0	1296.2	1304.7	1307.4	1297.8	1335.3	1348.9	0.31	0.27	-0.95	-0.08
OECD Europe												
Crude	313.7	305.9	305.1	307.0	303.2	325.7	317.9	308.3	-0.04	0.07	-0.06	-0.03
Motor Gasoline	86.5	88.3	92.8	93.6	91.1	101.2	94.4	97.9	-0.10	0.01	-0.02	0.03
Middle Distillate	244.8	251.2	259.6	256.6	255.4	286.2	280.2	255.1	-0.10	0.15	-0.09	0.05
Residual Fuel Oil	67.7	66.8	69.4	65.1	63.5	81.6	76.0	79.4	-0.03	-0.05	-0.06	-0.04
Total Products[3]	485.6	497.1	517.3	509.8	504.6	569.6	556.6	534.3	-0.27	0.02	-0.16	0.09
Total[4]	864.9	867.9	890.7	882.8	875.3	960.7	943.0	903.6	-0.33	0.12	-0.18	0.09
OECD Asia Oceania												
Crude	150.0	144.8	143.7	151.8	157.8	160.8	156.0	166.8	0.01	-0.12	-0.14	0.14
Motor Gasoline	25.4	24.3	26.2	27.6	25.6	24.5	25.8	27.9	0.00	-0.03	-0.01	0.01
Middle Distillate	65.0	67.8	66.4	61.3	55.7	55.4	54.8	63.9	-0.03	0.10	-0.03	-0.13
Residual Fuel Oil	18.4	19.3	20.3	18.7	21.4	21.0	19.7	20.1	-0.01	0.00	-0.01	0.02
Total Products[3]	173.7	170.0	172.4	164.8	161.5	157.4	153.0	173.4	-0.06	0.17	-0.14	-0.09
Total[4]	395.9	382.0	385.3	385.3	387.6	388.0	379.0	412.7	-0.04	0.04	-0.34	0.06
Total OECD												
Crude	989.2	950.9	950.7	972.1	990.8	982.9	979.0	1009.4	-0.20	-0.02	-0.41	0.44
Motor Gasoline	362.5	373.6	390.2	389.0	367.6	376.6	376.1	385.9	-0.10	-0.09	0.06	-0.06
Middle Distillate	499.7	516.3	511.6	505.1	495.0	561.8	541.9	512.0	-0.10	0.36	-0.21	-0.24
Residual Fuel Oil	129.5	131.7	135.3	127.9	128.9	148.9	139.9	145.0	-0.03	-0.07	-0.04	-0.03
Total Products[3]	1328.1	1336.6	1341.5	1320.2	1296.0	1381.2	1377.1	1372.3	0.04	0.35	-0.78	-0.45
Total[4]	2615.0	2564.9	2572.2	2572.7	2570.3	2646.4	2657.4	2665.2	-0.05	0.43	-1.46	0.06

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			
	Nov2013	Dec2013	Jan2014	Feb2014	Mar2014*	Mar2011	Mar2012	Mar2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	696.0	696.0	696.0	696.0	695.8	726.5	696.0	696.0	0.00	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	206.7	206.1	206.4	204.2	203.4	185.9	189.1	205.1	0.03	-0.03	0.01	-0.03
Products	260.6	260.1	260.3	262.5	263.4	236.7	235.2	263.5	-0.04	0.04	-0.03	0.04
OECD Asia Oceania												
Crude	385.8	386.6	386.6	387.8	387.8	391.2	393.6	389.6	-0.04	-0.01	0.02	0.01
Products	30.1	30.5	30.6	30.5	30.5	20.0	20.0	23.1	0.00	0.06	0.02	0.00
Total OECD												
Crude	1288.4	1288.6	1288.9	1288.0	1287.1	1303.6	1278.6	1290.7	-0.01	-0.04	0.03	-0.02
Products	291.7	291.7	291.8	294.1	294.9	256.7	256.2	287.6	-0.04	0.09	-0.01	0.04
Total[4]	1584.3	1584.4	1584.8	1586.1	1585.9	1561.8	1536.3	1581.7	-0.04	0.05	0.02	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2013		End June 2013		End September 2013		End December 2013		End March 2014 [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
OECD Americas										
Canada	171.3	74	174.4	75	183.1	79	170.3	-	-	-
Chile	9.5	25	9.3	26	11.2	33	9.8	-	-	-
Mexico	48.7	23	50.0	24	50.0	24	48.7	-	-	-
United States[4]	1794.2	96	1818.7	95	1832.6	95	1761.0	-	-	-
Total[4]	2045.9	86	2074.4	86	2099.0	86	2011.9	84	2004.2	84
OECD Asia Oceania										
Australia	37.5	33	39.7	35	36.6	32	36.8	-	-	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	591.3	144	587.9	136	590.7	124	575.3	-	-	-
Korea	187.6	82	182.3	81	190.7	80	177.8	-	-	-
New Zealand	9.0	61	8.8	61	8.2	52	9.2	-	-	-
Total	825.4	104	818.7	101	826.3	95	799.1	90	806.0	103
OECD Europe[5]										
Austria	22.5	82	22.0	79	21.3	82	22.2	-	-	-
Belgium	38.8	63	37.0	57	39.4	64	41.0	-	-	-
Czech Republic	20.3	107	18.5	95	20.3	102	20.0	-	-	-
Denmark	23.7	153	22.1	138	21.3	140	23.7	-	-	-
Estonia	1.6	65	1.5	50	1.4	49	1.6	-	-	-
Finland	36.8	190	38.2	193	41.0	210	39.0	-	-	-
France	160.9	92	165.5	94	166.1	99	167.5	-	-	-
Germany	290.5	116	288.4	118	286.9	121	288.6	-	-	-
Greece	32.2	111	26.6	84	26.7	92	25.6	-	-	-
Hungary	16.6	123	15.4	111	15.7	111	15.4	-	-	-
Ireland	10.1	73	10.4	77	10.7	78	10.0	-	-	-
Italy	130.9	102	125.7	94	130.8	100	125.1	-	-	-
Luxembourg	0.7	11	0.6	10	0.7	11	0.7	-	-	-
Netherlands	132.5	129	123.1	122	120.7	123	115.5	-	-	-
Norway	26.9	105	24.2	103	27.9	117	28.7	-	-	-
Poland	63.3	132	61.0	111	61.9	119	60.4	-	-	-
Portugal	23.1	93	21.7	83	22.1	88	23.1	-	-	-
Slovak Republic	8.7	120	8.6	104	8.3	101	8.8	-	-	-
Slovenia	5.0	96	5.2	106	5.3	103	5.4	-	-	-
Spain	123.8	104	117.1	96	120.3	99	111.6	-	-	-
Sweden	28.7	88	27.6	88	25.8	91	28.2	-	-	-
Switzerland	36.5	142	36.7	145	37.2	130	35.9	-	-	-
Turkey	62.0	86	63.9	82	63.2	86	62.3	-	-	-
United Kingdom	79.6	51	83.9	55	81.8	55	77.9	-	-	-
Total	1375.6	99	1344.8	96	1356.9	100	1338.3	102	1346.0	99
Total OECD	4246.9	93	4237.9	92	4282.2	92	4149.3	91	4156.1	92
DAYS OF IEA Net Imports[6]	-	149	-	160	-	161	-	157	-	-

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 2014 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]		
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4212	1547	2664	92	34	58
1Q2013	4247	1582	2665	93	35	59
2Q2013	4238	1578	2660	92	34	58
3Q2013	4282	1583	2700	92	34	58
4Q2013	4149	1584	2565	91	35	56
1Q2014	4156	1586	2570	92	35	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 1Q2014 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2011	2012	2013	1Q13	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14	Year Earlier Feb 13	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.69	0.66	0.85	0.76	0.73	0.74	0.96	0.59	0.37
Europe	0.83	0.85	0.79	0.67	0.88	0.86	0.77	0.69	0.81	0.59	0.71	-0.13
Asia Oceania	1.24	1.26	1.21	1.22	1.20	1.16	1.25	1.32	1.26	1.28	1.07	0.20
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.44	0.44	0.47	0.50	0.48	0.42	0.33	0.09
Europe	0.02	0.05	0.01	-	0.02	0.02	0.02	-	0.00	0.03	-	-
Asia Oceania	0.40	0.45	0.43	0.49	0.34	0.43	0.45	0.44	0.45	0.44	0.51	-0.06
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.56	0.26	0.40	0.31	0.28	0.28	0.43	0.48	-0.05
Europe	0.11	0.26	0.25	0.18	0.26	0.34	0.22	0.27	0.24	0.29	0.14	0.16
Asia Oceania	0.34	0.33	0.31	0.35	0.35	0.30	0.24	0.26	0.34	0.09	0.38	-0.29
Kuwait Blend												
Americas	0.08	0.22	0.28	0.29	0.23	0.30	0.30	0.33	0.46	0.29	0.13	0.16
Europe	0.08	0.09	0.10	0.08	0.11	0.12	0.07	0.08	0.02	0.08	0.00	0.08
Asia Oceania	0.57	0.65	0.64	0.65	0.62	0.63	0.65	0.65	0.80	0.61	0.62	-0.01
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.10	0.10	0.06	0.05	0.08	0.11	0.10	0.08	0.02
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	0.02	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.02	0.01	0.04	0.03	0.02	-	-	0.03	-
Asia Oceania	0.51	0.33	0.30	0.39	0.25	0.31	0.24	0.30	0.27	0.53	0.35	0.18
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.60	0.62	0.61	0.62	0.70	0.60	0.67	0.31	0.36
Europe	0.05	0.08	0.07	0.06	0.08	0.10	0.04	0.02	0.08	0.07	0.05	0.03
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.63	0.67	0.70	0.79	0.81	0.69	0.59	0.63	-0.04
Europe	0.12	0.14	0.14	0.15	0.16	0.14	0.13	0.06	0.16	0.13	0.15	-0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.57	1.44	1.44	1.53	1.49	1.50	1.51	1.65	-0.14
Europe	-	-	-	-	-	-	-	-	-	0.01	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.04	0.03	0.02	0.01	-	-	0.04	0.07	-0.04
Europe	0.64	0.55	0.47	0.47	0.42	0.52	0.46	0.53	0.55	0.44	0.58	-0.14
Asia Oceania	0.02	0.07	0.06	0.11	0.04	0.02	0.05	0.13	0.23	0.15	0.07	0.07
Russian Urals												
Americas	0.01	0.00	0.00	-	0.02	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.85	1.93	1.64	1.76	1.83	1.65	1.85	1.85	0.00
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.07	0.02	0.09	0.05	0.03	0.03	0.04	0.07	-0.04
Europe	0.62	0.53	0.59	0.59	0.60	0.59	0.57	0.57	0.63	0.64	0.59	0.05
Asia Oceania	-	-	0.00	-	0.01	-	-	-	-	0.04	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	0.01	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.86	0.78	0.42	0.22	0.14	0.19	0.36	0.93	-0.57
Asia Oceania	0.01	0.04	0.03	0.05	0.03	0.02	0.02	0.01	-	-	0.06	-
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.14	0.15	0.01	-	-	-	-	0.16	-
Europe	0.45	0.58	0.53	0.65	0.46	0.46	0.57	0.60	0.56	0.58	0.78	-0.21
Asia Oceania	0.05	0.04	0.03	0.02	0.05	0.03	0.02	0.03	0.03	0.03	0.03	0.00

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	1Q13	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14	Year Earlier Feb 13	% change
Crude Oil												
Americas	6870	6101	5110	5039	5266	5479	4655	4755	4464	4598	4649	-1%
Europe	8988	9346	8921	8935	9243	9112	8399	8276	8265	8158	9184	-11%
Asia Oceania	6609	6761	6553	6991	6242	6465	6519	6697	6731	7095	6858	3%
Total OECD	22468	22208	20584	20965	20750	21056	19573	19729	19461	19851	20691	-4%
LPG												
Americas	30	20	17	36	14	4	14	18	11	29	45	-35%
Europe	318	287	382	353	400	361	412	405	383	450	351	28%
Asia Oceania	568	620	546	598	547	524	517	499	524	599	583	3%
Total OECD	916	927	945	987	961	890	942	923	917	1078	979	10%
Naphtha												
Americas	42	20	17	21	20	16	11	5	12	53	22	139%
Europe	298	381	313	348	275	305	323	333	348	385	298	29%
Asia Oceania	884	900	927	954	939	866	949	968	1119	992	866	14%
Total OECD	1224	1301	1257	1324	1235	1187	1284	1306	1479	1429	1186	20%
Gasoline[3]												
Americas	762	730	659	610	806	637	583	572	455	604	542	11%
Europe	222	212	109	119	97	127	92	144	173	105	164	-36%
Asia Oceania	95	86	83	96	91	73	72	58	98	107	109	-1%
Total OECD	1079	1028	850	825	994	837	747	774	727	816	815	0%
Jet & Kerosene												
Americas	77	73	81	51	82	93	98	71	37	103	74	39%
Europe	397	398	446	327	435	509	512	464	370	376	206	83%
Asia Oceania	58	62	74	107	56	53	82	100	80	52	137	-62%
Total OECD	532	533	602	484	573	655	692	635	487	531	417	27%
Gasoil/Diesel												
Americas	72	59	58	83	81	46	21	19	148	224	81	175%
Europe	1044	984	1121	1070	963	1170	1278	1010	1129	1089	968	12%
Asia Oceania	147	185	162	177	166	137	170	160	171	131	223	-41%
Total OECD	1263	1227	1341	1330	1211	1352	1468	1190	1448	1443	1273	13%
Heavy Fuel Oil												
Americas	268	206	165	163	150	193	155	124	197	169	66	155%
Europe	537	521	551	541	512	613	539	514	586	651	564	15%
Asia Oceania	153	224	242	260	197	221	290	338	331	289	333	-13%
Total OECD	958	951	959	965	859	1027	985	976	1114	1109	964	15%
Other Products												
Americas	871	813	812	735	863	902	746	595	527	643	762	-16%
Europe	700	636	792	826	777	764	800	768	749	718	881	-18%
Asia Oceania	366	356	385	381	372	404	382	381	479	467	299	56%
Total OECD	1937	1805	1989	1942	2013	2070	1929	1744	1755	1828	1942	-6%
Total Products												
Americas	2122	1921	1809	1700	2018	1891	1629	1406	1388	1825	1593	15%
Europe	3516	3419	3713	3583	3460	3849	3956	3638	3739	3774	3432	10%
Asia Oceania	2271	2432	2420	2572	2368	2279	2463	2503	2802	2636	2550	3%
Total OECD	7909	7773	7943	7855	7846	8018	8047	7547	7928	8234	7576	9%
Total Oil												
Americas	8993	8022	6919	6739	7283	7370	6284	6162	5852	6422	6242	3%
Europe	12504	12765	12634	12518	12703	12960	12354	11914	12004	11932	12616	-5%
Asia Oceania	8880	9194	8973	9564	8611	8744	8982	9200	9533	9732	9409	3%
Total OECD	30377	29981	28526	28820	28596	29075	27620	27276	27390	28085	28266	-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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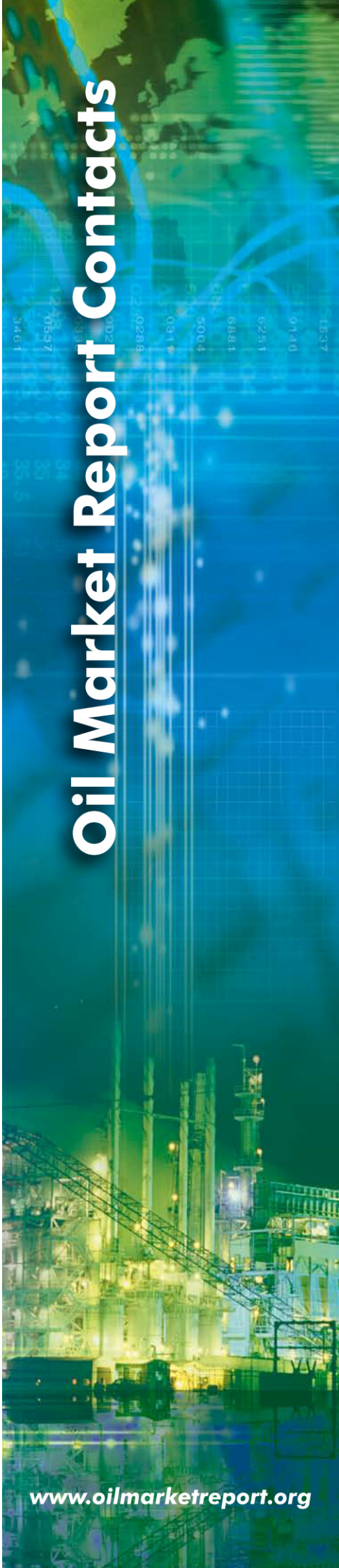
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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 9 August 2013), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 13 June 2014





International Energy Agency

13 June 2014

HIGHLIGHTS

- **Oil futures prices for Brent rose above $112/bbl on 12 June, the highest level this year,** in the wake of a bold military campaign by Sunni insurgents in Iraq and continued supply outages in Libya. An apparent build in China's crude strategic reserve in April and May, at an average 1.2 mb/d, is also strengthening markets.

- **Global oil demand is forecast to rise by 1.3 mb/d in 2014, to 92.8 mb/d,** a modest acceleration on 2013 as the macroeconomic backdrop improves. Global oil demand is set to increase sharply from a low of 91.4 mb/d in 1Q14 to a high of 94 mb/d in 4Q14.

- **Global supplies rose 530 kb/d in May, to 92.6 mb/d, mostly on an increase in non-OPEC production of 440 kb/d.** On a yearly basis, world output was up 1.0 mb/d for the month, as non-OPEC growth of 2.1 mb/d compensated for OPEC declines.

- **OPEC supplies inched up by 85 kb/d to 29.99 mb/d in May,** with increased Saudi output offsetting declines in Libya. The 'call' on OPEC crude and stock changes has been raised by 150 kb/d for 2H14 to an average 30.9 mb/d.

- **OECD industry stocks built by 39.8 mb, twice the seasonal average,** to stand at 2 624 mb by end-April. As a result, the deficit to average levels was reduced to 77 mb, its narrowest since October 2013. Preliminary data indicate a further strong 37.4 mb build in May.

- **Global refinery crude demand fell to a seasonal low of 75.9 mb/d in April** on maintenance and weak margins. OECD runs were stronger than expected, rising by 470 kb/d year-on-year, their first annual gain since June 2013. Global runs are set to increase seasonally through August, averaging 76.5 mb/d in 2Q14 and 77.8 mb/d in 3Q14.

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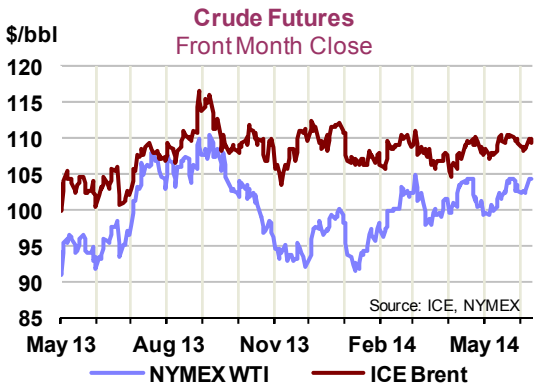
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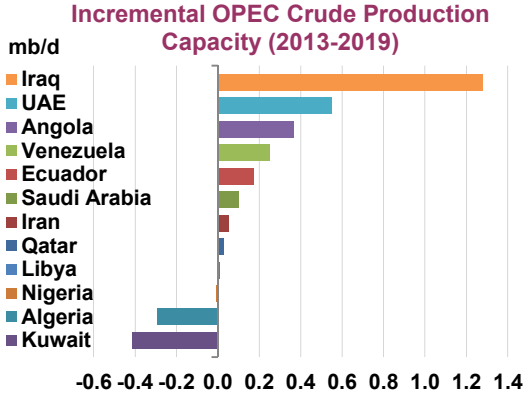
This month's ***Oil Market Report*** coincides with the 17 June release of the ***Medium-Term Oil Market Report, 2014***. This *Report* is an abbreviated release including highlights, a lead article and tables. The usual *OMR* format with detailed written analysis will resume for the July edition.

IRAQ FIGHTING REKINDLES MARKET CONCERN

As per the norm for this time of year, the June edition of the *Oil Market Report (OMR)* is an abridged one, with statistical data only, due to the release of the annual *Medium-Term Oil Market Report (MTOMR)* on 17 June. Subscribers can still access online a complete set of accompanying Monthly Oil Data Services (MODS) statistics. The *OMR* will return to its regular format with the July edition.

Forecast changes in OPEC production capacity loom large in any medium-term oil market outlook, and *MTOMR* 2014 is no exception: according to its projections, roughly 60% of the growth in OPEC crude production capacity for the rest of this decade will come from Iraq. But while Iraq's production potential is huge, so are the political hurdles it is facing – and nothing provides a clearer example of that risk than the military campaign launched on 9 June by Sunni insurgents and the significant gains it promptly achieved in the country's north. News of the lightning advance sent Brent prices above $112/barrel at the time of writing, a gain of roughly $2.50/barrel from previous levels and their highest level for the year.





Perception of heightened political risk in North Africa and the Middle East and chronic disruptions in Libyan exports have been a feature of the market for some time, but so far have been largely offset by record growth in non-OPEC supply. Recently, high crude imports into China, likely for expanding the country's strategic reserves, also have pulled as much as 1.2 mb/d of additional crude demand in April and May, roughly equivalent to the current losses in Libyan production versus pre-Civil War levels, providing additional support to markets.

Concerning as the latest events in Iraq may be, they might not for now, if the conflict does not spread further, put additional Iraqi oil supplies immediately at risk. Production from the north of the country, averaging around 250-300 kb/d in 2013-early 2014, had already been off the market since early March due to violence in Anbar province and attacks on the Kirkuk-Ceyhan pipeline linking supply from Iraq's northern fields to world markets via Turkey. Supply from the south of the country, in contrast, had been on the rise. As Iraq managed to lift production to 30-year highs this year, all of its exports since March have come from southern terminals near Basrah. But prospects of a return of the Kirkuk-Ceyhan pipeline now only look even more elusive, and the situation of the ground, at the time of writing, remained highly fluid.

At OPEC's regular ministerial meeting in Vienna on 11 June, the group agreed to maintain the 30 mb/d production target for 2014. The loss of supplies from Iraq and Libya, where volumes have fallen below 100 kb/d in early June from 1.4 mb/d a year ago, have combined to shift market attention to Saudi Arabia, the group's largest holder of spare capacity and widely acknowledged as the reliable "central banker" of the oil market. "Effective" spare capacity is estimated at 3.31 mb/d, with the Kingdom holding 80% of the surplus volumes.

DEMAND

Tables

Global Oil Demand (2012-2014)

(million barrels per day)

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Africa	3.6	3.6	3.6	3.7	3.6	3.8	3.8	3.7	3.8	3.7	3.8	3.9	3.9	4.0	3.9
Americas	29.5	29.9	30.2	30.3	30.0	30.1	30.4	30.9	31.1	30.6	30.4	30.6	31.2	31.3	30.9
Asia/Pacific	30.1	29.2	29.4	30.7	29.9	30.8	29.7	29.6	30.7	30.2	31.1	30.3	30.3	31.4	30.8
Europe	14.4	14.5	14.5	14.4	14.4	13.9	14.5	14.7	14.3	14.3	13.7	14.3	14.6	14.5	14.3
FSU	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.8	4.7
Middle East	7.3	7.8	8.3	7.6	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.7	8.0	8.2
World	**89.3**	**89.5**	**90.7**	**91.3**	**90.2**	**90.3**	**90.8**	**92.1**	**92.4**	**91.4**	**91.4**	**92.0**	**93.5**	**94.0**	**92.8**
Annual Chg (%)	0.8	1.8	0.8	1.6	1.3	1.2	1.5	1.6	1.2	1.4	1.2	1.3	1.5	1.8	1.5
Annual Chg (mb/d)	0.7	1.6	0.7	1.4	1.1	1.1	1.3	1.5	1.1	1.2	1.1	1.2	1.4	1.6	1.3
Changes from last OMR (mb/d)	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	0.01	0.02	0.00	0.05	-0.04	0.01	0.00	0.01

Top-10 Oil Consumers

(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Mar-14	2013	2014	Mar-14	2013	2014	Mar-14	2013	2014
US50	18,526	18,938	19,023	-6	397	85	0.0	2.1	0.4
China	10,204	10,091	10,446	191	225	355	1.9	2.3	3.5
Japan	4,882	4,563	4,424	122	-163	-139	2.6	-3.5	-3.1
India	3,681	3,455	3,549	56	29	94	1.6	0.8	2.7
Russia	3,376	3,415	3,478	172	116	63	5.4	3.5	1.8
Brazil	3,104	3,081	3,175	143	109	94	4.8	3.7	3.0
Saudi Arabia	2,879	3,025	3,118	71	66	93	2.5	2.2	3.1
Germany	2,430	2,405	2,429	88	17	24	3.8	0.7	1.0
Canada	2,320	2,303	2,329	64	26	25	2.8	1.1	1.1
Korea	2,319	2,305	2,315	160	4	9.3	7.4	0.2	1.1
% global demand	59%	59%	59%						

China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2012	2013	2014	2013	2014	2013	2014
LPG & Ethane	762	785	818	24	32	3.1	4.1
Naphtha	1,007	1,082	1,141	75	59	7.4	5.5
Motor Gasoline	1,967	2,088	2,214	121	126	6.2	6.0
Jet Fuel & Kerosene	433	480	510	47	30	10.9	6.2
Gas/Diesel Oil	3,407	3,346	3,406	-61	60	-1.8	1.8
Residual Fuel Oil	508	463	459	-45	-4	-8.8	-0.9
Other Products	1,783	1,847	1,898	64	51	3.6	2.8
Total Products	**9,867**	**10,091**	**10,446**	**225**	**355**	**2.3**	**3.5**

OECD Demand based on Adjusted Preliminary Submissions - April 2014

(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 Americas*	**10.60**	**1.7**	**1.66**	**0.0**	**4.56**	**1.2**	**0.44**	**-25.1**	**0.54**	**-23.5**	**5.73**	**-1.05**	**23.52**	**-0.6**
US50	8.94	1.8	1.42	-0.1	3.66	2.0	0.16	-42.8	0.25	-9.7	4.19	-1.48	18.64	0.1
Canada	0.77	2.6	0.12	-1.7	0.29	-1.2	0.20	-4.0	0.04	-35.8	0.79	-3.60	2.23	-2.0
Mexico	0.77	-0.6	0.07	8.1	0.39	-4.0	0.04	-28.3	0.16	-41.1	0.62	4.17	2.06	-5.5
OECD Europe	**1.93**	**-0.7**	**1.22**	**2.3**	**4.45**	**-0.8**	**1.37**	**-22.2**	**0.93**	**-8.8**	**3.65**	**0.39**	**13.55**	**-3.5**
Germany	0.44	-2.4	0.18	-2.4	0.73	-1.7	0.35	-31.5	0.12	-3.4	0.61	4.69	2.42	-6.3
United Kingdom	0.31	2.7	0.34	6.5	0.46	-1.9	0.12	-7.7	0.05	0.9	0.30	2.48	1.57	1.1
France	0.17	1.4	0.15	1.5	0.71	-0.6	0.24	-23.5	0.04	-34.8	0.38	-2.92	1.70	-6.0
Italy	0.19	-1.7	0.09	1.6	0.42	-0.7	0.10	-7.0	0.05	-37.5	0.40	-3.65	1.25	-4.3
Spain	0.11	-2.3	0.11	-1.6	0.43	-2.1	0.13	-14.3	0.15	-2.9	0.27	-5.87	1.19	-4.5
OECD Asia & Oceania	**1.49**	**-4.0**	**0.74**	**-4.5**	**1.23**	**-1.4**	**0.50**	**1.2**	**0.68**	**-4.3**	**3.27**	**-1.64**	**7.91**	**-2.4**
Japan	0.88	-6.2	0.43	-6.2	0.41	-0.8	0.36	0.0	0.39	-1.5	1.66	-4.86	4.14	-4.2
Korea	0.19	-0.7	0.14	-3.4	0.30	-1.2	0.13	6.8	0.23	-8.2	1.28	2.00	2.27	0.1
Australia	0.31	-0.3	0.14	0.0	0.42	-1.4	0.00	0.0	0.03	-5.9	0.25	1.77	1.13	-0.4
OECD Total	**14.02**	**0.7**	**3.63**	**-0.2**	**10.23**	**0.0**	**2.31**	**-18.7**	**2.14**	**-11.7**	**12.65**	**-0.79**	**44.98**	**-1.8**

* Including US territories

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
LPG & Ethane	4,946	4,989	5,001	138	186	2.8	3.9
Naphtha	3,085	3,194	3,098	80	135	2.6	4.5
Motor Gasoline	9,467	9,465	9,699	260	437	2.8	4.7
Jet Fuel & Kerosene	2,915	2,903	2,865	119	109	4.3	3.9
Gas/Diesel Oil	14,197	13,706	14,536	74	244	0.5	1.7
Residual Fuel Oil	5,534	5,544	5,649	25	117	0.4	2.1
Other Products	5,690	5,783	5,919	426	238	7.9	4.2
Total Products	**45,835**	**45,584**	**46,768**	**1,122**	**1,466**	**2.5**	**3.2**

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			ınual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
Africa	3,758	3,835	3,928	83	150	2.2	4.0
Asia	22,062	22,218	22,544	399	762	1.8	3.5
FSU	4,823	4,440	4,600	141	102	3.3	2.3
Latin America	6,727	6,565	6,744	218	176	3.4	2.7
Middle East	7,762	7,856	8,259	255	258	3.4	3.2
Non-OECD Europe	702	669	694	26	18	4.0	2.6
Total Products	**45,835**	**45,584**	**46,768**	**1,122**	**1466**	**2.5**	**3.2**

SUPPLY

Tables

OPEC Crude Production

(million barrels per day)

	Mar 2014 Supply	Apr 2014 Supply	May 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs May 2014 Supply	1Q14 Average Crude Supply
Algeria	1.02	1.12	1.12	1.17	0.05	1.07
Angola	1.47	1.63	1.63	1.70	0.08	1.57
Ecuador	0.55	0.55	0.56	0.56	0.00	0.55
Iran	2.80	2.83	2.80	2.90	0.10	2.81
Iraq	3.20	3.32	3.37	3.45	0.09	3.29
Kuwait[2]	2.76	2.81	2.78	2.90	0.12	2.79
Libya	0.24	0.22	0.24	1.00	0.76	0.37
Nigeria[3]	1.94	1.92	1.90	2.00	0.10	1.93
Qatar	0.71	0.70	0.70	0.73	0.03	0.72
Saudi Arabia[2]	9.57	9.66	9.75	12.40	2.65	9.72
UAE	2.78	2.69	2.65	2.90	0.25	2.73
Venezuela[4]	2.46	2.46	2.50	2.60	0.10	2.45
Total OPEC	**29.50**	**29.91**	**29.99**	**34.31**	**4.32**	***29.99***
(excluding Iraq, Nigeria, Libya and Iran)					**3.27**	

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in May.

Non-OPEC Supply

(million barrels per day)

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Americas	15.9	16.8	16.7	17.4	17.9	17.2	18.2	18.2	18.3	18.7	18.4
Europe	3.5	3.4	3.3	3.2	3.3	3.3	3.5	3.3	3.1	3.3	3.3
Asia Oceania	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Total OECD	19.9	20.6	20.5	21.1	21.7	21.0	22.1	22.1	21.9	22.6	22.2
Former USSR	13.7	13.8	13.8	13.8	14.0	13.9	14.0	13.9	13.8	13.8	13.9
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.1	4.2	4.2
Other Asia	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Middle East	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa	2.3	2.2	2.3	2.4	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Total Non-OECD	29.5	29.6	29.5	29.3	29.9	29.6	29.8	29.6	29.5	29.7	29.7
Processing Gains	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.5	2.1	2.1
Total Non-OPEC	53.4	53.9	54.2	55.0	55.8	54.7	55.8	56.1	56.2	56.6	56.2
Annual Chg (mb/d)	0.5	0.4	1.3	2.0	1.7	1.4	2.0	1.9	1.2	0.8	1.4
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	-0.2	-0.1

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	2Q2013	3Q2013	4Q2013	1Q2014	Feb 14	Mar 14	Apr 14	Latest month vs. Mar 14	Latest month vs. Apr 13
Crude											
Black Sea	1.81	1.78	1.80	1.75	1.78	1.74	1.77	1.79	1.79	0.00	-0.07
Baltic	1.67	1.57	1.68	1.44	1.58	1.33	1.38	1.28	1.56	0.27	-0.43
Arctic/FarEast	0.65	0.80	0.80	0.81	0.82	0.88	0.81	0.91	0.89	-0.02	0.08
BTC	0.66	0.64	0.71	0.65	0.61	0.58	0.59	0.58	0.61	0.04	-0.07
Crude Seaborne	**4.79**	**4.80**	**5.00**	**4.65**	**4.79**	**4.53**	**4.54**	**4.56**	**4.85**	**0.29**	**-0.48**
Druzhba Pipeline	1.08	1.03	1.02	1.06	1.05	1.01	1.04	0.96	1.08	0.11	0.09
Other Routes	0.52	0.56	0.54	0.56	0.60	0.71	0.73	0.70	0.38	-0.32	-0.18
Total Crude Exports	**6.39**	**6.39**	**6.55**	**6.27**	**6.44**	**6.26**	**6.32**	**6.22**	**6.62**	**0.40**	**-0.25**
Of Which: Transneft[1]	4.22	4.07	4.15	3.98	4.07	3.95	4.01	3.91	4.23	0.32	-0.20
Products											
Fuel oil[2]	1.72	1.62	1.77	1.68	1.44	1.55	1.52	1.48	1.59	0.11	-0.18
Gasoil	0.79	0.84	0.86	0.81	0.73	1.02	1.09	1.01	1.07	0.06	0.21
Other Products	0.44	0.50	0.48	0.53	0.53	0.62	0.69	0.53	0.63	0.10	0.13
Total Product	**2.95**	**2.97**	**3.11**	**3.02**	**2.70**	**3.18**	**3.29**	**3.02**	**3.28**	**0.26**	**0.17**
Total Exports	**9.34**	**9.36**	**9.66**	**9.29**	**9.14**	**9.44**	**9.61**	**9.24**	**9.90**	**0.66**	**-0.08**
Imports	0.09	0.08	0.06	0.10	0.09	0.07	0.08	0.08	0.08	0.00	0.02
Net Exports	**9.25**	**9.29**	**9.60**	**9.20**	**9.05**	**9.36**	**9.53**	**9.16**	**9.83**	**0.66**	**-0.10**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

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 to -400 kb/d for non-OPEC as a whole.

OECD STOCKS

Tables and Charts

Preliminary Industry Stock Change in April 2014 and First Quarter 2014

	April 2014 (preliminary)								First Quarter 2014			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**15.7**	**-3.8**	**0.6**	**12.4**	**0.52**	**-0.13**	**0.02**	**0.41**	**0.26**	**0.05**	**0.27**	**0.58**
Gasoline	-1.2	-3.1	0.8	-3.5	-0.04	-0.10	0.03	-0.12	-0.02	0.04	0.01	0.04
Middle Distillates	4.3	4.5	1.6	10.4	0.14	0.15	0.05	0.35	-0.13	-0.02	-0.13	-0.28
Residual Fuel Oil	0.0	0.5	0.3	0.8	0.00	0.02	0.01	0.03	-0.02	-0.06	0.02	-0.06
Other Products	21.4	1.5	-4.9	18.0	0.71	0.05	-0.16	0.60	-0.18	-0.01	0.00	-0.19
Total Products	**24.5**	**3.4**	**-2.2**	**25.7**	**0.82**	**0.11**	**-0.07**	**0.86**	**-0.35**	**-0.05**	**-0.10**	**-0.50**
Other Oils[1]	3.4	-0.8	-0.9	1.6	0.11	-0.03	-0.03	0.05	0.05	0.05	0.01	0.12
Total Oil	**43.5**	**-1.2**	**-2.6**	**39.8**	**1.45**	**-0.04**	**-0.09**	**1.33**	**-0.04**	**0.05**	**0.19**	**0.20**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Revisions versus 15 May 2014 Oil Market Report

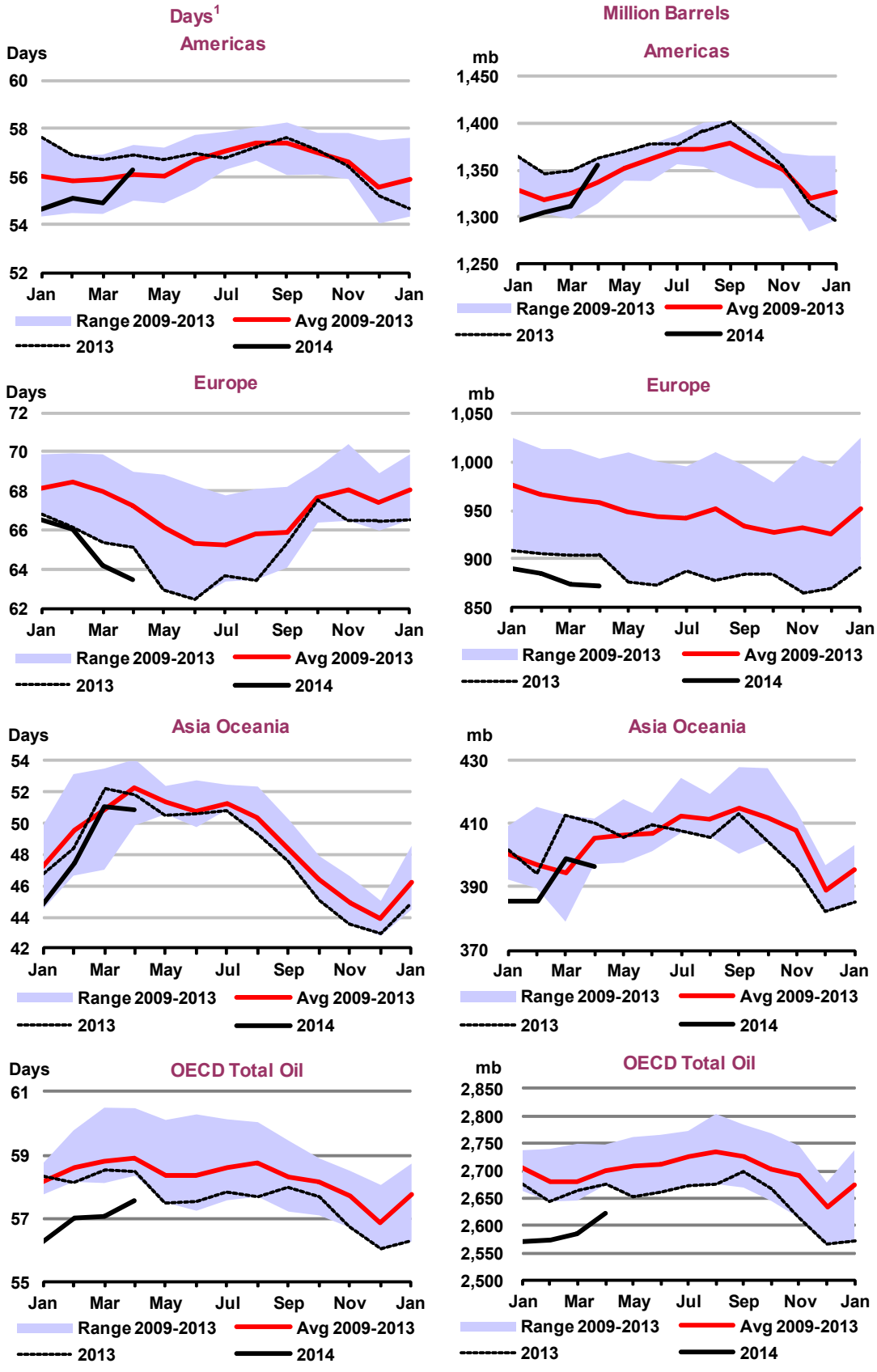
(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Feb-14	Mar-14	Feb-14	Mar-14	Feb-14	Mar-14	Feb-14	Mar-14
Crude Oil	**-0.3**	**-6.8**	**0.2**	**8.2**	**0.0**	**11.8**	**-0.1**	**13.3**
Gasoline	0.0	8.5	0.0	1.0	0.0	-0.2	0.0	9.3
Middle Distillates	0.0	1.7	2.1	-5.9	0.0	0.6	2.1	-3.7
Residual Fuel Oil	0.0	-0.3	-0.1	-2.4	0.0	-0.4	-0.1	-3.0
Other Products	0.0	-1.9	0.0	-4.3	0.0	-0.6	0.0	-6.8
Total Products	**0.0**	**8.0**	**2.0**	**-11.6**	**0.0**	**-0.6**	**2.0**	**-4.1**
Other Oils[1]	0.4	2.4	0.1	1.9	0.0	0.1	0.4	4.4
Total Oil	**0.0**	**3.7**	**2.3**	**-1.5**	**0.0**	**11.3**	**2.4**	**13.5**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Regional OECD End-of-Month Industry Stocks

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



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: 12 May	19 May	26 May	02 Jun	09 Jun
NYMEX										
Light Sweet Crude Oil	100.51	102.03	101.79	-0.24	-0.2	101.64	103.44	103.28	102.58	104.39
RBOB	123.12	126.49	124.23	-2.26	-1.8	123.92	125.60	126.12	123.72	125.44
No.2 Heating Oil	123.93	124.12	123.07	-1.04	-0.8	123.73	123.89	122.58	120.47	121.51
No.2 Heating Oil ($/mmbtu)	21.86	21.89	21.71	-0.18	-0.8	21.82	21.85	21.62	21.25	21.43
Henry Hub Natural Gas ($/mmbtu)	4.49	4.61	4.54	-0.07	-1.6	4.41	4.45	4.56	4.66	4.56
ICE										
Brent	107.75	108.09	109.24	1.15	1.1	109.61	110.10	109.91	108.69	109.82
Gasoil	121.14	121.83	121.79	-0.03	0.0	122.36	122.47	121.41	118.83	119.46
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-7.24	-6.06	-7.45	-1.39		-7.97	-6.66	-6.63	-6.11	-5.43
NYMEX No.2 Heating Oil - WTI	23.42	22.09	21.28	-0.80		22.09	20.45	19.30	17.89	17.13
NYMEX RBOB - WTI	22.61	24.46	22.44	-2.02		22.28	22.16	22.84	21.14	21.05
NYMEX 3-2-1 Crack (RBOB)	22.88	23.67	22.05	-1.62		22.21	21.59	21.66	20.06	19.75
NYMEX No.2 - Natural Gas ($/mmbtu)	17.37	17.28	17.17	-0.11		17.41	17.40	17.06	16.59	16.87
ICE Gasoil - ICE Brent	13.39	13.74	12.55	-1.18		12.75	12.37	11.50	10.14	9.64

Source: ICE, NYMEX.

Positions on ICE Brent Crude Futures

Thousand Contracts

06 May 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	634.9	926.9	-292.0	*Short*	↑ 23.6	↓ -53.6
Swap Dealers' Positions	424.2	257.2	167.0	*Long*	↑ 12.9	↑ 3.1
Money Managers' Positions	317.1	144.8	172.3	*Long*	↓ -34.6	↑ 38.7
Others' Positions	127.4	182.9	-55.4	*Short*	↑ 0.7	↑ 6.0
Non-Reportable Positions	36.8	28.8	8.1	*Long*	↓ -2.7	↑ 5.8
Open Interest			**1540.5**		↑ 51.9	↑ 31.1

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

06 May 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	261.2	337.4	-76.3	*Short*	↑ 2.3	↓ -21.1
Swap Dealers' Positions	287.7	616.4	-328.7	*Short*	↑ 18.3	↑ 26.5
Money Managers' Positions	587.5	294.8	292.7	*Long*	↓ -27.7	↓ -1.1
Others' Positions	408.5	318.0	90.4	*Long*	↑ 8.4	↓ -7.6
Non-Reportable Positions	93.6	71.8	21.8	*Long*	↓ -1.4	↑ 3.3
Open Interest			**1638.4**		↓ -13.1	↓ -6.1

Source: CFTC

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr Avg Chg	May-Apr %	Week Commencing: 12 May	19 May	26 May	02 Jun	09 Jun
Crudes										
North Sea Dated	107.55	107.62	109.60	1.98	1.8	109.57	110.83	109.67	108.86	109.76
Brent (Asia) Mth 1	107.75	108.06	109.88	1.82	1.7	109.58	111.03	110.97	109.26	109.86
WTI (Cushing) Mth 1	100.57	102.07	101.86	-0.21	-0.2	101.64	103.73	103.28	102.58	104.39
Urals (Mediterranean)	106.87	107.04	107.96	0.92	0.9	108.15	108.89	107.27	106.23	107.08
Dubai	104.30	104.70	105.67	0.97	0.9	105.39	106.65	106.63	105.32	105.66
Tapis (Dated)	105.33	105.05	107.41	2.37	2.3	107.45	108.61	107.49	106.44	107.26
Differential to North Sea Dated										
WTI (Cushing)	-6.98	-5.54	-7.73	-2.19		-7.93	-7.10	-6.39	-6.27	-5.38
Urals (Mediterranean)	-0.68	-0.57	-1.63	-1.06		-1.42	-1.94	-2.40	-2.63	-2.68
Dubai	-3.25	-2.91	-3.92	-1.01		-4.18	-4.18	-3.03	-3.53	-4.10
Tapis (Dated)	-2.22	-2.57	-2.19	0.38		-2.12	-2.22	-2.17	-2.42	-2.50
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.17	0.04	0.64	0.59		0.70	0.75	0.61	0.69	0.54
Forward WTI Cushing Mth1-Mth2	0.59	0.69	0.63	-0.06		0.55	0.41	0.80	0.69	0.82
Forward Dubai Mth1-Mth2	0.33	0.26	0.58	0.32		0.63	0.69	0.49	0.79	0.64

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Spot Product Prices

(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr *Chg*	May-Apr %	Week Commencing: 12 May	19 May	26 May	02 Jun	09 Jun	Mar	Apr	May
Rotterdam, Barges FOB											**Differential to Dated Brent**		
Premium Unl 10 ppm	112.67	120.59	119.57	-1.02	-0.8	118.89	120.61	120.97	119.56	120.88	5.12	12.97	9.97
Naphtha	102.45	104.00	105.38	1.38	1.3	104.85	106.21	106.24	104.67	105.43	-5.10	-3.62	-4.22
Jet/Kerosene	120.24	120.90	121.70	0.80	0.7	122.48	122.29	121.02	118.67	119.40	12.69	13.28	12.10
ULSD 10ppm	123.16	124.55	123.49	-1.06	-0.8	124.05	123.98	122.62	120.07	120.89	15.61	16.93	13.89
Gasoil 0.1%	120.93	121.47	121.79	0.32	0.3	122.45	122.44	121.17	118.70	119.52	13.38	13.85	12.19
LSFO 1%	97.87	96.92	98.15	1.23	1.3	97.89	100.62	99.62	98.72	98.93	-9.67	-10.70	-11.45
HSFO 3.5%	88.79	88.86	88.84	-0.01	0.0	88.73	89.78	89.52	88.97	89.40	-18.76	-18.76	-20.75
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	113.71	121.73	120.88	-0.85	-0.7	120.20	121.97	122.32	120.92	122.22	6.83	14.69	12.92
Naphtha	99.63	101.87	103.40	1.54	1.5	102.89	104.25	104.23	102.54	103.34	-7.25	-5.18	-4.56
Jet Aviation fuel	118.66	120.00	120.80	0.79	0.7	121.59	121.34	120.04	117.55	118.36	11.79	12.96	12.83
ULSD 10ppm	123.30	124.17	123.00	-1.18	-0.9	123.87	123.56	121.72	119.24	120.73	16.43	17.13	15.03
Gasoil 0.1%	120.36	121.10	121.12	0.02	0.0	121.60	121.98	120.45	117.99	118.79	13.49	14.06	13.16
LSFO 1%	99.24	98.47	99.72	1.25	1.3	99.47	102.24	101.08	100.02	100.27	-7.63	-8.58	-8.24
HSFO 3.5%	88.03	88.26	88.38	0.12	0.1	88.32	89.35	88.90	88.37	88.82	-18.84	-18.78	-19.58
US Gulf, FOB Pipeline											**Differential to LLS**		
Super Unleaded	125.87	131.45	129.46	-1.99	-1.5	128.99	132.18	129.27	131.89	130.55	21.68	27.27	25.20
Unleaded	114.21	122.34	118.98	-3.36	-2.7	118.45	121.03	120.87	120.02	120.77	10.02	18.16	14.72
Jet/Kerosene	121.43	121.32	120.35	-0.98	-0.8	121.12	121.10	119.60	117.31	117.96	17.24	17.14	16.08
ULSD 10ppm	122.56	123.16	121.90	-1.26	-1.0	122.50	122.48	121.19	118.99	119.68	18.37	18.98	17.64
Heating Oil	118.11	119.25	118.18	-1.07	-0.9	118.68	119.12	117.66	115.35	116.32	13.92	15.07	13.91
No. 6 3%*	89.37	90.69	91.61	0.92	1.0	92.67	91.06	91.88	91.41	91.27	-14.82	-13.49	-12.65
Singapore, FOB Cargoes											**Differential to Dubai**		
Premium Unleaded	119.40	121.27	121.42	0.15	0.1	121.45	122.82	123.30	120.25	119.98	15.10	16.57	15.75
Naphtha	102.30	104.06	105.46	1.40	1.3	105.18	105.73	106.55	103.47	105.03	-2.00	-0.64	-0.21
Jet/Kerosene	120.02	120.60	119.86	-0.74	-0.6	120.05	120.23	119.45	117.16	118.00	15.72	15.90	14.19
Gasoil 0.05%	121.69	122.93	122.31	-0.62	-0.5	122.34	122.70	122.04	118.38	118.37	17.39	18.23	16.64
LSWR Cracked	106.85	106.58	109.00	2.42	2.3	108.56	110.47	110.90	109.98	109.67	2.55	1.87	3.32
HSFO 180 CST	95.13	93.97	95.41	1.44	1.5	94.91	96.53	96.75	96.35	95.97	-9.17	-10.73	-10.26
HSFO 380 CST 4%	93.94	92.53	93.69	1.16	1.2	93.19	94.51	94.84	94.28	94.07	-10.36	-12.17	-11.99

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REFINING

Tables

Global Refinery Crude Throughput[1 2]

(million barrels per day)

	Feb 14	Mar 14	**1Q2014**	Apr 14	May 14	Jun 14	**2Q2014**	Jul 14	Aug 14	Sep 14	**3Q2014**
Americas	18.2	18.1	**18.3**	18.6	18.8	19.0	**18.8**	19.3	19.1	18.6	**19.0**
Europe	11.2	11.0	**11.1**	11.3	11.3	11.5	**11.4**	11.5	11.5	11.2	**11.4**
Asia Oceania	6.9	6.9	**6.9**	6.5	6.0	6.2	**6.2**	6.6	6.9	6.6	**6.7**
Total OECD	36.4	35.9	**36.3**	36.4	36.1	36.7	**36.4**	37.4	37.6	36.4	**37.1**
FSU	7.1	7.1	**7.1**	6.7	7.0	7.0	**6.9**	7.0	7.0	6.8	**7.0**
Non-OECD Europe	0.4	0.4	**0.4**	0.4	0.4	0.3	**0.4**	0.4	0.4	0.4	**0.4**
China	9.8	9.9	**9.8**	9.6	9.4	9.9	**9.7**	10.0	10.0	9.9	**10.0**
Other Asia	10.2	10.0	**10.0**	9.8	9.8	9.9	**9.9**	9.9	9.9	9.9	**9.9**
Latin America	4.8	4.8	**4.8**	4.8	4.9	4.9	**4.9**	4.8	4.9	4.8	**4.8**
Middle East	6.1	6.2	**6.2**	6.2	6.4	6.6	**6.4**	6.6	6.7	6.7	**6.6**
Africa	2.2	2.1	**2.2**	2.0	2.1	2.2	**2.1**	2.0	2.0	2.0	**2.0**
Total Non-OECD	40.6	40.6	**40.6**	39.5	40.1	40.9	**40.2**	40.7	40.9	40.5	**40.7**
Total	77.0	76.5	**76.9**	75.9	76.2	77.6	**76.5**	78.1	78.5	76.9	**77.8**

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

							Change from		Utilisation rate[1]	
	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	*Mar 14*	*Apr 13*	Apr 14	Apr 13
US[2]	15.65	16.07	15.30	15.12	15.13	15.81	0.68	0.94	88.1%	82.9%
Canada	1.69	1.73	1.76	1.87	1.58	1.41	-0.17	-0.16	77.0%	81.6%
Chile	0.16	0.18	0.18	0.17	0.18	0.16	-0.02	0.02	69.7%	62.9%
Mexico	1.16	1.19	1.20	1.08	1.18	1.25	0.08	-0.03	75.9%	77.9%
OECD Americas	**18.66**	**19.17**	**18.44**	**18.25**	**18.06**	**18.63**	**0.57**	**0.77**	**86.0%**	**82.2%**
France	1.14	0.96	1.08	1.07	1.04	1.08	0.04	-0.12	77.4%	85.9%
Germany	1.96	1.89	1.89	1.90	1.81	1.95	0.14	0.25	96.3%	84.1%
Italy	1.33	1.27	1.29	1.17	1.05	1.08	0.03	-0.13	55.0%	57.6%
Netherlands	0.92	0.97	1.01	1.04	1.00	1.02	0.02	-0.01	79.0%	79.8%
Spain	1.06	1.12	1.06	1.13	1.15	1.13	-0.02	-0.19	74.6%	86.8%
United Kingdom	1.00	1.19	1.19	1.10	1.19	1.17	-0.02	-0.19	74.5%	86.4%
Other OECD Europe	3.75	3.69	3.65	3.83	3.73	3.82	0.09	0.06	76.8%	75.5%
OECD Europe	**11.15**	**11.09**	**11.17**	**11.25**	**10.97**	**11.25**	**0.28**	**-0.32**	**76.4%**	**77.8%**
Japan	3.33	3.53	3.43	3.46	3.38	3.19	-0.19	-0.11	78.9%	71.5%
South Korea	2.61	2.48	2.51	2.47	2.55	2.35	-0.20	0.10	76.9%	73.5%
Other Asia Oceania	0.92	0.96	0.95	0.97	0.93	0.94	0.01	0.02	77.1%	75.2%
OECD Asia Oceania	**6.86**	**6.97**	**6.89**	**6.90**	**6.85**	**6.48**	**-0.37**	**0.02**	**77.9%**	**72.7%**
OECD Total	**36.67**	**37.22**	**36.50**	**36.39**	**35.89**	**36.36**	**0.47**	**0.47**	**81.3%**	**78.9%**

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

2 US50

3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Feb 14	Mar 14	Apr 14	May 14	May 14-Apr 14	09 May	16 May	23 May	30 May	06 Jun
NW Europe										
Brent (Cracking)	2.01	1.51	4.49	1.72	-2.77	1.81	1.72	1.33	1.96	0.98
Urals (Cracking)	2.05	1.08	4.13	1.84	-2.29	1.94	1.87	1.20	2.42	2.41
Brent (Hydroskimming)	-2.51	-2.47	-0.85	-3.17	-2.32	-3.35	-3.16	-3.18	-2.77	-3.55
Urals (Hydroskimming)	-4.82	-5.18	-3.32	-5.36	-2.04	-5.19	-5.29	-5.97	-4.77	-4.47
Mediterranean										
Es Sider (Cracking)	4.17	3.70	5.61	3.24	-2.37	3.42	3.55	2.91	3.10	2.14
Urals (Cracking)	3.03	2.70	4.18	2.56	-1.62	2.52	2.70	2.31	2.99	2.28
Es Sider (Hydroskimming)	-0.21	-0.49	0.86	-1.12	-1.98	-1.32	-0.96	-1.06	-0.89	-1.64
Urals (Hydroskimming)	-5.27	-5.11	-4.04	-5.45	-1.41	-5.57	-5.45	-5.62	-4.77	-5.07
US Gulf Coast										
50/50 HLS/LLS (Cracking)	7.30	9.01	13.15	10.83	-2.33	12.87	11.39	8.66	8.78	8.04
Mars (Cracking)	-0.33	1.37	7.25	5.08	-2.17	6.79	5.79	2.92	3.52	3.53
ASCI (Cracking)	-0.54	1.17	7.13	5.32	-1.81	7.11	5.84	3.34	3.70	3.54
50/50 HLS/LLS (Coking)	8.35	9.85	14.56	12.28	-2.29	13.95	13.02	10.41	10.33	9.69
50/50 Maya/Mars (Coking)	6.49	7.13	10.98	7.48	-3.50	8.26	7.78	6.76	6.16	5.89
ASCI (Coking)	4.89	6.36	12.72	10.13	-2.59	11.77	10.41	8.61	8.34	7.89
US Midcon										
WTI (Cracking)	13.63	16.88	18.49	15.65	-2.84	15.42	14.58	15.14	16.88	17.77
30/70 WCS/Bakken (Cracking)	17.79	19.78	20.66	19.43	-1.23	19.37	18.72	18.84	20.67	22.47
Bakken (Cracking)	19.50	22.90	24.11	22.26	-1.86	22.27	20.89	21.78	23.81	25.30
WTI (Coking)	15.14	18.48	20.49	17.53	-2.95	16.90	16.53	17.31	19.04	20.06
30/70 WCS/Bakken (Coking)	21.64	23.69	24.59	22.57	-2.02	22.43	21.60	22.26	23.86	25.46
Bakken (Coking)	19.85	23.21	24.66	22.80	-1.86	22.61	21.46	22.47	24.50	26.08
Singapore										
Dubai (Hydroskimming)	-1.80	-2.36	-2.44	-3.05	-0.61	-2.38	-2.96	-3.41	-3.39	-3.78
Tapis (Hydroskimming)	-2.42	-1.26	-0.32	-0.81	-0.49	-0.46	-0.86	-1.23	-0.23	-1.67
Dubai (Hydrocracking)	4.67	4.14	4.83	3.77	-1.06	4.48	4.02	3.35	3.24	2.25
Tapis (Hydrocracking)	0.71	1.65	2.94	1.84	-1.10	2.41	1.90	1.25	2.16	0.38

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas[1]	24.1	24.0	23.4	23.6	23.7	23.8	23.6	23.7	23.8	24.2	24.3	24.0	23.8	23.9	24.3	24.4	24.1
Europe[2]	14.7	14.3	13.7	13.8	13.8	13.7	13.8	13.2	13.8	14.0	13.6	13.6	13.1	13.6	13.9	13.8	13.6
Asia Oceania[3]	8.2	8.2	9.2	8.1	8.3	8.8	8.6	8.9	7.9	8.1	8.7	8.4	8.9	7.8	8.0	8.5	8.3
Total OECD	47.0	46.5	46.3	45.5	45.9	46.3	46.0	45.9	45.5	46.2	46.6	46.1	45.8	45.3	46.2	46.6	46.0
NON-OECD DEMAND																	
FSU	4.1	4.4	4.3	4.4	4.6	4.6	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.8	4.7
Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.9	9.3	9.6	9.7	9.9	10.3	9.9	10.0	10.0	10.1	10.2	10.1	10.1	10.4	10.5	10.7	10.4
Other Asia	10.8	11.1	11.4	11.5	11.2	11.6	11.4	11.8	11.8	11.4	11.9	11.7	12.1	12.1	11.8	12.2	12.1
Latin America	6.1	6.2	6.1	6.3	6.5	6.6	6.4	6.3	6.6	6.7	6.7	6.6	6.6	6.7	6.9	6.9	6.8
Middle East	7.3	7.5	7.3	7.8	8.3	7.6	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.3	8.7	8.0	8.2
Africa	3.5	3.5	3.6	3.6	3.6	3.7	3.6	3.8	3.8	3.7	3.8	3.7	3.8	3.9	3.9	4.0	3.9
Total Non-OECD	41.4	42.6	43.0	44.0	44.8	45.1	44.2	44.5	45.3	45.9	45.8	45.4	45.6	46.8	47.3	47.4	46.8
Total Demand[4]	**88.5**	**89.1**	**89.3**	**89.5**	**90.7**	**91.3**	**90.2**	**90.3**	**90.8**	**92.1**	**92.4**	**91.4**	**91.4**	**92.0**	**93.6**	**94.0**	**92.8**
OECD SUPPLY																	
Americas[1,7]	14.1	14.6	15.6	15.5	15.7	16.6	15.9	16.8	16.7	17.4	17.9	17.2	18.2	18.2	18.3	18.7	18.4
Europe[2]	4.1	3.8	3.8	3.6	3.1	3.3	3.5	3.4	3.3	3.2	3.3	3.3	3.5	3.3	3.1	3.3	3.3
Asia Oceania[3]	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Total OECD	18.9	19.0	19.9	19.7	19.4	20.5	19.9	20.6	20.5	21.1	21.7	21.0	22.1	22.1	21.9	22.6	22.2
NON-OECD SUPPLY																	
FSU	13.6	13.6	13.7	13.6	13.6	13.7	13.7	13.8	13.8	13.8	14.0	13.9	14.0	13.9	13.8	13.8	13.9
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	4.1	4.1	4.2	4.1	4.2	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.1	4.2	4.2
Other Asia[5]	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Latin America[5,7]	4.1	4.2	4.3	4.1	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Middle East	1.7	1.7	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.6	2.4	2.2	2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.4	2.4	2.4	2.5	2.4
Total Non-OECD	29.9	30.0	29.8	29.2	29.3	29.7	29.5	29.6	29.5	29.3	29.9	29.6	29.8	29.6	29.5	29.7	29.7
Processing Gains[6]	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.8	1.9	1.5	1.9	2.1	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.5	2.1	2.1
Total Non-OPEC[5]	52.7	52.9	53.4	52.9	53.0	54.2	53.4	53.9	54.2	55.0	55.9	54.7	55.8	56.0	56.2	56.6	56.2
OPEC																	
Crude[8]	29.2	29.9	31.3	31.7	31.5	30.7	31.3	30.5	30.9	30.6	29.8	30.5	30.0				
NGLs	5.5	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.4	6.4	6.3	6.4	6.4	6.5	6.5	6.5
Total OPEC[5]	34.7	35.8	37.5	37.9	37.8	37.1	37.6	36.8	37.3	37.0	36.2	36.8	36.4				
Total Supply[9]	**87.4**	**88.7**	**91.0**	**90.8**	**90.8**	**91.2**	**91.0**	**90.6**	**91.4**	**92.0**	**92.0**	**91.5**	**92.2**				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	-0.2	0.6	0.3	0.5	-0.7	0.2	0.2	-0.1	0.4	-1.5	-0.2	0.2				
Government	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0				
Total	0.1	-0.3	0.6	0.4	0.5	-0.7	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2				
Floating Storage/Oil in Transit	-0.2	-0.1	-0.4	0.2	-0.1	0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3				
Miscellaneous to balance[10]	-0.9	0.0	1.5	0.8	-0.2	0.5	0.6	-0.2	0.8	-0.8	0.8	0.1	0.3				
Total Stock Ch. & Misc	**-1.1**	**-0.4**	**1.7**	**1.3**	**0.1**	**-0.1**	**0.8**	**0.3**	**0.6**	**-0.2**	**-0.4**	**0.1**	**0.8**				
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.2	30.3	29.6	30.4	31.4	30.8	30.5	30.2	30.3	30.8	30.2	30.4	29.2	29.6	30.9	30.9	30.1

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-0.2	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-0.2	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-0.2	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-				
NGLs	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-				
Total Supply	**-**	**-**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**				
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	0.1				
Government	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-	-	0.1				
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous to balance	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-0.1				
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	-	-	-	-	-	-	-	0.1	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

	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Demand (mb/d)																
Americas[1]	23.96	23.38	23.60	23.73	23.77	23.62	23.73	23.79	24.18	24.34	24.01	23.83	23.86	24.31	24.43	24.11
Europe[2]	14.28	13.72	13.82	13.85	13.69	13.77	13.21	13.83	13.98	13.56	13.65	13.06	13.61	13.94	13.76	13.59
Asia Oceania[3]	8.23	9.17	8.06	8.31	8.80	8.58	8.93	7.90	8.09	8.68	8.40	8.92	7.79	7.98	8.45	8.28
Total OECD	**46.47**	**46.26**	**45.49**	**45.89**	**46.25**	**45.97**	**45.87**	**45.52**	**46.25**	**46.57**	**46.06**	**45.81**	**45.26**	**46.23**	**46.64**	**45.99**
Asia	20.42	20.96	21.14	21.10	21.92	21.28	21.82	21.78	21.54	22.06	21.80	22.22	22.54	22.32	22.95	22.51
Middle East	7.46	7.30	7.82	8.27	7.61	7.75	7.60	8.00	8.49	7.76	7.96	7.86	8.26	8.70	8.04	8.22
Latin America	6.17	6.15	6.34	6.50	6.55	6.39	6.35	6.57	6.71	6.73	6.59	6.57	6.74	6.88	6.87	6.77
FSU	4.39	4.31	4.42	4.63	4.61	4.49	4.30	4.50	4.82	4.82	4.61	4.44	4.60	4.86	4.85	4.69
Africa	3.49	3.62	3.61	3.60	3.70	3.63	3.75	3.78	3.66	3.76	3.74	3.84	3.93	3.87	3.99	3.91
Europe	0.66	0.67	0.68	0.67	0.68	0.67	0.65	0.68	0.69	0.71	0.68	0.67	0.70	0.69	0.71	0.69
Total Non-OECD	42.60	43.01	44.02	44.78	45.06	44.22	44.47	45.31	45.90	45.84	45.38	45.59	46.77	47.33	47.40	46.77
World	**89.07**	**89.27**	**89.51**	**90.67**	**91.32**	**90.19**	**90.34**	**90.83**	**92.15**	**92.41**	**91.43**	**91.40**	**92.03**	**93.56**	**94.04**	**92.76**
of which: US50	18.95	18.43	18.61	18.64	18.48	18.54	18.66	18.67	19.13	19.28	18.94	18.82	18.84	19.17	19.25	19.02
Europe 5*	8.65	8.33	8.28	8.28	8.20	8.27	8.01	8.29	8.27	8.06	8.16	7.87	8.10	8.24	8.16	8.09
China	9.32	9.56	9.65	9.93	10.31	9.87	10.01	10.03	10.12	10.20	10.09	10.15	10.42	10.50	10.71	10.45
Japan	4.47	5.28	4.29	4.48	4.86	4.73	5.08	4.11	4.32	4.75	4.56	5.05	4.02	4.16	4.48	4.42
India	3.27	3.44	3.52	3.26	3.48	3.43	3.55	3.54	3.24	3.50	3.45	3.61	3.62	3.36	3.61	3.55
Russia	3.21	3.19	3.24	3.42	3.35	3.30	3.20	3.32	3.61	3.53	3.42	3.34	3.41	3.63	3.54	3.48
Brazil	2.87	2.85	2.92	3.01	3.10	2.97	2.97	3.06	3.12	3.17	3.08	3.10	3.15	3.21	3.23	3.17
Saudi Arabia	2.79	2.60	3.04	3.36	2.84	2.96	2.76	3.09	3.36	2.87	3.03	2.85	3.20	3.46	2.96	3.12
Canada	2.27	2.18	2.22	2.33	2.37	2.28	2.28	2.31	2.30	2.32	2.30	2.33	2.27	2.36	2.35	2.33
Korea	2.26	2.34	2.23	2.26	2.37	2.30	2.31	2.27	2.26	2.38	2.31	2.34	2.25	2.27	2.40	2.31
Mexico	2.11	2.09	2.13	2.11	2.24	2.14	2.11	2.14	2.09	2.08	2.11	2.02	2.10	2.10	2.14	2.09
Iran	1.79	1.81	1.83	1.78	1.76	1.79	1.79	1.80	1.81	1.79	1.80	1.89	1.85	1.82	1.83	1.85
Total	**61.96**	**62.10**	**61.97**	**62.88**	**63.36**	**62.58**	**62.73**	**62.63**	**63.63**	**63.93**	**63.24**	**63.36**	**63.21**	**64.27**	**64.68**	**63.89**
% of World	69.6%	69.6%	69.2%	69.4%	69.4%	69.4%	69.4%	69.0%	69.1%	69.2%	69.2%	69.3%	68.7%	68.7%	68.8%	68.9%
Annual Change (% per annum)																
Americas[1]	-0.8	-3.0	-0.5	-1.6	-0.6	-1.4	1.5	0.8	1.9	2.4	1.7	0.4	0.3	0.5	0.4	0.4
Europe[2]	-2.8	-3.5	-2.1	-5.7	-2.8	-3.6	-3.7	0.1	0.9	-1.0	-0.9	-1.2	-1.6	-0.2	1.5	-0.4
Asia Oceania[3]	0.5	5.6	7.6	2.8	1.5	4.3	-2.6	-2.0	-2.7	-1.3	-2.2	-0.2	-1.4	-1.4	-2.6	-1.4
Total OECD	-1.2	-1.6	0.3	-2.1	-0.9	-1.1	-0.8	0.1	0.8	0.7	0.2	-0.1	-0.6	0.0	0.1	-0.1
Asia	3.6	3.2	3.3	4.7	5.7	4.2	4.1	3.0	2.1	0.6	2.4	1.8	3.5	3.6	4.0	3.3
Middle East	2.0	3.7	4.8	4.8	2.4	3.9	4.1	2.3	2.6	2.0	2.7	3.4	3.2	2.6	3.6	3.2
Latin America	1.5	3.4	3.4	2.5	4.5	3.4	3.3	3.5	3.2	2.7	3.2	3.4	2.7	2.6	2.1	2.7
FSU	6.3	5.9	2.2	1.2	0.6	2.4	-0.2	1.7	4.0	4.7	2.6	3.3	2.3	0.8	0.5	1.6
Africa	-0.9	2.6	3.0	6.2	4.7	4.1	3.8	4.7	1.7	1.5	2.9	2.2	4.0	5.7	6.1	4.5
Europe	-0.2	3.7	4.1	1.4	-0.6	1.5	-3.9	-0.4	2.4	4.3	0.5	4.2	2.8	0.2	0.5	1.7
Total Non-OECD	**2.8**	**3.5**	**3.4**	**4.1**	**4.2**	**3.8**	**3.4**	**2.9**	**2.5**	**1.7**	**2.6**	**2.5**	**3.2**	**3.1**	**3.4**	**3.1**
World	**0.7**	**0.8**	**1.8**	**0.8**	**1.6**	**1.3**	**1.2**	**1.5**	**1.6**	**1.2**	**1.4**	**1.2**	**1.3**	**1.5**	**1.8**	**1.5**
Annual Change (mb/d)																
Americas[1]	-0.18	-0.72	-0.12	-0.39	-0.14	-0.34	0.35	0.18	0.45	0.57	0.39	0.11	0.07	0.13	0.09	0.10
Europe[2]	-0.41	-0.49	-0.30	-0.84	-0.39	-0.51	-0.50	0.01	0.13	-0.13	-0.12	-0.15	-0.22	-0.03	0.20	-0.05
Asia Oceania[3]	0.05	0.49	0.57	0.22	0.13	0.35	-0.23	-0.16	-0.23	-0.12	-0.19	-0.02	-0.11	-0.11	-0.23	-0.12
Total OECD	**-0.55**	**-0.73**	**0.15**	**-1.00**	**-0.40**	**-0.50**	**-0.39**	**0.03**	**0.36**	**0.32**	**0.08**	**-0.06**	**-0.26**	**-0.02**	**0.07**	**-0.07**
Asia	0.70	0.65	0.67	0.94	1.18	0.86	0.85	0.64	0.44	0.14	0.52	0.40	0.76	0.78	0.89	0.71
Middle East	0.14	0.26	0.36	0.38	0.18	0.29	0.30	0.18	0.21	0.16	0.21	0.26	0.26	0.22	0.28	0.25
Latin America	0.09	0.20	0.21	0.16	0.28	0.21	0.20	0.22	0.21	0.18	0.20	0.22	0.18	0.18	0.14	0.18
FSU	0.26	0.24	0.09	0.06	0.03	0.10	-0.01	0.07	0.18	0.22	0.12	0.14	0.10	0.04	0.02	0.08
Africa	-0.03	0.09	0.10	0.21	0.17	0.14	0.14	0.17	0.06	0.06	0.11	0.08	0.15	0.21	0.23	0.17
Europe	0.00	0.02	0.03	0.01	0.00	0.01	-0.03	0.00	0.02	0.03	0.00	0.03	0.02	0.00	0.00	0.01
Total Non-OECD	**1.16**	**1.47**	**1.46**	**1.75**	**1.82**	**1.62**	**1.46**	**1.29**	**1.12**	**0.78**	**1.16**	**1.12**	**1.47**	**1.43**	**1.56**	**1.40**
World	**0.61**	**0.74**	**1.61**	**0.75**	**1.42**	**1.12**	**1.07**	**1.32**	**1.48**	**1.10**	**1.24**	**1.06**	**1.21**	**1.41**	**1.63**	**1.33**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	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	0.00	0.00
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.01	0.01	0.00
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	-0.02	0.00	0.00	0.00
Total OECD	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.02**	**-0.03**	**0.02**	**0.01**	**0.00**
Asia	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.02	0.02	0.02	0.00	0.01	-0.01	-0.01	0.00	0.00
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	0.00
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.02	0.00	0.00	0.00	0.00
Africa	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	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	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**-0.02**	**-0.01**	**0.01**	**0.02**	**0.00**	**0.04**	**-0.01**	**-0.01**	**-0.01**	**0.00**
World	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**-0.02**	**-0.01**	**0.01**	**0.02**	**0.00**	**0.05**	**-0.04**	**0.01**	**0.00**	**0.01**
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	-0.02	-0.01	0.01	0.02	0.00	0.07	-0.03	-0.01	-0.02	0.00

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	2Q13	3Q13	4Q13	1Q14	Jan 14	Feb 14	Mar 14 [2]	Latest month vs. Feb 14	Latest month vs. Mar 13
Americas[3]											
LPG&Ethane	3.13	3.31	2.97	3.02	3.60	3.55	3.84	3.51	3.30	-0.21	-0.17
Naphtha	0.34	0.38	0.39	0.39	0.38	0.36	0.36	0.37	0.36	-0.02	0.03
Motor Gasoline	10.34	10.44	10.58	10.72	10.41	10.16	9.82	10.35	10.32	-0.02	0.07
Jet/Kerosene	1.65	1.68	1.68	1.76	1.70	1.66	1.65	1.64	1.70	0.07	0.08
Gasoil/Diesel Oil	4.96	5.07	5.01	4.89	5.22	5.41	5.50	5.47	5.27	-0.20	0.31
Residual Fuel Oil	0.78	0.69	0.68	0.76	0.58	0.53	0.55	0.50	0.55	0.05	-0.23
Other Products	2.42	2.44	2.46	2.64	2.47	2.15	2.18	2.18	2.09	-0.09	-0.06
Total	**23.62**	**24.01**	**23.79**	**24.18**	**24.34**	**23.83**	**23.91**	**24.02**	**23.60**	**-0.42**	**0.04**
Europe[4]											
LPG&Ethane	0.94	1.04	1.11	1.04	0.98	1.02	0.95	1.05	1.07	0.02	-0.02
Naphtha	1.20	1.19	1.15	1.20	1.14	1.31	1.37	1.33	1.23	-0.11	0.03
Motor Gasoline	1.99	1.93	1.96	2.06	1.90	1.80	1.74	1.82	1.83	0.01	0.00
Jet/Kerosene	1.21	1.22	1.23	1.33	1.20	1.13	1.09	1.16	1.15	-0.01	0.00
Gasoil/Diesel Oil	5.95	5.97	6.01	5.97	6.12	5.74	5.53	5.82	5.88	0.06	0.06
Residual Fuel Oil	1.09	0.97	0.99	0.96	0.92	0.93	0.95	0.95	0.90	-0.05	-0.10
Other Products	1.39	1.33	1.38	1.42	1.30	1.12	1.04	1.16	1.18	0.02	-0.01
Total	**13.77**	**13.65**	**13.83**	**13.98**	**13.56**	**13.06**	**12.68**	**13.29**	**13.24**	**-0.05**	**-0.04**
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.82	0.79	0.86	0.89	0.86	0.95	0.86	-0.09	-0.05
Naphtha	1.78	1.82	1.72	1.81	1.90	1.95	2.03	2.00	1.82	-0.18	0.12
Motor Gasoline	1.61	1.59	1.56	1.67	1.59	1.52	1.46	1.51	1.61	0.10	0.04
Jet/Kerosene	0.88	0.87	0.69	0.68	0.99	1.11	1.17	1.16	1.00	-0.16	0.08
Gasoil/Diesel Oil	1.76	1.77	1.72	1.71	1.84	1.83	1.71	1.89	1.89	0.00	0.10
Residual Fuel Oil	0.91	0.76	0.67	0.73	0.75	0.84	0.86	0.88	0.78	-0.10	-0.04
Other Products	0.77	0.74	0.73	0.70	0.75	0.79	0.77	0.83	0.77	-0.06	0.02
Total	**8.58**	**8.40**	**7.90**	**8.09**	**8.68**	**8.92**	**8.85**	**9.21**	**8.72**	**-0.50**	**0.28**
OECD											
LPG&Ethane	4.96	5.20	4.90	4.84	5.43	5.46	5.66	5.50	5.22	-0.28	-0.23
Naphtha	3.32	3.38	3.26	3.41	3.41	3.62	3.75	3.71	3.40	-0.31	0.18
Motor Gasoline	13.93	13.96	14.11	14.45	13.89	13.48	13.02	13.68	13.77	0.08	0.11
Jet/Kerosene	3.74	3.77	3.60	3.77	3.89	3.90	3.91	3.95	3.85	-0.10	0.16
Gasoil/Diesel Oil	12.67	12.81	12.74	12.57	13.18	12.98	12.75	13.18	13.04	-0.13	0.47
Residual Fuel Oil	2.77	2.43	2.35	2.45	2.25	2.31	2.36	2.33	2.23	-0.09	-0.36
Other Products	4.58	4.50	4.57	4.75	4.52	4.06	3.99	4.17	4.03	-0.14	-0.05
Total	**45.97**	**46.05**	**45.52**	**46.25**	**46.57**	**45.81**	**45.44**	**46.51**	**45.55**	**-0.97**	**0.28**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	2Q13	3Q13	4Q13	1Q14	Jan 14	Feb 14	Mar 14	Latest month vs. Feb 14	Latest month vs. Mar 13
United States[3]											
LPG	2.26	2.42	2.11	2.20	2.68	2.64	2.92	2.61	2.38	-0.23	-0.13
Naphtha	0.24	0.28	0.28	0.28	0.27	0.24	0.25	0.25	0.23	-0.03	-0.02
Motor Gasoline	8.69	8.78	8.91	9.03	8.75	8.52	8.21	8.70	8.69	-0.01	0.06
Jet/Kerosene	1.41	1.43	1.43	1.50	1.45	1.41	1.39	1.39	1.44	0.05	0.05
Gasoil	3.74	3.84	3.77	3.67	3.97	4.16	4.27	4.17	4.05	-0.12	0.27
Residual Fuel Oil	0.37	0.32	0.26	0.36	0.28	0.24	0.29	0.21	0.22	0.01	-0.21
Other Products	1.83	1.88	1.90	2.08	1.89	1.61	1.64	1.66	1.54	-0.12	-0.03
Total	**18.54**	**18.94**	**18.67**	**19.13**	**19.28**	**18.82**	**18.98**	**18.98**	**18.53**	**-0.46**	**-0.01**
Japan											
LPG	0.52	0.50	0.46	0.44	0.50	0.55	0.54	0.60	0.52	-0.07	-0.04
Naphtha	0.71	0.76	0.70	0.75	0.81	0.80	0.86	0.85	0.70	-0.15	-0.05
Motor Gasoline	0.98	0.96	0.94	1.03	0.96	0.92	0.87	0.88	1.00	0.12	0.06
Jet/Kerosene	0.54	0.54	0.38	0.37	0.63	0.76	0.80	0.81	0.67	-0.14	0.08
Diesel	0.43	0.43	0.42	0.44	0.46	0.45	0.40	0.46	0.49	0.03	0.04
Other Gasoil	0.40	0.39	0.35	0.35	0.41	0.46	0.42	0.49	0.46	-0.03	0.03
Residual Fuel Oil	0.56	0.46	0.38	0.44	0.45	0.53	0.55	0.57	0.49	-0.08	-0.01
Other Products	0.58	0.52	0.49	0.50	0.52	0.58	0.57	0.61	0.55	-0.06	0.01
Total	**4.73**	**4.56**	**4.11**	**4.32**	**4.75**	**5.05**	**5.02**	**5.27**	**4.88**	**-0.38**	**0.12**
Germany											
LPG	0.10	0.11	0.12	0.11	0.10	0.09	0.09	0.09	0.09	0.00	-0.01
Naphtha	0.38	0.40	0.39	0.38	0.39	0.43	0.44	0.44	0.42	-0.02	0.02
Motor Gasoline	0.43	0.43	0.44	0.45	0.42	0.41	0.39	0.41	0.43	0.01	0.02
Jet/Kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.16	0.17	0.17	0.01	0.01
Diesel	0.70	0.70	0.72	0.75	0.71	0.70	0.66	0.71	0.73	0.03	0.07
Other Gasoil	0.38	0.40	0.45	0.35	0.38	0.36	0.36	0.30	0.42	0.12	-0.01
Residual Fuel Oil	0.13	0.12	0.12	0.12	0.12	0.12	0.13	0.12	0.11	-0.01	-0.02
Other Products	0.08	0.07	0.08	0.09	0.07	0.05	0.04	0.05	0.05	0.00	0.02
Total	**2.39**	**2.41**	**2.51**	**2.44**	**2.37**	**2.33**	**2.27**	**2.29**	**2.43**	**0.14**	**0.09**
Italy											
LPG	0.11	0.11	0.10	0.10	0.12	0.11	0.12	0.11	0.10	-0.01	-0.02
Naphtha	0.09	0.09	0.10	0.08	0.07	0.08	0.09	0.08	0.07	-0.01	-0.02
Motor Gasoline	0.22	0.21	0.19	0.23	0.22	0.20	0.20	0.20	0.20	0.00	0.00
Jet/Kerosene	0.09	0.09	0.09	0.11	0.09	0.08	0.09	0.08	0.08	0.00	0.00
Diesel	0.45	0.42	0.42	0.43	0.42	0.41	0.39	0.45	0.41	-0.04	-0.01
Other Gasoil	0.11	0.12	0.11	0.11	0.13	0.09	0.09	0.08	0.10	0.02	-0.01
Residual Fuel Oil	0.10	0.07	0.08	0.07	0.06	0.06	0.07	0.05	0.05	0.00	-0.02
Other Products	0.20	0.19	0.18	0.21	0.20	0.16	0.14	0.17	0.17	0.00	-0.01
Total	**1.35**	**1.30**	**1.28**	**1.33**	**1.31**	**1.19**	**1.18**	**1.21**	**1.18**	**-0.04**	**-0.11**
France											
LPG	0.11	0.11	0.10	0.08	0.11	0.12	0.12	0.12	0.10	-0.02	-0.03
Naphtha	0.13	0.14	0.15	0.15	0.10	0.15	0.15	0.16	0.15	-0.01	0.00
Motor Gasoline	0.16	0.16	0.16	0.17	0.15	0.14	0.13	0.14	0.14	0.01	0.00
Jet/Kerosene	0.15	0.15	0.16	0.17	0.15	0.14	0.14	0.14	0.14	0.00	0.00
Diesel	0.68	0.68	0.69	0.70	0.69	0.66	0.64	0.67	0.66	-0.01	0.00
Other Gasoil	0.28	0.29	0.27	0.26	0.29	0.29	0.28	0.29	0.29	-0.01	-0.03
Residual Fuel Oil	0.07	0.06	0.06	0.05	0.06	0.05	0.05	0.05	0.05	0.00	-0.02
Other Products	0.15	0.14	0.16	0.16	0.13	0.11	0.10	0.13	0.11	-0.02	-0.02
Total	**1.74**	**1.73**	**1.75**	**1.76**	**1.68**	**1.65**	**1.61**	**1.71**	**1.64**	**-0.07**	**-0.10**
United Kingdom											
LPG	0.11	0.11	0.14	0.11	0.09	0.12	0.11	0.13	0.12	-0.01	0.01
Naphtha	0.02	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.00	-0.01
Motor Gasoline	0.32	0.31	0.31	0.31	0.30	0.30	0.30	0.32	0.30	-0.02	0.01
Jet/Kerosene	0.31	0.31	0.30	0.32	0.33	0.33	0.31	0.34	0.32	-0.02	-0.01
Diesel	0.45	0.47	0.47	0.47	0.48	0.46	0.41	0.51	0.47	-0.04	0.01
Other Gasoil	0.12	0.12	0.13	0.13	0.11	0.12	0.12	0.12	0.11	-0.01	-0.01
Residual Fuel Oil	0.05	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.00	-0.01
Other Products	0.12	0.13	0.14	0.13	0.11	0.12	0.12	0.12	0.12	0.00	0.00
Total	**1.50**	**1.51**	**1.55**	**1.52**	**1.49**	**1.50**	**1.42**	**1.58**	**1.50**	**-0.08**	**-0.01**
Canada											
LPG	0.41	0.43	0.42	0.37	0.45	0.45	0.45	0.43	0.47	0.04	-0.03
Naphtha	0.09	0.08	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.00	0.01
Motor Gasoline	0.74	0.76	0.78	0.81	0.74	0.75	0.74	0.76	0.75	-0.02	0.03
Jet/Kerosene	0.12	0.13	0.13	0.15	0.13	0.13	0.13	0.13	0.13	0.00	0.03
Diesel	0.30	0.30	0.30	0.29	0.27	0.28	0.26	0.31	0.29	-0.02	-0.01
Other Gasoil	0.22	0.25	0.24	0.25	0.29	0.29	0.31	0.31	0.26	-0.05	0.06
Residual Fuel Oil	0.06	0.04	0.05	0.04	0.04	0.06	0.06	0.06	0.06	-0.01	0.01
Other Products	0.32	0.30	0.30	0.30	0.31	0.27	0.28	0.26	0.28	0.02	-0.03
Total	**2.28**	**2.30**	**2.31**	**2.30**	**2.32**	**2.33**	**2.32**	**2.35**	**2.32**	**-0.04**	**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)

	2012	2013	2014	4Q13	1Q14	2Q14	3Q14	4Q14	Mar 14	Apr 14	May 14
OPEC											
Crude Oil											
Saudi Arabia	9.51	9.40		9.51	9.46				9.31	9.40	9.49
Iran	3.00	2.68		2.71	2.81				2.80	2.83	2.80
Iraq	2.95	3.08		3.08	3.29				3.20	3.32	3.37
UAE	2.65	2.76		2.73	2.73				2.78	2.69	2.65
Kuwait	2.46	2.55		2.53	2.53				2.50	2.55	2.52
Neutral Zone	0.54	0.52		0.52	0.52				0.52	0.52	0.52
Qatar	0.74	0.73		0.73	0.72				0.71	0.70	0.70
Angola	1.78	1.72		1.64	1.57				1.47	1.63	1.63
Nigeria	2.10	1.95		1.91	1.93				1.94	1.92	1.90
Libya	1.39	0.90		0.30	0.37				0.24	0.22	0.24
Algeria	1.17	1.15		1.14	1.07				1.02	1.12	1.12
Ecuador	0.50	0.52		0.53	0.55				0.55	0.55	0.56
Venezuela	2.50	2.50		2.47	2.45				2.46	2.46	2.50
Total Crude Oil	31.30	30.45		29.81	29.99				29.50	29.91	29.99
Total NGLs[1]	6.28	6.33	6.47	6.35	6.39	6.41	6.53	6.54	6.39	6.41	6.41
Total OPEC	**37.58**	**36.79**		**36.16**	**36.39**				**35.89**	**36.32**	**36.40**
NON-OPEC[2]											
OECD											
Americas[6]	15.85	17.20	18.35	17.88	18.20	18.23	18.30	18.69	18.28	18.15	18.26
United States[5]	9.17	10.31	11.34	10.83	11.07	11.35	11.37	11.59	11.26	11.25	11.42
Mexico	2.92	2.89	2.80	2.90	2.87	2.81	2.76	2.78	2.86	2.84	2.80
Canada	3.75	3.99	4.20	4.14	4.25	4.06	4.16	4.31	4.15	4.05	4.04
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01
Europe[7]	3.45	3.28	3.29	3.30	3.47	3.31	3.06	3.35	3.49	3.40	3.38
UK	0.94	0.85	0.86	0.84	0.94	0.88	0.73	0.91	0.96	0.91	0.93
Norway	1.91	1.84	1.86	1.88	1.95	1.86	1.77	1.87	1.95	1.92	1.88
Others	0.60	0.59	0.57	0.59	0.57	0.57	0.56	0.57	0.58	0.57	0.58
Asia Oceania[8]	0.56	0.48	0.53	0.47	0.48	0.54	0.56	0.55	0.47	0.52	0.54
Australia	0.48	0.41	0.45	0.40	0.40	0.46	0.48	0.48	0.39	0.44	0.46
Others	0.08	0.07	0.08	0.07	0.08	0.08	0.08	0.07	0.08	0.08	0.08
Total OECD	**19.87**	**20.96**	**22.18**	**21.65**	**22.14**	**22.07**	**21.92**	**22.58**	**22.24**	**22.07**	**22.18**
NON-OECD											
Former USSR	13.66	13.88	13.87	14.05	13.99	13.88	13.76	13.84	13.91	13.91	13.91
Russia	10.73	10.88	10.89	10.99	10.96	10.92	10.81	10.87	10.91	10.89	10.95
Others	2.93	3.00	2.98	3.05	3.04	2.96	2.96	2.97	3.00	3.02	2.96
Asia	7.82	7.71	7.71	7.69	7.75	7.70	7.68	7.69	7.68	7.67	7.71
China	4.17	4.18	4.19	4.22	4.24	4.19	4.15	4.17	4.19	4.17	4.21
Malaysia	0.67	0.66	0.66	0.64	0.65	0.65	0.66	0.66	0.65	0.65	0.66
India	0.91	0.90	0.89	0.90	0.90	0.89	0.89	0.88	0.88	0.90	0.89
Indonesia	0.89	0.84	0.82	0.81	0.82	0.82	0.82	0.81	0.82	0.81	0.80
Others	1.17	1.14	1.15	1.11	1.14	1.15	1.16	1.16	1.15	1.14	1.15
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	4.18	4.18	4.24	4.23	4.22	4.22	4.24	4.29	4.24	4.21	4.22
Brazil[5]	2.16	2.12	2.18	2.18	2.18	2.19	2.16	2.20	2.21	2.23	2.17
Argentina	0.66	0.63	0.62	0.63	0.63	0.61	0.61	0.61	0.62	0.62	0.61
Colombia	0.95	1.01	1.03	1.00	1.00	0.99	1.04	1.07	0.98	0.94	1.01
Others	0.41	0.42	0.42	0.41	0.42	0.42	0.42	0.42	0.43	0.42	0.42
Middle East[3]	1.46	1.34	1.27	1.32	1.28	1.27	1.28	1.27	1.26	1.25	1.29
Oman	0.93	0.95	0.95	0.95	0.95	0.95	0.96	0.95	0.94	0.93	0.96
Syria	0.17	0.06	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Yemen	0.18	0.14	0.11	0.14	0.12	0.11	0.11	0.11	0.11	0.11	0.11
Others	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.27	2.33	2.43	2.44	2.44	2.41	2.44	2.45	2.42	2.40	2.41
Egypt	0.72	0.70	0.68	0.68	0.68	0.68	0.67	0.67	0.68	0.68	0.68
Gabon	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.30	1.40	1.52	1.52	1.52	1.49	1.53	1.54	1.50	1.48	1.49
Total Non-OECD	**29.52**	**29.58**	**29.66**	**29.87**	**29.82**	**29.62**	**29.53**	**29.68**	**29.66**	**29.57**	**29.67**
Processing Gains[4]	2.14	2.18	2.21	2.18	2.21	2.19	2.24	2.22	2.21	2.19	2.19
Global Biofuels[5]	1.85	2.00	2.11	2.15	1.66	2.17	2.47	2.14	1.66	1.95	2.19
TOTAL NON-OPEC	**53.38**	**54.72**	**56.17**	**55.85**	**55.83**	**56.05**	**56.16**	**56.62**	**55.76**	**55.78**	**56.22**
TOTAL SUPPLY	**90.96**	**91.51**		**92.01**	**92.21**				**91.65**	**92.10**	**92.63**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Dec2013	Jan2014	Feb2014	Mar2014	Apr2014*	Apr2011	Apr2012	Apr2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	500.1	501.9	513.0	523.2	538.9	512.6	515.3	532.3	-0.18	0.02	-0.22	0.26
Motor Gasoline	261.0	271.2	267.8	259.4	258.1	239.8	246.9	258.4	0.01	-0.08	0.08	-0.02
Middle Distillate	197.2	185.5	187.2	185.6	190.0	215.1	198.5	195.8	0.03	0.11	-0.09	-0.13
Residual Fuel Oil	45.6	45.7	44.1	43.9	43.9	48.9	42.6	49.0	0.00	-0.03	0.03	-0.02
Total Products[3]	669.5	651.8	645.6	638.0	662.4	648.8	658.1	675.3	0.38	0.16	-0.48	-0.35
Total[4]	1314.7	1296.1	1304.7	1311.1	1354.6	1314.4	1335.4	1362.7	0.31	0.27	-0.95	-0.04
OECD Europe												
Crude	307.1	305.3	307.2	311.4	307.6	317.1	319.8	321.2	-0.04	0.07	-0.05	0.05
Motor Gasoline	88.3	92.8	93.6	92.1	89.0	97.1	94.6	94.9	-0.10	0.01	-0.02	0.04
Middle Distillate	251.6	259.5	258.7	249.5	254.0	285.1	273.0	246.9	-0.10	0.15	-0.09	-0.02
Residual Fuel Oil	66.6	69.3	64.9	61.1	61.5	82.4	71.2	81.3	-0.03	-0.05	-0.06	-0.06
Total Products[3]	497.4	517.0	511.8	493.0	496.4	564.7	546.3	521.5	-0.27	0.02	-0.16	-0.05
Total[4]	869.4	890.7	885.1	873.8	872.6	947.9	935.1	903.9	-0.33	0.12	-0.17	0.05
OECD Asia Oceania												
Crude	144.8	143.7	151.8	169.6	170.1	168.5	165.8	161.0	0.01	-0.12	-0.14	0.27
Motor Gasoline	24.3	26.2	27.6	25.4	26.2	27.2	26.6	27.4	0.00	-0.03	-0.01	0.01
Middle Distillate	67.8	66.4	61.3	56.3	57.8	61.4	59.9	62.2	-0.03	0.10	-0.03	-0.13
Residual Fuel Oil	19.3	20.3	18.8	21.0	21.3	22.0	20.3	20.4	-0.01	0.00	-0.01	0.02
Total Products[3]	170.0	172.4	164.8	160.9	158.7	168.9	163.1	171.7	-0.06	0.17	-0.14	-0.10
Total[4]	382.0	385.3	385.3	398.9	396.4	411.6	404.4	410.2	-0.04	0.04	-0.34	0.19
Total OECD												
Crude	952.0	950.9	972.0	1004.1	1016.6	998.2	1000.9	1014.5	-0.20	-0.02	-0.40	0.58
Motor Gasoline	373.6	390.1	389.0	376.9	373.4	364.1	368.0	380.8	-0.10	-0.09	0.06	0.04
Middle Distillate	516.7	511.4	507.2	491.4	501.8	561.5	531.4	504.9	-0.10	0.36	-0.21	-0.28
Residual Fuel Oil	131.5	135.2	127.8	125.9	126.7	153.3	134.0	150.7	-0.03	-0.07	-0.04	-0.06
Total Products[3]	1336.9	1341.3	1322.2	1291.9	1317.5	1382.4	1367.4	1368.5	0.04	0.35	-0.78	-0.50
Total[4]	2566.1	2572.1	2575.1	2583.8	2623.6	2673.9	2674.9	2676.8	-0.05	0.43	-1.45	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			
	Dec2013	Jan2014	Feb2014	Mar2014	Apr2014*	Apr2011	Apr2012	Apr2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	696.0	696.0	696.0	695.9	693.1	726.5	696.0	696.0	0.00	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	205.6	205.8	203.7	203.2	203.1	185.6	189.7	204.5	0.02	-0.02	0.01	-0.03
Products	260.1	260.3	262.5	263.3	261.1	238.3	234.8	259.5	-0.04	0.04	-0.03	0.03
OECD Asia Oceania												
Crude	386.6	386.6	387.8	387.8	387.8	391.1	393.5	389.6	-0.04	-0.01	0.02	0.01
Products	30.5	30.6	30.5	30.5	30.5	20.0	20.0	23.1	0.00	0.06	0.02	0.00
Total OECD												
Crude	1288.1	1288.3	1287.5	1286.9	1284.0	1303.3	1279.1	1290.1	-0.02	-0.04	0.03	-0.01
Products	291.7	291.8	294.1	294.8	292.7	258.3	255.8	283.6	-0.04	0.09	-0.01	0.03
Total[4]	1583.9	1584.2	1585.6	1585.6	1579.4	1563.0	1536.1	1576.9	-0.05	0.05	0.02	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]
('millions of barrels' and 'days')

	End March 2013		End June 2013		End September 2013		End December 2013		End March 2014 [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
OECD Americas										
Canada	171.3	74	174.4	75	183.1	79	170.0	73	174.6	-
Chile	9.5	25	9.3	26	11.2	33	9.8	29	9.7	-
Mexico	48.7	23	50.0	24	50.0	24	48.7	24	47.6	-
United States[4]	1794.2	96	1818.7	95	1832.6	95	1761.0	94	1754.0	-
Total[4]	2045.9	86	2074.4	86	2099.0	86	2011.6	84	2008.0	84
OECD Asia Oceania										
Australia	37.5	33	39.7	35	36.6	32	36.8	33	36.9	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	591.3	144	587.9	136	590.7	124	575.3	114	585.8	-
Korea	187.6	82	182.3	81	190.7	80	177.8	76	186.5	-
New Zealand	9.0	61	8.8	61	8.2	52	9.2	57	8.1	-
Total	825.4	104	818.7	101	826.3	95	799.1	90	817.3	105
OECD Europe[5]										
Austria	22.2	81	21.2	76	20.6	79	21.6	91	22.3	-
Belgium	38.8	63	37.0	57	39.4	64	41.0	63	42.5	-
Czech Republic	20.3	107	18.5	95	20.3	102	20.0	109	19.3	-
Denmark	23.7	152	22.1	136	21.3	138	23.7	158	19.7	-
Estonia	1.6	65	1.5	50	1.4	49	1.6	58	1.7	-
Finland	36.8	190	38.2	193	41.0	210	39.0	215	37.9	-
France	160.9	92	165.5	94	166.1	99	167.5	101	167.2	-
Germany	290.5	116	288.4	118	286.9	121	289.9	124	289.1	-
Greece	32.2	111	26.6	84	26.7	92	25.6	97	24.9	-
Hungary	16.6	123	15.6	112	15.9	114	15.6	124	15.2	-
Ireland	10.1	73	10.4	77	10.7	78	10.0	72	11.1	-
Italy	130.9	102	125.7	94	130.8	100	125.1	105	121.7	-
Luxembourg	0.7	11	0.6	10	0.7	11	0.7	12	0.7	-
Netherlands	132.5	129	123.1	122	120.7	123	115.5	121	122.5	-
Norway	26.9	105	24.2	103	27.9	117	28.7	118	28.6	-
Poland	63.3	132	61.0	111	61.9	119	60.4	131	60.2	-
Portugal	23.1	93	21.7	83	22.1	88	23.1	104	23.8	-
Slovak Republic	8.7	120	8.6	104	8.3	101	8.8	123	9.6	-
Slovenia	5.0	96	5.2	106	5.3	103	5.4	115	4.9	-
Spain	123.8	104	117.1	96	120.3	99	111.6	93	117.4	-
Sweden	28.7	88	27.6	88	25.8	91	28.2	101	27.8	-
Switzerland	36.5	142	36.7	145	37.2	130	35.9	167	36.4	-
Turkey	62.0	86	63.9	82	63.2	86	62.3	97	62.7	-
United Kingdom	79.6	51	83.9	55	81.8	55	77.9	53	77.2	-
Total	1375.4	99	1344.1	96	1356.4	100	1339.2	103	1344.1	99
Total OECD	**4246.7**	**93**	**4237.3**	**92**	**4281.7**	**92**	**4150.0**	**91**	**4169.4**	**92**
DAYS OF IEA Net Imports[6]	**-**	**149**	**-**	**160**	**-**	**161**	**-**	**157**	**-**	**158**

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 2014 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]		
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4211	1547	2663	92	34	58
1Q2013	4247	1581	2665	93	35	59
2Q2013	4237	1577	2660	92	34	58
3Q2013	4282	1582	2700	92	34	58
4Q2013	4150	1584	2566	91	35	56
1Q2014	4169	1586	2584	92	35	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 1Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

											Year Earlier	
	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Jan 14	Feb 14	Mar 14	Mar 13	change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.66	0.85	0.76	0.79	0.74	0.96	0.71	0.61	0.09
Europe	0.83	0.85	0.79	0.88	0.86	0.77	0.73	0.81	0.59	0.78	0.60	0.17
Asia Oceania	1.24	1.26	1.21	1.20	1.16	1.25	1.27	1.26	1.28	1.28	1.26	0.03
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.44	0.47	0.44	0.48	0.42	0.40	0.58	-0.18
Europe	0.02	0.05	0.01	0.02	0.02	0.02	0.01	0.00	0.03	-	-	-
Asia Oceania	0.40	0.45	0.43	0.34	0.43	0.45	0.45	0.45	0.44	0.45	0.46	0.00
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.26	0.40	0.31	0.37	0.28	0.43	0.40	0.57	-0.17
Europe	0.11	0.26	0.25	0.26	0.34	0.22	0.29	0.24	0.29	0.33	0.27	0.07
Asia Oceania	0.34	0.33	0.31	0.35	0.30	0.24	0.28	0.34	0.09	0.38	0.39	-0.01
Kuwait Blend												
Americas	0.08	0.22	0.28	0.23	0.30	0.30	0.33	0.46	0.29	0.23	0.38	-0.15
Europe	0.08	0.09	0.10	0.11	0.12	0.07	0.07	0.02	0.08	0.11	0.11	0.00
Asia Oceania	0.57	0.65	0.64	0.62	0.63	0.65	0.71	0.80	0.61	0.70	0.65	0.05
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.10	0.06	0.05	0.10	0.11	0.10	0.10	0.08	0.02
Asia Oceania	0.04	0.02	0.00	-	0.01	-	0.01	-	0.02	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.01	0.04	0.03	0.00	-	-	0.01	0.02	-0.01
Asia Oceania	0.51	0.33	0.30	0.25	0.31	0.24	0.33	0.27	0.53	0.20	0.41	-0.20
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.62	0.61	0.62	0.62	0.60	0.67	0.59	0.71	-0.12
Europe	0.05	0.08	0.07	0.08	0.10	0.04	0.08	0.08	0.07	0.08	0.08	0.01
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.67	0.70	0.79	0.64	0.69	0.59	0.65	0.52	0.14
Europe	0.12	0.14	0.14	0.16	0.14	0.13	0.15	0.16	0.13	0.16	0.14	0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.44	1.53	1.56	1.50	1.51	1.66	1.47	0.19
Europe	-	-	-	-	-	-	0.00	-	0.01	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.03	0.02	0.01	0.02	-	0.04	0.03	0.02	0.01
Europe	0.64	0.55	0.47	0.42	0.52	0.46	0.53	0.55	0.44	0.59	0.33	0.26
Asia Oceania	0.02	0.07	0.06	0.04	0.02	0.05	0.16	0.23	0.15	0.10	0.16	-0.06
Russian Urals												
Americas	0.01	0.00	0.00	0.02	-	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.93	1.64	1.76	1.74	1.65	1.85	1.74	1.96	-0.22
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.02	0.09	0.05	0.02	0.03	0.04	-	0.07	-
Europe	0.62	0.53	0.59	0.60	0.59	0.57	0.60	0.63	0.64	0.54	0.61	-0.07
Asia Oceania	-	-	0.00	0.01	-	-	0.02	-	0.04	0.03	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	0.01	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.78	0.42	0.22	0.23	0.19	0.36	0.15	0.77	-0.62
Asia Oceania	0.01	0.04	0.03	0.03	0.02	0.02	-	-	-	-	0.06	-
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.15	0.01	-	0.01	-	-	0.02	0.28	-0.25
Europe	0.45	0.58	0.53	0.46	0.46	0.57	0.58	0.56	0.58	0.59	0.45	0.14
Asia Oceania	0.05	0.04	0.03	0.05	0.03	0.02	0.03	0.03	0.03	0.03	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Jan 14	Feb 14	Mar 14	Year Earlier Mar 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5110	5266	5479	4655	4450	4436	4514	4405	5172	-15%
Europe	8988	9346	8921	9243	9112	8399	8201	8233	8158	8208	8833	-7%
Asia Oceania	6609	6761	6553	6242	6465	6519	6957	6736	7088	7060	7011	1%
Total OECD	22468	22208	20584	20750	21056	19573	19608	19406	19760	19672	21016	-6%
LPG												
Americas	30	20	17	14	4	14	19	11	29	18	33	-45%
Europe	318	287	382	400	361	412	386	383	449	333	392	-15%
Asia Oceania	568	620	546	547	524	517	544	524	600	514	607	-15%
Total OECD	916	927	945	961	890	942	949	918	1078	865	1033	-16%
Naphtha												
Americas	42	20	17	20	16	11	28	12	53	21	29	-28%
Europe	298	381	313	275	305	323	341	348	385	296	320	-8%
Asia Oceania	884	900	927	939	866	949	1040	1119	992	1006	1008	0%
Total OECD	1224	1301	1257	1235	1187	1284	1409	1479	1429	1322	1356	-3%
Gasoline[3]												
Americas	762	730	659	806	637	583	550	455	604	597	735	-19%
Europe	222	212	108	97	127	92	155	173	105	182	72	154%
Asia Oceania	95	86	83	91	73	72	89	98	105	64	88	-27%
Total OECD	1079	1028	850	994	837	747	794	727	814	842	894	-6%
Jet & Kerosene												
Americas	77	73	81	82	93	98	81	37	103	104	30	242%
Europe	397	398	446	435	509	512	384	378	376	395	327	21%
Asia Oceania	58	62	74	56	53	82	57	80	53	37	74	-50%
Total OECD	532	533	602	573	655	692	521	496	532	536	431	24%
Gasoil/Diesel												
Americas	72	59	58	81	46	21	200	148	224	231	105	120%
Europe	1044	984	1121	963	1170	1278	1095	1144	1089	1051	1151	-9%
Asia Oceania	147	185	162	166	137	170	154	171	131	156	136	15%
Total OECD	1263	1227	1341	1211	1352	1468	1448	1462	1444	1438	1392	3%
Heavy Fuel Oil												
Americas	268	206	165	150	193	155	162	197	169	120	240	-50%
Europe	537	521	551	512	613	539	594	586	651	551	434	27%
Asia Oceania	153	224	242	197	221	290	304	329	289	292	203	44%
Total OECD	958	951	959	859	1027	985	1060	1113	1109	963	877	10%
Other Products												
Americas	871	813	812	863	902	746	619	527	643	691	715	-3%
Europe	700	636	792	777	764	800	755	749	719	793	729	9%
Asia Oceania	366	356	385	372	404	382	461	479	467	438	416	5%
Total OECD	1937	1805	1989	2013	2070	1929	1836	1755	1829	1922	1860	3%
Total Products												
Americas	2122	1921	1809	2018	1891	1629	1659	1388	1825	1781	1887	-6%
Europe	3516	3419	3713	3460	3849	3955	3710	3762	3774	3601	3424	5%
Asia Oceania	2271	2432	2420	2368	2279	2463	2648	2800	2636	2507	2532	-1%
Total OECD	7909	7773	7942	7846	8018	8047	8017	7950	8234	7888	7843	1%
Total Oil												
Americas	8993	8022	6919	7283	7370	6284	6109	5824	6339	6186	7059	-12%
Europe	12504	12765	12634	12703	12960	12354	11911	11995	11932	11808	12257	-4%
Asia Oceania	8880	9194	8973	8611	8744	8982	9605	9537	9724	9566	9543	0%
Total OECD	30377	29981	28526	28596	29075	27620	27625	27356	27995	27560	28860	-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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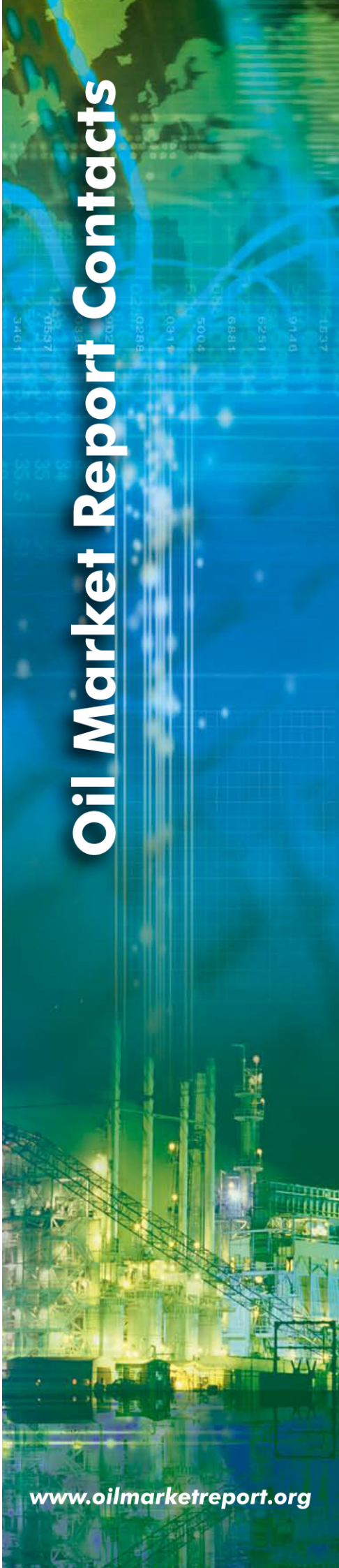
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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 9 August 2013), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 11 July 2014





International Energy Agency

11 July 2014

HIGHLIGHTS

- **Oil futures surged in mid-June by $5/bbl to a nine-month high of more than $115/bbl for Brent** as Islamist forces gained ground in Iraq, but later reversed their gains on confidence that Baghdad's southern fields would remain untouched and improved prospects for a recovery in Libyan exports. Brent last traded at $108/bbl, WTI at $102/bbl.

- **OPEC supplies were virtually unchanged in June at 30.03 mb/d,** as lower Iraqi production offset gains in Saudi Arabia, Iran, Nigeria and Angola. The 'call' on OPEC for 2H14 was cut by 350 kb/d to 30.6 mb/d on improved non-OPEC supply and lower demand, and is forecast to dip to 29.8 mb/d in 2015 from 29.9 mb/d in 2014.

- **Non-OPEC supply is forecast to grow by 1.2 mb/d in 2015, down slightly on 2013 and 2014 forecast levels.** Global supplies were largely unchanged month-on-month in June, at 92.6 mb/d, but 995 kb/d higher than a year ago. Annual non-OPEC output growth of 1.7 mb/d more than offset OPEC declines of 765 kb/d.

- **Global oil demand growth is forecast to accelerate to 1.4 mb/d in 2015 from 1.2 mb/d in 2014**, as macroeconomic conditions improve. The estimate of 2014 demand has been trimmed by 90 kb/d to 92.7 mb/d following weaker-than-expected mid-year economic data.

- **Global refinery crude runs dipped below year-earlier levels in June, for the first time since October**. Planned and unplanned outages, capacity rationalisation and weak margins cut runs by 0.9 mb/d on the year, to 76.8 mb/d. The 2Q14 estimate has been lowered by 0.3 mb/d, to 76.2 mb/d, while the 3Q14 forecast is unchanged, at 77.8 mb/d

- **OECD commercial oil inventories built by a steeper-than-usual 44.2 mb in May, to 2 639 mb.** Their deficit to the five-year average narrowed to 69.6 mb from a revised 106.1 mb at end-April. Refined products covered 29.0 days of demand at end-May, up 0.4 days on the month. Preliminary data show that OECD stocks rose by 8.3 mb in June.

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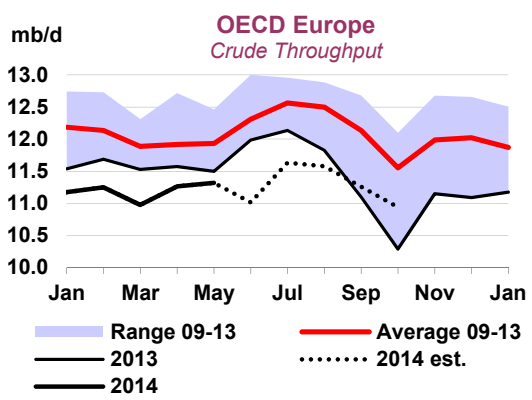
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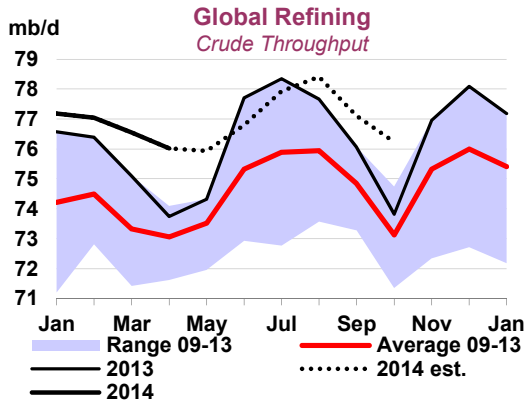
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OIL PRICES SWING ON SHIFTING MARKET CONCERNS

After surging to a nine-month high of more than $115/bbl for Brent on 19 June in the wake of the ISIS offensive in Iraq, oil prices quickly retraced their gains in late June and early July, with Brent slipping below $108/bbl and the Brent futures curve flipping into contango, indicative of a more relaxed, well-supplied market. The supply worries that had sparked last month's rally have since abated somewhat, but that is only part of the story. Market concerns also appear to have shifted to demand, with both product deliveries and refinery throughputs showing signs, perhaps short-lived, of counter-seasonal softness.

On the supply front, markets appear to have taken comfort in Iraq's ability so far to maintain stable levels of exports and production in the midst of a brutal sectarian conflict. At the same time, news that rebels in eastern Libya had lifted a months-long blockade of the Ras Lanuf and Es Sider terminals raised hopes that long-disrupted Libyan exports may soon ramp up. Production patterns in Saudi Arabia, which in the last two years has been prompt to respond to upward and downward shifts in global crude demand, suggest that crude markets are already well supplied. Contrary to seasonal patterns, the Kingdom barely hiked production in June, a sign that demand for its crude may not have significantly increased.





While markets may be more optimistic about future supply, current production levels have not changed much from May to June. Demand patterns may also go some way towards explaining the recent selloff. Product deliveries in Europe and OECD Asia fell somewhat faster than expected year-on-year in April and May, while disappointing economic indicators recently prompted the IMF to hint that its forecast of economic growth might be trimmed. Though Chinese strategic stockbuilding has kept crude imports elevated, Chinese demand growth remains sluggish. Last but not least, global refinery runs seem to have fallen short of expectations in June, dipping year-on-year for the first time since October, with runs plunging counter-seasonally in Europe and sinking to their lowest level in recent memory in Japan.

While the market may thus be going through something of a soft patch, prices remain historically high and there is no sign of a turning of the tide just yet. Global refinery throughputs already seem to be rebounding steeply, buoyed in part by record runs in Russia, capacity increases in Saudi Arabia and a return from unplanned outages in the United States. The global economy is still expected to gain momentum in 2015. Supply risks in the Middle East and North Africa, not least in Iraq and Libya, remain extraordinarily high.

The oil outlook for 2015, unveiled here in detail for the first time, also does not suggest any letup in market conditions. Non-OPEC supply is projected to stay high at 1.2 mb/d, driven mostly by further North American gains, while global demand growth is forecast to accelerate to 1.4 mb/d, from 1.2 mb/d in 2014. The 'call on OPEC plus stock change' looks set to inch down to 29.8 mb/d from 29.9 mb/d, but OPEC supply risk remains high. Product markets may also experience occasional turbulence as the global refining industry continues to restructure and capacity growth in Russia and East of Suez forces further closures in Europe and Japan. Whether in crude or product markets, there is little room for complacency.

DEMAND

Summary

- **Global oil deliveries are forecast to average 94.1 mb/d in 2015, up by 1.4 mb/d year-on-year (y-o-y).** As in recent years, the greatest upside is envisaged from non-OECD economies, which alone are forecast to rise by approximately 1.5 mb/d in 2015, thus more than offsetting a modest curtailment in OECD demand, driven by efficiency gains.

- **The estimate of global oil demand for 2Q14 has been revised downwards by 90 kb/d, to 91.9 mb/d**, on the back of weaker-than-expected recent delivery data. China, Germany, Italy and Iraq led the revisions. The European demand outlook has been curtailed in the wake of some disappointing economic news, although macroeconomic forecasts for the year as a whole still points towards modest GDP growth for Europe in 2014. Chinese deliveries, meanwhile, came out marginally below prior 2Q14 expectations, as heavy rainfall curbed already weak industrial oil use. Expectations of Iraqi demand have been lowered on the latest data releases and the ISIS military offensive in northern and central Iraq (see *OPEC Supply*).

- **For 2014 as whole, the global demand forecast at 92.7 mb/d has been curtailed by 90 kb/d** since last month's *Report,* reflecting the lower 2Q14 estimate and the growing realisation that macroeconomic conditions, although still likely to strengthen in the second half of the year, will probably now do so at a less dramatic pace than previously forecast. International Monetary Fund Director Christine Lagarde in early July called the global recovery "modest, laborious (and) fragile" and hinted that the 3.6% global GDP forecast for 2014 (accelerating to 3.9% in 2015), released in April, may have to be trimmed. Reflecting this mildly less bullish sentiment, the forecast of global oil demand growth for 2014 has been trimmed to 1.2 mb/d, down 0.1 mb/d from the previous forecast.

- **At 10.4 mb/d, the Chinese oil demand forecast for 2014 has been marginally curtailed since last month's *Report*,** with curbed estimates of industrial fuel use leading the correction. We now anticipate growth of approximately 3.3% in 2014, two-tenths of a percentage point below the previous estimate, as the latest data flow has surprised to the downside and we have restrained our assessment of the magnitude of the potential second half uptick.

Global Oil Demand (2013-2015)

(million barrels per day)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.7	3.8	3.6	3.7	3.7	3.8	3.9	3.8	4.0	3.9	4.0	4.1	4.0	4.1	4.1
Americas	30.1	30.4	30.9	31.1	30.6	30.4	30.7	31.2	31.3	30.9	30.6	30.9	31.3	31.5	31.1
Asia/Pacific	30.8	29.7	29.6	30.8	30.2	31.2	30.3	30.3	31.4	30.8	31.9	30.9	31.0	32.2	31.5
Europe	13.9	14.5	14.7	14.3	14.3	13.7	14.2	14.6	14.4	14.3	13.9	14.3	14.6	14.2	14.2
FSU	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.8	4.7	4.5	4.7	5.0	5.0	4.8
Middle East	7.6	8.0	8.5	7.8	8.0	7.9	8.2	8.7	8.0	8.2	8.0	8.5	9.0	8.3	8.4
World	**90.3**	**90.8**	**92.1**	**92.4**	**91.4**	**91.4**	**91.9**	**93.4**	**93.9**	**92.7**	**92.9**	**93.3**	**94.8**	**95.3**	**94.1**
Annual Chg (%)	1.2	1.5	1.6	1.2	1.4	1.2	1.2	1.4	1.6	1.3	1.6	1.4	1.5	1.5	1.5
Annual Chg (mb/d)	1.1	1.3	1.5	1.1	1.3	1.1	1.1	1.2	1.5	1.2	1.5	1.3	1.4	1.4	1.4
Changes from last OMR (mb/d)	0.01	0.02	0.00	0.00	0.01	0.03	-0.09	-0.16	-0.12	-0.09					

Global Overview

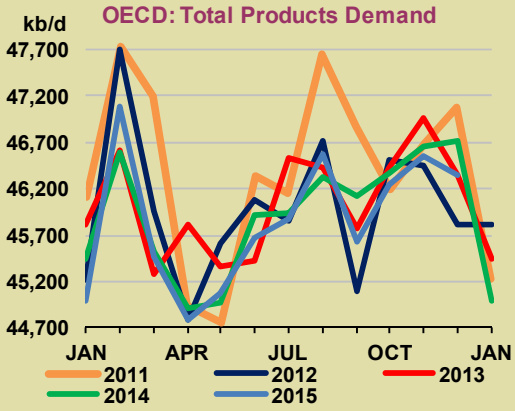
This month's *Report* sees the inclusion of detailed 2015 oil demand forecasts, with total global oil deliveries for the year predicted as rising by 1.4 mb/d (or 1.5%) on the year to 94.1 mb/d. Newly industrialised and emerging market economies are once again forecast to lead the gains, rising by approximately 1.5 mb/d to 48.2 mb/d, while OECD demand is forecast to decline by around 0.1 mb/d, to 45.9 mb/d.

The estimate of global demand for 2Q14 has been revised down by 90 kb/d, to 91.9 mb/d, from last month's *Report*. The latest European and Chinese economic numbers caused some alarm, as did fighting in Iraq, as lower economic activity has the potential to dampen the oil-use estimate in many regions. Notably reduced estimates of April deliveries are seen in this month's *Report*, with Italy (-75 kb/d), the UK (-70 kb/d), Iraq (-55 kb/d) and Turkey (-45 kb/d) being the main contributors. Only a few offsetting upward adjustments were seen in April, most notably for the US (+105 kb/d) and the Netherlands (+45 kb/d). Preliminary estimates of May oil deliveries also came in below expectations, with notable curtailments for China (-150 kb/d), Japan (-105 kb/d), Germany (-75 kb/d), Mexico (-55 kb/d) and France (-50 kb/d). Sizeable additions were however applied to May demand for Korea (+95 kb/d), the US (+55 kb/d) and Brazil (+50 kb/d), but that was not sufficient to offset overall reductions in the 2Q14 demand numbers.

The oil demand forecast for the year as a whole has also been curtailed, following a reduced 2Q14 estimate and signs that the global economic recovery may have eased back somewhat, mid-2014. Christine Lagarde, the Director of the International Monetary Fund (IMF), hinted in an early-July speech that a reduction in the IMF global growth forecast might be forthcoming. In April, the IMF reported that having risen by approximately 3.0% in 2013, the global economy would accelerate with growth of 3.6% in 2014 and 3.9% in 2015. While Ms. Lagarde talked about global growth potentially being weaker and investment subdued, she still highlighted that the "global economy is gathering speed" and that a "significant rebound" is expected for the US, while "looking at emerging Asian countries, and in particular China, we are reassured because … (growth has become) more sustainable." Reflecting this marginally weaker macroeconomic outlook, global oil deliveries are now forecast to average 92.7 mb/d in 2014, 90 kb/d below the forecast held in last month's *Report*, curbing the projected growth rate by 0.1 mb/d to 1.2 mb/d in 2014.

Oil Demand Looks Set to Accelerate in 2015

As is the norm for July's edition of the *Oil Market Report*, a detailed forecast for the year ahead is included for the first time. Total oil product demand is forecast to rise by around 1.4 mb/d in 2015, to 94.1 mb/d. The non-OECD demand sector, having overtaken that of the OECD in 2014, is forecast to widen its lead in 2015, rising to an average of roughly 48.2 mb/d, while OECD deliveries are projected to inch lower to 45.9 mb/d. The risks associated with the 2015 forecast are, however, particularly high. Notably, geopolitical uncertainty in Iraq, Ukraine, Libya, Nigeria and Venezuela bring with them macroeconomic uncertainty, which along with concerns expressed in early-July by the IMF's Christine Lagarde that "the global economy is gathering speed, though the pace may be a bit less than we previously predicted," also impact the demand forecasts.



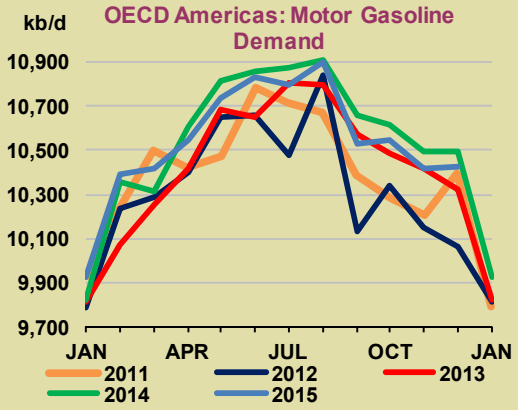
Broken down by quarter, total oil product demand is forecast to average 92.9 mb/d in 1Q15, before rising steadily to a peak of about 95.3 mb/d in 4Q15. Quarter-on-quarter (q-o-q) growth will likely peak seasonally for the year in the third quarter, with 3Q15 demand forecast at 94.8 mb/d, up 1.5 mb/d on 2Q15 as peak summer driving demand lifts deliveries.

Gasoil/diesel will lead demand growth, followed by LPG (including ethane) and gasoline. Industrial demand will support demand for gasoil/diesel and LPG, while gasoline demand growth is expected to be particularly steep east of the Suez, extending current trends. On the other hand, demand for residual fuel oil and 'other products' will contract on account of reductions in power sector usage, with Japan likely to be a key contributor.

Oil Demand Looks Set to Accelerate in 2015 (continued)

Two factors underpin the divergence in OECD and non-OECD demand trends. Firstly, a generally stronger rate of economic growth is forecast for non-OECD economies than for the OECD, with an expansion rate of around 5.3% assumed for the former, versus 2.3% for the latter. Secondly, oil demand per capita is considerably lower in non-OECD economies than in the OECD, and economic growth is typically more oil-intensive in the former than in the latter. Many non-OECD economies are entering a stage of development where rising household incomes and expanding industrial activity typically fuel relatively fast oil consumption growth.

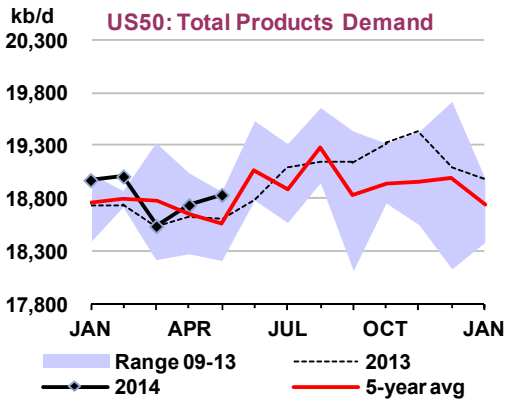
Demand in the non-OECD region also typically follows different seasonal patterns than in the OECD. Traditionally, OECD oil demand dips in the second quarter. In 2015, OECD demand is thus forecast to contract by 0.6 mb/d from the first to the second quarter, causing global demand growth to slow to a q-o-q low of 0.3 mb/d in 2Q15. Momentum is then forecast to accelerate in 3Q15, when OECD demand is forecast to rebound by around 0.9 mb/d q-o-q, lifting global q-o-q growth to 1.5 mb/d, consequential on a seasonal uptick in OECD gasoline demand, particularly in the Americas.

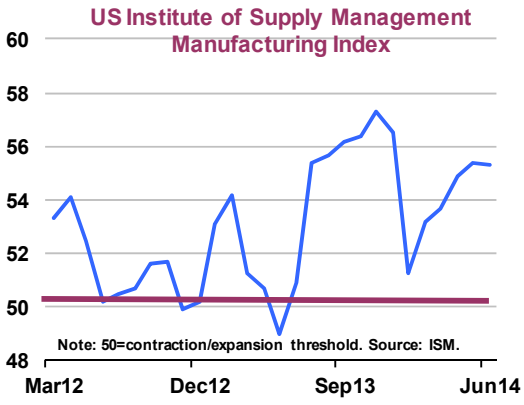


Top 10 Consumers

US

US oil deliveries were revised up to 18.7 mb/d for April, equivalent to y-o-y growth of 0.7%, versus the 0.1% increase projected in last month's *Report*. This made April the eighth successive month of y-o-y growth. The US economy turned a corner in 2013, supporting a more robust industrial trend and hence additional oil use. The Institute for Supply Management's closely tracked manufacturing index, having been in 'contracting' territory mid-2013, rose into 'expansionary' terrain by 4Q13. Growth slowed in January due to harsh winter weather but later edged higher through May. At the same time, industrial fuels, such as gasoil and LPG (which includes ethane in our definition), led associated gains in oil consumption, with gasoil demand rising by an average 4.9% in the eight months from September to April and LPG deliveries expanding by 2.8% over the same period.

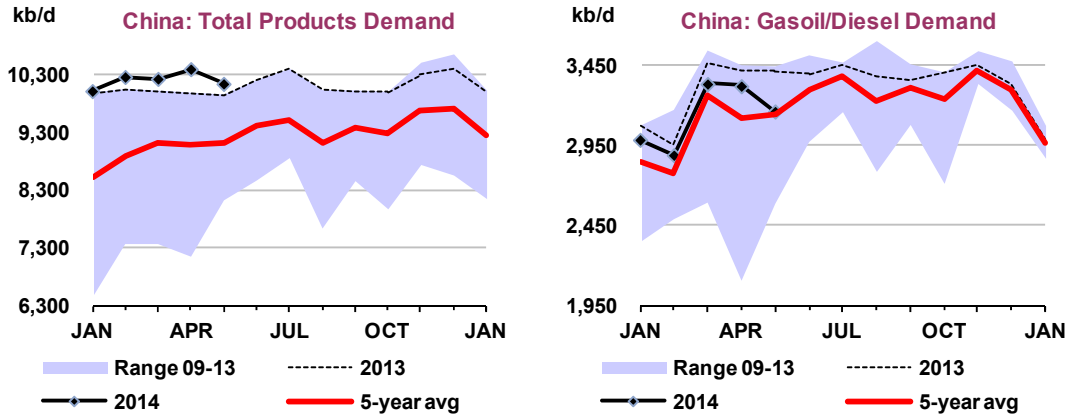




Preliminary estimates show US demand rising to approximately 18.8 mb/d in May, its highest level since February and a ninth consecutive y-o-y gain. The key drivers of this growth remain the relatively strong gains seen in US industrial and transportation demand. Preliminary estimates point to a further demand gain in June, to 19.2 mb/d, the highest level of US deliveries since end-2013. For 2014 as a whole, US demand is forecast to rise by 0.6% to 19.0 mb/d, with a further 0.2% gain projected in 2015, to 19.1 mb/d.

China

Chinese oil demand growth remained relatively subdued in May, when deliveries were estimated at 10.1 mb/d, up 1.9% on the year. Absolute declines were seen in demand for both residual fuel oil and gasoil/diesel. While relatively low refinery runs suppressed overall Chinese oil deliveries as refineries entered peak maintenance season, heavy rainfall also curtailed both agricultural and construction diesel use.



Looking forward, we maintain our forecast for stronger Chinese oil demand growth in the second half of the year, taking the overall growth estimate for 2014 as a whole to +3.3%, as total deliveries average around 10.4 mb/d. The stronger demand growth forecast for the second half of the year reflects the trend in forward-looking indicators of Chinese manufacturing activity, such as the Manufacturing Purchasing Managers' Index (PMI), which flipped back to 'expansionary' territory in June after a five-month hiatus. The transportation sector, including both road and air transport, is forecast to lead the upside, with the continued expansion of the Chinese petrochemical sector also lifting naphtha demand. Moving into 2015, overall momentum is forecast to accelerate to +4.2%, as government support is expected to keep GDP growth above 7% and gasoil/diesel returns to stronger growth.

China: Demand by Product

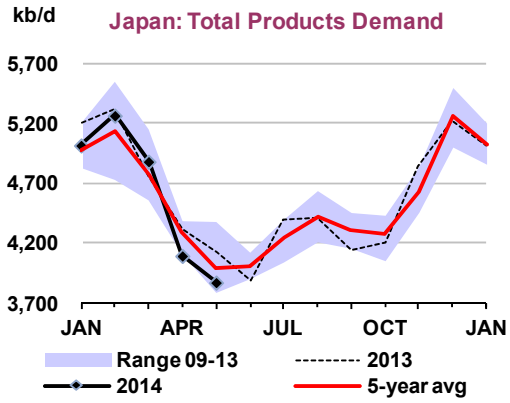
(thousand barrels per day)

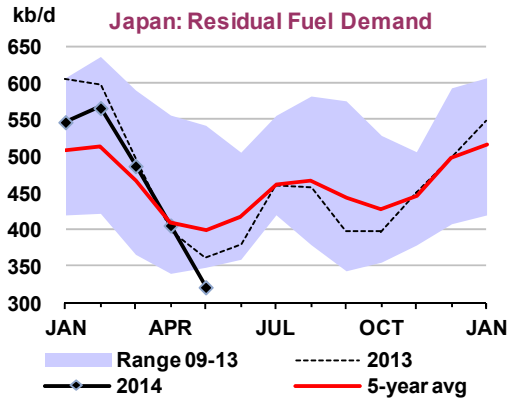
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
LPG & Ethane	786	821	905	35	84	4.5	10.2
Naphtha	1,084	1,145	1,181	60	36	5.6	3.2
Motor Gasoline	2,088	2,217	2,349	130	132	6.2	5.9
Jet Fuel & Kerosene	483	519	535	36	16	7.5	3.0
Gas/Diesel Oil	3,346	3,375	3,529	28	154	0.8	4.6
Residual Fuel Oil	465	452	461	-14	9	-2.9	2.0
Other Products	1,853	1,906	1,910	54	4	2.9	0.2
Total Products	**10,104**	**10,434**	**10,869**	**330**	**435**	**3.3**	**4.2**

Japan

Japanese oil deliveries fell to a three-year low of 3.9 mb/d in May, down 5.9% on the year, as both the power and petrochemical sectors saw lower oil requirements. Naphtha demand fell on account of the Mitsubishi Chemical Corporation announcing the permanent closure of a major cracker, while fuel-switching to abundant and relatively low-cost coal undermined power-sector demand. With industrial output in Japan also now rising at its weakest clip in nine months, +0.8% y-o-y in May, this compounded the downside pressure on industrial fuel use, hence the y-o-y declines seen in gasoil, fuel oil, naphtha and 'other products' in May. April's sales-tax hike, coupled with ailing consumer confidence, also played

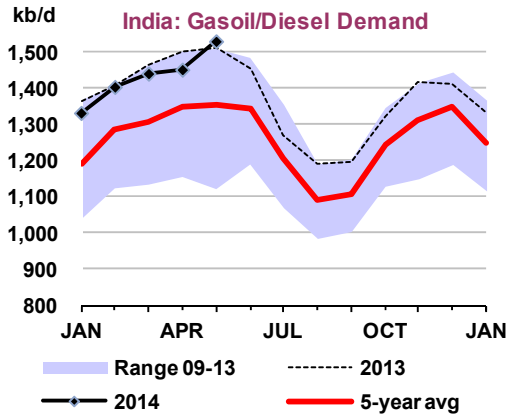
a key role in the sharp contraction seen in gasoline deliveries. The Cabinet Office's monthly consumer confidence index, which assesses household confidence against a threshold whereby any reading above 50 indicates 'optimism' and that below 'pessimism', stood at a worrying 39.3 in May. In view of the weaker-than-anticipated April-May trend, the Japanese oil demand forecast for the year as a whole has been curbed by 25 kb/d to 4.4 mb/d. This amounts to a 3.6% reduction in oil deliveries in 2014, with a further 2.2% contraction projected in 2015, to 4.3 mb/d, as economic activity in Japan is widely expected to slow while the power-sector oil requirement further eases.

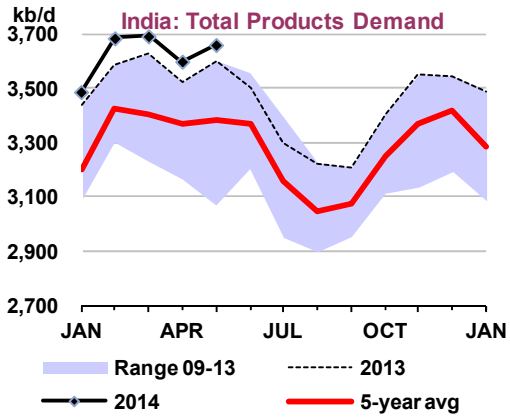




India

Indian diesel deliveries were surprisingly robust in May, at 1.5 mb/d, posting their first annual gain in more than a year. This uptick in diesel deliveries lifted total Indian oil demand to 3.7 mb/d, up by about 60 kb/d on both April 2014 and May 2013 levels. Diesel accounted for a large swathe of May's m-o-m growth, driven by additional consumption associated with the general election and increased use of back-up diesel generators amid widespread power outages reported during the month. Over the course of the year, total Indian demand is expected to average around 3.6 mb/d, a gain of 2.7%, with growth then forecast to accelerate in 2015 as economic growth also gains momentum.



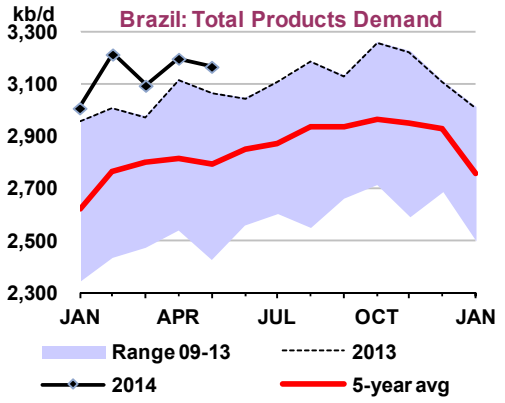


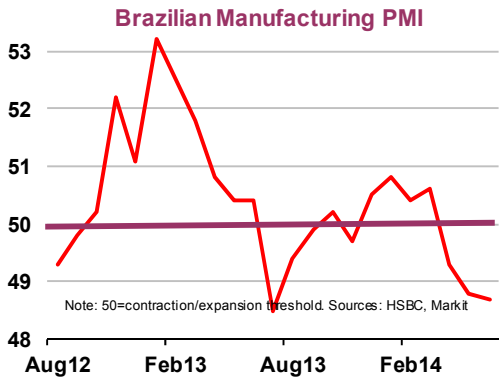
Russia

Russian oil deliveries rose to 3.3 mb/d in April, up 6% y-o-y, led by the transport fuel sector, including gasoline, gasoil/diesel and jet/kerosene. This represented a six-month high in demand growth. With macroeconomic conditions likely to deteriorate in the second half of the year, Russian oil demand growth is expected to ease back to around 2% for 2014 as a whole, to 3.5 mb/d. A similar growth rate is foreseen for 2015.

Brazil

Despite recent weaknesses in the Brazilian economy, oil product demand has remained relatively strong, rising by nearly 4% y-o-y in the first five months of the year. Preliminary data show May oil demand at roughly 3.2 mb/d, up by 3.4% on the previous year, with particularly strong gains seen in the Brazilian transport sector. Contractions in industrial output in March and April did little more than quell the pace at which oil demand grew. The outlook for the second half of 2014 is more subdued (+2%), as the growth forecast decelerates on account of the anticipated post-World Cup economic climb-down. HSBC's Manufacturing PMI fell back into 'contracting' territory in April and has remained there through June, implying more subdued manufacturing activity in the second half of the year. The forecast for 2015 is for a gain of around 2.3% in total Brazilian oil use, underpinned by a near 2.7% expansion in economic activity overall.





Saudi Arabia

Saudi Arabian oil demand remains relatively robust, rising by around 3% y-o-y in 1Q14 to 2.8 mb/d, and is expected to maintain this momentum through the course of the year as total oil use is buttressed by continued economic growth. Rapid gains in demand for gasoline and jet fuel are forecast to lead oil demand growth, buoyed by relatively hearty consumer confidence. The Nielsen Global Survey of Saudi consumer confidence and spending intensions depicts Saudi Arabian consumer confidence in 1Q14 rising to its highest level since the end of 2012. Oil demand growth is forecast to accelerate to 3.6% in 2015, to 3.2 mb/d, as the strengthening underlying economic growth trend continues, while the commissioning of new petrochemical capacity will also support oil use.

Top-10 Oil Consumers

(thousand barrels per day)

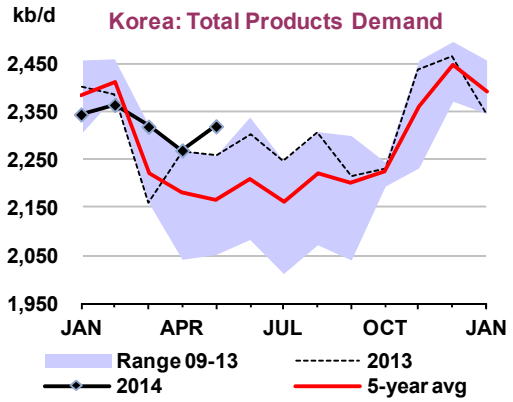
	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Apr-14	2014	2015	Apr-14	2014	2015	Apr-14	2014	2015
US50	18,741	19,046	19,076	122	107	30	0.7	0.6	0.2
China	10,393	10,434	10,869	414	330	435	4.1	3.3	4.2
Japan	4,097	4,398	4,299	-223	-165	-99	-5.2	-3.6	-2.2
India	3,598	3,551	3,661	77	94	111	2.2	2.7	3.1
Russia	3,288	3,482	3,549	190	66	67	6.1	1.9	1.9
Brazil	3,198	3,187	3,260	83	89	73	2.7	2.9	2.3
Saudi Arabia	3,000	3,118	3,229	97	93	111	3.3	3.1	3.6
Germany	2,392	2,412	2,414	-190	7	2	-7.4	0.3	0.1
Korea	2,270	2,319	2,312	2	14	-7	0.1	0.6	-0.3
Canada	2,182	2,321	2,295	-90	16	-25.8	-4.0	0.7	0.7
% global demand	59%	59%	58%						

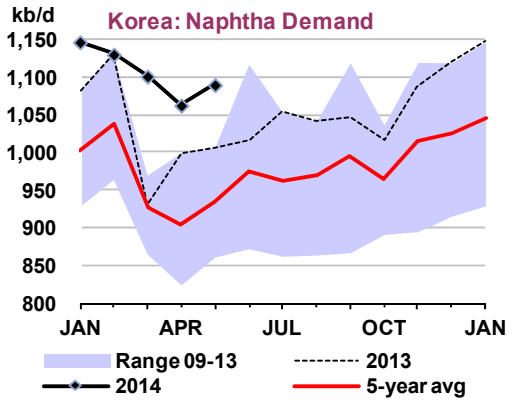
Germany

At 2.4 mb/d in April, German oil deliveries were roughly 7.4% below the year earlier and 25 kb/d below the estimate carried in last month's *Report*. The downside revision reflects slower growth in industrial activity, up just 1.8% y-o-y in April, the shallowest gain in six months. Absolute declines were seen in most of the major product categories in April. Only naphtha and jet/kerosene demand grew, respectively by 8.1% and 3.2%. Preliminary estimates show May demand falling to 2.3 mb/d, led by steep drops in gasoil and residual fuel oil use. This correction in industrial oil use has occurred as manufacturing sentiment has stuttered somewhat, reversing an earlier strong run. For the year as a whole, total German oil use is forecast to rise modestly, up by around 0.3% to 2.4 mb/d, a level that it is roughly forecast to be maintained in 2015.

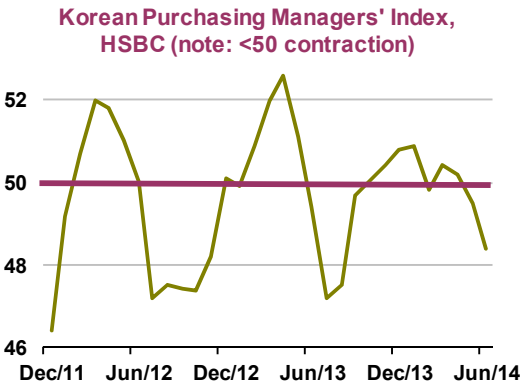
Korea

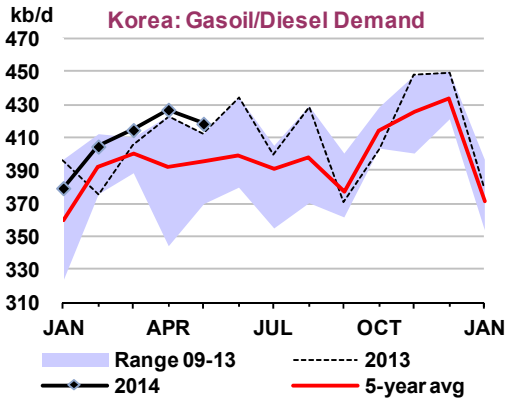
A dramatic uptick in Korean naphtha demand saw total South Korean oil deliveries clamber up to approximately 2.3 mb/d in May, roughly 65 kb/d (or 2.8%) above the year earlier level. Naphtha deliveries surged to 1.1 mb/d, up by nearly 85 kb/d y-o-y on account of relatively light cracker maintenance. Road transport demand also rose in May, with deliveries of both gasoline and gasoil/diesel up on the year-earlier, as the Ministry of Land, Transport, Maritime Affairs reported total car registrations rising to an all-time high of 19.7 million in May.





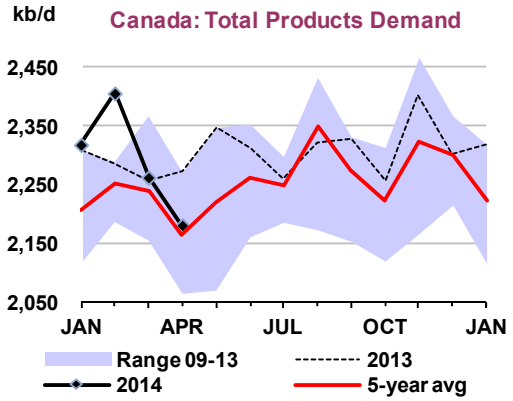
Despite the strength of May's demand data, the forecast for the year as a whole has not significantly been raised since last month's *Report* as business sentiment indicators for the second half of the year, such as HSBC's Manufacturing PMI, have turned back into 'contracting' territory. Moving into 2015 the forecast points towards modestly declining Korean oil use, as efficiency gains are expected to outweigh the demand support provided by the relatively resilient macroeconomic backdrop.

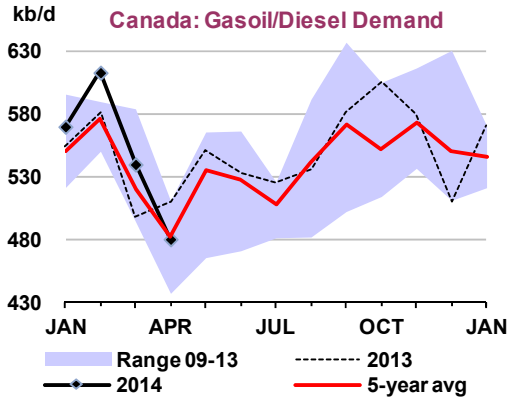




Canada

The latest official Canadian demand data depicted a sharp drop in total deliveries, to 2.2 mb/d in April, with notable curtailments reported in gasoil/diesel, fuel oil and 'other products', both in y-o-y and m-o-m terms. Demand fell on a combination of curbed industrial optimism and warmer weather conditions in the country. After a relatively flat year in 2014, the Canadian demand trend is forecast to head south once again in 2015, as the effect of industrial and vehicle efficiency gains outweigh the upside that arises on account of continued economic growth.





OECD Demand based on Adjusted Preliminary Submissions - May 2014

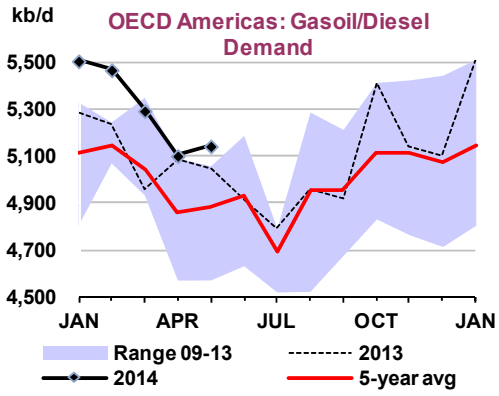
(million barrels per day)

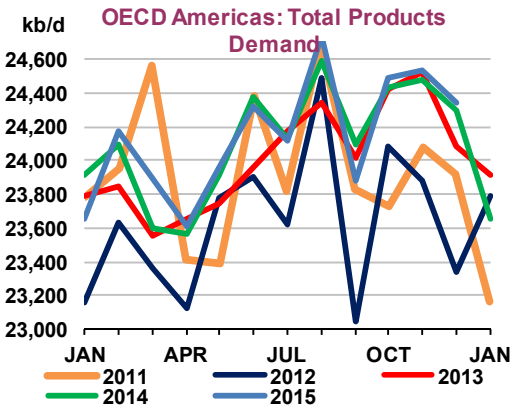
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.82**	**1.2**	**1.73**	**1.8**	**4.69**	**3.7**	**0.45**	**-13.8**	**0.50**	**-15.2**	**5.73**	**0.02**	**23.91**	**0.7**
US50	9.12	1.6	1.45	1.9	3.76	4.4	0.11	-32.0	0.17	-17.8	4.22	-0.05	18.84	1.3
Canada	0.80	0.8	0.15	-1.4	0.29	0.9	0.26	-0.8	0.05	-2.7	0.78	-3.27	2.32	-1.0
Mexico	0.77	-2.0	0.06	10.6	0.41	-1.0	0.04	-27.6	0.16	-24.1	0.60	5.02	2.05	-2.5
OECD Europe	**1.91**	**-1.7**	**1.25**	**1.5**	**4.41**	**0.8**	**1.24**	**-19.8**	**0.91**	**-10.2**	**3.60**	**-0.19**	**13.31**	**-2.9**
Germany	0.44	1.1	0.19	-4.1	0.71	3.0	0.30	-28.0	0.10	-22.6	0.60	2.08	2.34	-4.8
United Kingdom	0.30	1.2	0.31	0.4	0.46	4.2	0.12	-2.1	0.04	3.6	0.28	-2.48	1.50	1.0
France	0.16	-3.9	0.16	0.6	0.66	-2.2	0.19	-30.6	0.04	-22.9	0.40	-3.43	1.61	-7.5
Italy	0.19	-0.6	0.10	6.4	0.42	-2.4	0.10	-8.0	0.05	-44.8	0.34	-7.51	1.19	-6.2
Spain	0.11	-0.5	0.12	5.0	0.43	1.8	0.12	-8.2	0.16	4.7	0.25	-4.78	1.18	-0.3
OECD Asia & Oceania	**1.52**	**-3.0**	**0.63**	**-4.8**	**1.27**	**1.4**	**0.46**	**-2.4**	**0.60**	**-6.3**	**3.25**	**-1.79**	**7.74**	**-2.2**
Japan	0.90	-3.8	0.33	-10.6	0.42	1.1	0.34	-3.1	0.32	-10.6	1.57	-7.26	3.87	-5.9
Korea	0.21	2.6	0.13	2.6	0.31	2.1	0.11	0.0	0.22	-1.6	1.35	4.07	2.32	2.8
Australia	0.30	-3.0	0.14	1.2	0.44	1.4	0.00	0.0	0.03	-1.1	0.25	2.72	1.15	0.4
OECD Total	**14.25**	**0.4**	**3.60**	**0.4**	**10.36**	**2.2**	**2.16**	**-15.3**	**2.01**	**-10.4**	**12.58**	**-0.51**	**44.96**	**-0.9**

* Including US territories

OECD

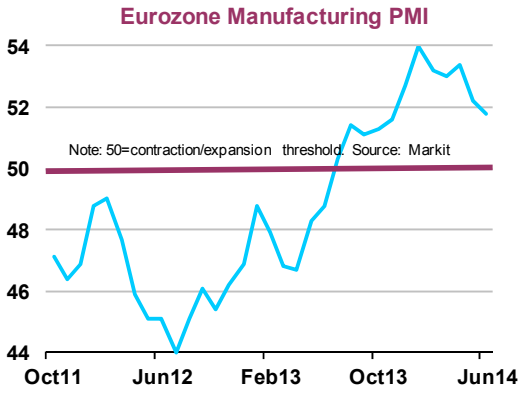
Preliminary estimates of May deliveries suggest that the rising y-o-y OECD demand trend, that took hold at the end of 2013, was little more than a temporary aberration. Having risen in y-o-y terms in each of the 2Q13, 3Q13 and 4Q13, breaking the previously strongly declining demand trend that largely held through mid-2011, absolute y-o-y OECD declines returned in 1Q14 (-0.1%), before taking root in April and May. This reversal fits with the forecast we have carried for some time now, and will likely continue for the year as a whole and into 2015, as the negative demand-side influence from the assumed efficiency gains and continued product switching out of oil are forecast to more than offset the positive influence provided by the likely recuperation in economic activity.

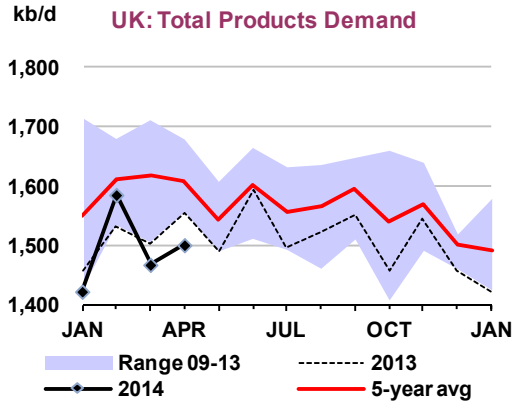




Americas

Rising by an estimated 0.7% y-o-y in May, oil deliveries in the OECD Americas bucked the overall declining OECD trend, consequential most of all on continued strong gains in industrial fuel use in the US. Conditions across the region are not uniformly supportive, with absolute demand declines still being seen in Canada and Mexico. At just 2.0 mb/d in May, the **Mexican** demand estimate came out roughly 55 kb/d below the month earlier forecast, as gasoline use posted its sharpest y-o-y decline in six months (down 2.0% to 770 kb/d). Mexican gasoline demand has been falling recently, as relatively weak income growth co-exists alongside sharp price gains (+12% in 2013, with a further 10-12% expected for 2014) and ongoing engine efficiency improvements. The weak domestic transportation fuel market, coupled with further power-sector shifting out of oil products towards natural gas, saw total Mexican oil deliveries fall by 2.5% y-o-y in May.

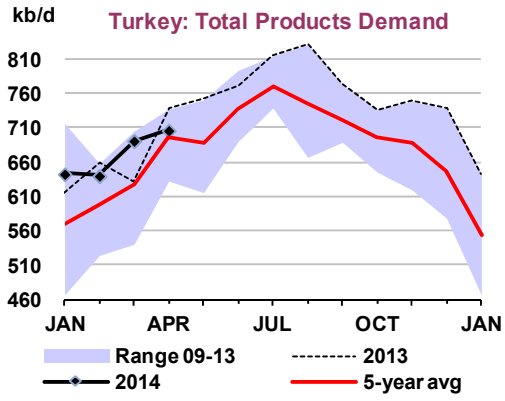


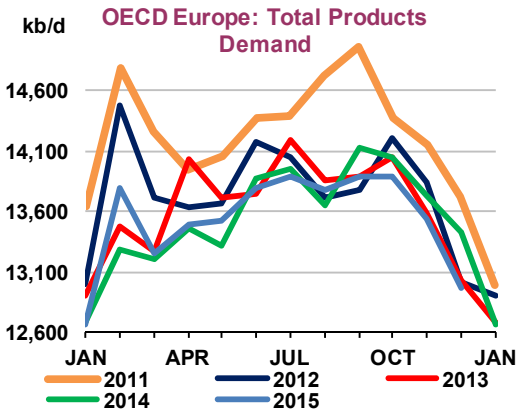


Europe

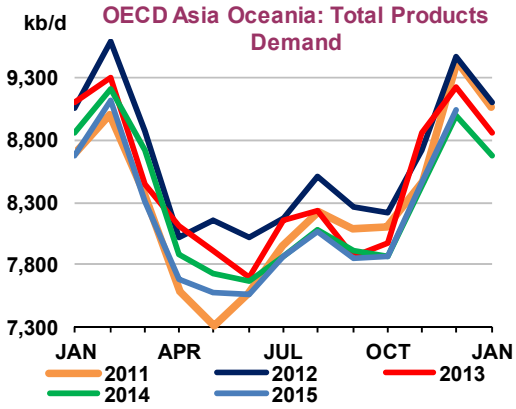
One of the main contributing factors to the reduced global 2Q14 demand estimate, over last month's *Report*, was the curtailed outlook for Europe. Deliveries in Europe came in at around 13.3 mb/d in May, 2.9% down on the year earlier and 95 kb/d below the estimate previously carried as starkly lower German (-75 kb/d) and French (-50 kb/d) demand filtered through. This follows on from the similarly sized curtailments applied in April, with notably lower statistics released for Italy, the UK and Turkey. Behind these revisions lie the recent economic weakness, with manufacturing confidence (as tracked by HSBC's PMI) falling to a six-month low in May, while unemployment remains ratcheted up in double-digit territory (10.3% for the EU in May) and general (non-oil) deflationary pressures stir. Indeed this last fear encouraged the European Central Bank to move into unchartered territory by cutting deposit rates down below zero in a move that, along with reductions in refinancing rates and a package of other "targeted" easing methods, highlighted the seriousness of their concerns. The 2Q14 European demand estimate, at 13.5 mb/d, is accordingly 2.1% down on the year earlier.

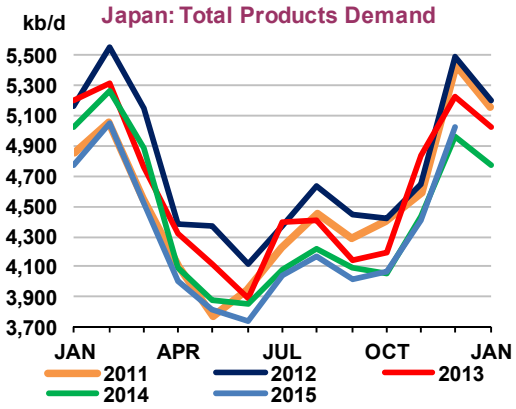
UK deliveries, at approximately 1.5 mb/d in April, continue the recent negative y-o-y trend, roughly 55 kb/d (or 3.4%) below the year earlier level and 70 kb/d below the forecast carried in last month's *Report*. At 1.2 mb/d in April, **Italian** demand came out 75 kb/d below the previous forecast, and down 9.9% on the year earlier, reflecting some fairly sizeable curtailments in both 'other product' and naphtha deliveries. **Turkish** deliveries, meanwhile, came out at a revised 705 kb/d in April, 45 kb/d below the previous estimate, as both gasoil and naphtha demand surprised on the downside. Overall the Turkish demand metric for April depicted a 4.2% y-o-y decline, with particularly sharp drops seen in naphtha.





The European demand outlook, at 13.6 mb/d in 2014 and falling to 13.5 mb/d in 2015, continues to contract, albeit not at the heady pace of recent years. This slowdown in the forecast decline rate occurs as a combination of waning efficiency gains (see *Medium Term Oil Market Report, 2014*) and the stronger macroeconomic backdrop increasingly feed through. Indeed, despite the severity of the recent economic concerns, the overall GDP growth trend likely remains supported above 1.5% for Europe in 2014, accelerating to 1.8% in 2015. The 1Q14 saw y-o-y GDP growth of 0.9% for the more subdued euro area, while more rapidly expanding non-euro zone economies such as the UK rose by 3.0% y-o-y. Even one of the much quoted reasons for downgrading the European economic outlook recently, the falling business survey or PMI numbers, remains supported above their key 'expansionary' threshold of 50, suggesting continued industrial output growth (after April's 1.4% y-o-y gain in euro zone production) through the second half of the year.





Asia Oceania

Preliminary data suggests that the previously entrenched falling OECD Asia Oceania oil demand trend (2006-09) has returned and will continue through the forecast. Down 2.2% on the year earlier in May, to 7.7 mb/d, and with a revised April estimate of 7.9 mb/d, down 2.9% y-o-y, the forecast for the year as a whole has been modestly curtailed to 8.3 mb/d, equivalent to a decline rate of 1.6%, with sharply curtailed power sector usage in Japan the key forecast laggard. A further decline of around 1.1% is

assumed for 2015, taking forecast oil deliveries down to 8.2 mb/d, with lower electricity generating demand in Japan once again the key deterrent.

Non-OECD

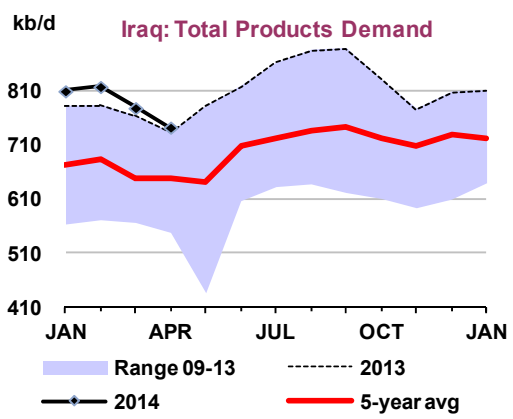
Recent demand data suggest relatively strong non-OECD oil product demand growth conditions remain, with preliminary 2Q14 estimates at 46.7 mb/d, pointing towards a 3.0% y-o-y gain. This 2Q14 growth spans all of the main product categories, though gasoil/diesel demand growth continues to be slowed by contraction in China. For the year as a whole, growth is expected to average around 3%, lifting demand to 46.7 mb/d, before accelerating economic growth raises oil demand growth to 3.2% in 2015, to 48.2 mb/d.

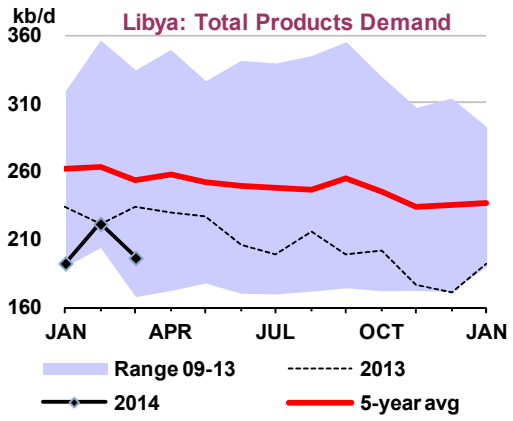
Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
LPG & Ethane	4,927	4,967	4,989	128	193	2.7	4.0
Naphtha	3,093	3,188	3,140	71	172	2.3	5.8
Motor Gasoline	9,492	9,465	9,726	246	445	2.7	4.8
Jet Fuel & Kerosene	2,920	2,922	2,880	134	114	4.8	4.1
Gas/Diesel Oil	14,162	13,689	14,415	61	134	0.4	0.9
Residual Fuel Oil	5,527	5,544	5,611	25	84	0.5	1.5
Other Products	5,713	5,813	5,923	453	224	8.5	3.9
Total Products	**45,834**	**45,588**	**46,685**	**1,120**	**1,365**	**2.5**	**3.0**

While it is impossible to predict how recent events in **Iraq** will unfold, it seems certain that ISIS advances and continued armed confrontation in parts of the country will take a toll on economic growth, and therefore, oil demand. The estimate of Iraqi demand growth had been previously based on the assumption of near 6% economic growth in 2014, accelerating to 6.7% in 2015. The current climate suggests anything more than 3% is unlikely. Lines have been reported at filling stations as the Baiji refinery shutdown curbed gasoline/diesel deliveries (see *Refinery* section), while domestic and business confidence have been adversely affected by the fighting and trade flows have been disrupted by border closures. Additional military oil use will likely provide only a partial offset. Overall, the Iraqi demand forecast has been trimmed by roughly 25 kb/d since last month's *Report,* to 830 kb/d, on the curbed macroeconomic outlook, with a further 35 kb/d removed from the 2015 estimate to 850 kb/d. As with any conflict, however, the risks are large and heavily skewed to the downside.





After a two-year hiatus, **Libya** released a sizeable backlog of JODI demand data this month, hence the large scale of the Libyan revisions for 2012-14. The revised 2012 Libyan oil demand estimate is now roughly 220 kb/d, 10 kb/d below the previous estimate, while the amended 2013 number is 210 kb/d, 35 kb/d less than expected in last month's *Report*. Downward adjustments spanned all the major product categories but were particularly pronounced for gasoil/diesel, reflecting the dire state of industrial activity in the country.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
Africa	3,705	3,804	3,897	61	134	1.6	3.6
Asia	22,085	22,239	22,495	418	699	1.9	3.2
FSU	4,823	4,445	4,618	146	120	3.4	2.7
Latin America	6,749	6,574	6,772	214	190	3.4	2.9
Middle East	7,769	7,860	8,213	258	209	3.4	2.6
Non-OECD Europe	702	666	690	23	14	3.6	2.0
Total Products	**45,834**	**45,588**	**46,685**	**1,120**	**1365**	**2.5**	**3.0**

Early July saw the **Egyptian** authorities make strides to reduce energy subsidies, with gasoline prices nearly doubling in some areas and talk of more upward adjustments to come. Higher prices, if they stick, will likely curb demand, hence this month's downward adjustment to the Egyptian demand forecast. In a recently released budget, for the fiscal year 2014-15, the government cut the budget allocation for energy subsidies to 100 billion Egyptian pounds (approximately $14 billion), a 30% reduction on the previous estimate. Planning Minister Ashraf al-'Arabi stated on 2 July that "the cost of gasoline, diesel, heavy fuel oil and gas deliveries to factories will rise, whereas the price of cooking gas will remain unchanged".

Subsidy cuts have looked to be necessary in Egypt for quite some time but successive administrations have avoided the move for fear of political backlash. Although Egypt's new president won a 96% majority in elections held in May (where the turnout was admittedly low), protests over the subsidy cuts, by taxi drivers, which caused many roads to be blocked and disrupted traffic flows in early-July, suggest that public acceptance of reduced energy subsidies is far from clear-cut. Nevertheless, our 2014 Egyptian demand forecast of 770 kb/d has been cut by 15 kb/d since last month's *Report*.

SUPPLY

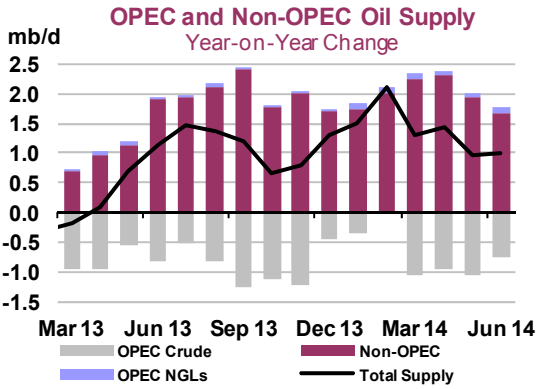
Summary

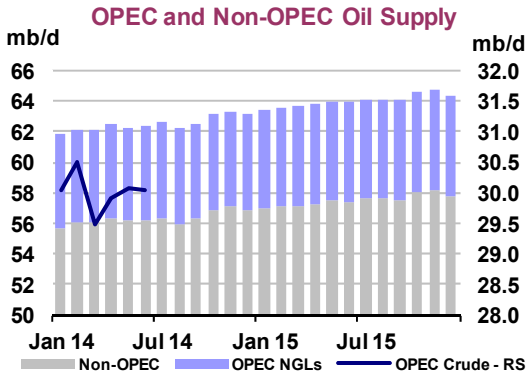
- **Global supplies were largely unchanged month-on-month (m-o-m) in June, up around just 20 kb/d to 92.6 mb/d.** Compared with one-year ago, global supplies were 995 kb/d higher, with non-OPEC supply growth of 1.7 mb/d more than offsetting the OPEC decline of 765 kb/d.

- **Non-OPEC supply growth in 2015 is forecast at 1.2 mb/d, which is in line with 2013 and 2014 growth levels.** The US and Canada remain the mainstays for growth, but sources are expected to be more diverse than in 2014.

- **June 2014 non-OPEC production rose by 55 kb/d m-o-m, as a seasonal increase in biofuels supply largely offset a 130 kb/d drop in all other liquids output.** The North Sea maintenance season is in full swing, with production in that area falling by over 0.5 mb/d from 1Q14 to 3Q14. Maintenance in places as far flung as Canada, Kazakhstan, and Malaysia is expected to significantly reduce production this summer.

- **OPEC crude oil supply was off a marginal 40 kb/d to 30.03 mb/d in June, with a decline in Iraqi output partially offset by small increases from Saudi Arabia, Iran, Nigeria and Angola.** The 'call on OPEC crude and stock change' for 2H14 was reduced by an average 350 kb/d to 30.6 mb/d following a downward revision to demand and an upward adjustment to non-OPEC supply numbers. For full year 2015, 'the call' was pegged at 29.8 mb/d, with increased non-OPEC supplies forecast to provide the lion's share of higher demand.





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

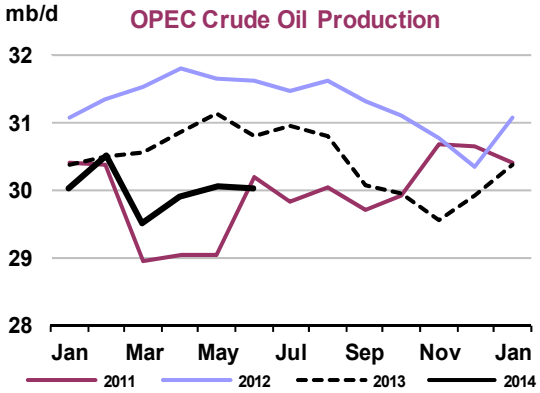
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 to -400 kb/d for non-OPEC as a whole.

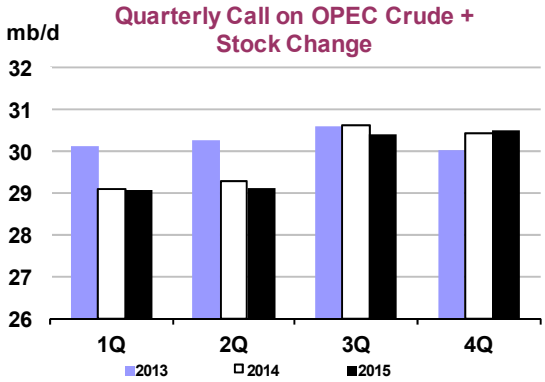
The non-OPEC supply overview and OPEC NGL section this month focuses on the roll out of our forecast to 2015, with discussion of key changes in production. However, to avoid duplication, several of the themes underpinning this analysis are elaborated upon in the MTOGM 2014*, released on 17 June 2014. Readers should consult the* MTOGM *for more detailed discussion of factors affecting supply in 2015 and beyond.*

OPEC Crude Oil Supply

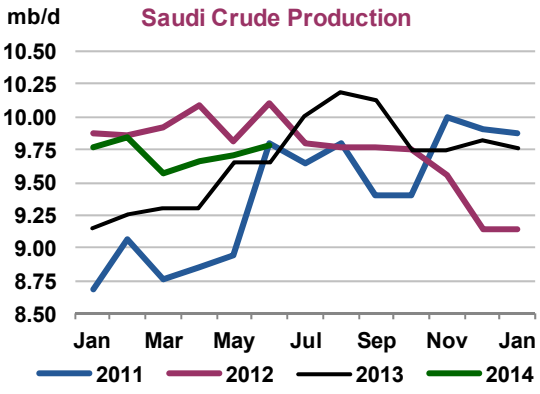
OPEC crude oil supply was off a marginal 40 kb/d to 30.03 mb/d in June, with a decline in Iraq output partially offset by small increases from Saudi Arabia, Iran, Nigeria and Angola. Iraq production of Kirkuk crude remained offline in the wake of surging militant activity in the region while exports of Basrah oil from southern ports were beset by technical issues. Higher crude oil output from the Kurdish region, however, partially offset declines elsewhere in the country following the controversial start-up of new export routes (see '*Iraq Under Siege*'.)

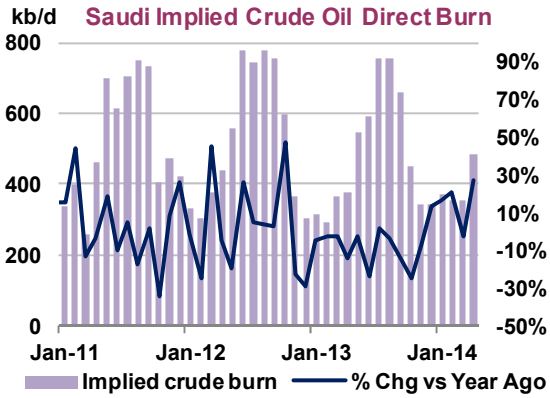
The 'call on OPEC crude and stock change' for 2H14 was reduced by an average 350 kb/d to 30.6 mb/d in line with a downward revision to demand and an upward adjustment to non-OPEC supply numbers. Despite the reduced assessment of the call for 2H14, OPEC would still have to raise production by more than 500 kb/d from June levels in order to balance the market. For full year 2015, the 'call' was pegged at 29.8 mb/d, with increased non-OPEC supplies forecast to meet the lion's share of higher demand. OPEC's 'effective' spare capacity was estimated at 3.25 mb/d compared with 3.27 mb/d last month, with Saudi Arabia holding 80% of surplus.





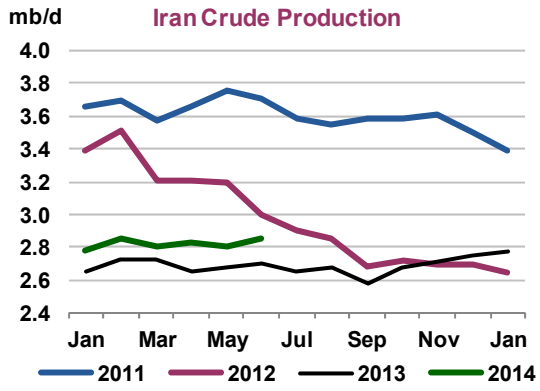
Saudi Arabia's crude output averaged 9.78 mb/d in June, up by 70 kb/d from May levels. The relatively modest increase reportedly reflects reduced buying from refiners, especially in Japan. Typically Saudi Arabia increases production in the summer to meet seasonally higher domestic demand for crude burn at power plants and stronger demand from refiners. Last year crude burned at power plants during the peak air-conditionning season between April and September averaged 615 kb/d compared to 360 kb/d in 1Q14. Saudi Arabia increased production last July to 10 mb/d, up 350 kb/d from June 2013 levels.

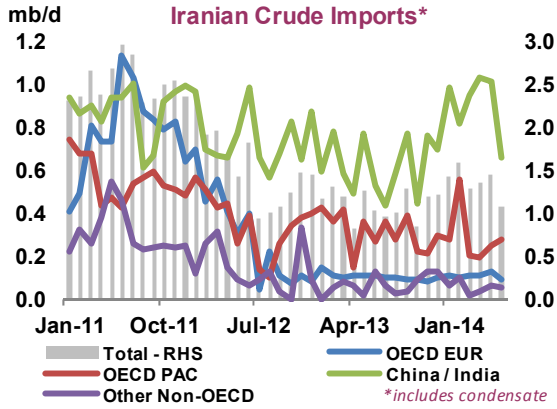




Crude oil production from **Iran** rose by 50 kb/d to 2.85 mb/d in June against the backdrop of a looming deadline to reach an agreement for the country's nuclear programme. Iran and the five permanent UN Security Council members plus Germany and the EU (P5+1) are in the final stretch of negotiations ahead of the 20 July deadline but progress to date has reportedly been limited. Under the interim deal, the

Joint Plan of Action (JPOA), agreed in November in Geneva, negotiations can be extended by a further six months by mutual consent. Reaching a long-term settlement, that would place broad, verifiable limits on the scope of Iranian nuclear activities in exchange for a phased removal of sanctions, is not assured.





After running well above the 1 mb/d target at an average 1.42 mb/d in the first five months of the year, import volumes of Iranian crude eased back to 1.08 mb/d in June, of which included 115 kb/d of condensate. June's volumes compares with an upward revision to May levels of 1.45 mb/d. Imports of Iranian crude reached a 20-month high of 1.58 mb/d in February. Regular buyers include China, India, Japan, South Korea and Turkey.

June preliminary data show imports from China retreated to just over 510 kb/d in June compared a lofty 760 kb/d in May and 800 kb/d in April. The rise in Chinese imports of Iranian crude coincides with an apparent increase n the country's strategic reserves for the same period (see Stocks, '*China Adds to its Strategic Petroleum Reserve*'). India posted the second largest monthly decrease, off 115 kb/d to an average 141 kb/d. That compares with an average 310 kb/d for the first five months of the year.

Japan reduced imports to around 120 kb/d in June, down 65 kb/d from May and 50 kb/d below the average 170 kb/d for the January-May period. South Korea is the only country to post an increase, up 95 kb/d to 160 kb/d in June. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports. Iranian imports also include some condensates from Iran's Assaluyeh terminal, which ebb and flow on a monthly basis, with volumes averaging around 190 kb/d for the first six months of this year.

OPEC Crude Production

(million barrels per day)

	Apr 2014 Supply	May 2014 Supply	Jun 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Jun 2014 Supply	1H14 Average Crude Supply
Algeria	1.12	1.12	1.12	1.17	0.05	1.07
Angola	1.63	1.62	1.68	1.80	0.12	1.57
Ecuador	0.55	0.56	0.56	0.57	0.01	0.55
Iran	2.83	2.80	2.85	2.90	0.05	2.82
Iraq	3.32	3.42	3.17	3.45	0.29	3.33
Kuwait[2]	2.81	2.78	2.78	2.90	0.12	2.79
Libya	0.22	0.22	0.24	0.80	0.56	0.32
Nigeria[3]	1.92	1.90	1.96	2.00	0.04	1.93
Qatar	0.70	0.70	0.70	0.73	0.03	0.72
Saudi Arabia[2]	9.66	9.71	9.78	12.40	2.62	9.70
UAE	2.69	2.75	2.72	2.90	0.18	2.73
Venezuela[4]	2.46	2.50	2.48	2.60	0.12	2.45
Total OPEC	**29.91**	**30.07**	**30.03**	**34.22**	**4.19**	***29.97***
(excluding Iraq, Nigeria, Libya and Iran)					**3.25**	

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in June.

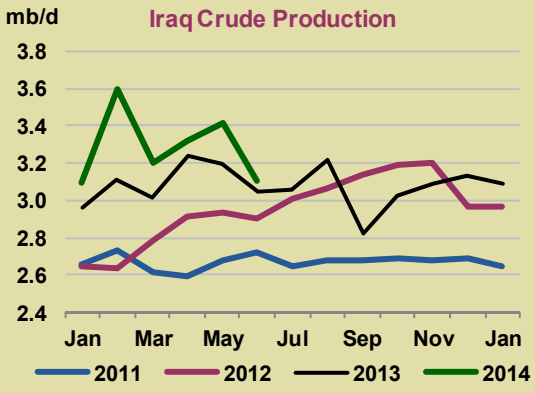
Iraq under Siege

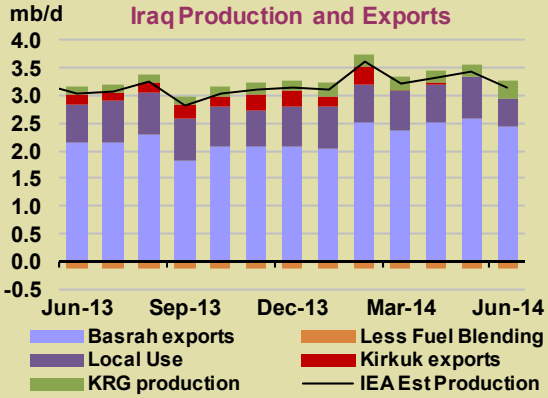
A month-long military campaign by radical militants from the Islamic State for Iraq and Syria (ISIS) has shaken Iraq's foundation and threatened oil operations in the north of the country, but the prized oil fields in the south are so far insulated from the fighting.

Output fell by around 260 kb/d in June to 3.17 mb/d after the assault forced the closure of the country's biggest refinery at Baiji and cut production from the giant Kirkuk field that feeds it to a trickle. Hundreds of kilometres from harm's way, exports from Iraq's giant southern fields were down 160 kb/d, to an average 2.42 mb/d, in June. Shipments were nearly 300 kb/d below the initial 2.7 mb/d loading schedule for the month, due mostly to logistical snags and maintenance at the Basra terminal. The northern Kurdistan region, however, increased output by 130 kb/d to 360 kb/d in June as ships began to load crude oil delivered via its independent pipeline to Turkey.

Barring more technical problems, Iraqi exports from the south could recover this month to around 2.6 mb/d, thanks to brimming storage tanks at Fao and added capacity from the fields of West Qurna-2 and Majnoon. The brutal Islamist campaign has led some international oil companies to withdraw non-essential staff, including ExxonMobil and BP, but company officials at work in the south say exports above 2.5 mb/d could be sustained because Iraqi engineers are fully capable of running the relatively simple operations at fields such as Rumaila, Iraq's biggest producer, West Qurna-1 and Zubair. The country's southern producing region is capable of cranking out production of roughly 2.8 mb/d, provided the kit works.

Iraqi production, including output from the Kurdish region, during the first half of this year ran at 3.3 mb/d versus an average of 3.1 mb/d in 2013. Baghdad may be able to maintain these higher flows for now, but prolonged sectarian bloodshed may shake investor confidence and set back longer-term growth in the country that had been poised to provide the biggest source of new OPEC capacity over the next decade. Even before Sunni extremists stepped up their campaign, the country's weak institutional capacity along with various logistical and infrastructure hurdles were jeopardising expansion plans.





The insurgents' lightning advance has already left them in command of large swathes of northern and western Iraq - home to the Baiji refinery, about 200 km north of Baghdad, as well as the gas fields of Mansuriyah and Akkas. ISIS forces have captured and are controlling the Ajeel oil field, which is pumping just shy of 30 kb/d as well as the largely untapped oil fields of Qayara, producing about 3 kb/d, and Najmah – loading output from the fields onto tanker trucks and selling it into Kurdistan.

With the 300 kb/d Baiji complex – which includes a power plant – off-line, acute product shortages are now impacting the northern region, including the Kurdish region – where petrol is being rationed. The Kurdish government is working to speed up gasoline imports, with priority given to its Peshmerga forces.

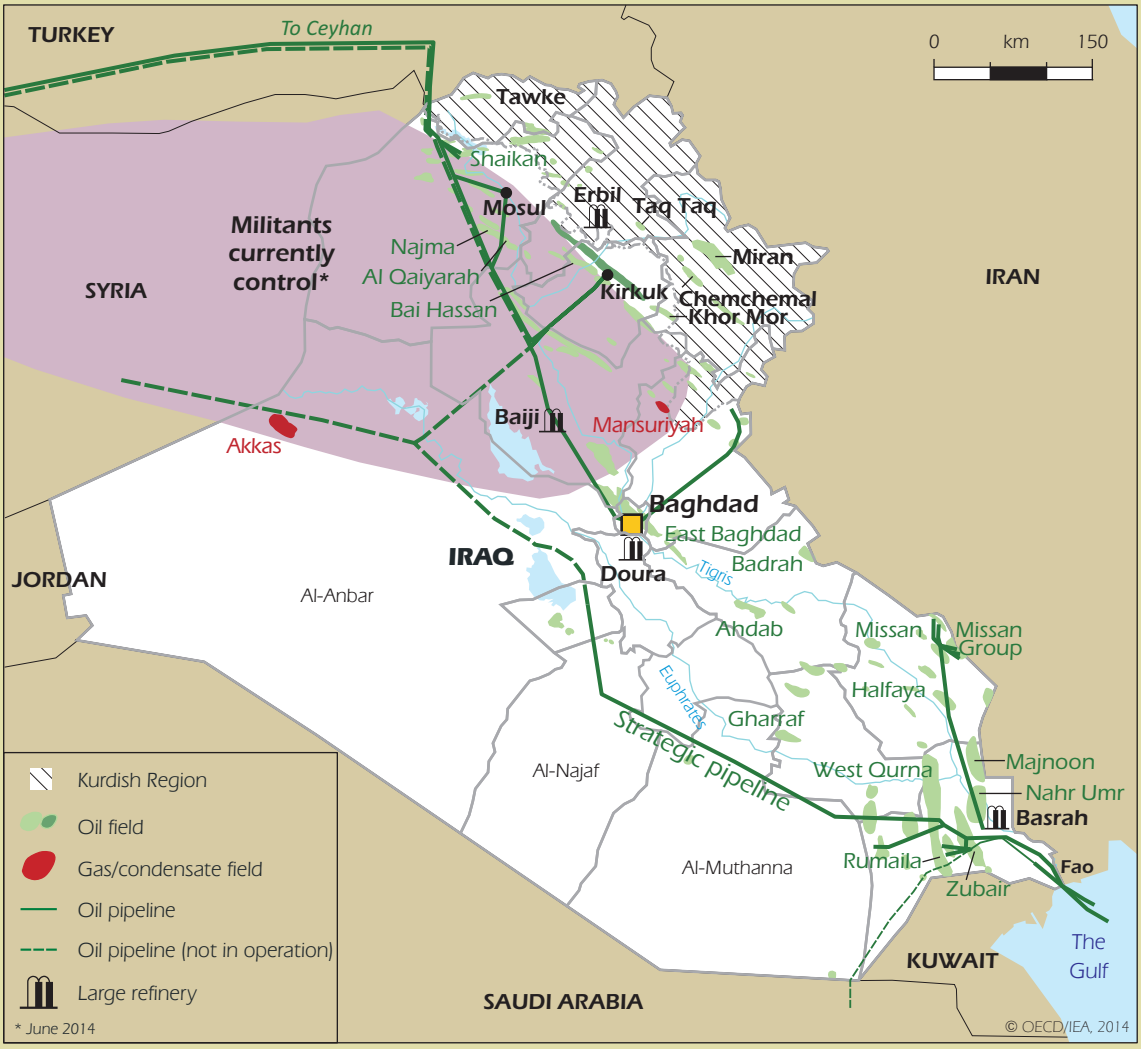
Repeated attacks by the Islamist militants have kept oil exports of some 250 kb/d from the Kirkuk field off-line since early March. Since then, the closure of the Baiji refinery - fed by Kirkuk - has slowed production at the ageing oil field to the bare minimum. The northern fields run by Iraq's North Oil Co (NOC) are pumping about 140 kb/d, of which more than 100 kb/d is being re-injected back into Kirkuk. The country needs the fields' associated gas, but has nowhere to place the oil.

The Kurdistan Regional Government (KRG) has meanwhile capitalised on the upheaval to make further strides towards independence from the besieged central government. With Kurdish Peshmerga guards in control of the Kirkuk field – the biggest prize in the north - and revenue coming in from its independent oil

Iraq Under Siege (continued)

sales, the KRG is in a far stronger position with Baghdad, especially with the Peshmerga putting up the most effective resistance to the ISIS fighters. Since the end of May, the KRG has shipped four tankers loaded with one million barrels each of Kurdish crude out of Turkey's Ceyhan port in the Mediterranean in addition to the hefty volumes that it is still trucking through Turkey and Iran.

With Kirkuk offline, a material increase in the country's production is likely to depend on growth from the Kurdish region since pipelines and pumps tying into export infrastructure in the south are bumping up against capacity. And an immediate boost from Kurdistan could prove problematic, since the KRG has found difficulty marketing its crude after Baghdad – still strongly opposed to Kurdistan exporting via its own pipeline - warned buyers to steer clear of what it calls "smuggled" oil. Only one of four KRG cargoes that has sailed from Ceyhan has found a home, having reportedly been discharged at the Israeli port of Ashkelon. Erbil has meanwhile threatened to take legal action against buyers of Iraq's oil unless the Kurdish region is paid its share of revenues from any sales.



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Around 120 kb/d of Kurdish crude is being routed by pipeline to Ceyhan and Kurdish Minister of Natural Resources Ashti Hawrami has said exports would rise to 400 kb/d by the end of the year. The pipeline can now handle sustained exports of around 150 kb/d and rates of at least 300 kb/d should be possible before the end of the year.

Kurdish production in June rose to around 360 kb/d, with the region's three core producing fields of Taq Taq, Tawke and Khurmala each providing around 100 kb/d. Around 150-200 kb/d is run through the country's two larger refineries and small 'teapots', with 120 kb/d exported by pipeline and the remainder trucked through Turkey and Iran. Similar rates are expected in July.

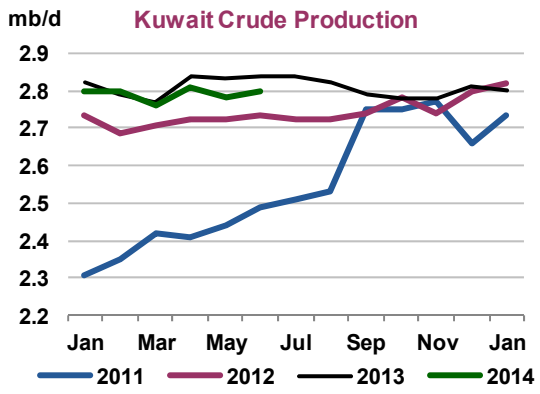
Iraq Under Siege (continued)

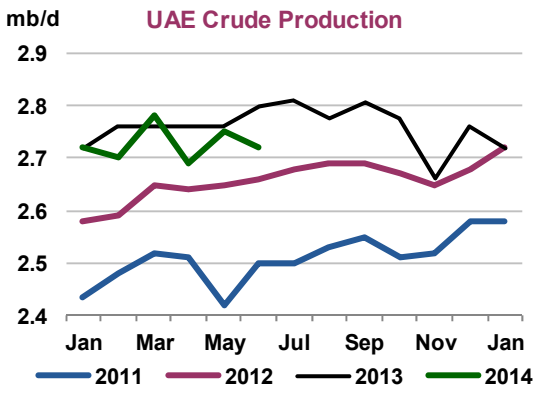
The KRG has also offered to use its own pipeline system to allow the federal government to export crude oil that has been stranded at the Kirkuk field due to the closure of the Iraq-Turkey pipeline since early March after repeated militant attacks. Kurdistan is building a pipeline spur that links Khurmala, the northernmost dome of Kirkuk which it controls, to the field's Avana dome, which – together with the Baba dome – is managed by the central government. Sources say the Kurds so-called "Peace Pipe" is nearly finished.

Baghdad and the Kurds are no closer to settling their dispute over land and oil rights. Baghdad signed a deal last year for UK major BP to revive Kirkuk, which is suffering from massive declines. Output at this 79-year-old field had slumped to around 250 kb/d from 900 kb/d in 2001 after years of injecting water and dumping unwanted crude and products into the field. Once rejuvenated, Baghdad hopes the field will pump around 600 kb/d.

Although Iraq's southern oil fields have so far remained untouched by the violence sweeping through the north and west, the risk remains that militants will target the region's vital infrastructure and cause a substantial or lengthy disruption. Should ISIS militants strike the southern oil network – now churning out nearly all of Iraq's supply to world markets and generating most of Baghdad's revenue – Asia, which takes roughly 60% of Basra Light shipments, would be most vulnerable. China, the biggest buyer of Iraqi oil, while India – Iraq's second largest customer – would have to replace around 500 kb/d. Europe and the US import relatively smaller volumes.

Kuwaiti crude oil production remained flat at 2.78 mb/d while **UAE** output declined by 30 kb/d to 2.72 mb/d in June. **Qatar's** production remained unchanged at 700 kb/d for the month.





Libyan production inched up 20 kb/d to 240 kb/d in June. The prospect for higher flows in July, however, seemingly improved after rebel militias announced an end to their 11-month blockade of vital oil terminals that has crippled the state's finances. Libya's state-owned NOC on 6 July lifted *force majeure* - a waiver of contractual obligations - at the eastern ports of Ras Lanuf and Es Sider, which between them handle 600 kb/d, but a significant sustained increase in exports may be weeks away as terminals and oil fields must be inspected for damage and necessary repairs completed.

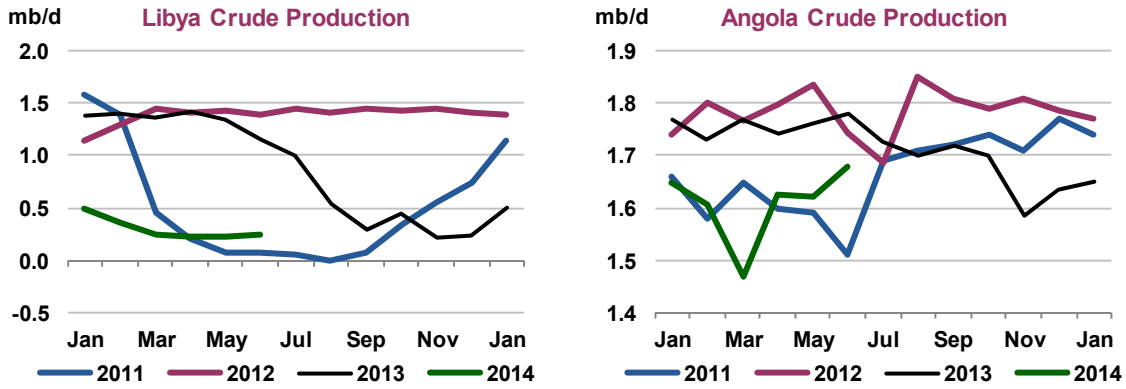
Analysts also caution that the agreement between militia leader Ibrahim Jathran and interim Prime Minister Abdullah al-Thinni to resume output and exports, though a positive step, could still break down as the terms of the agreement are unclear. There should be more clarity after 20 July, when the Council of Representatives is due to be announced, setting the stage for the appointment of a new prime minister or the confirmation of Thinni in his current role.

At the time of writing, Libyan oil fields were pumping roughly 320 kb/d – a small fraction of the 1.4 mb/d produced a year ago. A burst of extra oil could reach markets from storage tanks at the ports, which house at least 6 million barrels of crude, according to industry sources. Establishing a regular flow of exports will be more complicated, however, and may be weeks away. To begin with, NOC has to restore

commercial basics – such as term supply contracts – in order to sell to regular buyers. Crucial repairs at the surface facilities and ports must be completed and evacuated expatriate workers must return to the oil fields.

In the remote southwest of the country, pumps have failed and work-over rigs are required at the core Es Sharara oil field, which has just resumed operations and is due to ramp up slowly; it could take months to reach full capacity. Protesters have blocked the 340 kb/d field and its pipelines system on several occasions in support of political and financial demands. Output has restarted before, but was swiftly shut in again as the unrest across Libya continued to impact on field operations.

In order to sell again to the European market – which is amply supplied - NOC may have to offer steep discounts on its oil, industry sources say. NOC oil marketers have been preparing the logistics for a return to international oil markets.



Angolan crude output rebounded in June to 1.68 mb/d, up 60 kb/d from the previous month. Output, however, is still running well below capacity due to technical problems and extended maintenance work, averaging just 1.61 mb/d in 1H14 or 200 kb/d below its rated nameplate capacity. Last month scheduled maintenance work at the Girassol floating, production, storage, and offloading (FPSO) curbed output. First oil from Total's 160 kb/d deepwater Cravo, Lirio, Orquidea and Violetta (Clov) started operation on 12 June, with production building to peak capacity by year end.

Crude oil production from **Nigeria** rose by 60 kb/d to 1.96 mb/d in June after lifting the *force majeure* on Forcados crude in May. However, Shell declared *force majeure* on 40 kb/d of its output from the offshore EA field to repair equipment damaged by bad weather.

In **Algeria**, production remained unchanged at 1.12 mb/d in June. More than a year and a half since their departure, foreign oil workers are returning to work at Algeria's In Amenas gas plant, which was the target of a murderous Islamist attack in January 2013. Statoil and BP demanded improved security before returning workers. The In Amenas plant was producing 50 kb/d of condensate before the attack.

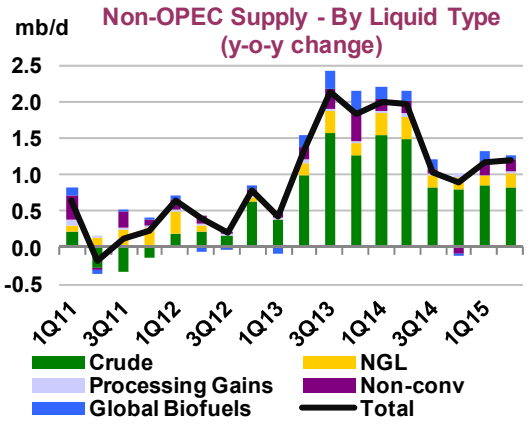
Venezuelan oil production edged marginally lower in June, down 20 kb/d to 2.48 mb/d. State-owned Petroleos de Venezuela (PDVSA) latest 2013 annual report showed India as the top importer of the country's crude in 2013 at just over 400 kb/d in 2013 followed by China at around 295 kb/d. India overtook China last year following the 15-year, 400 kb/d export/financing deal arrangement between PDVSA and India's Reliance Industries signed in 2012.

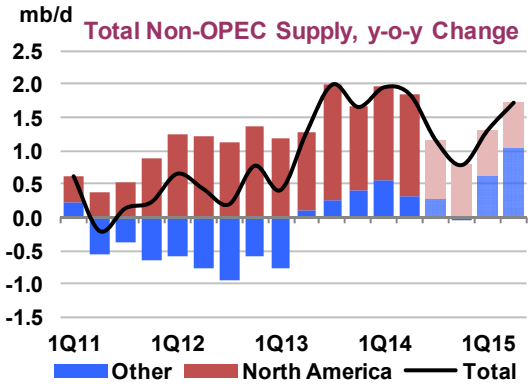
Ecuador has steadily raised its production since last year, reaching 560 kb/d in May and June, up from an average 515 kb/d in 2013. Increased output is mainly from state's Amazon operations, which are being supported by increased activity by service companies in the region.

The 2015 Outlook for Non-OPEC Supply

Overview

The forecast for 2015, detailed in this *Report* for the first time, shows a slightly more moderate yearly increase (1.2 mb/d) compared to 2013 or 2014, though it is still high by recent historical standards. Although the US and Canada are likely to remain mainstays of non-OPEC growth, 2015 is expected to have more diverse sources of supply augmentation compared to 2014. (See '2015 Diversifies Non-OPEC Growth, though North America Remains the Mainstay' in this section.) Looking at production by liquid, NGLs increase by about 100 kb/d to 6.0 mb/d in non-OPEC for 2015, and conventional crude oil and field condensate are forecast to make up about 79% of supply, or some 45.5 mb/d.

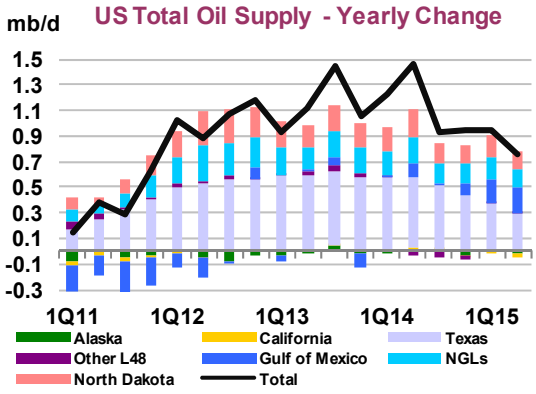




Non-OPEC supply fell by 210 kb/d in May month-on-month (m-o-m), to 56.1 mb/d, despite a seasonal increase in biofuels of 210 kb/d. OECD output fell by 350 kb/d, as late spring and summer maintenance began in the North Sea and there was a major turnaround on a unit at a synthetics upgrader in Canada. The US also experienced a modest monthly decline. Outside of the OECD, maintenance also took down production in Kazakhstan. Yearly growth remains substantial, however, at 1.9 mb/d for May. June saw a 50 kb/d m-o-m increase, but again, without a continued seasonal increase in biofuels, non-OPEC would have declined for the month by 130 kb/d. Production dropped again slightly in the US due to small outages in Alaska and the US Gulf of Mexico (GOM), while even heavier maintenance outages affected the North Sea. Looking ahead to 3Q14, production holds steady compared to 2Q14, and yearly growth declines by 1 mb/d, to 1 mb/d for the quarter.

OECD

North America



US – June preliminary, Alaska actual, other states estimated: US crude oil production is estimated at 8.4 mb/d for June, as an outage for several weeks in Alaska on Lisburne (includes McIntyre, Niakuk, and Raven fields) for maintenance, and ongoing repairs on the Marco Polo platform from a May fire, kept production at a similar level to April's final estimate of 8.4 mb/d. This is despite the fact that production growth on the main shale plays in North Dakota and Texas continues apace. Texas crude oil production attained the milestone of 3 mb/d in April, and is estimated to have increased by 40 kb/d each month

since. The Eagle Ford shale play's production is the mainstay of the production increases (see 'Eagle Ford Booming'). Likewise, North Dakota crude oil production also reached a milestone in April, of 1 mb/d, led by continuing increases at the Bakken shale play.

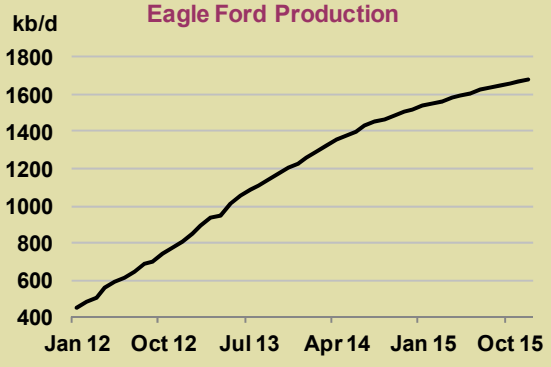
On 1 June, the State of North Dakota unveiled new regulations to reduce natural gas flaring on oil wells in the state, as flaring accounts for as much as 30% of all natural gas produced there, according to North Dakota state data. Much of this flared gas is as a by-product of oil production. The policy, to take effect on 1 October 2014, will limit oil production when operators do not capture specified quantities of natural gas. Also, on 1 June a new policy took effect that requires applicants for drilling permits to also submit a plan for capturing the natural gas produced at the site, with restrictions on oil production also to be imposed if plans are not followed. Forecast production growth on the Bakken play in North Dakota is expected to be only very modestly affected by these new regulations, though they may increase producer costs.

In early July, Enterprise Product Partners announced that the twin (a second equivalent pipeline laid beside the first one) of the Seaway crude oil pipeline had been completed, doubling capacity on the line from Cushing to the Gulf Coast to 850 kb/d. Line fill will begin in 3Q14, with this added capacity meaning that some 1.55 mb/d of capacity will be available to take crude oil from Cushing in the midcontinent to the Texas Gulf Coast. Inventories, already haven fallen precipitously in Cushing as they have moved to the Gulf Coast, could drop yet further. Enterprise and Pioneer Natural Resources received permits from the US government earlier this year to export field condensate (the type of condensate not defined as 'pentanes plus' by the US Energy Information Administration).

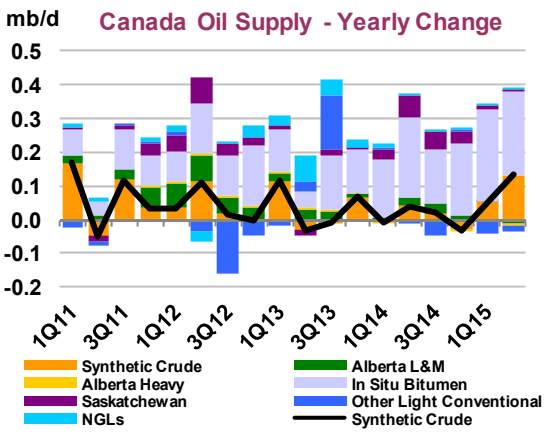
Natural gas liquids (NGL) production is estimated to have been 2.8 mb/d in June, a slight seasonal decline from April's all-time monthly peak of 2.9 mb/d. Total liquids production was at 11.4 mb/d in June, and is expected to remain well above 11 mb/d for the forecast period, absent a major outage, to average a just over 11.4 mb/d for the year, of which 9.0 mb/d is crude oil.

Eagle Ford Booming

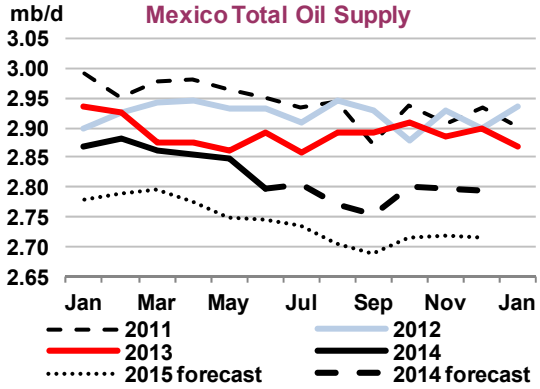
The Eagle Ford Shale Play, located in south Texas, is one of the most dynamic non-OPEC plays at present, with production forecast to grow by 360 kb/d (34%) in 2014 to 1.4 mb/d. Producers on this formation have surpassed analyst expectations earlier in the year, and we have revised up our forecast for 2014 by about 50 kb/d, based on actual data for the first five months of the year. Production capex on Eagle Ford is enormous, having grown from $3.5 billion as recently as 2010 to $16 billion in 2014, with $18 billion set for 2015, according to Rystad Energy. In just one example, Marathon has budgeted $2.3 billion of its $5.9-billion 2014 capex programme on Eagle Ford, with this company alone set to drill over 250 wells before the end of the year. New-well oil production per rig also continues to increase, having reached 470 b/d for each new rig in May, up from 259 b/d per new rig as recently as May 2012, according to the US Energy Information Administration (EIA). While EIA data do not currently distinguish between field condensate and crude oil production, it is well-known that a significant share of production on the play – at least one-third – is field condensate, and the condensate recently granted permission for export (see above) was sourced from Eagle Ford. For 2015, production on Eagle Ford is expected to exceed 1.6 mb/d for the year, as growth in new-well production slows, and the rig count stays fairly constant on the play.



Canada – June estimated: After dipping in May due to maintenance on a Syncrude coker, June production (total liquids) bounced back to 4.1 mb/d as the turnaround was completed and other production grew slightly. NGL production is estimated to have increased seasonally by about 30 kb/d in June to 640 kb/d, including 130 kb/d of pentanes plus. Canada maintains separate statistics for field condensate, which are estimated at 40 kb/d in June. These liquids provide vital diluent for bitumen production. Crude and condensate production together for the month, which excludes synthetics, was 2.6 mb/d, which is expected to be the yearly average for 2014. In June, the Canadian federal government approved the $6-billion, 1 177-kilometre, 530-kb/d capacity Northern Gateway pipeline, which would take diluted Alberta bitumen to world markets via the Pacific port of Kitimat, British Columbia. The project also includes an import pipeline for diluent such as naphtha and condensate (Canada's domestic production of diluent is insufficient even for present levels of bitumen production, making the country reliant on these imports). The project is still subject to meeting 209 conditions, and faces local and indigenous-group opposition in British Columbia.



Mexico – May actual, June preliminary: Mexican crude oil production remained just under 2.5 mb/d in May, about the same as the previous two months. The June preliminary estimate is that production fell another 50 kb/d on the month, to just over 2.4 mb/d. Mexican crude oil production is forecast to be unable to surpass 2.5 mb/d on a monthly basis through the end of 2015. Production on mainstays Cantarell and the KMZ complex cannot be raised in this timeframe, and new Petróleos Mexicanos (Pemex) projects that could counteract these declines are still years away. Pemex announced plans in June to invest $6 billion to sustain production at the giant Cantarell field complex, but it will not take place until 2017. Cantarell produced over 2 mb/d a decade ago, but recent production figures have it around 340 kb/d. Relatively smaller fields under development by Pemex, such as Ayatsil-Tekel and Tsimin-Xux will start contributing in 2015, but these fields will only help keep the annual decline for that year to around 70 kb/d. Mexican NGL production hovered around 350 kb/d in 1H14, and is set to decline at a somewhat slower rate than crude oil production for 2015.

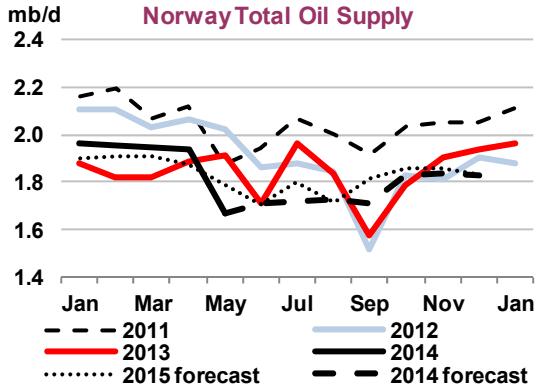


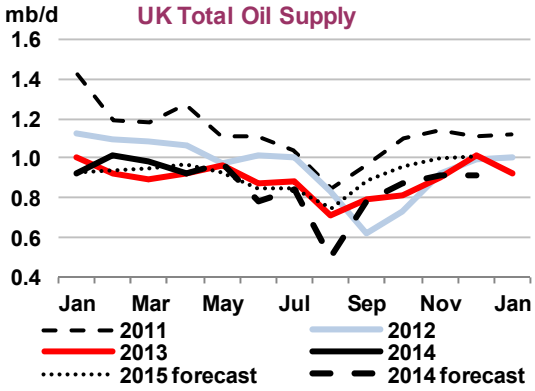
North Sea

Total North Sea production (including all Norwegian offshore areas) is estimated to have fallen from 3.1 mb/d in 1Q14 to 2.8 mb/d in 2Q14, as seasonal maintenance set in. Production for 1Q14 grew by 120 kb/d y-o-y, the first such annual gain for any quarter since 2004 (with 4Q13 being flat y-o-y). This is perhaps an early sign of a turnaround, which is expected for 2015 as a whole, but the remaining quarters of 2014 will experience significant annual declines with heavy maintenance and notably, the Forties Pipeline System shut in for much of August.

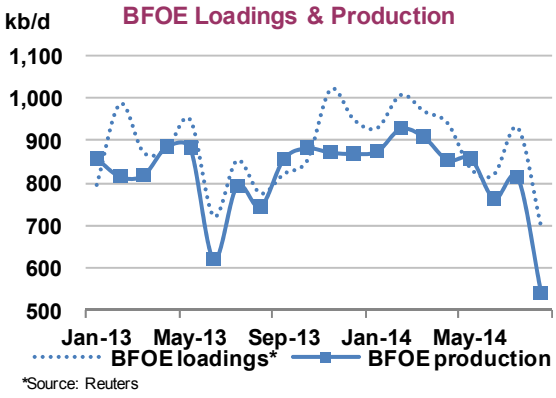
Norway – April actual, May preliminary: Norwegian production was essentially flat in April compared to March, at just over 1.9 mb/d, as significant maintenance had not yet been implemented, and output was only 15 kb/d below the 1Q14 average. However, May data shows production falling by about 270 kb/d to just below 1.7 kb/d, as the Brage, Grane, Heidrun, Oseberg and Veslefrikk fields had reduced production for planned maintenance. These outages are expected to be fairly evenly spread through September, with total

liquids staying at slightly more than 1.7 mb/d until October, and crude oil production between 1.3 mb/d and 1.4 mb/d. Loadings data for Norwegian systems show May and June declining before an increase in July. For the year, Norwegian total liquids output is forecast at 1.8 mbd, down about 20 kb/d y-o-y.





UK – March actual, April preliminary: Total liquids production was 1.0 mb/d in March, with 880 kb/d of that from North Sea crude and condensate. April total liquids is seen to have declined to 930 kb/d as Forties and some smaller systems already experienced some maintenance. Peak maintenance months are expected to be June and August on the UK sector, as Brent plus Forties loadings declined from 523 kb/d to 440 kb/d from May to June, and preliminary August loadings for these two systems are scheduled to be a paltry 212 kb/d. Scheduled Forties loadings fall to a minimal 77 kb/d for that month, as a full maintenance shut down of the Forties Pipeline System is set for the first two weeks of August.



Given this, BFOE loadings are scheduled to fall from 929 kb/d in July to 695 kb/d in August, with total North Sea production forecast to fall to 2.3 mb/d in August, down approximately 700 kb/d from April and down 350 kb/d from July. Forties most often sets the price for North Sea Dated Brent, given that its relatively sour quality usually makes it the lowest-priced of the four grades. However, the limited trading volumes to be available in the period could impact liquidity on the market, and the restricted supply of Forties could increase its price versus Ekofisk and Oseberg. This could set the stage for Ekofisk to yet again set the benchmark prices, as it did for some days in June. BFOE production is forecast to decline in August to about 550 kb/d on heavy planned maintenance and risk of some additional outage, before rising to 810 kb/d in September.

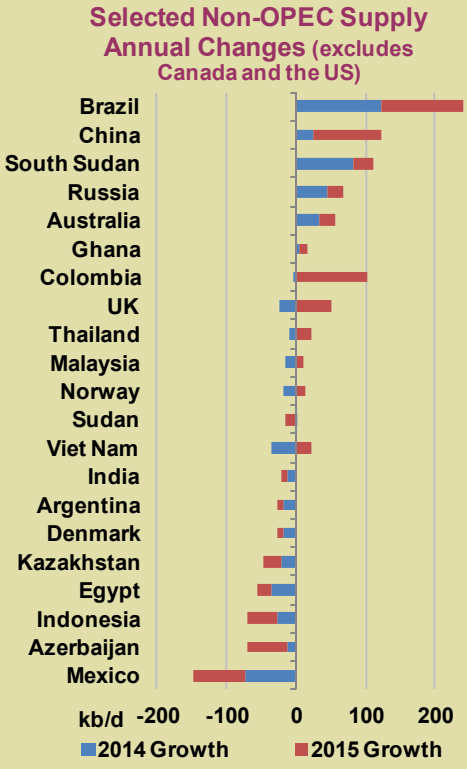
Non-OPEC Growth Diversifies in 2015, though North America Remains the Mainstay

With nearly two quarters of actual data for 2014 now available for many countries, 2014 supply looks like it will slightly surpass our expectations at this time last year, with growth for non-OPEC at just under 1.5 mb/d, including roughly 85% from North America alone. US light tight oil (LTO), mostly from North Dakota and Texas, and Canadian bitumen, represent well over half of 2014 non-OPEC supply growth. Growth levels above 1.2 mb/d used to be exceptional years for non-OPEC, with only two years (2002 and 2010) exceeding that yearly increase in 2000-2012. The revolution in LTO development in the US has changed that, even as net non-OPEC increases outside of North America slipped into negative territory in 2011 and 2012. At the same time, certain OPEC countries have experienced severe disruptions, so North America has made the difference in terms of avoiding severely constrained global supply and all of the implications of that for the oil market.

Non-OPEC Growth Diversifies in 2015, though North America Remains the Mainstay
(continued)

Looking further ahead, we now expect growth of 1.2 mb/d, to 57.5 mb/d for 2015. This is a small (about 150 kb/d) upward adjustment since the 2014 *MTOMR*, reflecting a raised 2013 baseline and anticipated higher LTO output in Texas, particularly on the Eagle Ford play (see 'Eagle Ford Booming in this section'), based on data that have become available since completion of *MTOMR* modelling. Nevertheless, a gain of 1.2 mb/d is no longer exceptional, considering the increases experienced in 2013 and projected for 2014.

In 2015, North America's contribution is forecast to be about two-thirds of the net non-OPEC supply increase. Some producing countries that are projected to experience declines in 2014 look set to contribute to growth in 2015, namely the UK (+50 kb/d), Viet Nam (+20 kb/d), Malaysia (+10 kb/d) and Norway (+10 kb/d). New fields coming online, as well as a difficult 2014 in terms of maintenance in all these countries but Viet Nam, make for the change. Colombia is a special case: we had expected growth for 2014, but the recent intensification of attacks on infrastructure in that country, as well as no sign of a near-term let-up, have made for a downward adjustment for 2014. This, in turn, makes for a higher yearly gain in 2015 (+100 kb/d), though 2015 has also been adjusted downward somewhat for the lower baseline and an assumption that some elevated political risk continues into 2015.



Brazil stands out as the largest source of growth in the 2015 forecast (after the US and Canada), as projects that are to come online towards the end of 2014 ramp up (Cidade de Ilhabela FPSO, Cidade de Mangaratiba FPSO), and new important fields such as the Cidade de Itaguaí FPSO and the Atlanta floating production system start production. Chinese growth is small in 2014, and mostly reflects a recovery from flooding problems in 2013, but in 2015 EOR on the mature but massive Changqing field as well as various new offshore projects, such as the Enping complex, deliver the majority of the forecast expansion. Russia continues to grow very slightly in 2015, basically unchanged on a percentage basis, as new projects and EOR efforts are expected to just barely compensate for declines at mature fields. South Sudan is expected to again show an increase if some measure of political stability can hold. In Ghana, new gas processing infrastructure will allow an uptick in production on the Jubilee field, starting in 3Q14. Finally, in Australia, the start-up of offshore fields such as Balnaves (crude) and Gorgon (NGLs and condensates) is forecast to overcome declines at the country's many mature fields.

Among declining countries for 2015, Mexico suffers the largest drop, as large mature fields such as Cantarell and the KMZ complex are expected to continue their decline. As has been noted in this *Report*, effects of the recently inaugurated reform process in Mexico are not expected to advance sufficiently by 2015 to stimulate production. In Azerbaijan, the earlier-than-expected start of the 50-kb/d West Chirag in 1Q14 will not be enough to make up for declines at the other offshore fields operated by the AOC consortium. Indonesia's government acknowledged publicly in June 2014 that its original target of 900 kb/d of crude oil production for 2015 would not be met. The main phase of Banyu Urip will not start until well into 2015, and will take time to ramp up, with many of Indonesia's legacy fields waning rapidly in the meantime. Likewise, in Kazakhstan, the giant Kashagan field will not restart production in 2015, so declines on mature fields and extended annual maintenance on Tengiz makes for a small drop. Egypt's fields are declining, and investment in the upstream sector has been weak in an environment of political uncertainty and some companies having difficulty receiving payment from the government. Although Argentina's Vaca Muerta shale play continues to be developed, in 2015 output will still be too small to make up for declines at conventional fields. Denmark has no new fields coming online until Hejre in 2016 at the earliest.

Non-OPEC Growth Diversifies in 2015, though North America Remains the Mainstay
(continued)

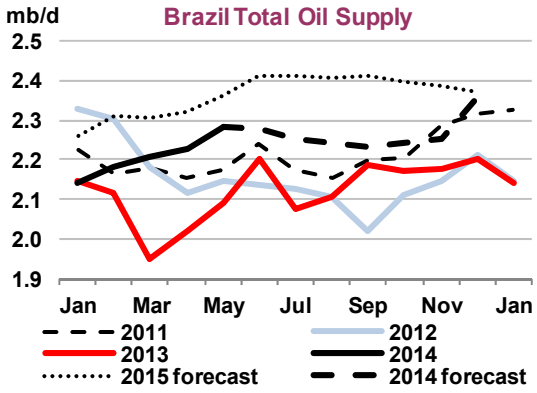
As always, political factors must be factored in. Conditions in Colombia, South Sudan, Yemen, and Syria remain a concern for 2015 (though Syrian production has bottomed out already), while a much-improved environment remains a possibility as well. Other countries could face political problems by 2015 that are not yet on the horizon. Outages resulting from weather, maintenance (planned and unplanned), strikes, and accidents occur every year. Likewise, projects are often delayed, as fabrication and transport takes longer than expected. The forecast includes about 400 kb/d of adjustment for these factors.

A sustained and significant drop in prices could have some effect on production, though even many projects with high operating costs would continue for sometime in order to reduce losses and pay back debts. Hedging also mitigates a price effect. As shown in the 2014 *MTOMR*, over 75% of LTO projects in the US are forecast to have a breakeven price of $60 per barrel or less in 2015.

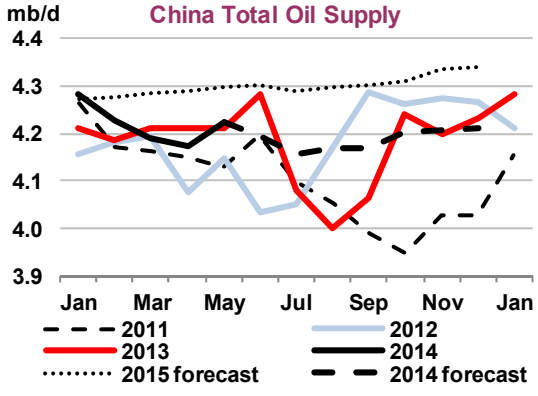
Non-OECD

Americas

Brazil – May actual: Brazil attained its highest monthly liquids output since February 2012 in May, at just under 2.3 mb/d, of which about 2.2 mb/d was crude oil, despite a two-week outage on the P-51 platform in the first half of the month (a loss of 24 kb/d). Petrobras initiated in May production on the P-62 platform on the Roncador field, which was Brazil's largest producing field for the month, at 250 kb/d. Initial production from P-62 was marginal, but after P-62 is connected to 14 production wells and eight water injection wells in the remaining months of this year, its production capacity will attain 180 kb/d. In addition, new wells have also been connected to the P-58 platform at the Parque das Baleias field, the P-63 platform at the Papa-Terra field and the P-55 platform, also on the Roncador field. Some of these wells have staggering flow rates in excess of 35 kb/d for a single well, helping Petrobras achieve production on pre-salt fields of over 500 kb/d by late June. The massive P-61 tension-leg drillhead platform, which has been delayed for some months, partially due to weather, is set in place, and expected to come on stream sometime in 3Q14. Moored in 1000-metre-deep waters, P-61 will be connected to the P-63 FPSO already producing from the Papa Terra field.



Facilities at older fields in the Campos basin are to undergo additional maintenance in the next four years in a new Petrobras programme to extend their field life beyond 30 years, although it may mean more outages in the near term. Nevertheless, the success of new projects, even if delayed, indicate net production growth of 120 kb/d for the year, to 2.24 mb/d, with similar growth in 2015.



Asia

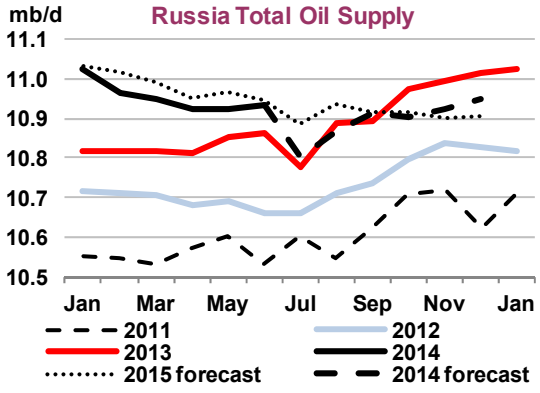
China – May actual: Chinese production rose about 50 kb/d in May, to 4.2 mb/d. Some of the increase was offshore production, as CNOOC brought online the 35 kb/d Kenli 3-2 shallow water cluster that month. Very large onshore mature fields such as Shengli and Changqing (about 0.5 mb/d each) held steady as well. Given the floods in 2013 that affected fields such as

Daqing and Shaanxi, these are expected to show increases. Total liquids, which is nearly all crude oil, increases by about 25 kb/d for the year, to 4.2 mb/d.

Malaysia – April actual: Malaysian crude and condensate production averaged 590 kb/d in April, having hovered around this level since November 2013. Output of total liquids, including NGLs and gas-to-liquids (GTLs), was 665 kb/d for the month. Shell's Bintalu GTL facility produces about 15 kb/d. While normal slight declines on mature fields are expected through July, it has been reported that exports of the benchmark crude Tapis will be severely restricted by field maintenance to be carried out in August. Tapis is undergoing EOR in order to sustain production levels in a joint, $2.1-billion effort of ExxonMobil and Malaysian state oil company Petronas.

Former Soviet Union

Russia – May actual, June preliminary: Russia oil production held steady in June, at 10.9 mb/d, with crude oil production likewise steady at just over 10.1 mb/d. Novatek announced that an April fire at the Urengoyskoye condensate field will shave the company's production growth for the year by several percentage points, to between 2% and 3% - hence, growth closer to 5 kb/d rather than 10 kb/d. Progress continues at the Arkutun-Dagi field, part of the Sakhalin-1 Project. The topside of the Berkut offshore drilling platform was installed in June, with production on the 90 kb/d project to commence in December according to operator ExxonMobil. In late June, the Russian government approved new tax breaks on certain Arctic areas (Gydan, Yamal Peninsula and Nenets) as well as for projects offshore in the Japan Sea until a field development reaches 25 million tonnes of yearly output (50 kb/d).



FSU Exports

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

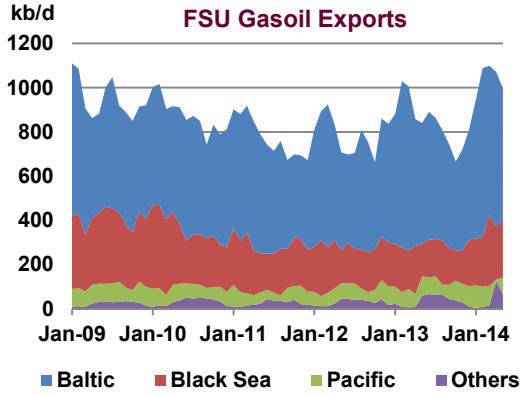
	2012	2013	2Q2013	3Q2013	4Q2013	1Q2014	Mar 14	Apr 14	May 14	Latest month vs. Apr 14	Latest month vs. May 13
Crude											
Black Sea	1.81	1.78	1.80	1.75	1.78	1.74	1.79	1.79	1.59	-0.20	-0.18
Baltic	1.67	1.57	1.68	1.44	1.58	1.33	1.28	1.56	1.50	-0.05	-0.14
Arctic/FarEast	0.65	0.80	0.80	0.81	0.82	0.88	0.91	0.89	0.85	-0.04	0.02
BTC	0.66	0.64	0.71	0.65	0.61	0.58	0.58	0.61	0.53	-0.08	-0.21
Crude Seaborne	**4.79**	**4.80**	**5.00**	**4.65**	**4.79**	**4.53**	**4.56**	**4.85**	**4.48**	**-0.37**	**-0.50**
Druzhba Pipeline	1.08	1.03	1.02	1.06	1.05	1.01	0.96	1.08	0.99	-0.09	-0.05
Other Routes	0.52	0.56	0.54	0.56	0.60	0.71	0.70	0.38	0.38	0.00	-0.14
Total Crude Exports	**6.39**	**6.39**	**6.55**	**6.27**	**6.44**	**6.26**	**6.22**	**6.62**	**6.14**	**-0.49**	**-0.40**
Of Which: Transneft[1]	4.22	4.07	4.15	3.98	4.07	3.95	3.91	4.23	4.07	-0.16	-0.06
Products											
Fuel oil[2]	1.72	1.62	1.77	1.68	1.44	1.55	1.48	1.59	1.57	-0.02	-0.10
Gasoil	0.79	0.84	0.86	0.81	0.73	1.04	1.10	1.07	1.00	-0.08	0.16
Other Products	0.44	0.50	0.48	0.53	0.53	0.64	0.59	0.63	0.67	0.05	0.23
Total Product	**2.95**	**2.97**	**3.11**	**3.02**	**2.70**	**3.23**	**3.16**	**3.28**	**3.24**	**-0.04**	**0.28**
Total Exports	**9.34**	**9.36**	**9.66**	**9.29**	**9.14**	**9.48**	**9.38**	**9.90**	**9.37**	**-0.53**	**-0.12**
Imports	0.09	0.08	0.06	0.10	0.09	0.07	0.07	0.06	0.08	0.01	0.02
Net Exports	**9.25**	**9.29**	**9.60**	**9.20**	**9.05**	**9.41**	**9.31**	**9.84**	**9.30**	**-0.54**	**-0.14**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

FSU net exports dropped seasonally by 550 kb/d in May to 9.3 mb/d. A 500 kb/d decrease in crude exports led the decline as regional demand for crude rose after seasonal refinery maintenance was completed. All major export routes posted month-on-month declines, notably combined shipments from Black Sea ports dropped to 1.6 mb/d. This was led by a 150 kb/d drop in flows through the CPC pipeline to 760 kb/d. Preliminary data indicate that CPC flows are likely to remain constrained at 720 kb/d in June before rebounding to approximately 860 kb/d in July. However, these volumes are significantly above year-ago levels, following recent expansion work on the line. In the east, exports from Kozmino remained stable at 480 kb/d in May but preliminary loading data suggest that shipments from the terminal should breach 500 kb/d over the summer. These levels are likely to be maintained into the fourth quarter as production in East Siberia ramps up.

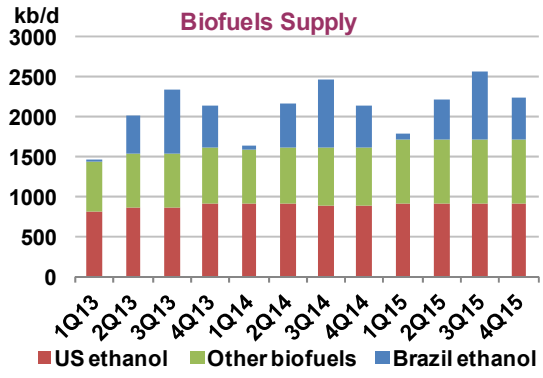


Refined product exports dropped by 80 kb/d on the month to 3.2 mb/d, but remained 30 kb/d above a year ago, as an increase in 'other products' (mainly light distillates) offset decreases of 80 kb/d in gasoil and 20 kb/d in fuel oil.

About half of the year-on-year growth in product shipments has come from gasoil. Shipments of the product have been increasing in recent months as a number of Russian refineries have commissioned new units producing 10 ppm ultra-low sulphur diesel (ULSD) to supply European markets. Indeed, gasoil exports have now exceeded 1 mb/d for four consecutive months, which had not occurred since 2009 when the region exported significant volumes of 500 ppm gasoil, the market for which has diminished over recent years in line with tightening environmental regulation. At present, much of this new 10 ppm product is leaving Baltic terminals and heading to Europe. Reports also suggest that the first phase of the southern Yug pipeline could be brought on-line as soon as the third quarter. The pipeline will transport ULSD from a number of refineries in southern Russia to Novorossiysk and then onward to southern European markets such as Turkey.

Other Sources of Supply Growth – Biofuels

Global biofuel supply is expected to increase by 90 kb/d in 2015, to reach 2.2 mb/d. Of this, US ethanol production is forecast to increase by a slight 10 kb/d, to 910 kb/d, and Brazilian ethanol is seen to stay even with 2014, at about 490 kb/d. Due to the sugar cane harvest, Brazilian ethanol output surges in the second quarter of the year, peaks in the third quarter, and declines in the fourth and first quarters. Shifting policy grounds in combination with a persistent "blend wall" continue to limit growth in US ethanol production. While the difficult economic situation in the Brazilian sugarcane sector is expected to keep production growth down through 2015, Brazil's biodiesel sector will benefit from an increase in the biodiesel blending from 5% to 7% as of January 2015.



Considering US Condensate Exports

Two US oil companies, Pioneer Natural Resources Co. and Enterprise Products Partners LP, were reported in June to have received permits from the US Department of Commerce's Bureau of Industry and Security (BIS) earlier in the year to export US-produced condensate to locations outside of North America. Given questions about the capacity of the North American market to absorb further growth in US oil production

Considering US Condensate Exports (continued)

unless current restrictions on crude and field condensate exports are relaxed or other steps are taken to open outlets for this new supply, the BIS rulings attracted close attention in industry and policymaking circles.

The permits, the result of a procedure known as 'private ruling', apply only to a certain amount of condensate applied for by each company, and have no broader legal effect on other potential shipments. Any more general policy to ease restrictions on condensate exports will require the input of the US Congress and look sure to raise complicated legal and political questions. Nevertheless, the decision by the BIS as well as recent statements by Department of Commerce officials have been greeted by some as a first step towards a more relaxed US attitude to crude and condensate exports, though the decision has also attracted the attention of some in the US Congress. Whether additional exports of condensate might be allowed in the future is of particular interest to the US oil industry in light of booming condensate production in some parts of the US (see 'Eagle Ford Booming').

The US Administration has noted that the condensate was allowed to be exported because it was processed (run through a distillation tower and had volatile compounds removed) and therefore, is considered a petroleum product. However, all condensate must undergo some form of processing and stabilisation to be fit for transport. The BIS rulings thus seem to raise more questions than they answer, in particular: what type or degree of processing is to be required by the US government for condensate to qualify for export? In other words, what would be defined as qualifying for export if there were a broader policy change? And, would exports be limited by quantity as well as by quality specifications?

As it is now, petroleum products such as pentanes plus – which is chemically very similar to condensate, although its extraction from natural gas requires a more complicated process – face no export restrictions whatsoever. Pentanes plus are not classified as a type of crude oil under US regulations, unlike lease condensate, at least in the form that comes from the wellhead.

US officials indicate that the issue of definitions, as well as that of the volumes of condensate that might be eligible for export is currently under discussion in Washington. Changing the definition of lease condensate could make it broadly eligible for export by excluding it from the export-restricted category of crude oil. This topic was recently reported in *The Washington Post* to be high on the agenda of EU-US trade talks.

Meanwhile, the first purchase of US-sourced condensate outside of North America was concluded in early July, with press reports stating that a Japanese trading company had bought a 400 000 barrel cargo from Enterprise, for delivery in September. Price differentials of $10/bbl or more between condensate in the US and in Asia, where condensate splitter capacity is quite large, indicate that there is ready market for expanded export of US condensate, while the US domestic market for condensate is limited. Companies have been considering adding splitters and other investment so as to take advantage of increasing US condensate production. These companies will likely seek clarity on US condensate export policy so as to be able to make appropriate downstream investment decisions.

OECD STOCKS

Summary

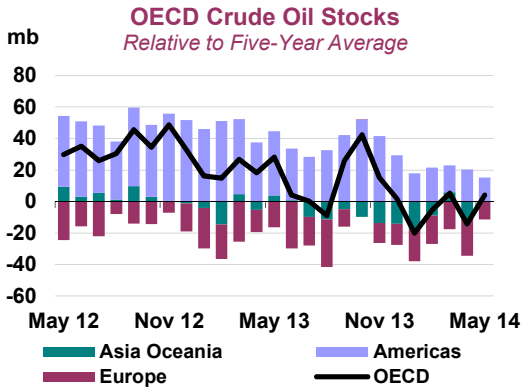
- **OECD commercial inventories posted their fifth consecutive monthly build in May** as they soared by a steeper-than-average 44.2 mb to stand at 2 639 mb by end-month. Inventories' deficit versus five-year average levels narrowed to 69.6 mb from a revised 106.1 mb one month earlier.

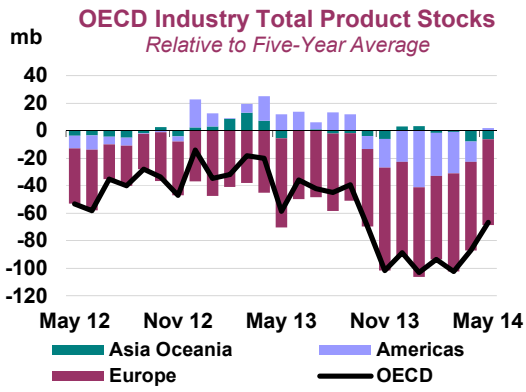
- **Following a significant 28.7 mb downward revision to April data, centred in Japan,** that month's stock build is now seen lower at 12.4 mb, compared with the 39.8 mb presented in last month's Report.

- **OECD refined products covered 29.0 days of forward demand at end-May**, 0.4 days above end-April but 0.2 days below year-ago levels, respectively, reflecting both stock builds and marginally reduced demand expectations.

- **Preliminary data suggest that OECD inventories rose by 8.3 mb in June** after 'other products' continued to rebound strongly while crude holdings inched up as refinery runs remained subdued.

- **Recent data suggest that China added up to 73 mb to its Strategic Petroleum Reserve over 2Q14** at a rate of 800 kb/d. This would take the Chinese SPR to approximately 215 mb, less than half of the administration's target to hold 500 mb by 2020.





OECD Inventory Position at End-May and Revisions to Preliminary Data

OECD commercial oil inventories continued to build seasonally in May as they soared by a sharp 44.2 mb, their fifth consecutive monthly build. Compared to last month's *Report*, the absolute level of restocking was tempered somewhat by a significant 28.7 mb downward revision to April data, centred in Japan. May's stock build is now seen at a weaker-than-seasonal 12.4 mb, compared to the 39.8 mb presented previously. Despite the steep monthly build, OECD inventories remain tight, standing at 2 639 mb by end month, 13.7 mb less than a year-earlier and 69.6 mb below the five-year average. However, since the build was greater than the 7.7 mb five-year average gain, the deficit versus the seasonal average decreased considerably from the revised 106.1 mb posted at end-April. The deficit remains led by product holdings which stand 66.7 mb below year ago levels. In comparison, crude oil stocks were 4.0 mb above the five-year average.

May's build was led by the restocking of 'other products' (+28.3 mb). This build was located in the OECD Americas where inventories of propane and ethane have recovered following their steep first quarter cold-weather-related draws. Middle distillates stocks also continued to seasonally rebuild, increasing by

3.0 mb over the month, but remain tight compared to historical levels, at a 49.7 mb deficit to the five-year average but on a par with a year-ago. On a days-of-forward-demand basis, OECD refined products stocks covered 29.0 days at end-May, 0.4 days above end-April but 0.2 days below year-ago levels, respectively. Meanwhile crude oil stocks rose counter-seasonally by 12.4 mb as refinery maintenance ramped up. Stocks of NGLs and other feedstocks rose by a weaker-than seasonal 1.7 mb.

Revisions versus 13 June 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Mar-14	Apr-14	Mar-14	Apr-14	Mar-14	Apr-14	Mar-14	Apr-14
Crude Oil	**-0.5**	**-5.9**	**-0.5**	**0.4**	**0.0**	**-13.6**	**-1.0**	**-19.1**
Gasoline	0.0	-5.2	0.0	-1.4	0.0	0.2	0.0	-6.4
Middle Distillates	0.0	3.0	-0.1	-2.8	-0.1	-1.4	-0.3	-1.1
Residual Fuel Oil	0.0	1.0	0.1	2.6	0.0	0.1	0.1	3.7
Other Products	0.0	-7.1	0.0	-0.6	0.0	0.1	0.0	-7.6
Total Products	**-0.1**	**-8.3**	**0.0**	**-2.2**	**0.0**	**-1.0**	**-0.2**	**-11.5**
Other Oils[1]	0.1	5.7	-0.3	-4.0	0.0	0.2	-0.2	1.9
Total Oil	**-0.5**	**-8.5**	**-0.8**	**-5.8**	**0.0**	**-14.4**	**-1.3**	**-28.7**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary data indicate that OECD inventories continued to build in June as they rose by 8.3 mb, slightly more than the 4.0 mb five-year average build for the month. Crude oil inched up by a counter-seasonal 1.0 mb as OECD refinery runs remained subdued and below year-ago levels. Stocks of refined products rose by a steeper-than-usual 12.2 mb with 'other products' surging by 27.6 mb, centred in the US, more than twice the seasonal average build. On the other hand, stocks of middle distillates plummeted by 10.9 mb while fuel oil rose by 4.8 mb. NGLs and other feedstocks dropped by a counter-seasonal 4.9 mb.

Preliminary Industry Stock Change in May 2014 and First Quarter 2014

	May 2014 (preliminary)								First Quarter 2014			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-6.1**	**10.5**	**8.0**	**12.4**	**-0.20**	**0.34**	**0.26**	**0.40**	**0.25**	**0.04**	**0.27**	**0.57**
Gasoline	-0.9	-1.4	-0.7	-3.0	-0.03	-0.04	-0.02	-0.10	-0.02	0.04	0.01	0.04
Middle Distillates	3.0	-4.6	1.5	-0.1	0.10	-0.15	0.05	0.00	-0.13	-0.02	-0.13	-0.28
Residual Fuel Oil	2.5	1.5	1.0	4.9	0.08	0.05	0.03	0.16	-0.02	-0.06	0.02	-0.06
Other Products	24.9	0.6	2.8	28.3	0.80	0.02	0.09	0.91	-0.18	-0.01	0.00	-0.19
Total Products	**29.4**	**-3.9**	**4.6**	**30.1**	**0.95**	**-0.13**	**0.15**	**0.97**	**-0.35**	**-0.05**	**-0.10**	**-0.50**
Other Oils[1]	-1.6	0.5	2.8	1.7	-0.05	0.02	0.09	0.05	0.06	0.05	0.01	0.12
Total Oil	**21.7**	**7.2**	**15.3**	**44.2**	**0.70**	**0.23**	**0.49**	**1.43**	**-0.05**	**0.04**	**0.19**	**0.18**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

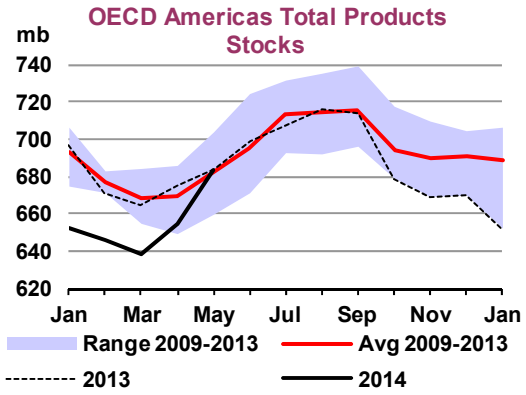
Recent OECD Industry Stock Changes

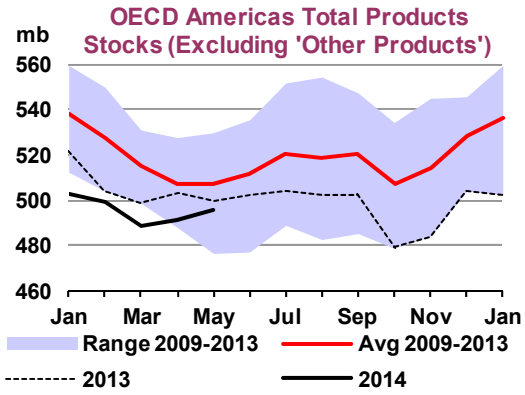
OECD Americas

Commercial stockholders in the OECD Americas continued to restock in May, lifting regional inventories by a steeper-than-average 21.7 mb. Regional total oil stocks have now posted five consecutive monthly builds totalling 72 mb, halving the region's deficit versus the five-year average to 15 mb in May, from 32 mb in January. Two factors are behind the build: Firstly, 40 mb is accounted for by crude oil and NGLs and other feedstocks, inventories of which have soared as domestic supply has outstripped refinery throughput. Secondly, 'other products' have risen by 39 mb driven by the restocking of propane and ethane after their significant cold-weather-related drawdowns during 1Q14. Both of these builds have helped to offset a steep 19 mb seasonal draw in motor gasoline, likely resulting from healthy year-on-year (y-o-y) demand growth and surging exports that have approached 600 kb/d over recent months.

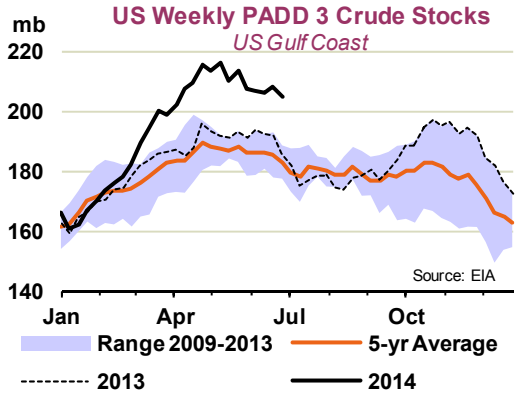
Regional refined product stocks built by 29.4 mb on the month after a 24.9 mb surge in 'other product' holdings. Refined products now stand at a slim 1.8 mb surplus to the five-year average, covering

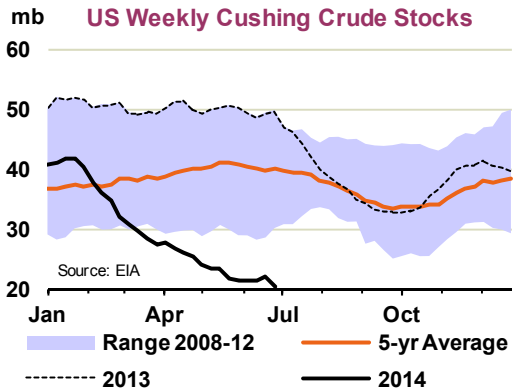
28.1 days of forward demand, a rise of one day on end-April. However, when excluding 'other products' from total products, refined product inventories appear much tighter, standing at a 11.7 mb deficit to the five year average and 4.1 mb lower than in May 2013. Notably, regional middle distillate stocks remain tight, standing 17 mb below the five-year average. Despite strong seasonal replenishment over recent months, the lack of strong restocking in 2013 has proved hard to offset.





Preliminary weekly data from the US Energy Information Administration (EIA) indicate that US commercial inventories rose by 27.5 mb in June as 'other products' continued their seasonal restocking. Notably, propane inventories surged by 12.1 mb on the month to sit at a surplus to the five-year average for the first time since October 2013. Meanwhile, US crude stocks posted their first monthly draw since December 2013 (-5.6 mb) as refiners came back from turnarounds. The bulk of the draw (4.1 mb) was located in the Gulf Coast (PADD 3) where stocks hit record levels in April. As new pipelines, notably TransCanada's 700 kb/d Marketlink, have been commissioned over 1H14 evacuating crude from the midcontinent to the Gulf Coast, inventories at the Cushing, Oklahoma storage hub have plummeted. Indeed, stocks at the hub drew by 0.9 mb in May, extending earlier draws, to leave them at 20.4 mb in the last week of the month, their lowest since November 2008 and less than half of the 49.7 mb posted one year ago.

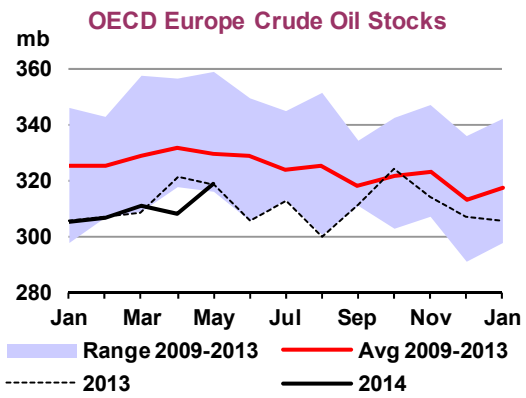


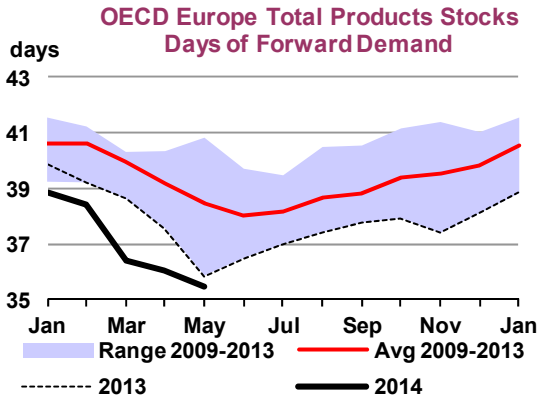


OECD Europe

OECD European commercial oil inventories rose by 7.2 mb in May, counter seasonal to the 9.1 mb five-year average draw consequently the region's deficit to average levels narrowed to 75 mb from 92 mb at end-April. The May build was led by crude oil, stocks of which built counter-seasonally by 10.5 mb, compared to a 2.1 mb five-year average draw. Regional refined product inventories remain tight, having fallen seasonally in May by 3.9 mb to stand 62 mb and 9 mb below the five-year average and last year's level, respectively. Middle distillates led the monthly draw, falling counter-seasonally by 4.6 mb, which more-than-offset builds in fuel oil (1.5 mb) and 'other products' (0.6 mb). At end-month regional refined

product inventories covered 35.5 days of forward demand, 0.6 days lower than one month earlier and 0.3 days below May 2013.

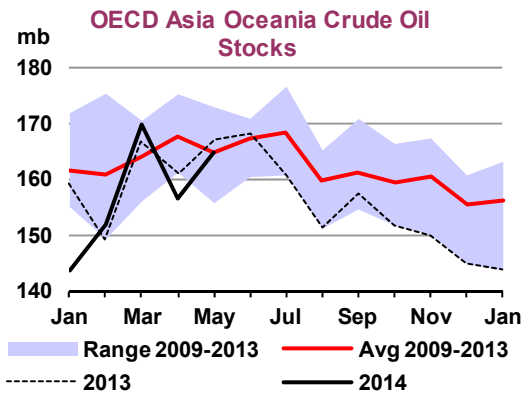


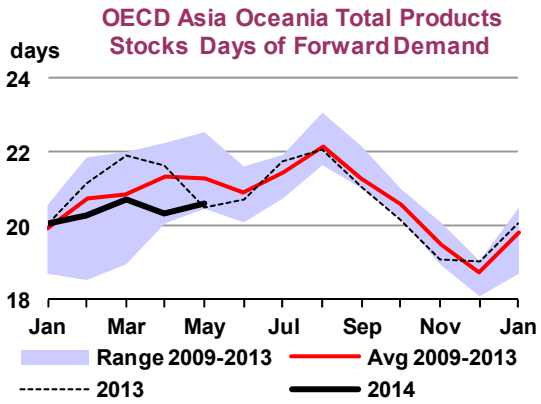


Preliminary data from Euroilstock suggest that European inventories retreated by 11.3 mb in June, over twice the average draw for that month. With refiners cutting runs further from May, stocks of refined products dipped by 11.6 mb, considerably more than their 3.7 mb five-year average draw. Middle distillates accounted for 9.4 mb of the draw while fuel oil fell by 3.1 mb. Only 'other products' posted a build, climbing by 1.3 mb over the month. As refinery demand for crude decreased, crude oil holdings inched up by a counter-seasonal 0.3 mb.

OECD Asia Oceania

Industry stocks in OECD Asia Oceania replenished by a steeper-than-usual 15.3 mb over May following a steep 8.0 mb build in crude oil as refinery maintenance ramped up. Since the rise in total oil was stronger than the 1.4 mb five-year average build, the region's deficit to the seasonal average narrowed to 9.3 mb from 23.3 mb at end-April. Despite a 270 kb/d m-o-m fall in refinery throughputs, product stocks posted a stronger-than-seasonal build (4.6 mb) with all product categories bar motor gasoline (-0.7 mb) restocking to leave refined products inventories covering 20.6 days at end-month, 0.3 days higher than one month earlier.

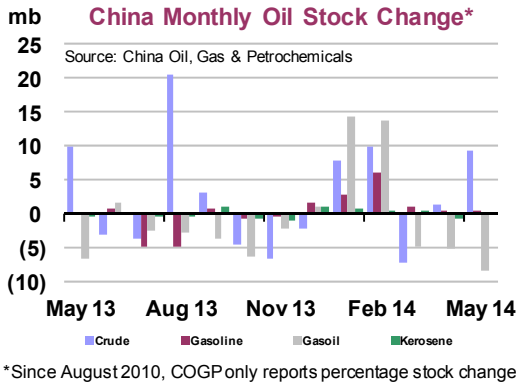




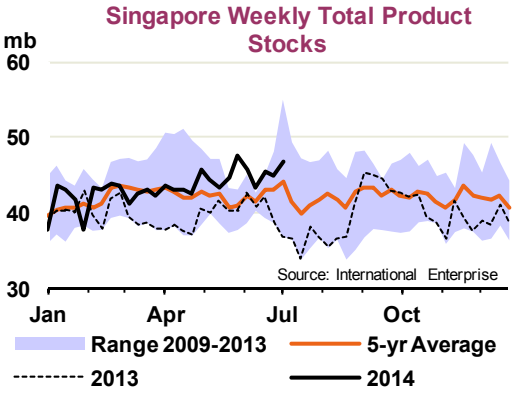
Preliminary weekly data from the Petroleum Association of Japan (PAJ) suggest that industry stocks there inched up by 0.7 mb in June. A steep 6.3 mb rise in crude oil, following a peak in seasonal refinery maintenance, led stocks higher. This offset a 3.7 mb draw in refined product stocks as domestic demand likely outpaced refinery output. Meanwhile, NGLs and other feedstocks slipped seasonally by 1.9 mb.

Recent Developments in Singapore and China Stocks

Data from *China, Oil, Gas and Petrochemicals* (*China OGP*) imply that commercial crude stocks rose by a steep 9.5 mb in May as crude imports remained strong while, refinery throughputs were curbed in tandem with a peak in seasonal maintenance. An additional driver behind this could be the building of stocks at newly commissioned refineries including those at Fujian, Pengzhou and Quanzhou. Meanwhile, refined products drew in line with the lower refinery output. Gasoil holdings plummeted by 8.2 mb while kerosene inched down by a slight 20 kb which offset a 0.6 mb in motor gasoline.



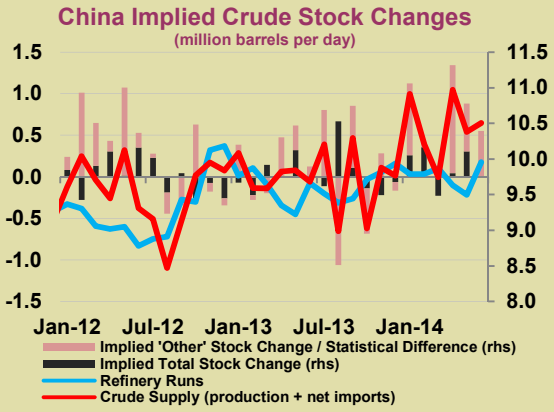
*Since August 2010, COGP only reports percentage stock change



Weekly data from *International Enterprise* pertaining to the land-based storage of refined products in Singapore indicate that inventories there slipped by 0.4 mb during June after light distillates continued their downward trend from the recent highs posted in April. Light distillates drew by 1.2 mb in June as Asian refinery maintenance curbed exports to Singapore whilst also increasing the demand for imports into Japan and Korea. Meanwhile, residual fuel oil and middle distillates posted builds of 0.4 mb each. Moreover, inventories of these products have remained on an upward trajectory throughout the second quarter.

China Adds to its Strategic Petroleum Reserve

Despite the opacity of information concerning China's crude oil Strategic Petroleum Reserve (SPR), available data suggest that up to 73 mb of recently completed SPR capacity was filled during 2Q14 at an average of 800 kb/d, marking the first additions to the reserve since early 2012. Recent assessments of stock builds are based on the 'gap' between crude supply (net imports plus domestic production) and domestic refinery runs. The magnitude and prolonged nature of the implied build suggests that it cannot be accounted for by unreported commercial stock changes or statistical differences. The administration does not disclose information pertaining to the SPR.



Over April and May crude supply surged ahead of refinery activity as refiners entered scheduled maintenance while crude imports touched record levels. Excluding commercial crude stock changes calculated from percentage change reported in *China, Oil, Gas and Petrochemicals*, in April the implied SPR build reached a record 39 mb (1.3 mb/d) as imports hit 6.8 mb/d for the first time. In May, the build slipped to 18 mb (0.6 mb/d) as imports fell slightly while refinery maintenance peaked and a significant amount of crude was added to commercial holdings. Initial indications for June suggest that the implied build has remained at 0.6 mb/d (17 mb) despite a forecast 400 kb/d ramp up in refinery throughputs. However, the June SPR build will not be known until commercial percentage stock change data and actual refinery operating levels are released later in July.

China Adds to its Strategic Petroleum Reserve (continued)

The addition of 73 mb to the SPR would likely take the total Chinese SPR to approximately 215 mb. This is less than half of the administration's target to hold 500 mb by 2020 and thus despite the growth already achieved, there remains a significant tranche of capacity to be completed and subsequently filled. Current information suggests that 163 mb of SPR capacity could be completed over the course of 2014. If the recent 73 mb of fill proves to be accurate, this could leave 90 mb of tank capacity due to be completed by end-2014. If the administration decided to fill this over 2H14 this would equate to a fill rate of approximately 500 kb/d.

Chinese Strategic Petroleum Reserve Sites

(million barrels)

	Operator	Location	Capacity	Status	Completion
Phase 1	**Sinopec**	Zhenhai, Zhejiang	32.7	filled	3Q06
	Sinochem	Zhoushan, Zhejiang	31.4	filled	4Q07
	Sinopec	Huangdao, Shandong	20.1	filled	4Q07
	CNPC	Dalian, Liaoning	18.9	filled	4Q08
Total			**103.1**		
Phase 2	CNPC	Lanzhou, Gansu	18.9	filled	1H11
	CNPC	Dushanzi, Xinjiang	18.9	filled	1H11
	Sinopec	Tianjin Phase 1	20.1	filled	2014
	CNPC	Shanshan, Xinjiang	39	filling, under construction	2014
	Sinopec	Huangdao, Shandong*	18.9	filling, test phase	2014
	CNPC	Jintan, Jiangsu	15.7	under construction	2014
	CNOOC	Huizhou, Guangdong	31.4	under construction	2014
	CNPC	Jinzhou, Liaoning	18.9	under construction	2014
	Sinopec	Zhoushan, Zhejiang	19	under construction	2014
	Sinopec	Zhanjiang, Guangdong	44	under construction	2015
Total			**244.8**		
Phase 3	Sinopec	Tianjin Phase 2	20.1	planned	2015
	unknown	Wanzhou, Chongqing		planned	2020
	Sinopec	Caofeidian, Hebei	38	planned	2020
	Sinopec	Yangpu, Heinan		planned	2020
	CNPC	Rizhao, Shandong		planned	2020
	CNPC	Daqing, Heilongjiang		planned	2020
	CNPC	Yunnan province		planned	2020
	CNPC	Qinzhou, Guangxi*		planned	2020
Total			**152.1**		
Total SPR			**500**		**2020**

* some estimates indicate these sites as commercial storage

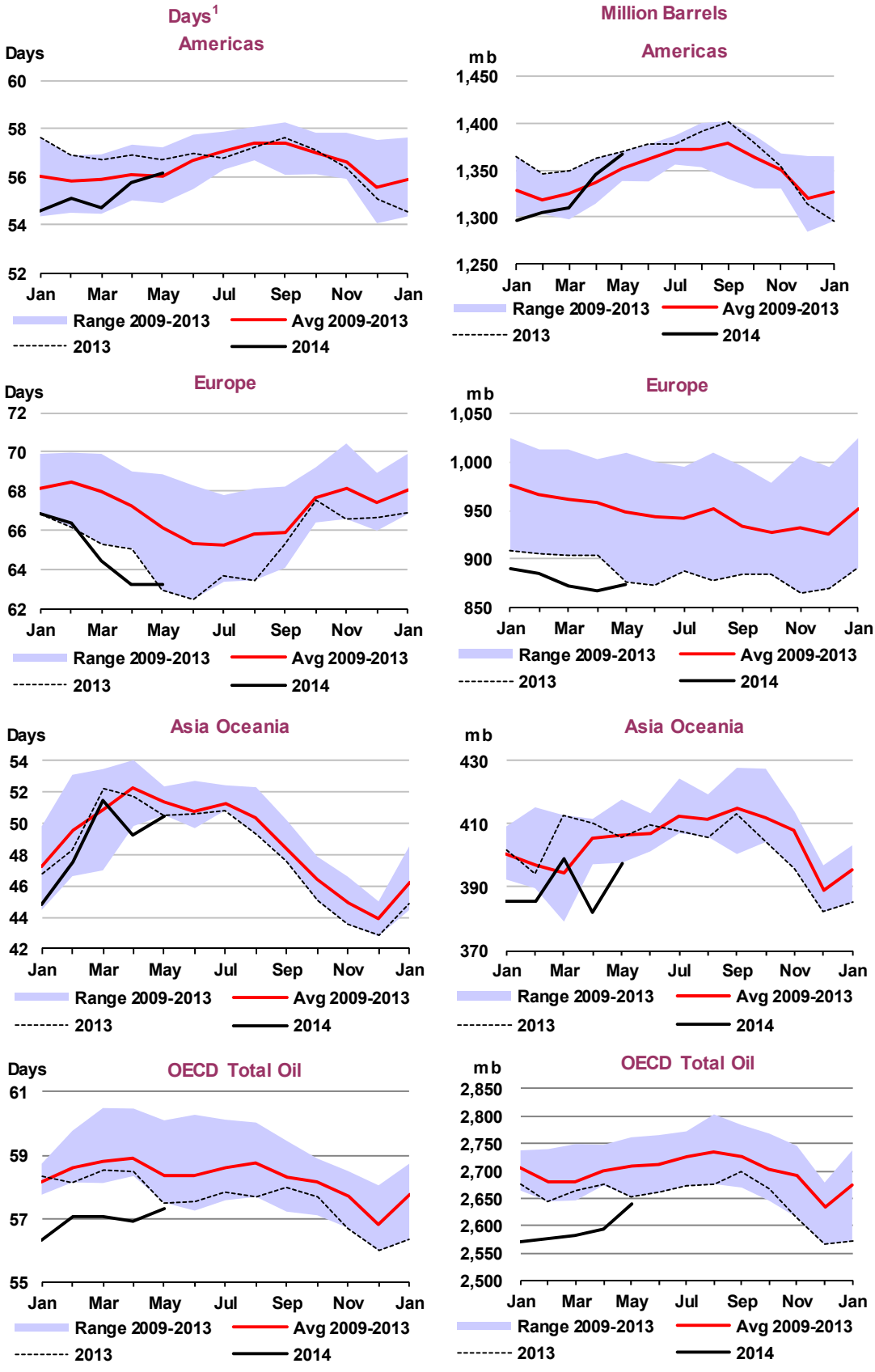
Source: Reuters, OGP, CNPC, Energy Intelligence, Argus, IEA Estimates

The destination of the crude remains unclear. However, 20.1 mb of capacity at Tianjin, in Northeastern China and controlled by Sinopec, was recently completed and is now likely filled. This would tie in with official customs data that indicate that China substantially increased its seaborne imports. Shipments of Middle Eastern sour crudes rose over April - May, notably Saudi Arabian and Iranian grades. Despite current sanctions, shipments of Iranian crude hit a record 760 kb/d, in May. A further site at Huangdao, also in the Northeast and controlled by Sinopec, is reportedly undergoing a 'test phase' and thus is also a likely destination for seaborne cargoes.

Elsewhere, another potential destination would be the CNPC-maintained site at Shanshan in land-locked Xinjiang province. Kazakhstan has recently been shipping an extra 140 kb/d of domestic crude along the Alashankou – Dushanzi pipeline under a swap agreement with Rosneft and thus these deliveries represent volumes agreed between Rosneft and CNPC under their $270 billion supply agreement signed in 2013.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

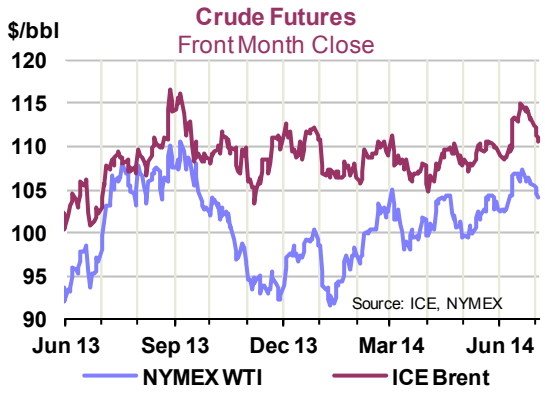
Summary

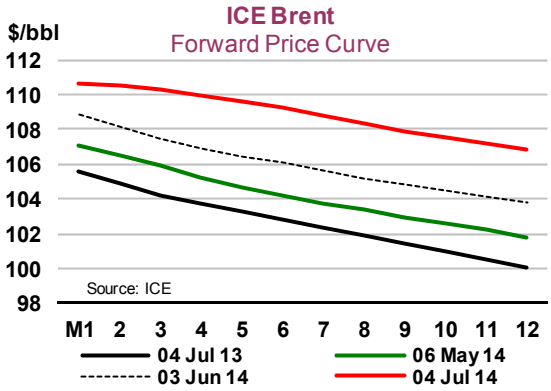
- **Oil futures surged by $5/bbl in mid-June, reaching a nine-month intraday high of $115.71/bbl on 19 June on the back of rapid territorial gains by Islamic State of Iraq and Syria (ISIS) militants in northern Iraq.** Brent crude futures, however, retreated by early July as confidence grew that the country's giant southern oil fields were largely insulated from the turmoil. Improved prospects for a recovery in Libya's oil exports also tempered price gains. ICE Brent futures were last trading at $108/bbl and NYMEX WTI at $102/bbl.

- **Managed money net long positions in ICE Brent futures soared to an all time record in late May and remained at high levels into June** on the back of the crisis unfolding in Iraq. In the last week of May, hedge funds' unhedged long futures positions outnumbered short ones by a factor of almost 3 to 1.

- **Spot crude oil prices spiked in mid-June on turmoil in Iraq but eased again as supply concerns faded and refinery demand waned, especially in Asia where seasonal turnarounds took place.** By early July, weaker than anticipated refining margins and throughput rates tentatively reduced demand for sweet crude from the North Sea and North Africa as well as sour grades from the Middle East.

- **Refined product crack spreads were partly undermined in early and mid-June by the rapid run-up in crude prices** on the back of geopolitical instability in Iraq. Nonetheless, after crude prices retreated during late-June and into early-July, cracks recovered some of their losses.





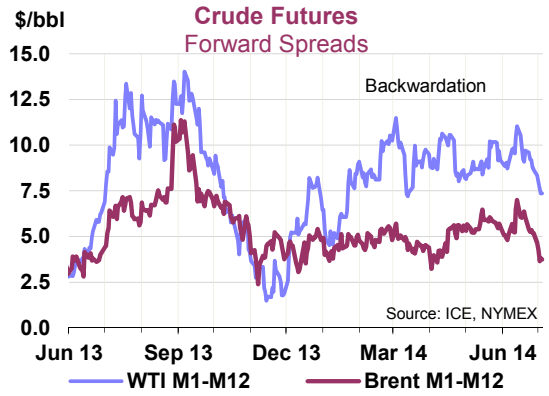
Market Overview

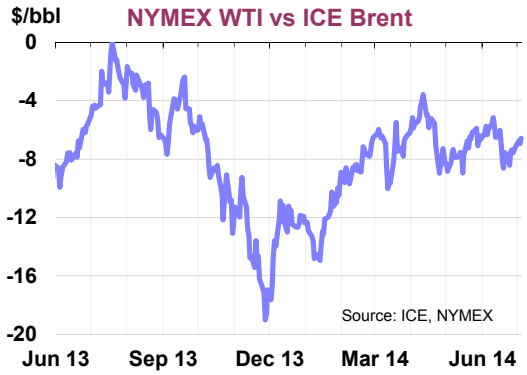
Oil prices rose month-on-month (m-o-m) in June, supported by concerns that prolonged conflict in Iraq could trigger supply disruptions in OPEC's second biggest producer. Gains were limited by slower than anticipated demand from refiners on the back of plant outages and maintenance. ICE Brent futures were up by $2.73/bbl to $111.97/bbl while NYMEX WTI posted a more robust gain of $3.36/bbl, to an average $105.15/bbl. By early July, however, futures prices edged lower by around $3-$4/bbl on expectations of a potential recovery in Libyan supply, with ICE Brent last trading at $108/bbl while NYMEX WTI was around $102/bbl.

Brent crude oil futures surged by $5/bbl in mid June, reaching a nine-month intraday high of $115.71/bbl on 19 June after Islamist militants marched through the north of Iraq and forced the shut-in of the country's biggest refinery at Baiji. However, prices pulled back as investors grew less concerned over the possibility of short-term supply disruptions from Iraq's giant southern oilfields – hundreds of kilometres out of harm's way – that have been providing virtually all the country's exports in recent months. In

addition, higher exports from the northern Kurdish region offset losses of Kirkuk crude, with four tankers of crude loaded at the Turkish Mediterranean port of Ceyhan. It remains to be seen whether Kurdish exports via pipeline will continue to rise, or indeed stabilise, as only one shipment has reportedly found a home. Iraq's central government has warned end-users not to touch the Kurdish exports, which it says are illegal.

Oil's gains were also limited by the expectation of higher Libyan flows after rebel militias ended their 11-month blockade of eastern export terminals. Libya's state-owned National Oil Company (NOC) lifted force majeure on 6 July at the key terminals of Es Sider and Ras Lanuf, which between them handle 600 kb/d. However, the resumption of shipments is expected to be a gradual process.





In the US, brimming crude oil stocks weighed on WTI prices but the US benchmark was supported in mid-June by Washington's decision to issue permits to two firms to export stabilised condensate. The Brent/WTI spread narrowed following the export news. The front-month ICE Brent-Nymex WTI spread contracted in June, averaging $6.82/bbl compared with $7.45/bbl in May, partly on the possibility that the export of distilled condensate could remove some of the overhang along the Gulf Coast.

The fierce campaign by Islamist militants in Iraq lifted the back end of the curve above $100/bbl for the first time in over a year but the Brent M1-12 spread was slightly down in June on May, averaging around $5.55/bbl compared with $5.65/bbl.

Prompt Month Oil Futures Prices

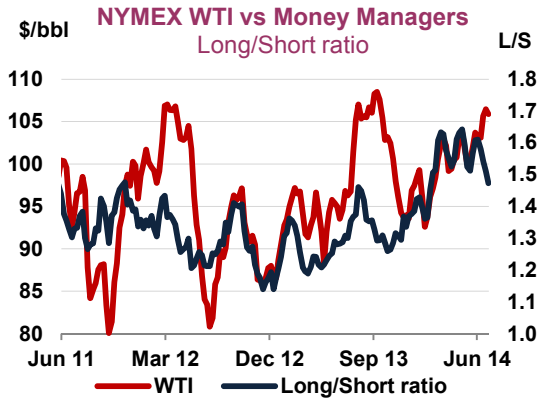
(monthly and weekly averages, $/bbl)

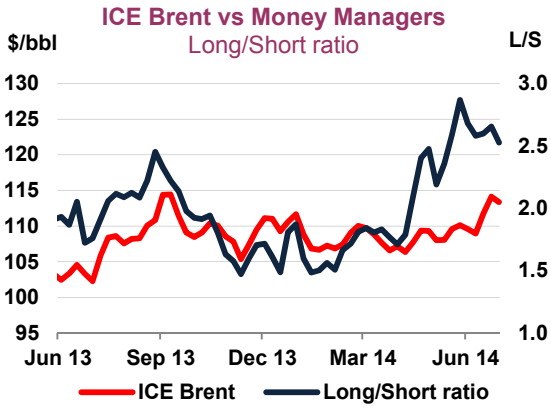
	Apr	May	Jun	Jun-May Avg Chg	% Chg	Week Commencing: 02 Jun	09 Jun	16 Jun	23 Jun	30 Jun
NYMEX										
Light Sweet Crude Oil	102.03	101.79	105.15	3.36	3.2	102.58	105.32	106.58	106.06	104.81
RBOB	126.49	124.23	127.86	3.64	2.8	123.72	126.85	130.32	130.29	127.65
No.2 Heating Oil	124.12	123.07	124.49	1.41	1.1	120.47	123.11	127.34	126.97	124.15
No.2 Heating Oil ($/mmbtu)	21.89	21.71	21.96	0.25	1.1	21.25	21.71	22.46	22.39	21.90
Henry Hub Natural Gas ($/mmbtu)	4.61	4.54	4.59	0.06	1.3	4.66	4.64	4.64	4.47	4.42
ICE										
Brent	108.09	109.24	111.97	2.73	2.4	108.69	111.18	114.10	113.82	111.51
Gasoil	121.83	121.79	122.26	0.47	0.4	118.83	120.37	125.21	124.54	121.75
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-6.06	-7.45	-6.82	0.63		-6.11	-5.86	-7.52	-7.76	-6.70
NYMEX No.2 Heating Oil - WTI	22.09	21.28	19.34	-1.95		17.89	17.79	20.76	20.91	19.34
NYMEX RBOB - WTI	24.46	22.44	22.71	0.28		21.14	21.53	23.74	24.23	22.84
NYMEX 3-2-1 Crack (RBOB)	23.67	22.05	21.59	-0.46		20.06	20.29	22.75	23.12	21.67
NYMEX No.2 - Natural Gas ($/mmbtu)	17.28	17.17	17.36	0.19		16.59	17.08	17.82	17.92	17.48
ICE Gasoil - ICE Brent	13.74	12.55	10.29	-2.26		10.14	9.19	11.11	10.72	10.24

Source: ICE, NYMEX.

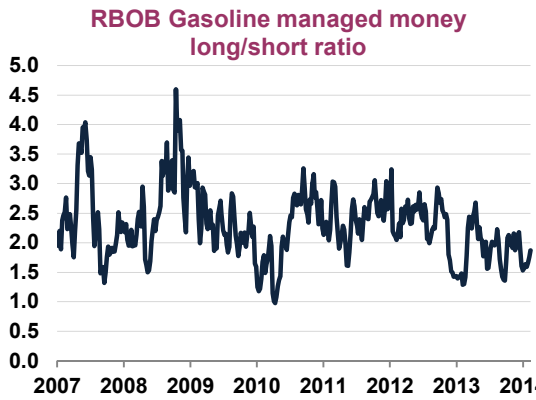
Futures Markets

Managed money net long positions in ICE Brent futures grew throughout June and reached a record in early July, on the back of Iraqi turmoil. In the last week of May, hedge funds' unhedged long futures positions outnumbered short ones by a factor of almost 3-to-1 and settled later at around 2.5-to-1 as firms then hedged their long positions. Hedge funds saw relatively less movement in their NYMEX WTI net long exposure throughout the month, as the Cushing benchmark moved within a narrow $5/bbl range, although the long-to-short ratio is sitting at levels unseen since 2011.



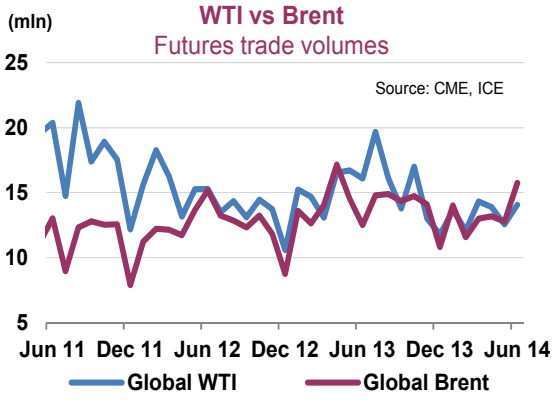


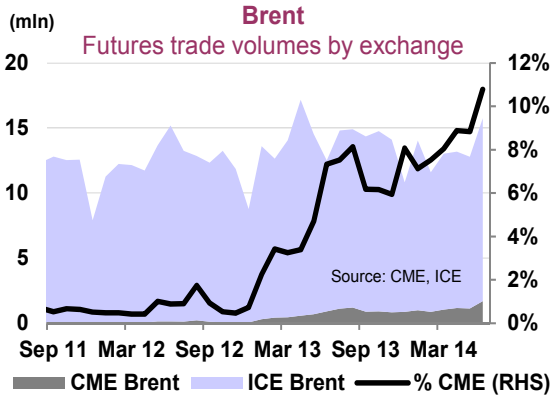
Managed money net longs in RBOB gasoline futures grew 12% on the month as prices inched up $0.15/gal although, on a longer timeframe, the long-to-short ratio remains on a downward trend. Net long futures positions in NYMEX heating oil (based on the New York Harbour ultra low-sulphur diesel contract) built throughout the month but eased in early July as prices stabilised.



In terms of outstanding futures contracts, NYMEX WTI was up 8% on the month and down 1% y-o-y, while ICE Brent was up 4% month-on-month (m-o-m) and on the year. Global Brent volumes rose 25% both on the month and on the year. In contrast, WTI was up 12% m-o-m but down 13% on the year.

For the first time historically, the portion of Brent future trades carried on the NYMEX surpassed the 10% mark, confirming the growing global dominance of the North Sea benchmark even as the production of the crudes underpinning it continues to decline.





Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

01 July 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	264.7	352.1	-87.3	*Short*	↑ 9.4	↑ 0.6
Swap Dealers' Positions	260.4	654.4	-394.1	*Short*	↑ 1.8	↓ -36.5
Money Managers' Positions	659.2	347.8	311.4	*Long*	↓ -11.6	↓ -24.1
Others' Positions	466.3	331.8	134.4	*Long*	↓ -1.5	↑ 46.8
Non-Reportable Positions	109.0	73.4	35.5	*Long*	↑ 1.9	↑ 13.2
Open Interest			**1759.6**		↑ 38.7	↑ 124.0

Source: CFTC

Positions on ICE Brent Crude Futures

Thousand Contracts

01 July 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	603.2	997.4	-394.2	*Short*	↓ -7.7	↓ -47.5
Swap Dealers' Positions	440.5	256.6	183.8	*Long*	↑ 4.0	↑ 4.9
Money Managers' Positions	397.3	157.2	240.1	*Long*	↓ -0.3	↑ 24.1
Others' Positions	125.6	170.4	-44.8	*Short*	↑ 3.1	↑ 9.0
Non-Reportable Positions	53.0	37.9	15.1	*Long*	↑ 0.9	↑ 9.5
Open Interest			**1619.6**		↓ -34.3	↑ 63.5

Source: ICE

Financial Regulation

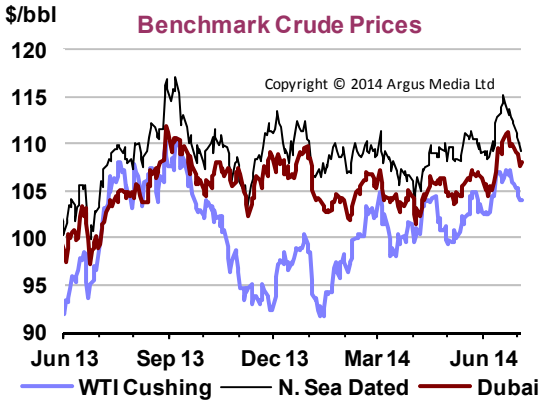
The US Commodity Futures Trading Commission (CFTC) has reopened the comment period for its proposed rule on position limits for physical commodities, after holding a public roundtable on 19 June. The US government agency will also be receiving public comment until 4 August.

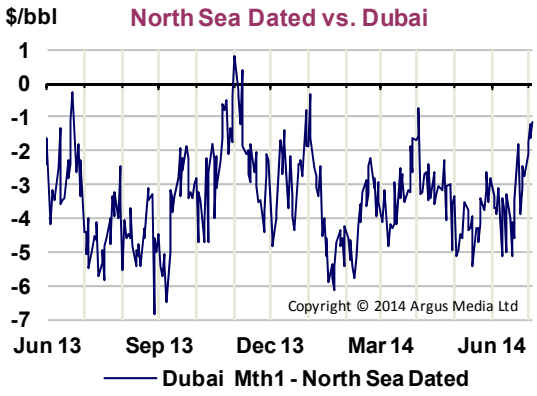
The European Securities and Market Authority (ESMA), the EU's derivatives regulator, started the consultation process for technical standards for the revised Markets in Financial Instruments Directive (MiFID II), adopted by the European Council on 13 May 2014.

ESMA will receive feedback from stakeholders on its draft papers until 1 August 2014, and has held three open hearings between 7 and 8 July. The regulator is due to submit the Regulatory Technical Standards (RTS) draft to the European Commission by June 2015, and the Implementation Technical Standards by December 2015. The legislation is to be phased-in starting in 2016.

Spot Crude Oil Prices

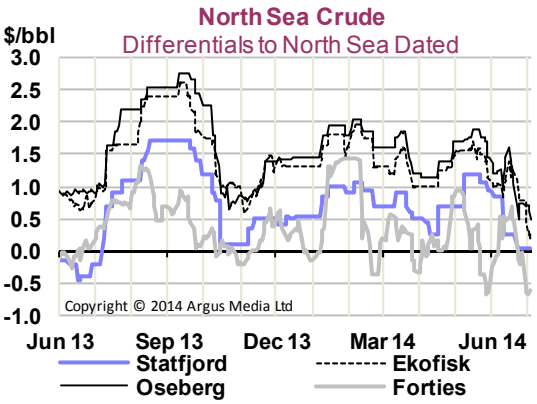
Spot prices for benchmark crudes firmed in June, supported by concern that Islamist militants would disrupt oil supplies in Iraq, but pulled back on signs that exports from the country's giant southern oil fields were continuing at near record rates. The prospect of higher Libyan crude oil exports also weighed. Lower-than-expected throughput rates in Asia put pressure on differentials for sweet crudes from the North Sea to North Africa, while sour grades from the Middle East found muted interest in the Far East.

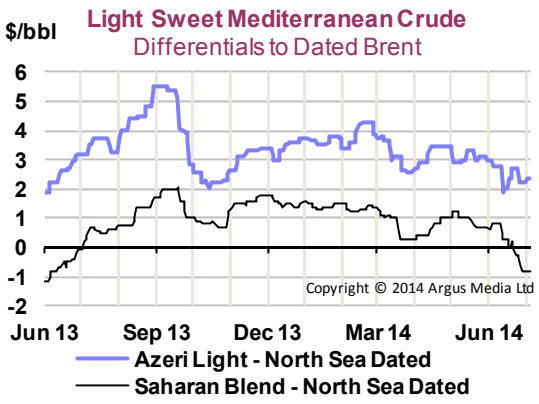




Brent prices were up $2.07/bbl to an average $111.67/bbl in June as the prospect of a major supply disruption in Iraq spooked the market. Spot prices for Dubai averaged $108.06/bbl, up $2.39/bbl from May. As a result, the Brent-Dubai price spread between the grades narrowed to $3.60/bbl in June compared to $3.92/bbl in May. The Brent-Dubai differential has contracted further in early July, to around $1.50/bbl, supported by Asian refineries returning from maintenance and summer driving demand. Spot prices for WTI in June climbed $3.37/bbl from May to average $105.24/bbl.

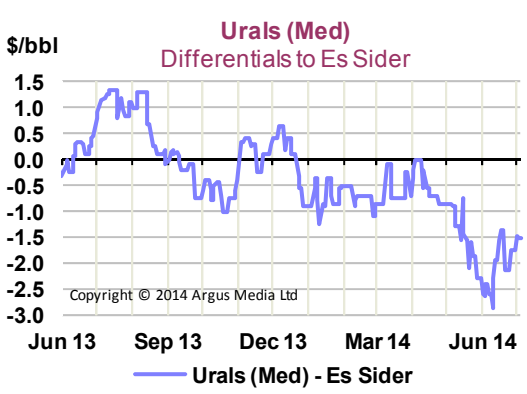
Weak refining margins and lower-than-expected refinery runs diminished the appetite for North Sea barrels, weighing on regional differentials. Light sweet Oseberg and Ekofisk – two of the four grades underlying North Sea Dated - found initial support from Chinese buying, but premiums to Dated Brent came under pressure after buyer interest waned. It remains to be seen whether China will route North Sea barrels more regularly to the East. South Korean refiners have already established this trade flow. For more on North Sea supply, see the *Supply* section.

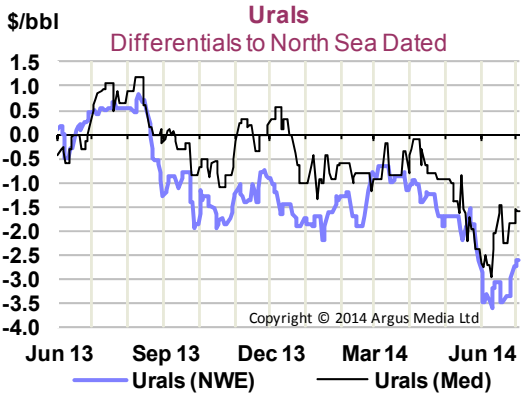




Light sweet crude supplies in the Mediterranean are expected to rise after exports resumed from Libya's Mellitah and Marsa el-Hariga terminals. Output could climb higher in July provided the Ras Lanuf and Es Sider terminals restart. Demand for these premium barrels remains weak, however, and Algeria's Sonatrach cut its July official formula price for light sweet Saharan Blend to a $0.10/bbl premium to North Sea Dated, down $0.90/bbl versus June loading cargoes.

In Europe, the value of Urals in the Mediterranean was pressured due to weak refining margins with the Russian benchmark's discount to North Sea Dated widening in June relative to May, to roughly $2.15/bbl versus $1.65/bbl, respectively. With Libyan crude possibly returning to the market, the overall amount of oil available could further pressure the market. Iraq's northern Kurdish region has loaded 4 million barrels of sour crude from the Turkish port of Ceyhan since the end of May – but with Baghdad warning off buyers, it remains to be seen where all the oil will end up. One cargo reportedly was discharged at Israel's Ashkelon port.





Asia stepped up its purchases of sweet West African crude in July, especially China. Refiners in India - in search of light sweet, gasoline-rich crude – also ramped up purchases. Thailand and Japan reportedly snapped up light sour Murban from the UAE for August loading, which boosted premiums to the ADNOC official price. Unsold barrels of heavier Basra Light were, however, on offer, with reports some refiners in Asia are shying away from Iraqi spot crude fearing a potential disruption to liftings, preferring alternative grades.

Saudi Aramco, the world's largest oil exporter, lowered the premium for August cargoes of its benchmark Arab Light grade to Asia. Aramco cut the August official selling price (OSP) of Arab Light to Asian refiners to a premium of $2.05/bbl over Oman/Dubai, down from $2.25/bbl for July. The OSP tends to reflect moves in the Brent-Dubai spread, which has narrowed.





US Gulf Coast markets strengthened initially after Washington's approval of limited distilled condensate exports for two US companies lifted light sweet LLS. But gains were capped by a growing surplus of light sweet crude in west Texas and along the Gulf Coast. The level of stabilised condensate exports remains to be seen. Stronger demand and higher refinery runs along the US Gulf Coast lifted sour Mars crude, narrowing its discount to WTI. North Dakota's Bakken crude showed signs of strengthening as coastal refiners sought to replace more expensive foreign imports with cheaper domestic oil from the midcontinent. Heavy barrels of Canadian pipeline benchmark Western Canadian Select traded largely steady to light sweet WTI. Meanwhile, medium sour Colombian Vasconia eased on meagre demand in the US and Europe, but supply is expected to tighten after Colombia's Ecopetrol declared *force majeure* on the 220 kb/d Caño Limón-Coveñas pipeline following rebel attacks that also targeted the Caño-Limón oil field itself.

Spot Crude Oil Prices and Differentials

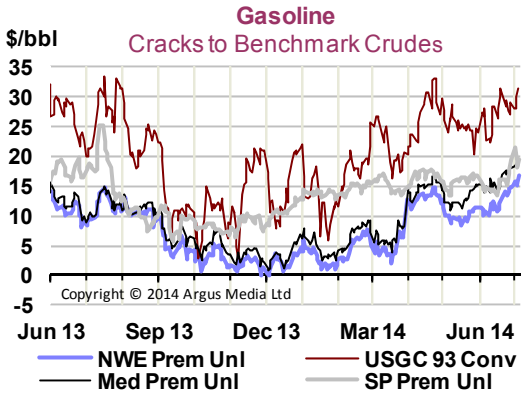
(monthly and weekly averages, $/bbl)

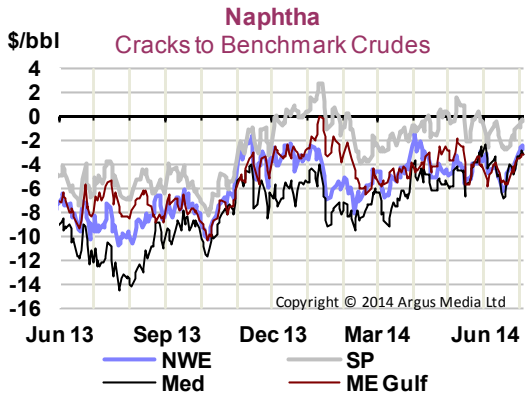
	Apr	May	Jun	Jun-May Avg Chg	%	Week Commencing: 02 Jun	09 Jun	16 Jun	23 Jun	30 Jun
Crudes										
North Sea Dated	107.62	109.60	111.67	2.07	1.9	108.86	110.84	114.21	112.86	110.09
Brent (Asia) Mth 1	108.06	109.88	112.22	2.34	2.1	109.26	110.95	114.23	114.32	111.81
WTI (Cushing) Mth 1	102.07	101.86	105.24	3.37	3.3	102.58	105.32	106.58	106.43	104.81
Urals (Mediterranean)	107.04	107.96	109.50	1.54	1.4	106.23	108.41	112.56	110.85	108.44
Dubai	104.70	105.67	108.06	2.39	2.3	105.32	106.72	109.95	110.06	108.54
Tapis (Dated)	105.05	107.41	108.86	1.45	1.3	106.44	108.34	111.19	109.66	106.89
Differential to North Sea Dated										
WTI (Cushing)	-5.54	-7.73	-6.43	1.30		-6.27	-5.52	-7.62	-6.43	-5.28
Urals (Mediterranean)	-0.57	-1.63	-2.16	-0.53		-2.63	-2.43	-1.65	-2.01	-1.64
Dubai	-2.91	-3.92	-3.60	0.32		-3.53	-4.13	-4.25	-2.80	-1.55
Tapis (Dated)	-2.57	-2.19	-2.80	-0.62		-2.42	-2.50	-3.02	-3.20	-3.20
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.04	0.64	0.41	-0.23		0.69	0.47	0.43	0.12	-0.16
Forward WTI Cushing Mth1-Mth2	0.69	0.63	0.65	0.02		0.69	0.79	0.46	0.66	0.59
Forward Dubai Mth1-Mth2	0.26	0.58	0.53	-0.05		0.79	0.64	0.54	0.15	0.47

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Spot Product Prices

In June, surveyed crack spreads were generally undermined in early and mid-month by spot product prices failing to keep pace with crude markets, which surged on the back of geopolitical instability in Iraq and Ukraine. Nonetheless, after crude prices retreated during late-June and into early-July, cracks at the top and bottom of the barrel recovered some of their losses. On a product-by-product basis, gasoline cracks were boosted by reports strong demand across the Atlantic basin. Meanwhile, middle distillates cracks weakened across all markets while at the bottom of the barrel fuel oil cracks were mixed.





European gasoline cracks firmed by $2.53/bbl on average in June. Prices were propelled higher by plentiful opportunities to export product to the US East Coast during early-June as maintenance on the Colonial Pipeline curbed supplies from the Gulf Coast. Despite a fall in spot prices late month, European cracks remained strong after unexpected refinery outages tightened European supplies while crude prices weakened. Consequently, by early-July the NWE crack had exceeded $15/bbl for the first time since April 2013. Meanwhile, on the US Gulf Coast gasoline cracks rose by $2.14/bbl as US East Coast demand remained buoyant as the driving season ramped up. In Asia, Singapore cracks were boosted from mid-month onwards as supplies tightened following a number of refinery outages in India, Taiwan and Malaysia and an associated draw in Singapore land-based light distillate inventories. Nonetheless, on a m-o-m basis they weakened by a slight $0.09/bbl.

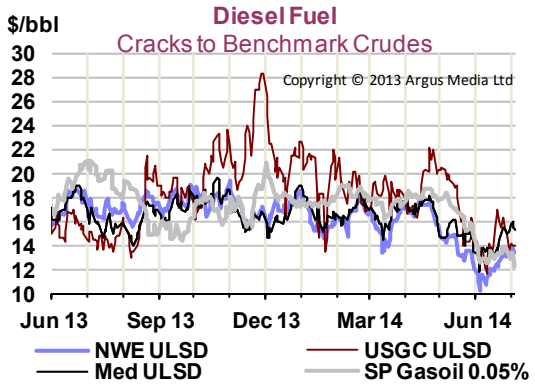
Spot Product Prices

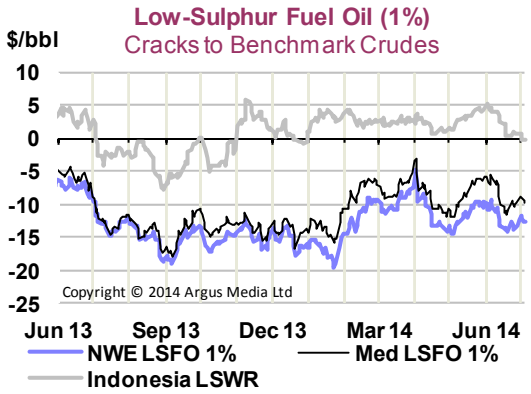
(monthly and weekly averages, $/bbl)

	Apr	May	Jun	Jun-May Chg	Jun-May %	Week Commencing: 02 Jun	09 Jun	16 Jun	23 Jun	30 Jun	Apr	May	Jun	Chg
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	120.59	119.57	123.87	4.30	3.6	119.56	122.21	126.20	127.07	125.73	12.97	9.97	12.21	2.23
Naphtha	104.00	105.38	107.02	1.64	1.6	104.67	106.22	108.39	108.56	107.36	-3.62	-4.22	-4.65	-0.43
Jet/Kerosene	120.90	121.70	122.80	1.10	0.9	118.67	120.85	125.75	125.65	123.26	13.28	12.10	11.14	-0.97
ULSD 10ppm	124.55	123.49	123.80	0.31	0.2	120.07	122.27	126.49	126.20	123.71	16.93	13.89	12.13	-1.76
Gasoil 0.1%	121.47	121.79	122.14	0.36	0.3	118.70	120.72	124.82	124.24	121.62	13.85	12.19	10.48	-1.71
LSFO 1%	96.92	98.15	99.46	1.31	1.3	98.72	99.22	100.42	99.56	97.84	-10.70	-11.45	-12.21	-0.76
HSFO 3.5%	88.86	88.84	90.99	2.15	2.4	89.02	89.91	92.67	92.34	90.07	-18.76	-20.75	-20.67	0.08
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	121.73	120.88	125.25	4.37	3.6	120.92	123.55	127.58	128.50	127.14	14.69	12.92	15.75	2.83
Naphtha	101.87	103.40	104.91	1.51	1.5	102.54	104.16	106.36	106.39	105.23	-5.18	-4.56	-4.59	-0.03
Jet Aviation fuel	120.00	120.80	121.71	0.91	0.8	117.55	119.83	124.74	124.45	122.11	12.96	12.83	12.20	-0.63
ULSD 10ppm	124.17	123.00	123.44	0.44	0.4	119.24	122.03	126.23	126.05	123.99	17.13	15.03	13.93	-1.10
Gasoil 0.1%	121.10	121.12	121.78	0.66	0.5	117.99	120.22	124.60	124.10	121.69	14.06	13.16	12.27	-0.88
LSFO 1%	98.47	99.72	100.76	1.04	1.0	100.02	100.56	101.62	100.90	99.24	-8.58	-8.24	-8.74	-0.50
HSFO 3.5%	88.26	88.38	90.33	1.95	2.2	88.37	89.32	91.96	91.61	89.35	-18.78	-19.58	-19.18	0.41
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	131.45	129.46	135.54	6.08	4.7	131.89	133.53	138.66	137.85	137.22	27.27	25.20	27.33	2.14
Unleaded	122.34	118.98	123.87	4.89	4.1	120.02	122.06	125.73	127.34	125.21	18.16	14.72	15.67	0.94
Jet/Kerosene	121.32	120.35	120.96	0.61	0.5	117.31	119.67	123.77	123.26	119.41	17.14	16.08	12.75	-3.33
ULSD 10ppm	123.16	121.90	122.59	0.69	0.6	118.99	121.21	125.18	125.01	121.71	18.98	17.64	14.38	-3.26
Heating Oil	119.25	118.18	119.02	0.84	0.7	115.35	118.01	121.63	121.29	115.26	15.07	13.91	10.81	-3.11
No. 6 3%*	90.69	91.61	93.10	1.49	1.6	91.41	92.39	94.13	94.38	91.46	-13.49	-12.65	-15.11	-2.46
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	121.27	121.42	123.72	2.30	1.9	120.25	121.06	125.30	127.14	128.25	16.57	15.75	15.66	-0.09
Naphtha	104.06	105.46	106.29	0.83	0.8	103.47	105.78	107.33	108.20	107.95	-0.64	-0.21	-1.77	-1.56
Jet/Kerosene	120.60	119.86	120.83	0.97	0.8	117.16	119.22	123.29	123.50	121.00	15.90	14.19	12.76	-1.42
Gasoil 0.05%	122.93	122.31	121.25	-1.06	-0.9	118.38	119.69	123.13	123.67	121.43	18.23	16.64	13.19	-3.45
LSWR Cracked	106.58	109.00	110.49	1.49	1.4	109.98	110.32	111.04	110.74	108.67	1.87	3.32	2.42	-0.90
HSFO 180 CST	93.97	95.41	97.36	1.94	2.0	96.35	96.65	98.11	98.29	96.46	-10.73	-10.26	-10.71	-0.44
HSFO 380 CST 4%	92.53	93.69	95.92	2.23	2.4	94.28	94.93	96.98	97.39	95.68	-12.17	-11.99	-12.14	-0.15

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Despite weakening on a m-o-m basis in June, naphtha markets reversed course from mid-month onwards. In Asia, naphtha supplies, mainly used by its booming petrochemical industry, were tightened by ongoing refinery maintenance, which saw the Singapore crack approach positive territory by early-July. This also had the effect of widening the arbitrage to move European supplies to Asia. Accordingly, the NWE crack firmed to -$3.06/bbl at end-June.





Cracks in the middle of the barrel performed poorly over June. On the US Gulf Coast, the diesel crack plummeted in late month as US diesel stocks continued their recent builds, at end-June the crack stood at approximately $13.40/bbl. In Europe cracks held up better after US imports decreased somewhat and refinery outages helped to tighten regional supplies. Nonetheless, by late-month, US imports rebounded and Russian shipments increased further, which moved prices downward. European jet kerosene

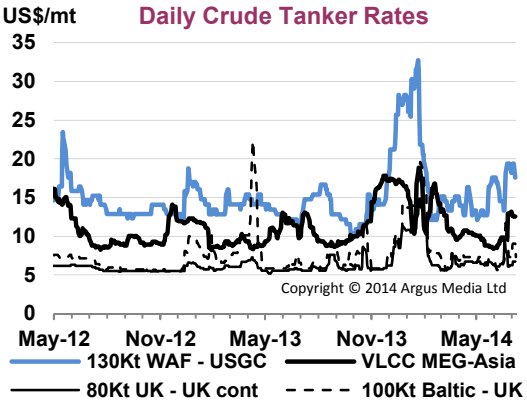
supplies also tightened on run cuts which helped push spot prices up in early-month but the tide soon turned and they plummeted back as cargoes reportedly arrived from the Middle East and Asia and volumes held in independent storage rose.

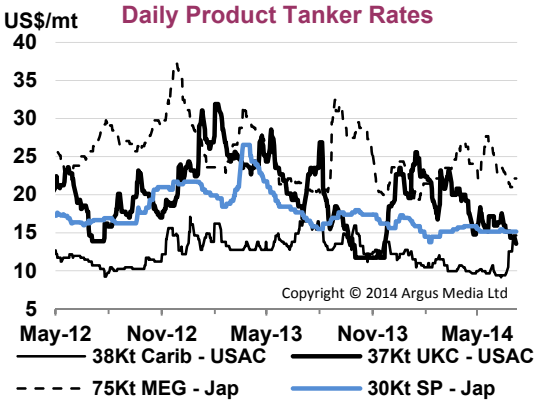
Fuel oil markets diverged in Europe in June, which narrowed the HSFO – LSFO differential. HSFO cracks firmed month-on-month as the arbitrage to move product to Asia opened although some downward pressure came late-month from a number of unsold cargoes amid unexpected refinery outages (refiners often run HSFO as a feedstock). Meanwhile, LSFO cracks weakened following low demand and a closed arbitrage to move product eastwards. In Asia HSFO cracks weakened by a slight $0.15/bbl as Singapore inventories built over the month and amid disappointing demand.

Freight

Rates for crude carriers showed modest strength in the second half of June, whilst remaining generally subdued. The VLCC Middle East Gulf – Asia route firmed towards the end of June as Asian refiners came back from maintenance and turned to Middle Eastern grades. Momentum on Suezmax West Africa – US Gulf Coast trade remained strong on firm activity in the US Gulf. Rates inched down during the first half of the month but then recovered to peak at $19.40/mt, their highest level since January, finally settling around $18/mt or approximately $2/mt above a month earlier at the time of writing.

In Northwest Europe, rates were choppy during the second half of the month, with the Baltic Aframax rate briefly jumping above $10/mt, before closing the month $1.20/mt above a month-earlier as vessel oversupply capped gains. Rates on the North Sea Aframax trade flirted with $10/mt due to an uptick in Russian exports but quickly reverted to prior month levels of about $6.25/mt.





Product tankers had a subdued month except for the US Gulf Coast – US Atlantic route, as maintenance on the Colonial pipeline in the second half of June pushed maritime shipments up. The lack of available Jones Act compliant tankers available then prompted the 38 Kt rate up from $9/mt to nearly $15/mt.

Rates for the Singapore – Japan 30 Kt benchmark trade remained at just above $15/mt throughout June and into early July, trading within a narrow $0.30/mt range. In the Atlantic Basin, the picture is still depressed due to an oversupply of 37 Kt vessels, whose rates are sitting at their lowest since November 2013, and on a steady downward trend, inching below $14/mt in early July. US shippers are reportedly switching to larger (over 50 Kt) tankers to benefit from economies of scale. The Middle East Gulf – Japan trade had a lacklustre month for 75 Kt ships due to vessel oversupply, at the time of writing the rate stood at $22/mt, its lowest since January.

REFINING

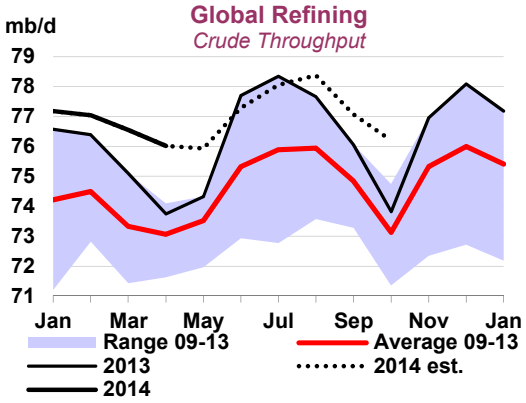
Summary

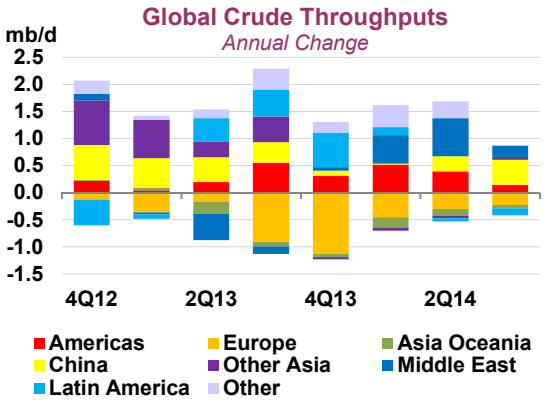
- **Global refinery crude throughputs look to have slipped below year-earlier levels in June, for the first time since October 2013**, when European throughputs dived to 25-year lows. Refinery outages on the US Gulf Coast in mid-June and plummeting runs in both Japan and Europe curbed OECD runs, while shutdowns in Iraq, India and China, amongst others, curtailed non-OECD refinery intake. Estimates of 2Q14 global refinery runs have thus been lowered by 300 kb/d since last month's *Report*, to 76.2 mb/d on average.

- **The forecast of global refinery runs for 3Q14 is largely unchanged since last month's *Report*, at 77.8 mb/d**. Our earlier forecast was already seeing annual easing to 0.4 mb/d, from 1.0 mb/d in 2Q14, as US refinery runs bump up against capacity limits, and outages curb throughputs in Latin America and Africa. Middle Eastern refinery throughput gains are also expected to scale back, from the 0.5 mb to 0.7 mb/d levels seen in the first half of 2014, before Saudi Arabia's new 400 kb/d Yanbu refinery starts up, possibly already in 3Q14, fuelling further growth.

- **OECD refinery crude runs fell by 220 kb/d in May on the month, to 36.2 mb/d.** OECD throughputs were 480 kb/d higher than a year earlier, with growth in North America tempered by structural declines in Europe, but were 80 kb/d above our month-earlier forecast**.** Seasonal declines in Japan were less steep than projected, 320 kb/d lower than in April. Preliminary data indicate that OECD runs failed to rise seasonally in June, due to more extensive maintenance in Japan and unplanned outages on the US Gulf Coast as well as a counter seasonal decline in Europe on the account of weak margins.

- **Despite a significant improvement in light product cracks, refinery margins were mixed in June** with the choice of feedstock proving to be crucial to refiners' profitability. Turmoil in Iraq lifted Brent-related crude grades and noticeably tempered gains in Europe and Singapore, while in the US, midcontinent refiners benefitted from access to relatively cheaper feedstocks. US Gulf Coast margins got a temporary boost from heavy outages mid-month.





Global Refinery Overview

Global refinery crude throughputs look to have slipped below year-earlier levels in June, for the first time since October 2013, when European throughputs dived to 25-year lows. Refinery outages on the US Gulf Coast in mid-June and record-low runs in Japan compounded the effect of counter-seasonal curbs in European activity to take OECD throughputs, if confirmed, almost 1.7 mb/d below year earlier levels. Shutdowns in Iraq, India and China, amongst others, meanwhile curtailed non-OECD refinery intake. Estimates of 2Q14 global refinery runs have thus been lowered by 300 kb/d since last month's *Report*, to 76.2 mb/d on average.

Despite the slightly lower 2Q14 estimates, global throughputs still hovered 1.0 mb/d above year-earlier levels. Growth came in particular from the Middle East, due to a low 2Q13 baseline and more importantly to the start-up of the 400 kb/d Jubail refinery in Saudi Arabia in September 2013. Record-high Russian crude intake in June, or nearly 6.0 mb/d, also underpinned gains. While Chinese refinery activity has underperformed recently, both in terms of utilisation and investments, the country still processed close to 0.3 mb/d more crude in 2Q14 than a year earlier. In the OECD, structural decline in Europe and Asia Oceania almost perfectly offset annual gains of 425 kb/d from the Americas.

Refinery crude demand is set to increase in 3Q14, to 77.8 mb/d, largely unchanged from last month's *Report*. Maintenance in Asia is mostly completed and refiners are expected to raise runs to meet peak summer demand. Growth could ease to 0.5 mb/d, however, as US refiners bump up against capacity limits and Middle Eastern growth is curtailed by the shutdown of Iraq's Baiji refinery, its largest. As of now, there is no known damage at the 330 kb/d plant, which had to shut in mid-June due to insurgent attacks. It has been reported that ISIS insurgents recognise the value of the refinery to their own aims and do not wish to damage it. The plant could presumably be brought back online as soon as stability is restored and staff returned, but given the current situation, we exclude it for the remainder of the period covered in these estimates. Offsetting lost Iraqi throughputs, the 400 kb/d Aramco/Sinopec JV Yanbu looks to be on track to be completed and operational in 3Q14 ahead of earlier estimates, lifting Middle Eastern throughputs further. The shutdown of Colombia's Cartagena refinery and Ecuador's Esmeralda plant for upgrades is expected to keep Latin American runs below year-earlier levels in 2H14. Brazil's new 230 kb/d Abreu e Lima refinery is planning to start one CDU in November of this year, and the other by mid-2015.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

	Mar 14	**1Q2014**	Apr 14	May 14	Jun 14	**2Q2014**	Jul 14	Aug 14	Sep 14	**3Q2014**	Oct 14
Americas	18.1	**18.3**	18.7	18.7	18.9	**18.8**	19.4	19.2	18.8	**19.1**	18.4
Europe	11.0	**11.1**	11.3	11.3	11.0	**11.2**	11.6	11.6	11.3	**11.5**	10.9
Asia Oceania	6.9	**6.9**	6.4	6.2	6.0	**6.2**	6.5	6.6	6.5	**6.5**	6.2
Total OECD	35.9	**36.3**	36.4	36.2	36.0	**36.2**	37.5	37.4	36.5	**37.1**	35.5
FSU	7.1	**7.1**	6.7	7.0	7.2	**7.0**	7.2	7.2	6.9	**7.1**	6.7
Non-OECD Europe	0.3	**0.4**	0.5	0.5	0.4	**0.4**	0.4	0.4	0.4	**0.4**	0.4
China	9.9	**9.8**	9.6	9.5	10.0	**9.7**	10.0	9.9	9.9	**9.9**	10.0
Other Asia	10.0	**10.1**	9.7	9.6	9.8	**9.7**	9.8	10.1	10.1	**10.0**	10.1
Latin America	4.9	**4.8**	4.8	4.7	4.9	**4.8**	4.8	4.8	4.8	**4.8**	4.7
Middle East	6.4	**6.3**	6.2	6.3	6.4	**6.3**	6.2	6.4	6.5	**6.4**	6.6
Africa	2.1	**2.2**	2.1	2.1	2.2	**2.1**	2.0	2.0	2.0	**2.0**	2.0
Total Non-OECD	40.6	**40.6**	39.6	39.7	40.8	**40.0**	40.4	41.0	40.6	**40.7**	40.6
Total	76.6	**76.9**	76.0	75.9	76.8	**76.2**	77.9	78.4	77.1	**77.8**	76.1

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

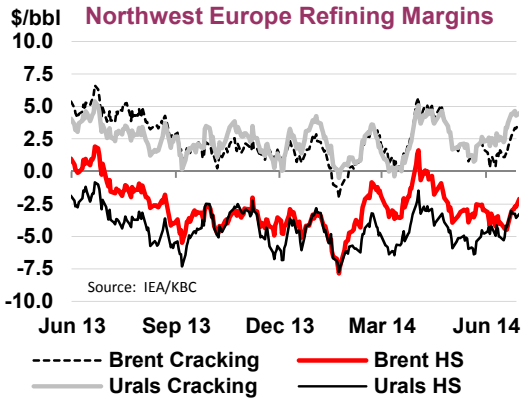
2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

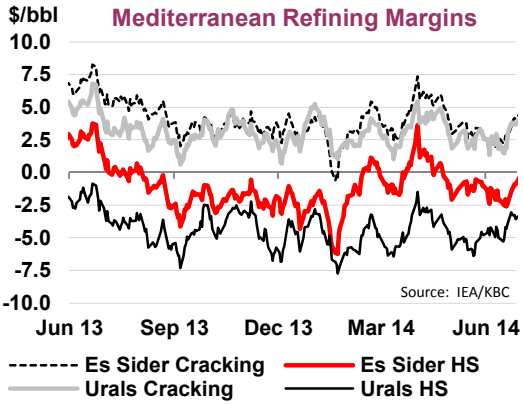
Refinery Margins

Although light product prices have been strengthening, refinery margins were mixed in June with the choice of feedstock proving to be crucial to refiners' profitability. Turmoil in Iraq lifted crude grades traded in Europe and Asia and noticeably tempered gains in Europe and Singapore while in the US, midcontinent refiners benefitted from access to relatively cheaper grades.

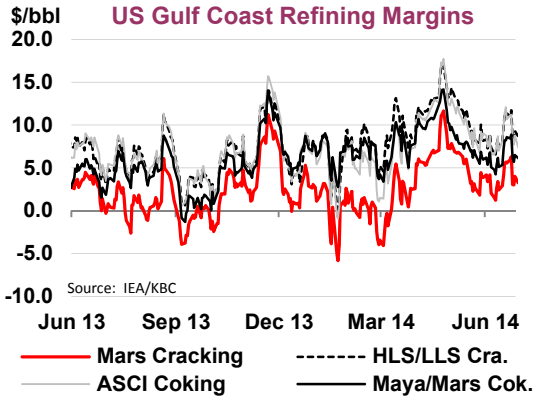
Northwest European refining margins experienced a rare uptick in late month as refiners reportedly cut runs while crude prices retreated. Nonetheless, margins for simple refiners remain firmly entrenched in

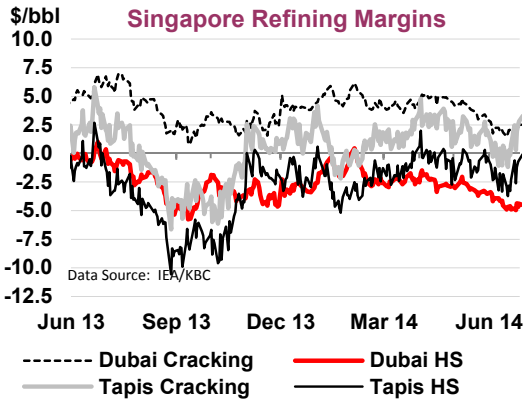
negative territory. On a month-on-month basis, refiners running Brent were distinctly disadvantaged due to the grade's relatively high price against a backdrop of geopolitical instability. Meanwhile refiners running Urals, which weakened against Brent, saw their margins firm by $1.25/bbl over the month. Surging regional gasoline cracks, driven by additional export demand to the US East Coast and West Africa, provided upward momentum. A further boost to refiners running sour Urals came from strengthening HSFO prices. In the Mediterranean, the picture was similar with refiners running Urals seeing their margins firm by $0.15/bbl compared to May. In comparison, refiners running light, sweet Es Sider saw margins slide $0.50/bbl on average as Libyan exports remain severely curtailed. Gains in gasoline prices were not as pronounced as in Northwest Europe but some upward momentum was provided by surging HSFO prices.





In the US, refiners' fortunes depended on whether they were located in the Midcontinent or on the Gulf Coast, as Midcontinent grades WTI and Bakken weakened against LLS and sour grades used in Gulf Coast refineries. Additionally, Midcontinent refiners running light WTI and Bakken benefitted from surging gasoline and jet kerosene prices. Although the gross product worth of gasoline increased on the Gulf Coast, the increase was about half the magnitude posted in the Midcontinent. On a month-on-month average basis, Midcontinent refiners saw their margins strengthen by $0.93/bbl while those on the Gulf Coast saw their margins drop $1.49/bbl. Furthermore, at end-month, margins for midcontinent refiners stood approximately $13/bbl above their counterparts on the Gulf Coast. US Gulf Coast refinery margins did receive a boost mid-month due to extensive outages and lower runs, but retreated again as plants came back online.





The effect of high crude prices was most evident in Singapore where the increases posted by both Dubai and Tapis, supported by political upheaval in Iraq, outstripped product price gains across the barrel. Refiners there are now seeing their margins further entrenched in negative territory or, in the case of more complex refiners, touch lows not seen since autumn 2013. Refiners running Dubai saw margins weaken by $1.50/bbl on average while those refining Tapis saw margins retreat by $1.18/bbl due to its higher middle distillate and gasoline yields.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Mar 14	Apr 14	May 14	Jun 14	Jun 14-May 14	06 Jun	13 Jun	20 Jun	27 Jun	04 Jul
NW Europe										
Brent (Cracking)	1.51	4.49	1.72	1.75	0.03	0.98	1.16	1.37	3.10	3.74
Urals (Cracking)	1.08	4.13	1.84	3.18	1.34	2.41	2.54	3.03	4.47	4.48
Brent (Hydroskimming)	-2.47	-0.85	-3.17	-3.56	-0.39	-3.55	-3.83	-4.29	-2.86	-2.11
Urals (Hydroskimming)	-5.18	-3.32	-5.36	-4.20	1.16	-4.45	-4.71	-4.54	-3.28	-3.28
Mediterranean										
Es Sider (Cracking)	3.70	5.61	3.24	2.80	-0.44	2.14	2.36	2.48	3.90	4.46
Urals (Cracking)	2.70	4.18	2.56	2.65	0.09	2.28	2.33	1.98	3.73	4.06
Es Sider (Hydroskimming)	-0.49	0.86	-1.12	-1.68	-0.56	-1.64	-1.83	-2.38	-1.13	-0.41
Urals (Hydroskimming)	-5.11	-4.04	-5.45	-5.25	0.20	-5.07	-5.43	-6.19	-4.54	-4.14
US Gulf Coast										
50/50 HLS/LLS (Cracking)	9.01	13.15	10.83	8.83	-2.00	8.04	7.34	10.22	9.76	8.65
Mars (Cracking)	1.37	7.25	5.08	3.73	-1.35	3.53	2.24	4.77	4.47	3.24
ASCI (Cracking)	1.17	7.13	5.32	3.93	-1.39	3.54	2.69	5.29	4.41	2.85
50/50 HLS/LLS (Coking)	9.85	14.56	12.28	10.56	-1.71	9.69	9.13	12.06	11.48	10.07
50/50 Maya/Mars (Coking)	7.13	10.98	7.48	6.40	-1.08	5.89	5.12	7.52	7.12	6.13
ASCI (Coking)	6.36	12.72	10.13	8.70	-1.42	7.89	7.36	10.46	9.38	7.36
US Midcon										
WTI (Cracking)	16.88	18.49	15.65	16.05	0.40	17.77	15.87	15.87	14.97	14.63
30/70 WCS/Bakken (Cracking)	19.78	20.66	19.43	20.62	1.19	22.47	20.69	20.32	19.19	19.67
Bakken (Cracking)	22.90	24.11	22.26	23.23	0.97	25.30	23.61	22.91	21.36	21.94
WTI (Coking)	18.48	20.49	17.53	18.27	0.74	20.06	18.21	18.10	17.08	16.53
30/70 WCS/Bakken (Coking)	23.69	24.59	22.57	23.72	1.15	25.46	23.79	23.53	22.31	22.70
Bakken (Coking)	23.21	24.66	22.80	23.95	1.15	26.08	24.41	23.62	21.98	22.48
Singapore										
Dubai (Hydroskimming)	-2.36	-2.44	-3.05	-4.34	-1.29	-3.78	-4.18	-4.75	-4.63	-4.51
Tapis (Hydroskimming)	-1.26	-0.32	-0.81	-1.97	-1.16	-1.67	-2.45	-3.00	-1.14	-0.09
Dubai (Hydrocracking)	4.14	4.83	3.77	2.06	-1.71	2.25	1.99	1.83	2.09	2.42
Tapis (Hydrocracking)	1.65	2.94	1.84	0.64	-1.20	0.38	-0.21	-0.14	2.01	3.27

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

OECD Refinery Throughput

OECD refinery crude intake fell 220 kb/d in May, to 36.2 mb/d on average. The drop in throughputs stemmed almost entirely from Asia Oceania, in particular Japan, where seasonal maintenance intensified. Overall operating levels in the Americas and Europe were largely unchanged from a month earlier. Year-on-year gains hovered around 0.5 mb/d, with a 180 kb/d annual contraction in Europe partly mitigating gains in the US and to a lesser degree in OECD Asia Oceania.

Preliminary data for June show much weaker-than-expected throughputs in all regions. US refinery activity was curtailed mid-month by a series of unplanned outages, and Japanese maintenance seems to have been more heavily concentrated in June compared with previous years. Also, recent capacity rationalisation in Japan is now beginning to affect run rates, as run cuts due to maintenance at some plants can less easily be offset by run hikes at other plants. In Europe, preliminary data from Euroilstocks indicate a counter-seasonal decline in regional activity, to only 11 mb/d, from 11.3 mb/d in May. Despite the very weak runs, if confirmed, margins failed to pick up materially, highlighting the dire state of the European refining market.

OECD throughputs, thus, were in all 0.2 mb/d lower in June than in May, but look set to surge by 1.5 mb/d in July. A sharp rebound is expected in Japanese throughputs, which in June, plunged to their lowest since 2011, when the earthquake and tsunami hit. Gains are also expected from the Americas; indeed, the latest weekly data from the EIA show US crude throughputs had recovered to 16.2 mb/d in the last week of June, more than 800 kb/d above the mid-June low, reaching their highest level since December 2013. While a seasonal increase is expected in Europe in July, regional runs remain very weak. OECD runs are forecast to continue to contract y-o-y, as US refiners bump up against capacity constraints in the summer months, and both European and Japanese throughputs continue to contract.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

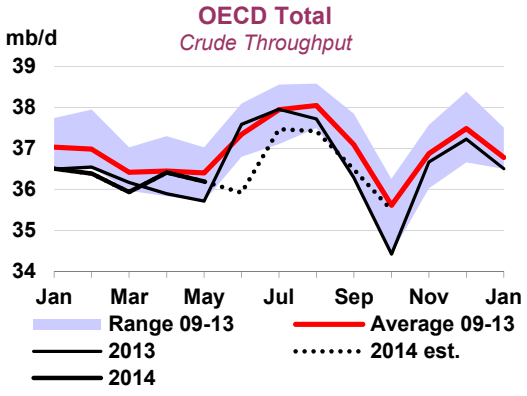
							Change from		Utilisation rate[1]	
	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	*Apr 14*	*May 13*	May 14	May 13
US[2]	16.07	15.30	15.12	15.13	15.87	15.86	-0.01	0.56	88.4%	85.4%
Canada	1.73	1.76	1.87	1.63	1.41	1.54	0.13	0.17	84.1%	71.5%
Chile	0.18	0.18	0.17	0.17	0.18	0.18	0.00	0.00	77.6%	78.0%
Mexico	1.19	1.20	1.08	1.18	1.25	1.13	-0.12	-0.15	68.5%	77.4%
OECD Americas	**19.17**	**18.44**	**18.25**	**18.11**	**18.71**	**18.71**	**0.00**	**0.58**	**86.4%**	**83.5%**
France	0.96	1.08	1.07	1.04	1.08	1.01	-0.07	-0.20	72.4%	87.0%
Germany	1.89	1.89	1.90	1.81	1.95	1.80	-0.15	-0.07	88.9%	92.5%
Italy	1.27	1.29	1.17	1.05	1.08	1.17	0.09	-0.02	59.9%	56.9%
Netherlands	0.97	1.01	1.04	1.00	1.01	1.02	0.01	0.03	79.0%	76.5%
Spain	1.12	1.06	1.13	1.15	1.13	1.25	0.12	0.05	82.7%	79.6%
United Kingdom	1.19	1.19	1.10	1.19	1.17	1.16	-0.01	-0.10	73.9%	80.5%
Other OECD Europe	3.69	3.65	3.83	3.73	3.85	3.90	0.06	0.14	78.4%	75.6%
OECD Europe	**11.09**	**11.17**	**11.25**	**10.98**	**11.26**	**11.32**	**0.05**	**-0.18**	**76.8%**	**77.3%**
Japan	3.53	3.43	3.46	3.38	3.16	2.84	-0.32	-0.01	70.3%	61.8%
South Korea	2.48	2.51	2.47	2.55	2.35	2.41	0.07	0.08	79.1%	76.3%
Other Asia Oceania	0.96	0.95	0.97	0.93	0.93	0.91	-0.02	0.00	74.8%	74.5%
OECD Asia Oceania	**6.97**	**6.89**	**6.90**	**6.85**	**6.44**	**6.17**	**-0.27**	**0.08**	**74.2%**	**68.5%**
OECD Total	**37.22**	**36.50**	**36.39**	**35.94**	**36.41**	**36.19**	**-0.22**	**0.48**	**80.9%**	**78.5%**

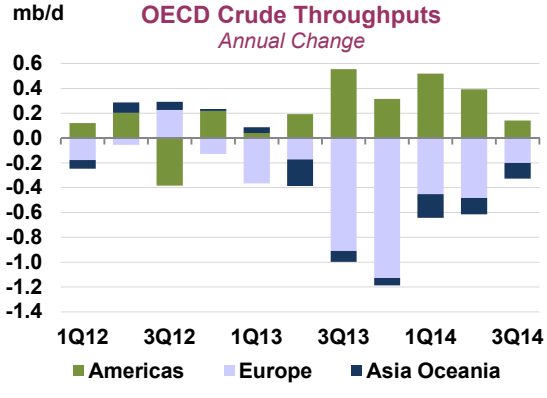
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

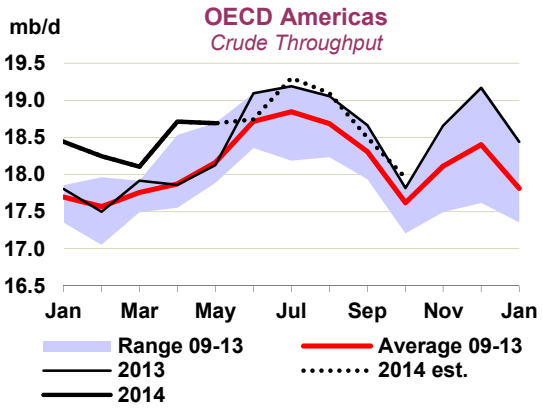
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

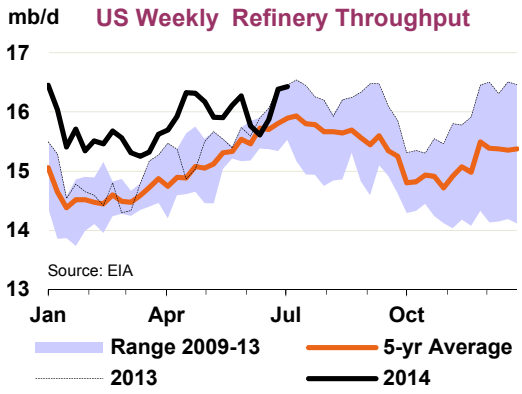
In all, OECD throughputs are estimated at 36.2 mb/d in 2Q14, 190 kb/d below a year earlier as gains in the Americas of 0.4 mb/d were offset by continued declines in Europe and the Pacific. OECD refinery runs are forecast to rise to 37.1 mb/d in 3Q14, 180 kb/d less than in the same period a year earlier. This assumes a 150 kb/d increase in the Americas tempering declines of 200 kb/d and 130 kb/d in Europe and Asia Oceania, respectively.



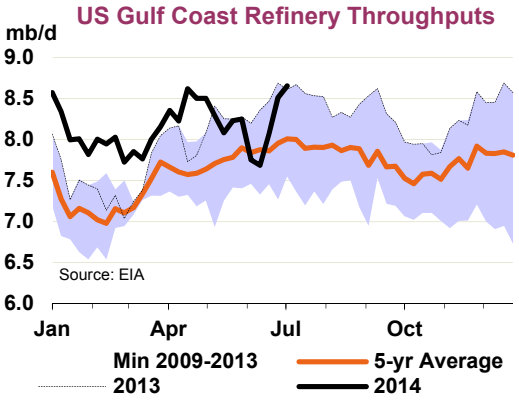


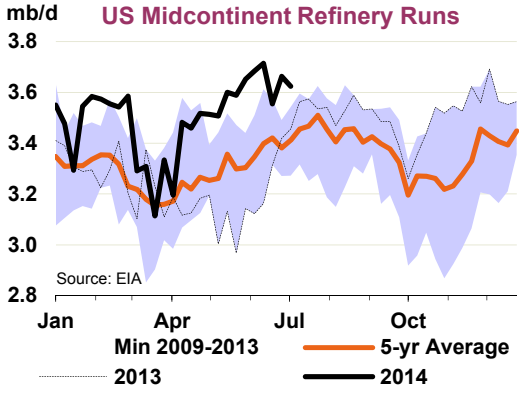
Refinery crude runs in the **OECD Americas** were largely unchanged in May from April, averaging 18.7 mb/d. Annual gains, mostly accounted for by higher US throughputs, plunged from April's high of over 1 mb/d, to 560 kb/d. Preliminary data for Canada also show a 170 kb/d year-on-year gain in May offsetting contractions of roughly the same magnitude in Mexico in the same month.





Weekly data for June show US refinery runs slipping below year-earlier levels for the first time this year, to a low of 15.4 mb/d in mid-month, from 16.1 mb/d only two weeks earlier. The drop was centred on the US Gulf Coast, where tornadoes caused power outages on various pipelines and forced Marathon's Garyville refinery to curb runs. The 520 kb/d refinery, the third largest in the US, had to shut one CDU. Exxon Mobil also shut a 240 kb/d crude unit at its Beaumont, Texas, refinery for a seven-week overhaul starting in mid-May, and undertook maintenance at its Chalmette, Louisiana, refinery in May and June. Providing a partial offset, US Midcontinent throughputs reached an all-time high of 3.7 mb/d.

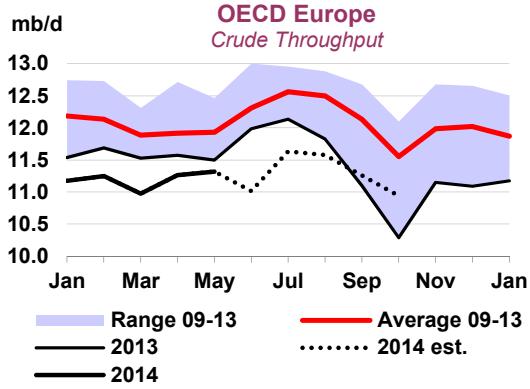




In the last week of June (ending 4 July), however, US refinery crude throughputs rebounded to nearly 16.3 mb/d, its highest since July 2005, taking total US runs to 15.8 mb/d on average for the month, down 70 kb/d from May. US Gulf Coast runs recovered to 8.6 mb/d in early July, the highest this year, after unplanned shutdowns in the middle of the month. In early July, Phillips 66 announced it would shut most of the production units at its 146 kb/d Borger, Texas refinery for a month, to repair damage following a power outage early in the month.

In line with expectations, **European** throughputs inched up 55 kb/d in May, to 11.3 mb/d. Gains in Portugal, Italy, Spain and Austria were partly offset by declines in France and Germany. Galp completed maintenance at its 225 kb/d Sines refinery at the end of April, allowing Portuguese runs to rebound from only 95 kb/d in April to 245 kb/d in May. The company was planning to shut its 110 kb/d Oporto refinery for a month from mid-July.

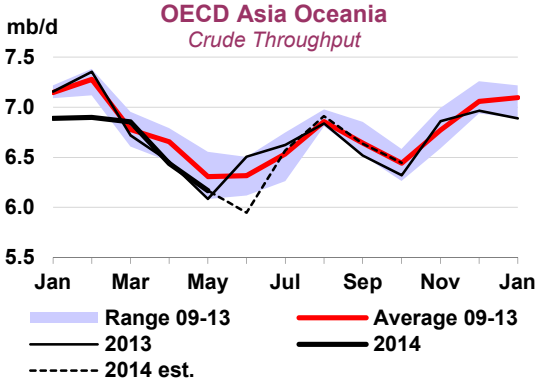
According to preliminary data from Euroilstocks, European throughputs fell counter-seasonally in June, to only 11 mb/d, from 11.3 a month earlier. Regional refinery activity remains under pressure by increased competition from the US, Russia and the Middle East and lacklustre internal demand. Furthermore, Total/Lukoil's 150 kb/d Flushing refinery in the Netherlands was shut for most of May and June and in early July, BP reportedly shut one crude unit at its Rotterdam refinery. Weak margins likely contributed further to keeping runs depressed, also putting downward pressure on regional crude grades. Urals prices were at two-year lows against North Sea dated in June. Low runs, and refinery outages in Russia and Europe supported gasoline prices however. The FCC at Total's La Mede refinery has reportedly been shut since mid-June, supporting gasoline cracks.

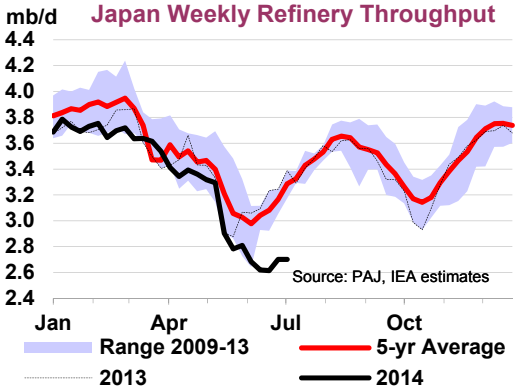


On a more positive note, ExxonMobil announced in June it plans to add a delayed coking unit to its 310 kb/d Antwerp refinery in Belgium. The new unit will upgrade high-sulphur fuel oil into light transportation fuels, and allow the plant to process heavier crudes, such as heavy Latin American grade or Canadian bitumen. In a *Financial Times* interview, Exxon's European refinery director, Steve Hart, urged the EU not to block imports of heavy crude from Canada's oil sands, stating: "Any time Europe start blocking or restricting access, its' going to have a negative impact on the refining industry, and on European energy supplies". Negotiations between Murphy and the Klesch Group, a Geneva based commodity firm about a potential sale of Murphy's 130 kb/d Milford Haven refinery in Wales are still ongoing. The plant has reportedly not been operating since April.

Refinery activity in **Asia Oceania** fell seasonally in May, by 270 kb/d, to 6.2 mb/d on average. The decline stemmed entirely from Japan, where refiners embarked on a heavy maintenance schedule. In contrast, South Korean throughputs inched up 65 kb/d m-o-m. While regional throughputs were higher than expected in May, by 150 kb/d, preliminary data for Japan indicate Japanese throughputs plummeted in June to their lowest level in recent history, of only 2.6 mb/d (including NGLs) in mid-June. It seems some refinery maintenance had been delayed from May to June this year, adding to the impact of recently shuttered capacity

While refinery activity was expected to rebound in July, an approaching typhoon forced at least one refiner to halt operations. Nansei Sekiyu suspended all operations at its 100 kb/d Nishihara refinery in Okinawa on 7 July, as a precautionary measure.





METI Outlines New Plans for Japanese Refinery Industry Rationalisation

Having just completed a first round of refinery restructuring and rationalisation in March, Japan's Ministry of Energy, Trade and Industry (METI) promptly announced in June a new round with updated targets of capacity reduction. Under the recently completed first phase, Japanese refiners shut 405 kb/d of capacity earlier this year in response to a METI ordinance ostensibly aimed at boosting Japan's overall refining complexity. Today, Japan's refinery capacity is 3.95 mb/d, compared with 4.8 mb/d a decade ago.

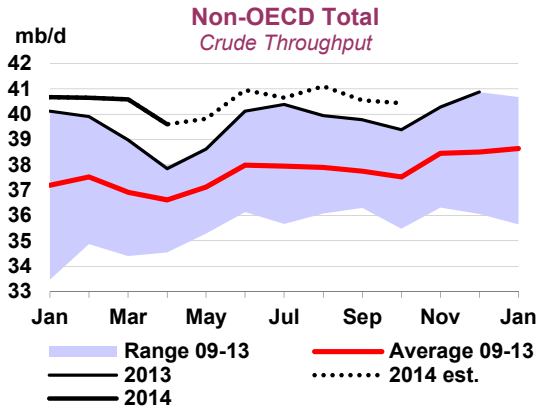
The latest proposal, released in June, urges refiners to boost upgrading capacity above 50% by April 2017, from 45% currently. The new rule now includes catalytic cracking, residue desulphurisation and solvent deasphalting units as upgrading capacity, in addition to residue cracking and coking capacity which were previously the only ones to be counted. Refiners would have to scrap 400 kb/d of crude distillation capacity to comply with the new targets without adding new upgrading capacity.

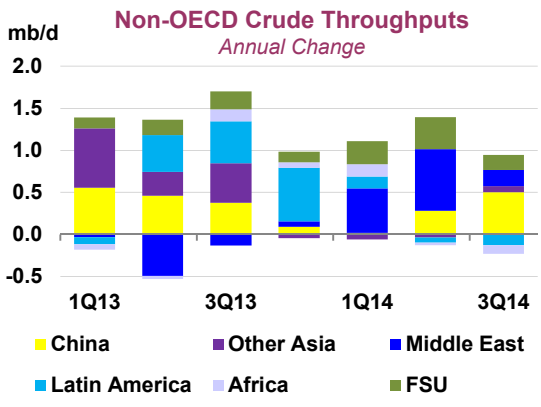
Domestic oil demand has been in decline for more than a decade and refiners are likely to reach the new targets by cutting crude distillation capacity rather than investing in expensive upgrading units. According to METI, poor infrastructure makes it difficult for Japanese refiners to compete against new, state-of-the-art capacity coming online overseas and thus makes it unrealistic for them to increase product exports to regional markets in a significant way. METI reckons that Japanese product demand will fall to 3.3 mb/d over the next five years, from 3.9 mb/d currently.

Japan currently exports around 300-350 kb/d of oil products, mostly middle distillates, predominantly to South Korea. But Japanese exports to Korea are at threat of rising competition from other exporters, notably China. Product imports average around 1.2 mb/d recently, of mostly LPG and naphtha for its petrochemical industry as well as some fuel oil for power generation in the wake of the Fukushima disaster in 2011.

Non-OECD Refinery Throughput

Non-OECD crude throughputs dipped in April, the last month for which monthly data is available through JODI. Total non-OECD runs were 1 mb/d lower than in March, as refiners in the FSU, Asia and the Middle East all started maintenance. Asian throughputs were 570 kb/d lower, of which 240 kb/d stemmed from China. At 39.6 mb/d, total throughputs nevertheless stood 1.8 mb/d higher than a year earlier, after having posted a 1.7 mb/d annual gain in March. Growth is set to slow over coming months, due to shutdowns and outages over the summer, before picking up steam again towards the end of 3Q14. Middle Eastern throughput gains have been curbed for 3Q14 by the closure of Iraq's largest refinery, the 330 kb/d Baiji plant north of Baghdad.

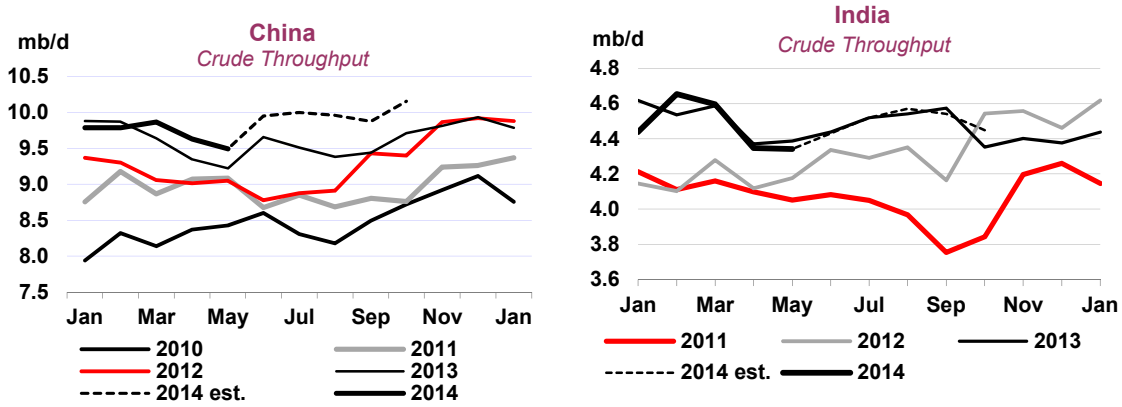




Latest official data show **Chinese** refinery intake slipped by 135 kb/d in May from a month earlier, to 9.5 mb/d on average. The latest number was 80 kb/d higher than expected, taking runs 275 kb/d above year-earlier levels. Faced with sluggish internal demand growth, China again turned net oil product exporter in May, for the first time since December 2004. Net exports of key products (excluding LPG, petroleum coke and some other minor products such as lubricants) averaged 125 kb/d, compared with net imports of 40 kb/d in April. While no new data is yet available for June, industry surveys show state

owned refiners planned to steeply raise runs from May's low. Refinery maintenance wound down sharply, from over 900 kb/d of capacity offline in May, to just over 400 kb/d in June, with PetroChina's 400 kb/d Dalian plant in the northeast resuming full operations at the end of May. The plant, which is PetroChina's largest, had been shut since 10 April for scheduled turnarounds. Operations at the plant were disrupted again at end-June, however, as flows on a 130 kb/d pipeline connecting the refinery with port facilities was shut due to a fire. While China's CNPC resumed pipeline flows shortly thereafter, flows on the line are expected to remain below capacity for about a month curbing throughput rates at the refinery. Sinopec was also forced to shut its 160 kb/d Yangtze refinery on 11 June after an explosion at a sulphur recovery unit.

As the Chinese refinery industry continue to be weighed down by surplus capacity and poor returns, Total became the latest in a series of foreign companies trying to pull out of the Chinese downstream sector. The French company is reportedly in talks to sell its share in the WEPEC refinery, also in Dalian, which has been loss-making for years and is in need of serious upgrading. Total holds a 22.4% stake in the refinery, alongside PetroChina (28.4%), Sinochem (25.2%) and Dalian Construction Investment Corp (15.5%). The refinery is the only foreign JV refinery still in operations, other than the Fuijan Refining and Petrochemical company, which is a JV between Sinopec, Saudi Aramco, ExxonMobil and the Fuijan Government. Rosneft, PDCSA and Kuwait Petroleum are still committed to JV projects planned for coming years.

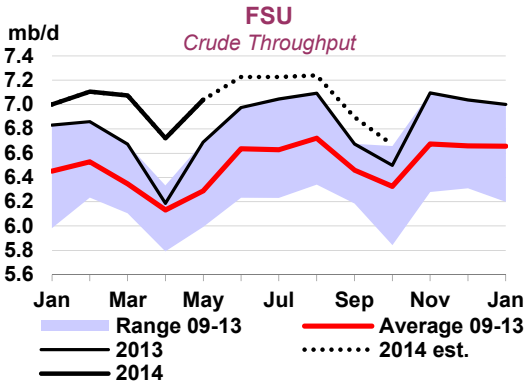


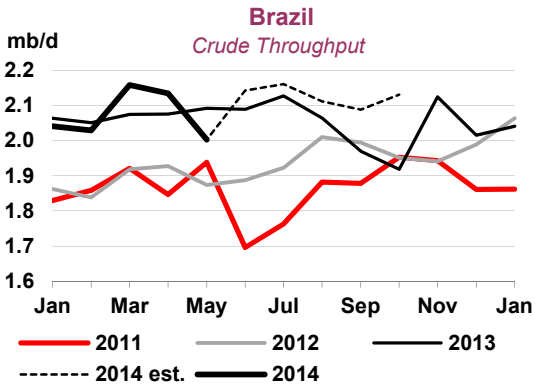
Indian refinery throughputs were unchanged in May, compared with April, at 4.3 mb/d. A rebound in throughputs at Reliance's Jamnagar refinery after maintenance was offset by lower runs at IOC's Panipat plant and HPCL's Mumbai refinery. Unplanned outages continued to curb activity through June and July. Notably, HPCL was forced to shut its 180 kb/d Bathinda refinery on 20 June, due to a fire, for around 25-35 days. In early July, operations at Essar's 400 kb/d Vadinar refinery were also disrupted, due to repair works on a pipeline feeding the plant. The plant was expected to run at half of its capacity for about 5-6 days before ramping up to normal levels. The unplanned outages led to unusual Indian imports of gasoline over the summer months, supporting gasoline cracks in both Singapore and Europe.

IOCL has officially delayed the commissioning of its 300 kb/d Paradip refinery to 4Q14, in line with expectations in our *Medium Term Oil Market Report* published in June. The plant was originally slated to start-up in December 2013, but Cyclone Phailin, which hit the Indian coast in October 2013, delayed the construction work. Full commissioning of the plant, which will supply Indian with 125 kb/d of gasoil, 80 kb/d of gasoline, 30 kb/d of jet fuel and 5 kb/d of naphtha, could take another year before reaching full commercial operations.

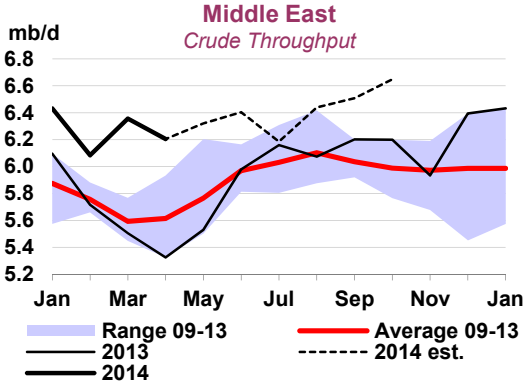
Preliminary monthly data indicate **Russian** refinery crude intake reached a new all-time high in June, of almost 6 mb/d. At 5.96 mb/d, refinery runs were 200 kb/d above a month earlier and 330 kb/d higher than the same month a year earlier. The increase came despite a fire at Rosneft's Aschinsk refinery mid-month, that forced it to suspend operations. The incident, which killed at least six people, broke out in the fractionation unit. Some reports said that the damage was extensive and could force the 140 kb/d

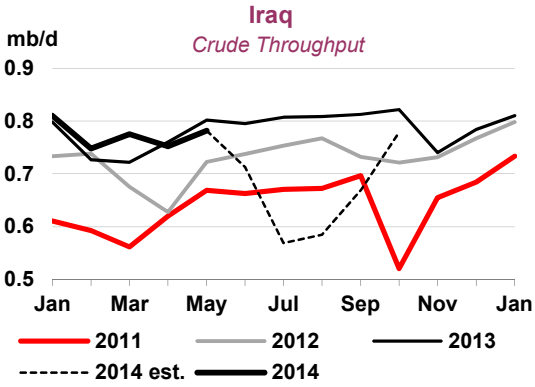
plant to remain shut for months. In May, Russian throughputs had already risen more than 300 kb/d m-o-m, in line with seasonal trends and normal maintenance schedules.





In **Latin America**, **Brazilian** throughputs fell sharply in May, to their lowest level in seven months. At 2.0 mb/d, crude intake was 130 kb/d lower than in April and 90 kb/d below the same month a year earlier. Lower runs came from the 190 kb/d REFAP refinery in Porto Alegre, and the 320 kb/d RLAM plant in Northeastern Bahia. Throughputs are expected to rebound over June and July as refiners strive to meet increased fuel demand in relation to the soccer World Cup. Colombia shut the sole crude distillation unit at its Cartagena refinery in March, as the plant is being expanded to double its capacity. It is not clear how long the refinery's CDU will remain offline, but we assume it will only restart in 2015 once the project is completed. Ecuador's largest refinery, the 110 kb/d Esmeralda plant is also being upgraded, with a total shutdown planned for October and November.





Middle Eastern refinery throughputs are expected to be significantly curtailed in coming months, due to the shutdown of Iraq's 330 kb/d Baiji refinery, just north of Baghdad, from mid-June. While there is no known damage to the plant, we for now assume the plant will remain offline for months to come. The plant was shut down due to attacks by the Islamist militant group ISIS (see *Iraq under Siege*). The shutdown of the plant, Iraq's largest, has led to fuel shortages in both the northern Kurdistan region and further south. The Baiji refinery normally provides over half the country's gasoline supplies and approximately 40% of the Kurdish region's gasoline demand.

Despite a temporary month-on-month decline in refinery activity in April, Saudi crude runs were on track to ramp up steeply through July as the new 400 kb/d Jubail refinery reached full capacity. The plant, which started up in September 2013, was most recently reported to have reached utilisation rates of 80%, with some secondary units also in the ramp-up face. Aramco's 120 kb/d Riyadh refinery was shut from mid-April to end-May. The new 400 kb/d Aramco/Sinopec JV Yanbu refinery is nearing completion and is likely to start operations in 3Q14 or early 4Q14.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.7	23.8	24.2	24.3	24.0	23.9	24.0	24.3	24.4	24.1	23.9	24.0	24.3	24.5	24.1
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.6	13.1	13.5	13.9	13.7	13.6	13.2	13.6	13.9	13.5	13.5
Asia Oceania[3]	8.2	8.6	8.9	7.9	8.1	8.7	8.4	8.9	7.8	8.0	8.4	8.3	8.7	7.6	7.9	8.5	8.2
Total OECD	46.5	46.0	45.9	45.5	46.2	46.6	46.1	45.8	45.3	46.1	46.6	46.0	45.8	45.2	46.0	46.4	45.9
NON-OECD DEMAND																	
FSU	4.4	4.5	4.3	4.5	4.8	4.8	4.6	4.4	4.6	4.9	4.8	4.7	4.5	4.7	5.0	5.0	4.8
Europe	0.7	0.7	0.6	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	9.3	9.9	10.0	10.0	10.1	10.2	10.1	10.2	10.4	10.5	10.7	10.4	10.7	10.8	10.9	11.1	10.9
Other Asia	11.1	11.4	11.8	11.7	11.4	11.8	11.7	12.1	12.1	11.8	12.2	12.0	12.5	12.5	12.1	12.6	12.4
Latin America	6.2	6.4	6.4	6.6	6.7	6.7	6.6	6.6	6.8	6.9	6.9	6.8	6.7	6.9	7.1	7.1	6.9
Middle East	7.5	7.8	7.6	8.0	8.5	7.8	8.0	7.9	8.2	8.7	8.0	8.2	8.0	8.5	9.0	8.3	8.4
Africa	3.5	3.6	3.7	3.8	3.6	3.7	3.7	3.8	3.9	3.8	4.0	3.9	4.0	4.1	4.0	4.1	4.1
Total Non-OECD	42.6	44.2	44.5	45.3	45.9	45.8	45.4	45.6	46.7	47.2	47.3	46.7	47.1	48.1	48.7	48.9	48.2
Total Demand[4]	**89.0**	**90.2**	**90.3**	**90.8**	**92.1**	**92.4**	**91.4**	**91.4**	**91.9**	**93.4**	**93.9**	**92.7**	**92.9**	**93.2**	**94.8**	**95.3**	**94.1**
OECD SUPPLY																	
Americas[1,7]	14.6	15.9	16.8	16.7	17.5	17.9	17.2	18.1	18.4	18.4	18.9	18.5	19.1	19.2	19.2	19.7	19.3
Europe[2]	3.8	3.5	3.4	3.3	3.2	3.4	3.3	3.5	3.2	3.0	3.3	3.2	3.4	3.2	3.1	3.4	3.3
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
Total OECD	19.0	19.9	20.6	20.5	21.2	21.7	21.0	22.1	22.1	21.9	22.8	22.2	23.1	23.0	22.9	23.6	23.1
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.8	13.8	13.8	14.1	13.9	14.0	13.9	13.8	13.9	13.9	13.9	13.8	13.8	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Other Asia[5]	3.7	3.6	3.7	3.6	3.5	3.5	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.5
Latin America[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.5	4.5	4.5
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.6	2.3	2.3	2.3	2.4	2.5	2.4	2.5	2.4	2.5	2.4	2.5	2.5	2.4	2.4	2.4	2.4
Total Non-OECD	30.0	29.6	29.7	29.6	29.4	30.0	29.7	30.0	29.7	29.6	29.8	29.8	30.0	30.0	29.9	30.0	30.0
Processing Gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.5	2.1	2.1	1.8	2.2	2.6	2.2	2.2
Total Non-OPEC[5]	52.9	53.4	53.9	54.3	55.2	56.0	54.9	55.9	56.2	56.2	56.9	56.3	57.1	57.4	57.6	58.0	57.5
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.0								
NGLs	5.9	6.2	6.3	6.3	6.3	6.3	6.3	6.4	6.4	6.5	6.5	6.4	6.7	6.7	6.7	6.8	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	37.0	36.1	36.8	36.4	36.4								
Total Supply[9]	**88.7**	**91.0**	**90.7**	**91.5**	**92.1**	**92.2**	**91.6**	**92.3**	**92.6**								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	-0.1	0.4	-1.5	-0.2	0.2									
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0									
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2									
Floating Storage/Oil in Transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3									
Miscellaneous to balance[10]	0.0	0.7	-0.1	0.9	-0.6	0.9	0.3	0.4									
Total Stock Ch. & Misc	**-0.3**	**0.8**	**0.3**	**0.7**	**0.0**	**-0.2**	**0.2**	**0.9**	**0.7**								
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.2	30.5	30.1	30.3	30.6	30.0	30.3	29.1	29.3	30.7	30.5	29.9	29.1	29.1	30.4	30.5	29.8

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	0.1	-	-	-					
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-					
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-					
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	-	-	-	-	-	-	-	-	-	-					
Africa	-	-	-	-	-	-0.1	-	-	-	-	-	-					
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1					
Total Demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-0.1**	**-0.2**	**-0.1**	**-0.1**					
OECD SUPPLY																	
Americas	-	-	-	-	0.1	-	-	-0.1	0.2	0.1	0.2	0.1					
Europe	-	-	-	-	-	0.1	-	-	-0.1	-0.1	-0.1	-0.1					
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-					
Total OECD	-	-	-	-	0.1	0.1	-	-	0.1	-	0.2	0.1					
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-	0.1	0.1	-	-	-	-0.1	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	-	-	-	-	-	0.1	-	-	-	-					
Africa	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OECD	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1					
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-					
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OPEC	-	-	0.1	0.1	0.2	0.2	0.1	0.1	0.2	-	0.3	0.2					
OPEC																	
Crude	-	-	-	-	-	-	-	-									
NGLs	-	-	-	-	-	-	-	-	-	-	-	-					
Total OPEC	-	-	-	-	-	-	-	-									
Total Supply	**-**	**-**	**0.1**	**0.1**	**0.2**	**0.2**	**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	0.2	0.2	0.1	0.1									
Total Stock Ch. & Misc	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**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	-0.1	-0.3	-0.2	-0.4	-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

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.62	23.73	23.79	24.18	24.34	24.01	23.86	23.95	24.27	24.40	24.12	23.90	23.96	24.25	24.46	24.14
Europe[2]	13.77	13.21	13.83	13.98	13.56	13.65	13.05	13.55	13.91	13.74	13.56	13.22	13.61	13.85	13.47	13.54
Asia Oceania[3]	8.59	8.94	7.91	8.09	8.68	8.40	8.92	7.76	7.95	8.43	8.26	8.69	7.61	7.93	8.46	8.17
Total OECD	**45.98**	**45.88**	**45.53**	**46.25**	**46.57**	**46.06**	**45.83**	**45.25**	**46.13**	**46.57**	**45.95**	**45.81**	**45.17**	**46.03**	**46.38**	**45.85**
Asia	21.28	21.82	21.80	21.56	22.09	21.82	22.24	22.50	22.33	22.93	22.50	23.19	23.28	23.04	23.74	23.31
Middle East	7.75	7.60	8.00	8.49	7.77	7.97	7.86	8.21	8.67	8.01	8.19	8.02	8.46	8.97	8.32	8.45
Latin America	6.39	6.36	6.58	6.72	6.75	6.61	6.57	6.77	6.89	6.88	6.78	6.69	6.89	7.07	7.07	6.93
FSU	4.49	4.30	4.50	4.82	4.82	4.61	4.45	4.62	4.86	4.85	4.69	4.48	4.68	4.97	4.96	4.77
Africa	3.62	3.74	3.76	3.62	3.70	3.71	3.80	3.90	3.83	3.97	3.88	4.03	4.07	4.01	4.14	4.06
Europe	0.67	0.64	0.68	0.68	0.70	0.68	0.67	0.69	0.68	0.71	0.69	0.69	0.70	0.70	0.72	0.70
Total Non-OECD	44.21	44.47	45.32	45.89	45.83	45.38	45.59	46.68	47.26	47.34	46.72	47.11	48.08	48.76	48.95	48.23
World	**90.19**	**90.35**	**90.85**	**92.14**	**92.41**	**91.44**	**91.42**	**91.94**	**93.39**	**93.91**	**92.67**	**92.92**	**93.26**	**94.79**	**95.33**	**94.08**
of which: US50	18.54	18.66	18.67	19.13	19.28	18.94	18.84	18.93	19.16	19.24	19.05	18.88	18.96	19.18	19.28	19.08
Europe 5*	8.27	8.01	8.29	8.27	8.06	8.16	7.86	8.00	8.20	8.15	8.06	7.93	8.03	8.11	7.93	8.00
China	9.87	10.01	10.04	10.14	10.22	10.10	10.16	10.37	10.50	10.70	10.43	10.66	10.80	10.91	11.10	10.87
Japan	4.73	5.08	4.11	4.32	4.75	4.56	5.05	3.94	4.13	4.48	4.40	4.77	3.86	4.08	4.50	4.30
India	3.43	3.55	3.54	3.24	3.50	3.46	3.62	3.63	3.36	3.60	3.55	3.72	3.77	3.43	3.72	3.66
Russia	3.30	3.20	3.32	3.61	3.53	3.42	3.34	3.42	3.63	3.54	3.48	3.34	3.47	3.73	3.65	3.55
Brazil	2.97	2.98	3.07	3.14	3.20	3.10	3.10	3.18	3.22	3.25	3.19	3.14	3.22	3.32	3.36	3.26
Saudi Arabia	2.96	2.76	3.09	3.36	2.87	3.03	2.85	3.20	3.46	2.96	3.12	2.91	3.30	3.60	3.10	3.23
Canada	2.28	2.28	2.31	2.30	2.32	2.30	2.33	2.28	2.34	2.33	2.32	2.24	2.24	2.33	2.36	2.29
Korea	2.30	2.31	2.27	2.26	2.38	2.31	2.34	2.29	2.26	2.38	2.32	2.37	2.21	2.29	2.38	2.31
Mexico	2.14	2.11	2.14	2.09	2.08	2.11	2.02	2.08	2.10	2.15	2.09	2.07	2.09	2.07	2.13	2.09
Iran	1.79	1.79	1.81	1.81	1.79	1.80	1.89	1.85	1.82	1.83	1.85	1.91	1.92	1.90	1.89	1.91
Total	**62.58**	**62.75**	**62.67**	**63.67**	**63.98**	**63.27**	**63.40**	**63.17**	**64.19**	**64.62**	**63.85**	**63.96**	**63.86**	**64.95**	**65.41**	**64.55**
% of World	69.4%	69.5%	69.0%	69.1%	69.2%	69.2%	69.3%	68.7%	68.7%	68.8%	68.9%	68.8%	68.5%	68.5%	68.6%	68.6%
Annual Change (% per annum)																
Americas[1]	-1.4	1.5	0.8	1.9	2.4	1.7	0.6	0.7	0.4	0.2	0.5	0.1	0.0	-0.1	0.2	0.1
Europe[2]	-3.6	-3.7	0.1	0.9	-1.0	-0.9	-1.2	-2.1	-0.5	1.4	-0.6	1.3	0.4	-0.4	-2.0	-0.2
Asia Oceania[3]	4.3	-2.5	-2.0	-2.8	-1.4	-2.2	-0.2	-1.9	-1.7	-2.8	-1.6	-2.6	-1.9	-0.3	0.3	-1.1
Total OECD	-1.1	-0.8	0.1	0.8	0.7	0.2	-0.1	-0.6	-0.2	0.0	-0.2	0.0	-0.2	-0.2	-0.4	-0.2
Asia	4.2	4.1	3.1	2.2	0.7	2.5	1.9	3.2	3.6	3.8	3.1	4.3	3.5	3.2	3.5	3.6
Middle East	3.9	4.1	2.3	2.7	2.1	2.8	3.4	2.6	2.1	3.1	2.8	2.0	3.0	3.5	3.9	3.1
Latin America	3.4	3.5	3.8	3.5	3.0	3.4	3.4	2.9	2.5	1.9	2.6	1.8	1.7	2.6	2.8	2.3
FSU	2.4	-0.2	1.7	4.0	4.7	2.6	3.4	2.7	0.8	0.5	1.8	0.8	1.4	2.3	2.3	1.7
Africa	3.9	4.1	4.4	0.8	0.0	2.3	1.6	3.6	5.9	7.1	4.5	6.0	4.4	4.7	4.3	4.8
Europe	1.5	-3.9	-0.6	2.2	4.2	0.5	3.6	2.0	0.3	0.6	1.6	3.1	1.9	2.5	1.5	2.2
Total Non-OECD	**3.8**	**3.4**	**3.0**	**2.5**	**1.7**	**2.7**	**2.5**	**3.0**	**3.0**	**3.3**	**3.0**	**3.3**	**3.0**	**3.2**	**3.4**	**3.2**
World	**1.3**	**1.2**	**1.5**	**1.6**	**1.2**	**1.4**	**1.2**	**1.2**	**1.4**	**1.6**	**1.3**	**1.6**	**1.4**	**1.5**	**1.5**	**1.5**
Annual Change (mb/d)																
Americas[1]	-0.34	0.35	0.18	0.45	0.57	0.39	0.13	0.17	0.09	0.06	0.11	0.03	0.01	-0.02	0.06	0.02
Europe[2]	-0.51	-0.50	0.01	0.13	-0.13	-0.12	-0.16	-0.29	-0.07	0.18	-0.08	0.17	0.06	-0.06	-0.27	-0.03
Asia Oceania[3]	0.36	-0.23	-0.16	-0.23	-0.12	-0.19	-0.02	-0.15	-0.14	-0.25	-0.14	-0.23	-0.15	-0.02	0.02	-0.09
Total OECD	**-0.49**	**-0.38**	**0.04**	**0.36**	**0.32**	**0.08**	**-0.05**	**-0.27**	**-0.12**	**0.00**	**-0.11**	**-0.02**	**-0.08**	**-0.10**	**-0.19**	**-0.10**
Asia	0.86	0.86	0.66	0.45	0.16	0.53	0.42	0.70	0.77	0.84	0.68	0.95	0.79	0.71	0.81	0.81
Middle East	0.29	0.30	0.18	0.22	0.16	0.22	0.26	0.21	0.18	0.24	0.22	0.16	0.25	0.30	0.32	0.26
Latin America	0.21	0.21	0.24	0.23	0.20	0.22	0.21	0.19	0.17	0.13	0.17	0.12	0.12	0.18	0.20	0.15
FSU	0.10	-0.01	0.07	0.18	0.22	0.12	0.15	0.12	0.04	0.02	0.08	0.04	0.06	0.11	0.11	0.08
Africa	0.13	0.15	0.16	0.03	0.00	0.08	0.06	0.13	0.21	0.26	0.17	0.23	0.17	0.18	0.17	0.19
Europe	0.01	-0.03	0.00	0.01	0.03	0.00	0.02	0.01	0.00	0.00	0.01	0.02	0.01	0.02	0.01	0.02
Total Non-OECD	**1.61**	**1.48**	**1.31**	**1.13**	**0.77**	**1.17**	**1.12**	**1.37**	**1.36**	**1.50**	**1.34**	**1.52**	**1.40**	**1.50**	**1.61**	**1.51**
World	**1.12**	**1.10**	**1.34**	**1.48**	**1.09**	**1.26**	**1.07**	**1.09**	**1.25**	**1.50**	**1.23**	**1.50**	**1.32**	**1.40**	**1.42**	**1.41**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.09	-0.03	-0.03	0.01					
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.06	-0.04	-0.02	-0.03					
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.03	-0.02	-0.02					
Total OECD	**0.00**	**0.00**	**0.01**	**0.00**	**0.00**	**0.00**	**0.02**	**-0.01**	**-0.10**	**-0.06**	**-0.04**					
Asia	0.00	0.00	0.01	0.02	0.02	0.01	0.02	-0.05	0.00	-0.02	-0.01					
Middle East	0.00	0.00	0.00	0.01	0.01	0.00	0.00	-0.05	-0.03	-0.03	-0.03					
Latin America	0.00	0.01	0.02	0.02	0.02	0.02	0.01	0.03	0.01	0.01	0.01					
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.01					
Africa	-0.01	-0.01	-0.02	-0.04	-0.05	-0.03	-0.03	-0.03	-0.04	-0.02	-0.03					
Europe	0.00	0.00	-0.01	0.00	-0.01	0.00	0.00	-0.01	0.00	0.00	0.00					
Total Non-OECD	**-0.01**	**0.00**	**0.01**	**0.00**	**-0.01**	**0.01**	**0.01**	**-0.09**	**-0.06**	**-0.06**	**-0.05**					
World	**0.00**	**0.01**	**0.02**	**0.00**	**0.00**	**0.01**	**0.03**	**-0.09**	**-0.16**	**-0.12**	**-0.09**					
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.01	0.03	0.02	0.00	-0.01	0.01	0.02	-0.10	-0.16	-0.13	-0.10					

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	2Q13	3Q13	4Q13	1Q14	Feb 14	Mar 14	Apr 14 [2]	Latest month vs. Mar 14	Latest month vs. Apr 13
Americas[3]											
LPG&Ethane	3.13	3.31	2.97	3.02	3.60	3.56	3.56	3.26	3.02	-0.24	-0.10
Naphtha	0.34	0.38	0.39	0.39	0.38	0.36	0.38	0.36	0.33	-0.03	-0.04
Motor Gasoline	10.34	10.44	10.58	10.72	10.41	10.16	10.36	10.32	10.60	0.29	0.19
Jet/Kerosene	1.65	1.68	1.68	1.76	1.70	1.67	1.63	1.72	1.68	-0.04	0.02
Gasoil/Diesel Oil	4.96	5.07	5.01	4.89	5.22	5.42	5.47	5.29	5.10	-0.19	0.01
Residual Fuel Oil	0.78	0.69	0.68	0.76	0.58	0.54	0.50	0.55	0.57	0.01	-0.13
Other Products	2.42	2.44	2.46	2.64	2.47	2.16	2.20	2.10	2.27	0.17	-0.03
Total	**23.62**	**24.01**	**23.79**	**24.18**	**24.34**	**23.86**	**24.10**	**23.60**	**23.57**	**-0.03**	**-0.09**
Europe[4]											
LPG&Ethane	0.94	1.04	1.11	1.04	0.98	1.02	1.05	1.07	1.10	0.04	-0.03
Naphtha	1.20	1.19	1.15	1.20	1.14	1.31	1.33	1.23	1.20	-0.02	0.07
Motor Gasoline	1.99	1.93	1.96	2.06	1.90	1.79	1.82	1.82	1.92	0.10	-0.03
Jet/Kerosene	1.21	1.22	1.23	1.33	1.20	1.13	1.16	1.14	1.21	0.06	0.01
Gasoil/Diesel Oil	5.95	5.97	6.01	5.97	6.12	5.74	5.82	5.88	5.87	-0.01	-0.38
Residual Fuel Oil	1.09	0.97	0.99	0.96	0.92	0.93	0.95	0.90	0.92	0.02	-0.10
Other Products	1.39	1.33	1.38	1.42	1.30	1.12	1.16	1.17	1.24	0.07	-0.12
Total	**13.77**	**13.65**	**13.83**	**13.98**	**13.56**	**13.05**	**13.29**	**13.21**	**13.46**	**0.25**	**-0.59**
Asia Oceania[5]											
LPG&Ethane	0.89	0.85	0.82	0.79	0.86	0.89	0.95	0.86	0.81	-0.05	-0.03
Naphtha	1.78	1.82	1.72	1.81	1.90	1.95	2.00	1.82	1.81	-0.01	0.05
Motor Gasoline	1.61	1.59	1.56	1.67	1.59	1.52	1.51	1.61	1.45	-0.15	-0.10
Jet/Kerosene	0.88	0.87	0.69	0.68	0.99	1.11	1.16	1.00	0.73	-0.27	-0.05
Gasoil/Diesel Oil	1.76	1.77	1.72	1.71	1.84	1.83	1.89	1.89	1.71	-0.18	-0.03
Residual Fuel Oil	0.91	0.76	0.67	0.73	0.75	0.84	0.88	0.78	0.69	-0.09	-0.02
Other Products	0.77	0.74	0.73	0.70	0.75	0.79	0.83	0.77	0.67	-0.09	-0.06
Total	**8.59**	**8.40**	**7.91**	**8.09**	**8.68**	**8.92**	**9.21**	**8.72**	**7.88**	**-0.85**	**-0.23**
OECD											
LPG&Ethane	4.96	5.20	4.90	4.84	5.43	5.46	5.55	5.19	4.94	-0.25	-0.16
Naphtha	3.32	3.38	3.26	3.41	3.41	3.62	3.71	3.41	3.34	-0.07	0.08
Motor Gasoline	13.93	13.96	14.11	14.45	13.89	13.48	13.69	13.74	13.98	0.23	0.05
Jet/Kerosene	3.74	3.77	3.60	3.77	3.89	3.90	3.95	3.86	3.62	-0.24	-0.02
Gasoil/Diesel Oil	12.67	12.81	12.74	12.57	13.18	12.99	13.18	13.06	12.68	-0.38	-0.40
Residual Fuel Oil	2.77	2.43	2.35	2.45	2.25	2.31	2.33	2.24	2.18	-0.06	-0.25
Other Products	4.58	4.50	4.57	4.75	4.52	4.07	4.19	4.04	4.18	0.15	-0.21
Total	**45.98**	**46.06**	**45.53**	**46.25**	**46.57**	**45.83**	**46.60**	**45.53**	**44.90**	**-0.63**	**-0.91**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	2Q13	3Q13	4Q13	1Q14	Feb 14	Mar 14	Apr 14 [2]	Latest month vs. Mar 14	Latest month vs. Apr 13
United States[3]											
LPG	2.26	2.42	2.11	2.20	2.68	2.64	2.61	2.38	2.15	-0.23	-0.10
Naphtha	0.24	0.28	0.28	0.28	0.27	0.24	0.25	0.23	0.20	-0.03	-0.06
Motor Gasoline	8.69	8.78	8.91	9.03	8.75	8.53	8.70	8.69	8.96	0.28	0.18
Jet/Kerosene	1.41	1.43	1.43	1.50	1.45	1.41	1.39	1.44	1.45	0.00	0.02
Gasoil	3.74	3.84	3.77	3.67	3.97	4.17	4.17	4.05	3.96	-0.10	0.08
Residual Fuel Oil	0.37	0.32	0.26	0.36	0.28	0.24	0.21	0.22	0.27	0.05	-0.01
Other Products	1.83	1.88	1.90	2.08	1.89	1.62	1.68	1.54	1.76	0.22	0.01
Total	**18.54**	**18.94**	**18.67**	**19.13**	**19.28**	**18.84**	**19.01**	**18.54**	**18.74**	**0.20**	**0.12**
Japan											
LPG	0.52	0.50	0.46	0.44	0.50	0.55	0.60	0.52	0.47	-0.06	-0.04
Naphtha	0.71	0.76	0.70	0.75	0.81	0.80	0.85	0.70	0.73	0.03	-0.01
Motor Gasoline	0.98	0.96	0.94	1.03	0.96	0.92	0.88	1.00	0.84	-0.16	-0.10
Jet/Kerosene	0.54	0.54	0.38	0.37	0.63	0.76	0.81	0.67	0.41	-0.27	-0.05
Diesel	0.43	0.43	0.42	0.44	0.46	0.45	0.46	0.49	0.41	-0.08	-0.01
Other Gasoil	0.40	0.39	0.35	0.35	0.41	0.46	0.49	0.46	0.35	-0.10	-0.01
Residual Fuel Oil	0.56	0.46	0.38	0.44	0.45	0.53	0.57	0.49	0.41	-0.08	0.01
Other Products	0.58	0.52	0.49	0.50	0.52	0.58	0.61	0.55	0.48	-0.07	-0.02
Total	**4.73**	**4.56**	**4.11**	**4.32**	**4.75**	**5.05**	**5.27**	**4.88**	**4.10**	**-0.79**	**-0.22**
Germany											
LPG	0.10	0.11	0.12	0.11	0.10	0.09	0.09	0.09	0.10	0.01	-0.02
Naphtha	0.38	0.40	0.39	0.38	0.39	0.43	0.44	0.42	0.42	0.00	0.03
Motor Gasoline	0.43	0.43	0.44	0.45	0.42	0.41	0.41	0.43	0.43	0.01	-0.01
Jet/Kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.17	0.17	0.19	0.01	0.01
Diesel	0.70	0.70	0.72	0.75	0.71	0.70	0.71	0.73	0.75	0.01	0.00
Other Gasoil	0.38	0.40	0.45	0.35	0.38	0.36	0.30	0.42	0.33	-0.09	-0.17
Residual Fuel Oil	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.12	0.00	-0.01
Other Products	0.08	0.07	0.08	0.09	0.07	0.05	0.05	0.05	0.06	0.00	-0.02
Total	**2.39**	**2.41**	**2.51**	**2.44**	**2.37**	**2.33**	**2.29**	**2.43**	**2.39**	**-0.04**	**-0.19**
Italy											
LPG	0.11	0.11	0.10	0.10	0.12	0.11	0.11	0.10	0.10	0.00	-0.01
Naphtha	0.09	0.09	0.10	0.08	0.07	0.08	0.08	0.07	0.08	0.01	-0.03
Motor Gasoline	0.22	0.21	0.19	0.23	0.22	0.20	0.20	0.20	0.21	0.01	0.01
Jet/Kerosene	0.09	0.09	0.09	0.11	0.09	0.08	0.08	0.08	0.09	0.01	0.01
Diesel	0.45	0.42	0.42	0.43	0.42	0.41	0.45	0.41	0.46	0.05	0.04
Other Gasoil	0.11	0.12	0.11	0.11	0.13	0.09	0.08	0.10	0.06	-0.04	-0.05
Residual Fuel Oil	0.10	0.07	0.08	0.07	0.06	0.06	0.05	0.05	0.05	-0.01	-0.03
Other Products	0.20	0.19	0.18	0.21	0.20	0.16	0.17	0.17	0.13	-0.04	-0.06
Total	**1.35**	**1.30**	**1.28**	**1.33**	**1.31**	**1.19**	**1.21**	**1.18**	**1.17**	**0.00**	**-0.13**
France											
LPG	0.11	0.11	0.10	0.08	0.11	0.12	0.12	0.10	0.09	-0.01	-0.02
Naphtha	0.13	0.14	0.15	0.15	0.10	0.15	0.16	0.15	0.15	-0.01	0.00
Motor Gasoline	0.16	0.16	0.16	0.17	0.15	0.14	0.14	0.14	0.17	0.02	0.00
Jet/Kerosene	0.15	0.15	0.16	0.17	0.15	0.14	0.14	0.14	0.15	0.01	0.00
Diesel	0.68	0.68	0.69	0.70	0.69	0.66	0.67	0.66	0.71	0.05	-0.01
Other Gasoil	0.28	0.29	0.27	0.26	0.29	0.29	0.29	0.29	0.24	-0.04	-0.07
Residual Fuel Oil	0.07	0.06	0.06	0.05	0.06	0.05	0.05	0.05	0.05	0.00	-0.02
Other Products	0.15	0.14	0.16	0.16	0.13	0.11	0.13	0.11	0.15	0.04	0.01
Total	**1.74**	**1.73**	**1.75**	**1.76**	**1.68**	**1.65**	**1.71**	**1.64**	**1.71**	**0.06**	**-0.10**
United Kingdom											
LPG	0.11	0.11	0.14	0.11	0.09	0.12	0.13	0.12	0.13	0.01	0.01
Naphtha	0.02	0.03	0.03	0.03	0.02	0.02	0.02	0.03	0.02	0.00	-0.01
Motor Gasoline	0.32	0.31	0.31	0.31	0.30	0.30	0.32	0.28	0.29	0.00	-0.01
Jet/Kerosene	0.31	0.31	0.30	0.32	0.33	0.32	0.34	0.32	0.29	-0.02	-0.03
Diesel	0.45	0.47	0.47	0.47	0.48	0.46	0.51	0.47	0.48	0.01	0.01
Other Gasoil	0.12	0.12	0.13	0.13	0.11	0.11	0.12	0.11	0.13	0.02	0.00
Residual Fuel Oil	0.05	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.04	0.01	-0.01
Other Products	0.12	0.13	0.14	0.13	0.11	0.12	0.12	0.12	0.13	0.01	-0.01
Total	**1.50**	**1.51**	**1.55**	**1.52**	**1.49**	**1.49**	**1.59**	**1.47**	**1.50**	**0.03**	**-0.05**
Canada											
LPG	0.41	0.43	0.42	0.37	0.45	0.46	0.49	0.43	0.44	0.01	0.00
Naphtha	0.09	0.08	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.01	0.00
Motor Gasoline	0.74	0.76	0.78	0.81	0.74	0.75	0.77	0.74	0.76	0.01	0.01
Jet/Kerosene	0.12	0.13	0.13	0.15	0.13	0.13	0.13	0.13	0.12	-0.01	-0.01
Diesel	0.30	0.30	0.30	0.29	0.27	0.29	0.31	0.29	0.27	-0.03	-0.03
Other Gasoil	0.22	0.25	0.24	0.25	0.29	0.29	0.30	0.25	0.21	-0.03	0.00
Residual Fuel Oil	0.06	0.04	0.05	0.04	0.04	0.06	0.06	0.06	0.05	-0.01	-0.02
Other Products	0.32	0.30	0.30	0.30	0.32	0.27	0.26	0.28	0.25	-0.03	-0.05
Total	**2.28**	**2.30**	**2.31**	**2.30**	**2.32**	**2.33**	**2.41**	**2.26**	**2.18**	**-0.08**	**-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.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2013	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	Apr 14	May 14	Jun 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.46	9.45				9.40	9.45	9.52
Iran	2.68			2.81	2.83				2.83	2.80	2.85
Iraq	3.08			3.29	3.30				3.32	3.42	3.17
UAE	2.76			2.73	2.72				2.69	2.75	2.72
Kuwait	2.55			2.53	2.53				2.55	2.52	2.52
Neutral Zone	0.52			0.52	0.52				0.52	0.52	0.52
Qatar	0.73			0.72	0.70				0.70	0.70	0.70
Angola	1.72			1.57	1.64				1.63	1.62	1.68
Nigeria	1.95			1.93	1.93				1.92	1.90	1.96
Libya	0.90			0.37	0.23				0.22	0.22	0.24
Algeria	1.15			1.07	1.12				1.12	1.12	1.12
Ecuador	0.52			0.55	0.55				0.55	0.56	0.56
Venezuela	2.50			2.45	2.48				2.46	2.50	2.48
Total Crude Oil	30.45			29.99	30.00				29.91	30.07	30.03
Total NGLs[1]	6.30	6.44	6.73	6.36	6.38	6.50	6.51	6.72	6.38	6.38	6.38
Total OPEC	**36.76**			**36.36**	**36.39**				**36.29**	**36.45**	**36.41**
NON-OPEC[2]											
OECD											
Americas[6]	17.21	18.47	19.30	18.11	18.41	18.43	18.93	19.13	18.54	18.37	18.32
United States[b]	10.31	11.44	12.14	11.04	11.50	11.46	11.77	11.94	11.57	11.53	11.41
Mexico	2.89	2.82	2.74	2.87	2.83	2.78	2.80	2.79	2.85	2.85	2.80
Canada	4.00	4.20	4.40	4.19	4.06	4.19	4.35	4.40	4.11	3.98	4.11
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.32	3.24	3.28	3.50	3.22	2.97	3.29	3.38	3.43	3.19	3.02
UK	0.89	0.86	0.90	0.97	0.88	0.69	0.88	0.92	0.93	0.95	0.77
Norway	1.84	1.82	1.83	1.95	1.77	1.72	1.83	1.91	1.93	1.67	1.71
Others	0.59	0.57	0.55	0.57	0.56	0.56	0.57	0.56	0.57	0.58	0.54
Asia Oceania[8]	0.48	0.52	0.55	0.49	0.51	0.54	0.54	0.55	0.48	0.52	0.53
Australia	0.40	0.43	0.46	0.41	0.43	0.45	0.44	0.45	0.40	0.44	0.45
Others	0.07	0.09	0.09	0.08	0.08	0.09	0.09	0.10	0.08	0.08	0.08
Total OECD	**21.00**	**22.23**	**23.13**	**22.10**	**22.13**	**21.94**	**22.76**	**23.06**	**22.45**	**22.08**	**21.87**
NON-OECD											
Former USSR	13.88	13.88	13.82	14.00	13.87	13.80	13.86	13.94	13.94	13.83	13.85
Russia	10.88	10.92	10.95	10.98	10.93	10.86	10.93	11.01	10.92	10.92	10.93
Others	3.00	2.96	2.87	3.02	2.95	2.94	2.93	2.92	3.02	2.91	2.92
Asia	7.76	7.71	7.84	7.79	7.72	7.59	7.73	7.82	7.70	7.73	7.73
China	4.18	4.20	4.30	4.23	4.20	4.16	4.21	4.28	4.17	4.22	4.20
Malaysia	0.64	0.63	0.64	0.66	0.65	0.56	0.64	0.66	0.66	0.64	0.66
India	0.88	0.87	0.86	0.88	0.86	0.86	0.86	0.86	0.87	0.86	0.86
Indonesia	0.95	0.93	0.88	0.92	0.93	0.93	0.93	0.88	0.93	0.93	0.93
Others	1.11	1.09	1.16	1.10	1.08	1.08	1.09	1.14	1.07	1.08	1.08
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	4.17	4.27	4.48	4.22	4.25	4.27	4.33	4.39	4.19	4.28	4.29
Brazil[5]	2.12	2.24	2.36	2.18	2.26	2.24	2.28	2.29	2.23	2.28	2.27
Argentina	0.63	0.61	0.60	0.63	0.61	0.60	0.60	0.60	0.61	0.62	0.61
Colombia	1.01	1.01	1.11	1.00	0.96	1.01	1.04	1.09	0.94	0.95	1.00
Others	0.42	0.41	0.41	0.41	0.42	0.42	0.41	0.41	0.42	0.42	0.41
Middle East[3]	1.35	1.31	1.26	1.34	1.31	1.29	1.29	1.28	1.34	1.28	1.32
Oman	0.95	0.95	0.94	0.96	0.95	0.95	0.94	0.95	0.95	0.94	0.95
Syria	0.06	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Yemen	0.15	0.15	0.11	0.17	0.15	0.13	0.13	0.12	0.18	0.12	0.16
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.37	2.45	2.44	2.47	2.42	2.45	2.45	2.45	2.42	2.42	2.42
Egypt	0.73	0.70	0.68	0.72	0.70	0.69	0.68	0.68	0.71	0.70	0.70
Gabon	0.24	0.24	0.23	0.24	0.24	0.24	0.24	0.23	0.24	0.24	0.24
Others	1.40	1.51	1.53	1.51	1.48	1.52	1.53	1.53	1.47	1.48	1.49
Total Non-OECD	**29.68**	**29.76**	**29.98**	**29.97**	**29.72**	**29.55**	**29.80**	**30.01**	**29.73**	**29.68**	**29.75**
Processing Gains[4]	2.18	2.21	2.22	2.21	2.19	2.24	2.22	2.22	2.19	2.19	2.19
Global Biofuels[b]	2.00	2.11	2.20	1.66	2.18	2.47	2.14	1.79	1.97	2.19	2.37
TOTAL NON-OPEC	**54.86**	**56.32**	**57.52**	**55.93**	**56.22**	**56.20**	**56.92**	**57.08**	**56.34**	**56.13**	**56.19**
TOTAL SUPPLY	**91.62**			**92.29**	**92.61**				**92.63**	**92.59**	**92.60**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Jan2014	Feb2014	Mar2014	Apr2014	May2014*	May2011	May2012	May2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	501.9	514.0	522.7	533.0	526.8	513.1	525.6	531.2	-0.18	0.02	-0.22	0.25
Motor Gasoline	271.2	267.8	259.3	252.9	252.0	248.7	240.7	256.4	0.01	-0.08	0.08	-0.02
Middle Distillate	185.5	187.2	185.6	193.0	196.0	217.3	193.1	196.1	0.03	0.11	-0.09	-0.13
Residual Fuel Oil	45.7	44.1	43.9	44.9	47.4	45.8	42.8	47.0	0.00	-0.03	0.03	-0.02
Total Products[3]	651.8	645.6	637.8	654.2	683.6	668.8	659.2	683.5	0.38	0.16	-0.48	-0.35
Total[4]	1296.1	1305.6	1310.6	1346.1	1367.8	1338.5	1351.1	1369.9	0.31	0.27	-0.95	-0.05
OECD Europe												
Crude	305.3	306.7	310.8	308.0	318.5	321.4	315.5	318.0	-0.04	0.07	-0.05	0.04
Motor Gasoline	92.8	93.6	92.1	87.6	86.2	93.0	91.1	85.6	-0.10	0.01	-0.02	0.04
Middle Distillate	259.5	258.8	249.3	251.2	246.6	282.9	261.5	241.8	-0.10	0.15	-0.09	-0.02
Residual Fuel Oil	69.4	65.0	61.2	64.1	65.6	82.1	73.0	76.2	-0.03	-0.05	-0.06	-0.06
Total Products[3]	517.1	512.0	493.0	494.2	490.3	559.1	531.7	499.5	-0.27	0.02	-0.16	-0.05
Total[4]	890.7	884.7	873.0	866.8	874.0	947.4	913.8	877.0	-0.33	0.12	-0.17	0.04
OECD Asia Oceania												
Crude	143.7	151.8	169.6	156.6	164.5	161.9	172.6	167.0	0.01	-0.12	-0.14	0.27
Motor Gasoline	26.2	27.6	25.5	26.4	25.7	25.2	27.2	27.7	0.00	-0.03	-0.01	0.01
Middle Distillate	66.4	61.3	56.2	56.4	57.9	64.8	63.1	57.8	-0.03	0.10	-0.03	-0.13
Residual Fuel Oil	20.3	18.8	21.0	21.4	22.3	21.5	20.4	20.7	-0.01	0.00	-0.01	0.02
Total Products[3]	172.4	164.8	160.9	157.7	162.3	171.0	168.7	164.7	-0.06	0.17	-0.14	-0.10
Total[4]	385.3	385.3	398.9	382.0	397.3	407.7	417.7	405.9	-0.04	0.04	-0.34	0.19
Total OECD												
Crude	950.9	972.5	1003.1	997.5	1009.9	996.4	1013.7	1016.1	-0.20	-0.02	-0.40	0.57
Motor Gasoline	390.1	389.0	376.9	367.0	364.0	366.9	359.0	369.7	-0.10	-0.09	0.06	0.04
Middle Distillate	511.4	507.3	491.1	500.7	500.5	564.9	517.6	495.6	-0.10	0.36	-0.21	-0.28
Residual Fuel Oil	135.3	127.9	126.0	130.3	135.3	149.4	136.2	143.9	-0.03	-0.07	-0.04	-0.06
Total Products[3]	1341.3	1322.4	1291.7	1306.1	1336.2	1398.9	1359.6	1347.6	0.04	0.35	-0.78	-0.50
Total[4]	2572.1	2575.7	2582.5	2594.9	2639.1	2693.6	2682.6	2652.8	-0.05	0.43	-1.45	0.18

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			
	Jan2014	Feb2014	Mar2014	Apr2014	May2014*	May2011	May2012	May2013	2Q2013	3Q2013	4Q2013	1Q2014
OECD Americas												
Crude	696.0	696.0	695.9	693.3	691.3	726.5	696.0	696.0	0.00	0.00	0.00	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	205.8	203.7	203.3	205.5	205.0	185.6	188.7	204.8	0.02	-0.02	0.01	-0.03
Products	260.3	262.5	263.3	260.6	262.5	238.5	235.6	257.7	-0.04	0.04	-0.03	0.03
OECD Asia Oceania												
Crude	386.6	387.8	387.8	387.8	387.8	391.1	393.5	389.5	-0.04	-0.01	0.02	0.01
Products	30.6	30.5	30.5	30.5	30.5	20.0	20.0	23.1	0.00	0.06	0.02	0.00
Total OECD												
Crude	1288.3	1287.5	1287.1	1286.5	1284.1	1303.3	1278.1	1290.3	-0.02	-0.04	0.03	-0.01
Products	291.8	294.1	294.8	292.1	294.0	258.5	256.6	281.8	-0.04	0.09	-0.01	0.04
Total[4]	1584.2	1585.6	1585.8	1582.5	1582.0	1563.2	1536.0	1576.4	-0.05	0.05	0.02	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]
('millions of barrels' and 'days')

	End March 2013		End June 2013		End September 2013		End December 2013		End March 2014 [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
OECD Americas										
Canada	171.3	74	174.4	75	183.1	79	170.0	73	174.2	-
Chile	9.5	25	9.3	26	11.2	33	9.8	28	9.5	-
Mexico	48.7	23	50.0	24	50.0	24	48.7	24	47.6	-
United States[4]	1794.2	96	1818.7	95	1832.6	95	1761.0	94	1754.0	-
Total[4]	2045.9	86	2074.4	86	2099.0	86	2011.6	84	2007.5	84
OECD Asia Oceania										
Australia	37.5	33	39.7	35	36.6	32	36.8	33	36.8	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	591.3	144	587.9	136	590.7	124	575.3	114	585.8	-
Korea	187.6	82	182.3	81	190.7	80	177.8	76	186.5	-
New Zealand	9.0	61	8.8	61	8.2	52	9.2	57	8.1	-
Total	825.4	104	818.7	101	826.3	95	799.1	90	817.3	105
OECD Europe[5]										
Austria	22.2	81	21.2	76	20.6	79	21.6	90	22.3	-
Belgium	38.8	63	37.0	57	39.4	64	41.0	63	42.5	-
Czech Republic	20.3	107	18.5	95	20.3	102	20.0	109	19.3	-
Denmark	23.7	152	22.1	136	21.3	138	23.7	158	19.7	-
Estonia	1.6	56	1.5	50	1.4	49	1.6	58	1.7	-
Finland	36.8	190	38.2	193	41.0	210	39.0	215	37.9	-
France	160.9	92	165.5	94	166.1	99	167.5	101	167.2	-
Germany	290.5	116	288.4	118	286.9	121	289.9	124	289.0	-
Greece	32.2	111	26.6	84	26.7	92	25.6	97	24.9	-
Hungary	16.6	123	15.6	112	15.9	114	15.6	124	15.2	-
Ireland	10.1	73	10.4	77	10.7	78	10.0	72	11.0	-
Italy	130.9	102	125.7	94	130.8	100	125.1	105	121.7	-
Luxembourg	0.7	11	0.6	10	0.7	11	0.7	12	0.7	-
Netherlands	132.5	129	123.1	122	120.7	123	115.5	121	122.5	-
Norway	26.9	105	24.2	103	27.9	117	28.7	118	28.6	-
Poland	63.3	132	61.0	111	61.9	119	60.4	131	60.2	-
Portugal	23.1	93	21.7	83	22.1	88	23.1	104	23.8	-
Slovak Republic	8.7	120	8.6	104	8.3	101	8.8	123	9.6	-
Slovenia	5.0	96	5.2	106	5.3	103	5.4	115	4.9	-
Spain	123.8	104	117.1	96	120.3	99	111.6	93	117.4	-
Sweden	28.7	88	27.6	88	25.8	91	28.2	101	27.8	-
Switzerland	36.5	142	36.7	145	37.2	130	35.9	167	36.4	-
Turkey	62.0	86	63.9	82	63.2	86	62.3	97	62.7	-
United Kingdom	79.6	51	83.9	55	81.8	55	77.9	53	76.7	-
Total	1375.4	99	1344.1	96	1356.4	100	1339.3	103	1343.5	99
Total OECD	**4246.7**	**93**	**4237.3**	**92**	**4281.7**	**92**	**4150.0**	**91**	**4168.2**	**92**
DAYS OF IEA Net Imports[6]	**-**	**149**	**-**	**160**	**-**	**161**	**-**	**157**	**-**	**158**

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 2014 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]		
1Q2011	4208	1562	2646	93	34	58
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4211	1547	2663	92	34	58
1Q2013	4247	1581	2665	93	35	59
2Q2013	4237	1577	2660	92	34	58
3Q2013	4282	1582	2700	92	34	58
4Q2013	4150	1584	2566	91	35	56
1Q2014	4168	1586	2582	92	35	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 1Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Feb 14	Mar 14	Apr 14	Year Earlier Apr 13	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.66	0.85	0.76	0.79	0.96	0.71	0.82	0.81	0.01
Europe	0.83	0.85	0.79	0.88	0.86	0.77	0.73	0.59	0.78	0.89	0.65	0.24
Asia Oceania	1.24	1.26	1.21	1.20	1.16	1.25	1.27	1.28	1.28	1.15	1.25	-0.10
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.44	0.47	0.44	0.42	0.40	0.49	0.42	0.07
Europe	0.02	0.05	0.01	0.02	0.02	0.02	0.01	0.03	-	0.01	0.02	-0.01
Asia Oceania	0.40	0.45	0.43	0.34	0.43	0.45	0.45	0.44	0.45	0.41	0.32	0.09
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.26	0.40	0.31	0.37	0.43	0.40	0.19	0.29	-0.11
Europe	0.11	0.26	0.25	0.26	0.34	0.22	0.29	0.29	0.33	0.33	0.23	0.10
Asia Oceania	0.34	0.33	0.31	0.35	0.30	0.24	0.28	0.09	0.38	0.26	0.41	-0.14
Kuwait Blend												
Americas	0.08	0.22	0.28	0.23	0.30	0.30	0.33	0.29	0.23	0.31	0.19	0.12
Europe	0.08	0.09	0.10	0.11	0.12	0.07	0.07	0.08	0.11	0.14	0.07	0.06
Asia Oceania	0.57	0.65	0.64	0.62	0.63	0.65	0.71	0.61	0.70	0.46	0.63	-0.17
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.10	0.06	0.05	0.10	0.10	0.10	0.07	0.09	-0.02
Asia Oceania	0.04	0.02	0.00	-	0.01	-	0.01	0.02	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.01	0.04	0.03	0.00	-	0.01	0.05	0.03	0.02
Asia Oceania	0.51	0.33	0.30	0.25	0.31	0.24	0.33	0.53	0.20	0.19	0.07	0.12
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.62	0.61	0.62	0.62	0.67	0.59	0.57	0.62	-0.05
Europe	0.05	0.08	0.07	0.08	0.10	0.04	0.08	0.07	0.08	0.08	0.07	0.01
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.67	0.70	0.79	0.64	0.59	0.65	0.62	0.64	-0.01
Europe	0.12	0.14	0.14	0.16	0.14	0.13	0.15	0.13	0.16	0.17	0.14	0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.44	1.53	1.56	1.51	1.66	1.64	1.48	0.16
Europe	-	-	-	-	-	-	0.00	0.01	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.03	0.02	0.01	0.02	0.04	0.03	-	0.03	-
Europe	0.64	0.55	0.47	0.42	0.52	0.46	0.53	0.44	0.59	0.68	0.30	0.38
Asia Oceania	0.02	0.07	0.06	0.04	0.02	0.05	0.16	0.15	0.10	0.13	0.06	0.07
Russian Urals												
Americas	0.01	0.00	0.00	0.02	-	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.93	1.64	1.76	1.74	1.85	1.74	1.48	2.03	-0.55
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.02	0.09	0.05	0.02	0.04	-	-	-	-
Europe	0.62	0.53	0.59	0.60	0.59	0.57	0.60	0.64	0.54	0.71	0.64	0.06
Asia Oceania	-	-	0.00	0.01	-	-	0.02	0.04	0.03	0.04	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	0.01	-	-	-	-	-	-	0.03	-
Europe	0.29	0.88	0.57	0.78	0.42	0.22	0.23	0.36	0.15	0.04	0.68	-0.64
Asia Oceania	0.01	0.04	0.03	0.03	0.02	0.02	-	-	-	0.05	0.06	-0.01
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.15	0.01	-	0.01	-	0.02	-	-	-
Europe	0.45	0.58	0.53	0.46	0.46	0.57	0.58	0.58	0.59	0.63	0.47	0.16
Asia Oceania	0.05	0.04	0.03	0.05	0.03	0.02	0.03	0.03	0.03	0.05	0.03	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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Feb 14	Mar 14	Apr 14	Year Earlier Apr 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5110	5266	5479	4655	4389	4528	4333	4733	4966	-5%
Europe	8988	9346	8921	9243	9112	8399	8201	8158	8208	8328	9311	-11%
Asia Oceania	6609	6761	6553	6242	6465	6519	6954	7088	7051	5782	6299	-8%
Total OECD	22468	22208	20584	20750	21056	19573	19544	19774	19592	18843	20577	-8%
LPG												
Americas	30	20	17	14	4	14	19	29	18	12	12	3%
Europe	318	287	382	400	361	412	386	449	332	379	411	-8%
Asia Oceania	568	620	546	547	524	517	544	600	514	489	576	-15%
Total OECD	916	927	945	961	890	942	949	1078	864	880	998	-12%
Naphtha												
Americas	42	20	17	20	16	11	28	53	21	20	19	7%
Europe	298	381	313	275	305	323	342	385	297	327	244	34%
Asia Oceania	884	900	927	939	866	949	1040	992	1006	797	929	-14%
Total OECD	1224	1301	1257	1235	1187	1284	1410	1429	1324	1143	1192	-4%
Gasoline[3]												
Americas	762	730	659	806	637	583	550	603	597	704	862	-18%
Europe	222	212	108	97	127	92	155	105	181	136	99	37%
Asia Oceania	95	86	83	91	73	72	89	105	64	87	109	-20%
Total OECD	1079	1028	850	994	837	747	794	814	842	926	1070	-13%
Jet & Kerosene												
Americas	77	73	81	82	93	98	81	103	104	140	83	69%
Europe	397	398	446	435	509	512	384	376	395	446	385	16%
Asia Oceania	58	62	74	56	53	82	57	53	36	50	61	-18%
Total OECD	532	533	602	573	655	692	521	532	536	636	528	20%
Gasoil/Diesel												
Americas	72	59	58	81	46	21	200	225	231	88	95	-8%
Europe	1044	984	1121	963	1170	1278	1095	1089	1052	1197	895	34%
Asia Oceania	147	185	162	166	137	170	153	131	155	207	193	7%
Total OECD	1263	1227	1341	1211	1352	1468	1448	1444	1438	1491	1183	26%
Heavy Fuel Oil												
Americas	268	206	165	150	193	155	162	169	120	98	190	-49%
Europe	537	521	552	513	613	539	595	651	552	735	450	63%
Asia Oceania	153	224	242	197	221	290	304	289	292	251	208	21%
Total OECD	958	951	959	860	1027	985	1060	1109	964	1084	848	28%
Other Products												
Americas	871	813	812	863	902	746	619	643	690	772	830	-7%
Europe	700	636	792	777	764	800	755	719	793	798	628	27%
Asia Oceania	366	356	385	372	404	382	461	467	438	411	357	15%
Total OECD	1937	1805	1989	2013	2070	1929	1835	1829	1922	1981	1815	9%
Total Products												
Americas	2122	1921	1809	2018	1891	1629	1659	1825	1781	1833	2090	-12%
Europe	3516	3419	3714	3461	3849	3955	3711	3774	3604	4017	3112	29%
Asia Oceania	2271	2432	2420	2368	2279	2463	2648	2636	2505	2292	2433	-6%
Total OECD	7909	7773	7943	7847	8018	8047	8017	8235	7890	8142	7635	7%
Total Oil												
Americas	8993	8022	6919	7283	7370	6284	6048	6353	6114	6565	7056	-7%
Europe	12504	12765	12635	12704	12960	12354	11912	11932	11811	12345	12423	-1%
Asia Oceania	8880	9194	8973	8611	8744	8982	9602	9724	9556	8074	8733	-8%
Total OECD	30377	29981	28526	28598	29075	27620	27561	28009	27482	26984	28212	-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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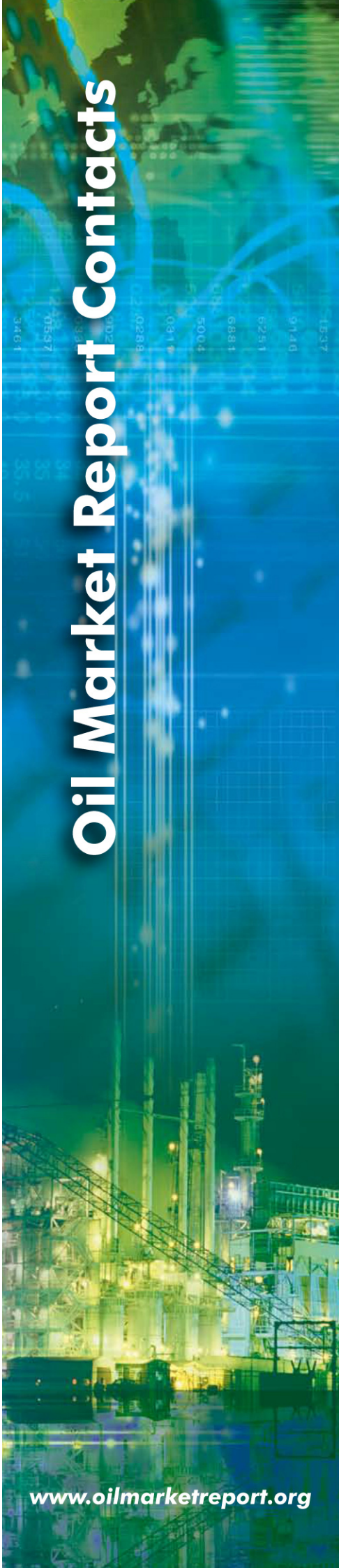
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Next Issue: 12 August 2014





International Energy Agency

12 August 2014

HIGHLIGHTS

- **Crude prices fell in July and early August as weak OECD refinery runs in June offset concerns about escalating conflicts in Iraq, Libya and Ukraine.** At the time of writing, ICE Brent was below $105/bbl on hopes that US air strikes would lower disruption risks in major OPEC producer Iraq. WTI was around $98/bbl.

- **The global oil demand growth forecast for 2014 has been lowered to 1.0 mb/d** on lower-than-expected 2Q14 deliveries and a weaker GDP outlook from the IMF. Growth is set to accelerate to 1.3 mb/d in 2015 as the economy improves. Baseline demand estimates have been raised to reflect new 2012 non-OECD annual data.

- **Global supply was up 230 kb/d in July, to 93.0 mb/d, with higher OPEC output offsetting slightly lower non-OPEC supply**. Compared with a year ago, global supplies were 840 kb/d higher, with an increase of 1.2 mb/d in non-OPEC supplies more than offsetting a 360 kb/d decline in OPEC output.

- **OPEC crude oil supply rose by 300 kb/d to 30.44 mb/d in July, a five-month high**, as a boost from Saudi Arabia to 10 mb/d and a tentative recovery in Libyan output more than offset losses in Iraq, Iran and Nigeria. The 'call on OPEC crude and stock change' averages around 30.8 mb/d in 4Q14, steady on 3Q14.

- **OECD industry stocks posted their sixth consecutive monthly build in June,** rising 13.8 mb to stand at 2 671 mb at end-month, their highest level since September 2013. Inventories' deficit to the five-year average narrowed to 42.1 mb from 52.0 mb at end-May. The 2Q14 stock build of 88 mb was the largest quarterly build since 3Q06.

- **Global refinery activity saw diverging trends in June.** A counter-seasonal fall in OECD throughputs contrasted with record highs in key non-OECD countries. Global refinery runs are estimated at 76.5 mb/d for 2Q14, up 1.3 mb/d year-on-year, and 0.2 mb/d higher than in our last *Report.* Projections for 3Q14 are unchanged at 77.8 mb/d.

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UNEASY COMFORT

Oil prices seem almost eerily calm in the face of mounting geopolitical risks spanning an unusually large swathe of the oil-producing world. After a brief spike in early June, oil prices retreated through early August almost as fast as Islamist forces had advanced in Northern and Central Iraq earlier on. At the time of writing, as Islamic State fighters near Kirkuk oil fields faced US airstrikes while Baghdad struggled to form a government, Brent futures prices had eased back below $105/barrel and WTI dipped below $98/barrel. In large part, this price weakness is demand driven: global demand in 2Q14 grew at the lowest pace since 1Q12, latest data reveal. At the same time, ominous as the current gathering of geopolitical clouds may be, the potential supply impact from these developments is not as straightforward as it might appear.

Despite armed conflict in Libya, Iraq and Ukraine, the oil market today looks better supplied than expected, with an oil glut even reported in the Atlantic basin, where surprisingly steep demand contraction recently compounded the effect of relentless North American supply growth. Remarkably low oil deliveries in both Europe and North America helped slash this *Report*'s estimate of global demand growth for 2Q14 to less than 700 kb/d year-on-year – a low of more than two years – and by 180 kb/d for 2014 as a whole. In part, this is an optical effect stemming from new data from the forthcoming edition of the IEA's *Annual Energy Statistics of Non-OECD Countries* (the 'Green Book'), which has significantly raised the assessment of demand for 2012. Some of this upward adjustment has been carried through to 2013. At the same time, oil deliveries across the OECD contracted steeply recently, including surprisingly large drops in North America. In the OECD Americas and Europe, demand is thus estimated to have plunged by a combined 440 kb/d last quarter. That OECD refining activity was also exceptionally weak in June, with runs plummeting counter-seasonally by nearly 2 million b/d year-on-year, did not help crude markets. Neither did an apparent sudden stop in Chinese crude imports for strategic stock building.

In this context, Libya, where civil strife has been intensifying but where two long-blockaded crude export terminals have reportedly reopened, may matter more to the market as a downside risk than as an upside risk to prices. Fighting around Tripoli has grown so intense that many countries have repatriated their nationals and oil companies have removed personnel from fields and other facilities. But the Atlantic market is currently so well supplied that incremental Libyan barrels are reportedly having a hard time finding buyers. Many in the market seem more focused today on potential short-term downward price pressures from a further increase in Libyan production, last pegged around 450 kb/d, than on such upward price pressures as might result from an escalation of fighting.

US and EU sanctions on the Russian oil sector are not providing oil markets with much support either. The consensus in the industry seems to be that neither set of sanctions will have any tangible near-term impact on supplies. Even for the medium term, their impact appears questionable. EU sanctions are highly selective, exclude agreed contracts, and can only be extended past one year by consensus. Their 'perimeter' seems loosely defined, potentially leaving room for finding ways around the most constraining measures. While the market will keep a watchful eye on the troop build-up along the Russia-Ukraine border, short-term supply disruptions do not seem on the cards, while on the other hand the sanctions (which are not limited to the oil sector) are expected to trim Russian demand.

Iraq is another matter. While the market has taken comfort from steady export flows from the southern fields, the growing toll of Islamist forces on northern production, signs of cracks in KRG defences and the evacuation of expatriate staff from northern and KRG oil facilities are worrisome developments. But the situation on the ground is highly fluid and infrastructure bottlenecks in the South, rather than the humanitarian disaster in the North, may remain the biggest hurdle to Iraq's ability to deliver the supply growth expected from it in the medium term. While the situation across these key producer countries remains more at risk than ever, so far the market appears confident that OPEC can deliver the production increase needed from it to meet rising demand expected in the second half of the year.

DEMAND

Summary

- **The global oil demand growth forecast for 2014 has been curtailed** since last month's *Report* to a more modest +1.0 mb/d. Two key, somewhat related, factors are largely accountable for this revision. Firstly, demand growth in 2Q14, at 0.7 mb/d, fell to its lowest level since 1Q12. Secondly, the global macroeconomic outlook has been downgraded, with the International Monetary Fund (IMF) taking three-tenths of a percentage point off its 2014 global GDP growth forecast, to 3.4%.

- **Demand growth should then accelerate in 2015, to 1.3 mb/d, as underlying macroeconomic conditions themselves are widely expected to solidify.** The pace of this forecast uptick has been downgraded, with 90 kb/d taken out of the growth outlook, as lower forecasts for China, Russia and Japan are now carried: the former two on weaker economic growth; the latter on a raised expectations for non-oil power sector use.

- Despite these forecast growth curtailments, **baseline demand estimates have been raised to reflect higher historical assessments of non-OECD oil use.** For example, the global demand estimate for 2012, at 90.6 mb/d, has been revised up by 0.4 mb/d, reflecting the additional detailed sector-specific numbers that are included in 2014 edition of the IEA's *Annual Energy Statistics of Non-OECD Countries*. Among the greatest additions, that stemmed from this additional work, were those for Egypt, India, Libya and Russia.

- **A combination of higher historical numbers and weaker annual growth projections, for 2014 and 2015, left the respective absolute annual demand forecasts little changed** on last month's *Report*, at 92.7 mb/d in 2014 and 94.0 mb/d in 2015. This, however, clouds a multitude of 'noise' in the quarterly numbers with, for example, the 2Q14 demand estimate revised sharply lower but 4Q14 notably raised. At 91.7 mb/d, the 2Q14 demand estimate is 200 kb/d lower than in our last *Report* on weaker than expected US and Japanese demand. In contrast, the 4Q14 forecast has been lifted by 130 kb/d to 94.0 mb/d, as most of the 2Q14 US/Japanese downgrade is expected to be transitory and as economic activity is expected to improve towards the end of the year.

Global Oil Demand (2013-2015)

(million barrels per day)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0	4.1	4.2	4.1	4.2	4.2
Americas	30.1	30.4	30.9	31.1	30.6	30.4	30.5	31.1	31.4	30.9	30.6	30.8	31.3	31.5	31.0
Asia/Pacific	30.6	29.7	29.7	30.9	30.2	31.1	30.1	30.3	31.4	30.7	31.8	30.8	30.9	32.1	31.4
Europe	13.8	14.5	14.6	14.2	14.3	13.7	14.2	14.6	14.4	14.2	13.8	14.3	14.5	14.2	14.2
FSU	4.4	4.6	4.9	4.9	4.7	4.6	4.8	4.9	4.9	4.8	4.6	4.8	5.0	5.0	4.8
Middle East	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.9	8.1	8.0	8.4	8.9	8.2	8.4
World	**90.4**	**91.0**	**92.3**	**92.7**	**91.6**	**91.5**	**91.7**	**93.4**	**94.0**	**92.7**	**92.9**	**93.1**	**94.7**	**95.2**	**94.0**
Annual Chg (%)	1.1	1.4	1.5	0.8	1.2	1.2	0.8	1.2	1.5	1.1	1.5	1.5	1.4	1.3	1.4
Annual Chg (mb/d)	0.9	1.3	1.3	0.7	1.1	1.0	0.7	1.1	1.4	1.0	1.4	1.4	1.3	1.2	1.3
Changes from last OMR (mb/d)	0.08	0.20	0.21	0.27	0.19	0.04	-0.20	0.06	0.13	0.01	-0.05	-0.13	-0.05	-0.10	-0.08

Global Overview

This month's *Report* has seen two clearly conflicting forces at work. On the upside, historical estimates of non-OECD oil demand have been raised, reflecting the publication of the 2014 edition of the IEA's *Annual Statistical Supplement* (see '*Changes to Non-OECD Baseline Demand Estimates*'), with approximately 0.4 mb/d added to the 2012 demand estimate, to 90.6 mb/d. On the downside, lower growth forecasts ensue on weaker macroeconomic assumptions.

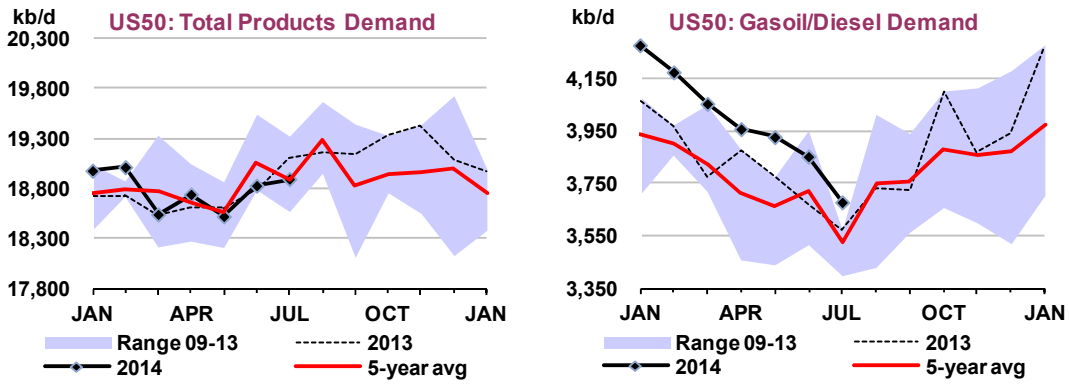
By the time we get to 2014, the overall demand estimate is roughly on a par with last month's *Report* at 92.7 mb/d. A big downside correction to 1H14, coupled with weaker macroeconomic forecasts, eradicate any previous baseline upgrades. The IMF trimmed roughly three-tenths of a percentage point from its 2014 global economic growth outlook, to 3.4%, between the release of July's *World Economic Outlook (WEO)* and April's *WEO*, citing "the legacy of the weak first quarter, particularly in the United States, and a less optimistic outlook for several emerging markets."

Global oil demand growth is still forecast to accelerate in 2015, adding approximately 1.3 b/d for the year, as the IMF envisages an accelerating global economy, +4.0%. Even here, however, the absolute demand estimate, at 94.0 mb/d, is 85 kb/d less than that carried previously (the growth estimate has been reduced by 90 kb/d), with a curbed Chinese demand forecast the chief culprit. Other significant downside contributions in 2015 include the now reduced outlooks for Russia and Japan. The Japanese forecast is curtailed as expectations for the non-oil fired electric power generation edge modestly higher. The forecast for Russia, meanwhile, has been tempered as the implication of additional sanctions suppresses the economic outlook, with the IMF envisaging only 1.0% GDP growth in 2015 versus an April estimate of 2.3%.

Top 10 Consumers

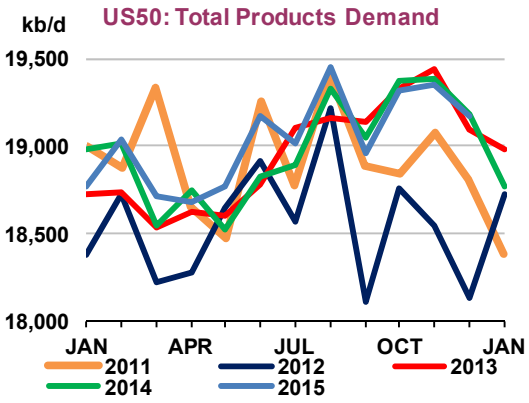
US

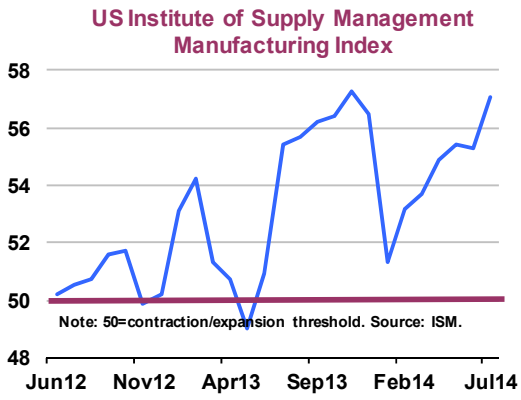
Preliminary estimates of US 2Q14 demand have been reduced compared to the assessments carried in last month's *Report*. Not only do the latest weekly estimates from the US Department of Energy's Energy Information Administration (EIA) come out below previous expectations, but also official confirmation of May deliveries point towards an absolute year-on-year (y-o-y) contraction in US demand, a reversal from the gains implied in the EIA weeklies. Demand for LPG (including ethane) and gasoline led the downward adjustments. LPG deliveries fell by approximately 6.4% y-o-y in May, as maintenance closures trimmed available petrochemical cracker capacity. Gasoline demand flattened as the Federal Highway Administration reported softness in the vehicle miles travelled data for the US northeast (-1.0% y-o-y). The forecast of overall US demand momentum in 2014 has accordingly been curbed, to +0.3% versus the previous +0.6% estimate.



The overall 2Q14 US demand estimate of 18.7 mb/d is 235 kb/d below that carried in last month's *Report*, with 140 kb/d less demand attributable to a now reduced LPG (including ethane) estimate and -85 kb/d due to lower gasoline deliveries. Despite the large scale of this downside correction, we have raised the 4Q14 forecast, by 70 kb/d to 19.3 mb/d, as we are now taking a firmer stance on the potential uptick in US industrial activity, and hence oil use, towards the end of the year. The Institute of Supply Management's manufacturing index perhaps best encapsulates this mood, as its sentiment index rose an eight-month high of 57.1 in July. Not only has US manufacturing sentiment been firmly rooted in 'expansionary' territory, i.e. above 50, since May 2013, but it now looks very much as if the early-2014

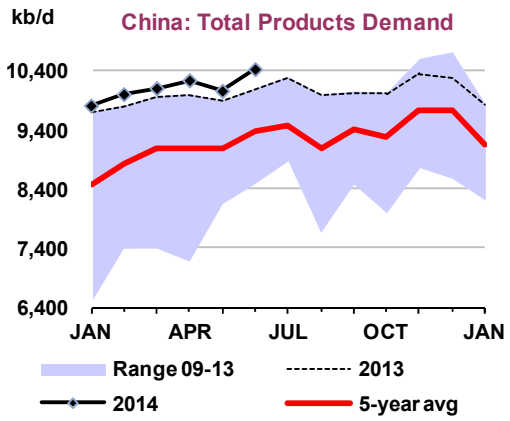
climb-down was a temporary phenomena. Of particular significance for 4Q14, the most forward looking 'new-order' sub-index rose to 63.4 in July, its fourteenth consecutive gain. Furthermore, the US Department of Labour reported jobless claims down to a near eight-and-a-half year low in July.

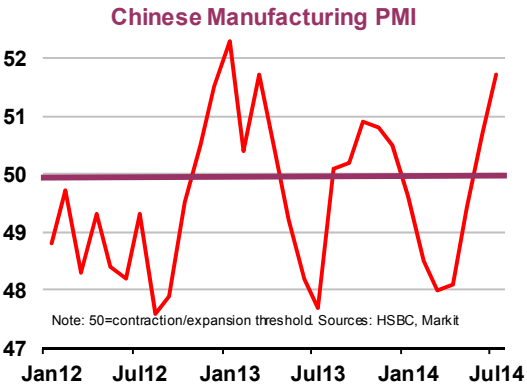




China

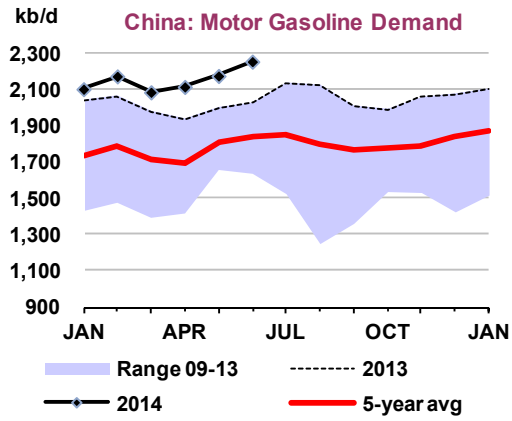
This month's *Report* sees the forecast of Chinese oil demand growth reined in somewhat, consequential on ongoing weaknesses in the recent data and curbed projections for economic activity. Chinese oil demand growth of around 2.9% is now foreseen in 2014, versus the previous 3.3% estimate, with suppressed gasoil/diesel demand taking the largest hit. Despite recent weaknesses, the oil demand trend is forecast to continue towards an accelerating trend in 2015, as Chinese oil demand growth is forecast to rise to 3.8% in 2015, as indicators of business sentiment in the more heavily energy-dependent manufacturing sector become increasingly upbeat. Furthermore, the government has made it increasingly clear in recent months that it will make efforts to support economic activity if they wane too heavily. Relatively strong gains are foreseen across the key transportation and petrochemical sectors in 2015, supporting the relatively robust forecast gains in motor gasoline, jet/kerosene, LPG and naphtha demand.

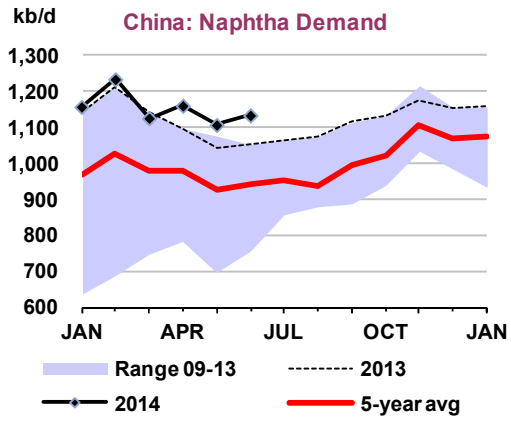




Fitting with our now-curbed Chinese oil demand growth forecast, preliminary estimates of June deliveries, at 10.4 mb/d, came out 145 kb/d below our month earlier forecast. Despite this correction, overall Chinese oil demand maintained its normal seasonal upturn in June, rising by around 365 kb/d on May, as agricultural oil use reportedly rose during the peak summer planting season. Apparent oil demand estimates gained additional traction as the Chinese National Bureau of Statistics (NBS) reported that refinery throughputs in June rose to an all-time high. As already alluded to, the ongoing strength depicted in the Chinese gasoline sector continues to provide the majority of the overall gains seen in China, with strong car sales supporting an already rapidly rising Chinese car fleet alongside reports of

relatively robust consumer confidence. The Chinese Association of Automobile Manufacturers reported passenger car sales of 1.56 million units in June, 11.5% up on the year earlier, or 9.63 million cars in 1H14, equivalent to a y-o-y gain of 11.2%. The NBS reported domestic consumer confidence at 104.7 in June, firmly supported above the key 100-threshold that signals the break-even point between 'optimism' and 'pessimism'.





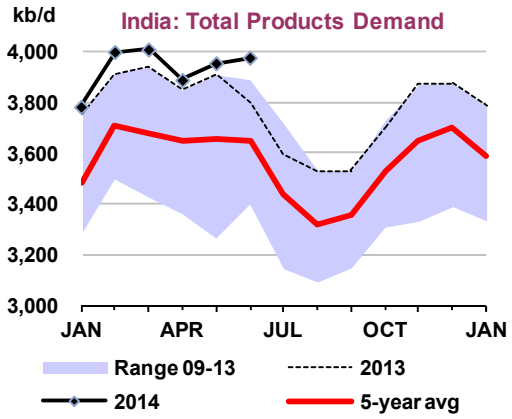
China: Demand by Product

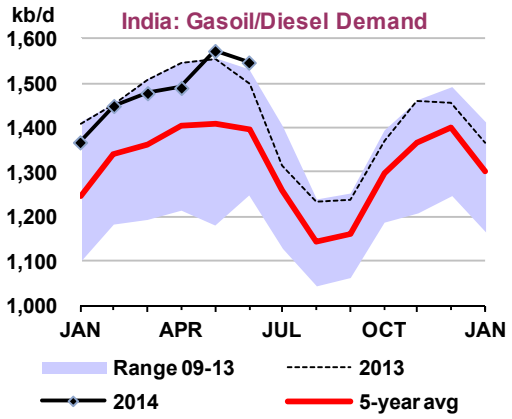
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	783	816	895	32	79	4.1	9.7
Naphtha	1,116	1,163	1,201	47	38	4.2	3.3
Motor Gasoline	2,037	2,170	2,309	133	139	6.5	6.4
Jet Fuel & Kerosene	445	476	490	31	14	6.9	3.0
Gas/Diesel Oil	3,385	3,377	3,479	-8	102	-0.2	3.0
Residual Fuel Oil	410	404	402	-6	-1	-1.5	-0.4
Other Products	1,854	1,917	1,933	62	16	3.4	0.8
Total Products	**10,030**	**10,321**	**10,708**	**291**	**387**	**2.9**	**3.8**

India

Strong transportation fuel demand accounted for the sharp gain seen in Indian oil deliveries in June, to 4.0 mb/d. The recent reversal in the gasoil/diesel demand trend proved key. Having generally trended down since April 2013, in response to government efforts to reduce diesel subsidies, June's near 3% gain, to 1.5 mb/d, was the strongest y-o-y comparison in over a year. Consumer and business confidence alike are rising, buttressed by the change to a likely more pro-business government, supporting our forecast of a 2.9% expansion in Indian oil use in 2014, to 3.6 mb/d.

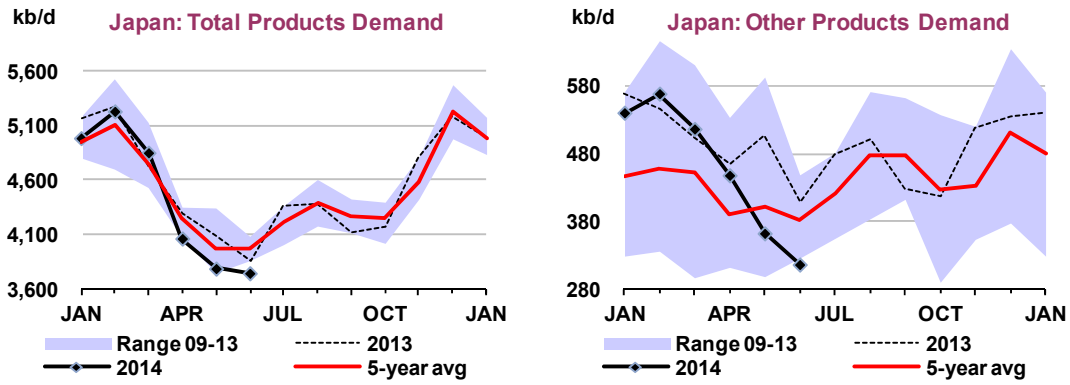




The baseline Indian data series has also been revised up, with 0.3 mb/d added to the 2012 estimate to 3.8 mb/d, due to a reassessment of inputs/outputs from Reliance's Jamnagar facility. Previous concerns were that some refineries flows were being double-counted, but after extensive work, with the co-operation of the Indian government, this risk is discounted. Further details are available in the 2014 edition of the IEA's *Annual Energy Statistics of Non-OECD Countries*.

Japan

Japanese oil demand, at 3.8 mb/d in May, has been reduced by 85 kb/d compared to last month's *Report*, with notably lower estimates of 'other products' demand (which include the direct crude burn of the power sector) the key contributor. Roughly 360 kb/d of 'other products' were delivered in May, 70 kb/d below the previous estimate and 145 kb/d below the year earlier, as the Japanese power sector increasingly switch to relatively cheaper alternatives such as coal. Preliminary estimates of June demand gauged it falling by 3% on the year earlier, to 3.7 mb/d, 110 kb/d below the estimate cited in last month's *Report*, as once again the power sector oil-requirement dipped. The 2014 forecast has accordingly been curbed, albeit only by a tempered degree as the IMF has raised its estimate of Japanese economic activity for 2014 (adding three-tenths of a percentage point to the 2014 Japanese GDP growth forecast, to 1.6%).

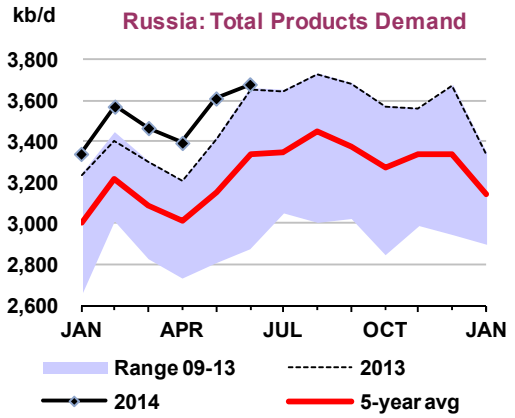


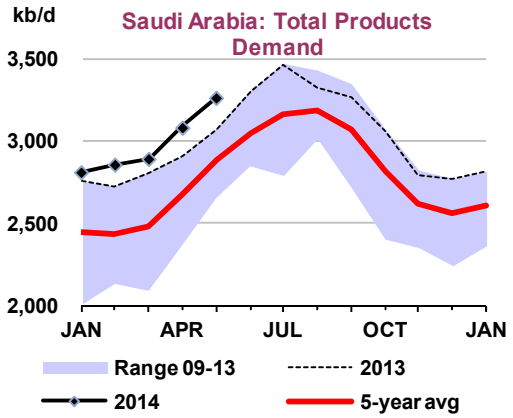
We have revised down our 2015 Japanese oil demand forecast – with a drop of 2.7% now forecast versus the previously projected 2.2% decline – on raised expectations for non-oil electric power generation. The availability of competing gas and coal are up, while July saw news that two Japanese nuclear reactors passed Nuclear Regulation Authority (NRA) safety approval. Kyushu Electric's two 890 megawatt nuclear reactors gained NRA consent in July, the first such announcement since the tighter standards were introduced last year. Furthermore, the Japanese Institute of Energy Economics (IEEJ) published a report citing as many as 19 nuclear reactors restarting operations by the end of 1Q16, equivalent to around 124.3 billion kilo watt hours of power.

Russia

The Russian oil demand growth forecast has been pared since last month's *Report*, as additional sanctions trigger weaker economic activity dampening future oil use. Although little specifically was said on Russia, in the IMF's July update, the GDP growth forecast was reduced sharply, to 0.2% in 2014 (1.2% previously) and 1.0% in 2015 (2.3% before). Specifically the IMF cited that "activity in Russia decelerated sharply as geopolitical tensions further weakened (overall economic) demand" and that "investment is [now] expected to remain weaker for longer". The Russian oil demand growth forecast, for 2014, has accordingly been reduced to 1.3%, from the previous 1.9% estimate. Projected growth rates of gasoline, gasoil and 'other products' were all reduced on lower likely economic outlook. Similar curtailments are forecast for 2015. The risks to the Russian forecast are skewed to the downside, as additional sanctions

have been adopted since the release of July's IMF update, both by the EU and the US while retroactive sanctions are also being considered by Russia.





Saudi Arabia

Additional summer power sector oil demand saw Saudi Arabian deliveries clamber up to an average of around 3.3 mb/d in May, their highest level in eight months. Encompassed in this extra electricity requirement were the sharp gains seen in residual fuel oil and 'other products' (which include the direct crude burn). For the year as a whole, deliveries are forecast to average roughly 3.1 mb/d, 3.3% up on the year earlier. Oil demand growth is then forecast to accelerate still further in 2015, to 3.6%, as economic momentum builds.

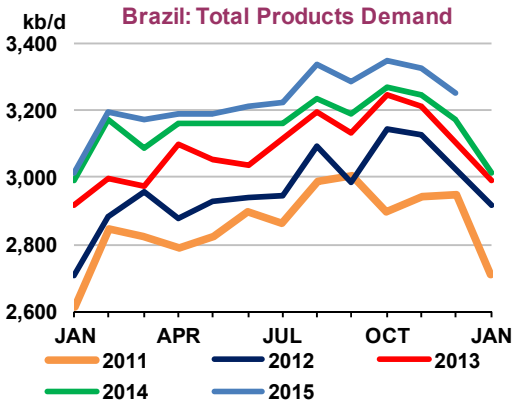
Top-10 Oil Consumers

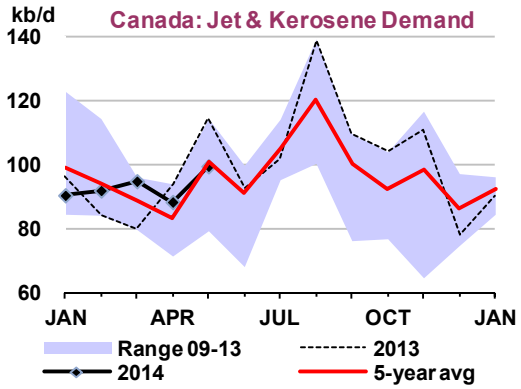
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	May-14	2014	2015	May-14	2014	2015	May-14	2014	2015
US50	18,522	18,987	19,034	-83	48	47	-0.4	0.3	0.2
China	10,067	10,321	10,708	174	291	387	1.8	2.9	3.8
India	3,954	3,859	3,973	47	89	114	1.2	2.4	3.0
Japan	3,788	4,357	4,240	-297	-174	-118	-7.3	-3.8	-2.7
Russia	3,610	3,550	3,597	198	45	46	5.8	1.3	1.3
Saudi Arabia	3,262	3,121	3,234	196	101	113	6.4	3.3	3.6
Brazil	3,158	3,166	3,228	107	77	62	3.5	2.5	2.0
Canada	2,378	2,409	2,378	-55	19	-31	-2.2	0.8	-1.3
Korea	2,338	2,350	2,344	64	26	-7	2.8	1.1	-0.3
Germany	2,315	2,410	2,414	-143	7	5	-5.8	0.3	0.8
% global demand	59%	59%	59%						

Brazil

The Brazilian demand forecast has been modestly reduced since last month's *Report*, as the underlying macroeconomic environment has been curtailed. The IMF, in July, trimmed six-tenths of a percentage point off both the 2014 and 2015 economic growth forecasts for Brazil (compared to April's *WEO*), respectively to 1.3% and 2.0%. Despite relatively weak economic growth, Brazilian oil demand growth of around 2.5% is foreseen in 2014 as the transportation sector has thus far risen strongly, the desire for motorised vehicles in Brazil heavily outweighing economic growth.



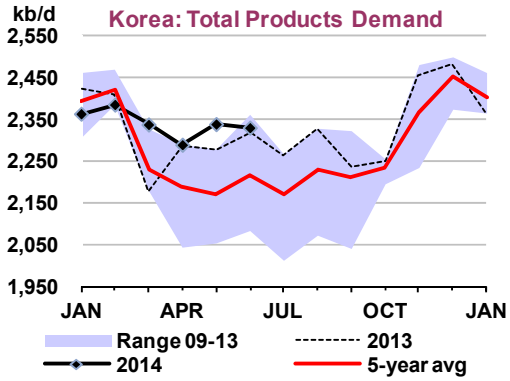


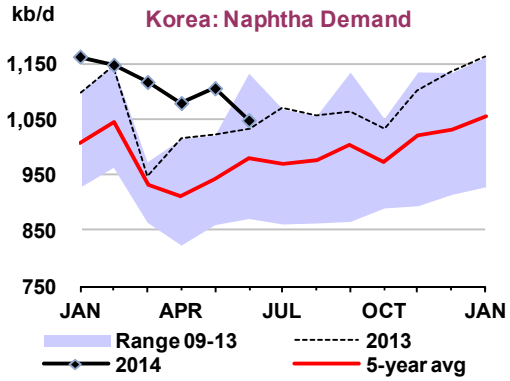
Canada

The latest data depict Canadian oil demand continuing its recent downtrend. At 2.4 mb/d in May, total Canadian oil deliveries fell by around 2.2% on the year earlier with weak business confidence contributing to the sharp drop in jet/kerosene deliveries. Overall industrial output, however, continues to rise, up 2.3% y-o-y in May, supporting gains in diesel and LPG demand.

Korea

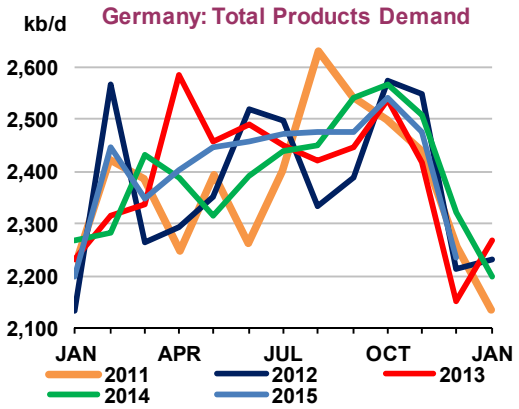
Preliminary estimates of June demand depict approximately 2.3 mb/d of total oil deliveries, roughly unchanged on the year earlier as naphtha demand waned somewhat. Overall, in y-o-y terms, the 1H14 saw relatively strong petrochemical demand, supporting an average 1H14 gain of approximately 70 kb/d y-o-y for naphtha. In June, however, y-o-y naphtha demand growth eased back to a mere 15 kb/d, as total industrial activity in Korea eased back by 2.1% y-o-y. Given the relatively strong March-May data, the year as whole is still forecast to see deliveries average roughly 2.4 mb/d, an all-time high for the country.

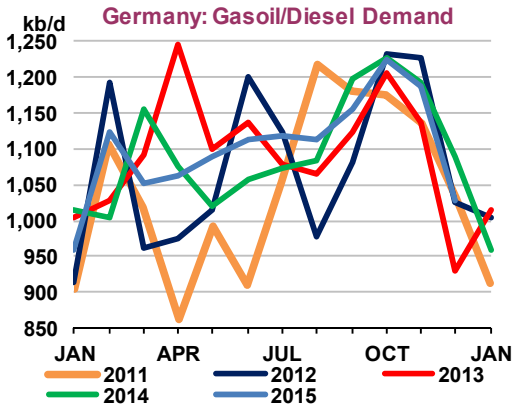




Germany

Preliminary estimates of German oil demand in June, at 2.4 mb/d, were revised sharply lower on our earlier forecast (-65 kb/d), as the economy showed signs of softening. For the 2Q14 as a whole, German oil demand came in at around 2.4 mb/d, nearly 6% down on the year earlier with particularly sharp contractions seen in gasoil, fuel oil and 'other products'. Such industrial fuel demand contracted as overall industrial output in the country showed signs of weakening. Despite this mid-year correction in German oil demand, growth momentum is expected to resume in 4Q14 as a return to normal seasonal weather patterns would imply additional heating oil demand. The outlook brightens in 2015, with oil deliveries forecast as rising by an accelerated 0.8%, after the 0.3% projected gain of 2014, as the IMF predicts economic growth of 1.7% in 2015.





OECD

Oil deliveries in 2Q14 were revised down by 425 kb/d across the OECD, as sharp curtailments were applied to estimates of US and Japanese deliveries. The reduced Japanese power sector requirement, coupled with a curbed LPG estimate for the US, led the 2Q14 downgrade. At an estimated 44.8 mb/d in 2Q14 this brought about a y-o-y decline of 630 kb/d, the sharpest contraction experienced since 2Q12. Despite such curtailments, momentum is expected to flip into modestly expansionary territory in 4Q14, up by approximately 150 kb/d on the year earlier, as not only does the macroeconomic picture likely brighten but also after relatively mild European winter temperatures in 4Q13 a return to normal seasonal patterns would raise heating oil use. A decline of around 0.4% is forecast for the year as a whole.

OECD Demand based on Adjusted Preliminary Submissions - June 2014

(million barrels per day)

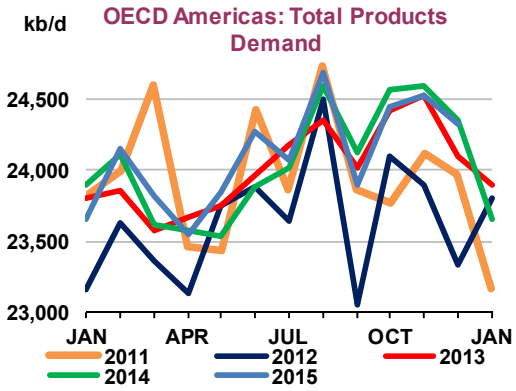
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.74**	**0.4**	**1.78**	**7.5**	**4.62**	**4.7**	**0.47**	**-7.4**	**0.61**	**-20.1**	**5.66**	**-4.53**	**23.89**	**-0.3**
US50	9.01	0.5	1.55	7.5	3.73	6.0	0.12	-18.0	0.29	-5.0	4.12	-6.35	18.83	0.2
Canada	0.87	1.8	0.11	13.6	0.30	2.0	0.28	1.6	0.06	8.6	0.82	0.49	2.45	2.0
Mexico	0.73	-2.3	0.07	7.9	0.37	-1.4	0.04	-29.0	0.16	-44.7	0.57	1.70	1.94	-7.4
OECD Europe	**1.99**	**-1.8**	**1.29**	**1.9**	**4.59**	**3.3**	**1.31**	**-7.4**	**0.94**	**-4.1**	**3.70**	**2.18**	**13.82**	**0.5**
Germany	0.43	-2.1	0.19	-6.1	0.71	1.7	0.35	-20.8	0.10	-10.9	0.61	2.92	2.39	-3.9
United Kingdom	0.32	-3.6	0.30	5.5	0.50	2.2	0.13	5.6	0.04	-2.0	0.31	-2.45	1.60	0.8
France	0.19	3.0	0.16	1.3	0.72	4.1	0.22	-0.5	0.05	-29.4	0.44	0.96	1.77	1.1
Italy	0.19	-3.7	0.10	1.5	0.44	-2.3	0.09	-15.7	0.07	-11.8	0.34	-1.69	1.24	-3.8
Spain	0.11	1.9	0.13	1.5	0.44	7.3	0.12	2.9	0.15	8.2	0.24	-5.38	1.20	3.0
OECD Asia & Oceania	**1.56**	**-0.9**	**0.67**	**6.6**	**1.28**	**4.2**	**0.45**	**-1.8**	**0.59**	**-11.4**	**2.99**	**-2.34**	**7.55**	**-1.0**
Japan	0.93	-1.3	0.35	13.4	0.42	2.5	0.34	1.4	0.32	-13.0	1.39	-7.38	3.75	-3.0
Korea	0.19	2.2	0.14	-0.3	0.34	2.6	0.10	-12.1	0.22	-11.7	1.34	3.07	2.33	0.4
Australia	0.33	-1.8	0.14	0.0	0.41	4.7	0.00	0.0	0.03	4.9	0.18	2.39	1.09	1.7
OECD Total	**14.29**	**0.0**	**3.74**	**5.4**	**10.49**	**4.0**	**2.24**	**-6.3**	**2.13**	**-11.2**	**12.35**	**-2.07**	**45.26**	**-0.2**

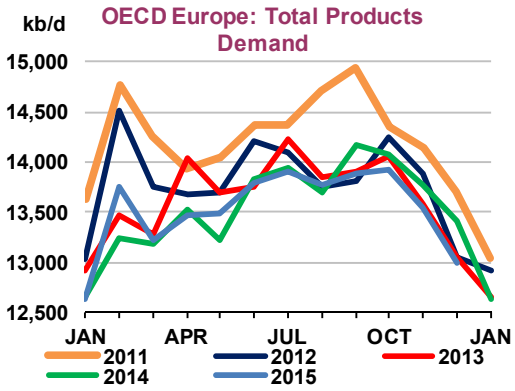
* Including US territories

Americas

The sharp downgrade in 2Q14 US oil deliveries, outlined above, played a key role in the 290 kb/d downwards correction in the OECD American demand estimate, to 23.7 mb/d. Taking this adjustment onboard, a y-o-y decline of 0.6% is now seen, a dramatic reversal from the previously envisaged 0.7% gain. Although sharply lower US demand led this volte-face, significant weaknesses were also seen in Canada and Mexico. Strengthening economic conditions in 2H14 are forecast to result in a renewed upturn in demand, however, with 0.3% y-o-y growth in 3Q14 accelerating to 0.7% in 4Q14. The forecast

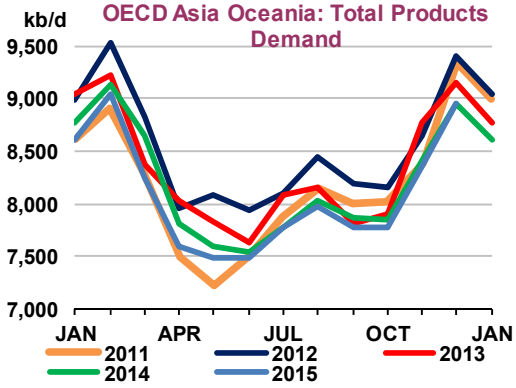
for the year as a whole is a gain of around 0.3%, a projection that is tempered by approximately two-tenths of a percentage point as the 2Q14 data surprise on the downside.

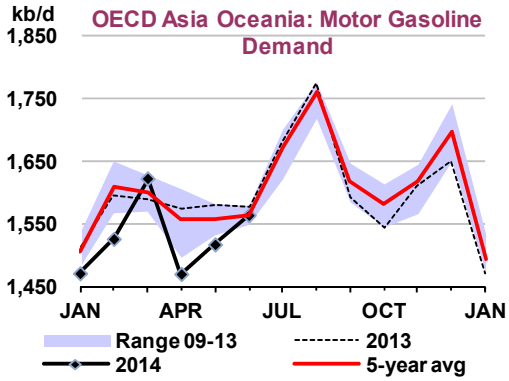




Europe

The long ailing European demand trend is forecast to show modest signs of life in the 2H14, as economic activity is widely expected to pick up. Having fallen in both 2012 and 2013, respectively declining by 0.7% and 0.4%, euro zone GDP has returned to growth this year, with a near 1.1% gain now being forecast by the IMF. European oil demand is accordingly forecast to flatten in 2014, down by a relatively muted 0.7% on the year as a whole, a moderation that comes after three successive annual heavy falls.





Asia Oceania

Total oil demand in OECD Asia Oceania fell by around 2.3% y-o-y in 2Q14 to 7.7 mb/d, a 105 kb/d downside revision compared to last month's *Report*. Reduced Japanese power sector oil use played a key role, as did the significant downside revisions applied to the official Australian data series, chiefly 'other product' demand. For the year as a whole, a decline of around 1.6% is forecast, easing back slightly to drop of 1.45 in 2015 as the macroeconomic environment improves slightly.

Non-OECD

Estimates of non-OECD oil demand have been revised up since last month's *Report*, largely on account of the significant upgrades that have been applied to the historical data series. The 2012 non-OECD oil demand estimate was revised up by approximately 0.4 mb/d to 44.6 mb/d, with notable additions seen in the Indian, Egyptian, Libyan and Russian series (see '*Changes to Non-OECD Baseline Demand Estimates*'). Indeed, this upside revision has brought forward the inflection point at which total non-OECD oil demand first exceed OECD, from 2Q14 in last month's *Report* to 2Q13 now. It is then from 2014 that total non-OECD oil deliveries maintains a consistent annual premium to OECD demand.

Changes to Non-OECD Baseline Demand Estimates

This month's *Report* includes the first feed through from the 2014 editions of both the IEA's *Annual Statistical Supplement* and the IEA's *Annual Energy Statistics of Non-OECD Countries* (commonly referred to as "Green-Book"). Previous estimates of 2012 non-OECD oil demand were based on a combination of national source statistics, JODI numbers, internal demand estimates and other reports and journals. Approximately 370 mb/d of additional oil demand has been added to the 2012 estimate since last month's *Report*, to 90.6 mb/d. India, Libya, Egypt and Russia saw some of the largest additions to their historical demand estimates, as gains in these countries (amongst many others) more than offset a number of notable curtailments such as Singapore and Malaysia. Revisions to prior years were also made, with notable additions included for Egypt, India, Panama and South Africa in 2011.

The Indian demand estimate for 2012, at 3.8 mb/d, was raised by approximately 0.3 mb/d following the adoption of a new data-collection methodology for Indian diesel and a careful reassessment of the input/output flows at Reliance's giant Jamnagar refining complex. As reported intake at the complex exceeded by far stated capacity, there had been concerns that intake and output at the refinery had been overstated, thus inflating demand. Those concerns were examined by the IEA's statistical arm in extensive consultations with the Indian government and ultimately dismissed. Part of the refinery intake has however been reclassified as refinery feedstocks rather than crude, accounting for 'Other Inputs' to the Reliance Jamnagar refinery. These 'other inputs' were previously excluded from the OMR balance. The new gasoil methodology, whereby official retail sales figures were made available for the first time, as opposed to internal IEA estimates, added roughly 3.4% to the assessment of Indian gasoil demand in 2012. On a sector-specific note, both agricultural and private-generator diesel usage led the upside revision. Additional deliveries of petroleum coke were also reported, increasing the scale of 'other products' oil use in the Indian cement sector.

A revised Egyptian demand estimate of approximately 835 kb/d is now made for 2012, roughly 135 kb/d above our previous calculation as higher use of naphtha, residual fuel oil and 'other products' was seen. While all naphtha produced in Egypt was previously counted as exports, some of this product has been reclassified as domestic demand serving Egyptian petrochemical needs. The fuel oil and 'other product' demand estimates were also notably raised on account of the additional domestic power sector requirement and reports of some fuel imports in 2012.

At roughly 260 kb/d in 2012, the Libyan demand estimate was revised up by approximately 40 kb/d over the previous forecast. This additional Libyan oil demand arose out of notably higher gasoline, jet/kerosene and residual fuel oil deliveries. Additional estimates of domestic Libyan gasoline and jet fuel demand are now being made, as the transport requirement exceeded earlier expectations benefiting from the brief one-year uptick in underlying economic activity in 2012. The feed through in 2013-14 has, however, been muted, as the relatively dire estimates of macroeconomic activity in these years dampens the likely oil requirement. Furthermore, Libyan oil deliveries have been suppressed in recent years on account of the limited access to sufficient fuels, with domestic refinery activity hampered by outages.

Other notable upside revisions include Russia, Kuwait and Argentina. The Kuwait demand estimate for 2012 was revised higher by 25 kb/d for 2012, to 470 kb/d, with gasoil/diesel demand particularly higher as Kuwaiti industry clearly benefited more than previously foreseen from the specific plus 6% performance of the economy in 2012. At 3.4 mb/d in 2012, the Russian demand estimate has been revised up by 95 kb/d on a reassessment of the likely scale of naphtha demand. Similarly, the average Argentinean demand estimate, at 760 kb/d in 2012, has been revised up by 25 kb/d on the basis of new information about the country's LPG and gasoil requirements.

The 2014 editions of the IEA's *Annual Energy Statistics of Non-OECD Countries* and *Annual Statistical Supplement* not only include comprehensive series of 2012 non-OECD oil use, but they also include revisions for earlier years. For example, notable additions have been applied to estimates of Egyptian demand in 2011, alongside other historical revisions such as India, Panama and South Africa. It is with the addition of these more comprehensive series, plus a continued effort to strengthen the quality of our forecast that we attempt to paint an ever more accurate picture of global oil demand moving forward.

Having risen by around 2.3% in 2013, non-OECD growth momentum is forecast to accelerate modestly in 2014, to 2.7%, as the underlying non-OECD economic backdrop itself solidifies somewhat. Accelerating

gain in gasoline, LPG and 'other product' demand are forecast to lead the acceleration. Gasoil/diesel demand growth in the non-OECD has lagged somewhat, consequential on the absolute declines seen in the two dominant non-OECD Asian economies of China and India. Further details on the main non-OECD economies, such as China, India, Brazil and Russia, can be seen in the *Top 10 Consumers* section, above.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
LPG & Ethane	5,057	5,099	5,117	158	203	3.2	4.1
Naphtha	3,183	3,238	3,113	60	87	1.9	2.9
Motor Gasoline	9,497	9,425	9,732	289	464	3.2	5.0
Jet Fuel & Kerosene	2,913	2,888	2,866	107	115	3.9	4.2
Gas/Diesel Oil	14,125	13,665	14,351	134	135	1.0	1.0
Residual Fuel Oil	5,368	5,415	5,470	85	84	1.6	1.6
Other Products	6,031	6,005	6,262	293	234	5.1	3.9
Total Products	**46,175**	**45,735**	**46,910**	**1,127**	**1,322**	**2.5**	**2.9**

Relatively strong gains have been seen across all of the main non-OECD regions in 2Q14. The recent acceleration in activity has occurred as preliminary estimates of oil demand have shown growth picking up in both Africa and the Middle East, an uptick that has gained traction as the relative decline rates in many of the recently crisis-hit economies, such as Libya and Egypt, have eased.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
Africa	3,831	3,914	3,995	22	97	0.6	2.5
Asia	22,260	22,216	22,482	450	595	2.1	2.7
FSU	4,920	4,588	4,774	157	146	3.5	3.2
Latin America	6,763	6,580	6,797	214	199	3.4	3.0
Middle East	7,725	7,788	8,196	251	268	3.3	3.4
Non-OECD Europe	677	648	666	33	17	5.3	2.6
Total Products	**46,175**	**45,735**	**46,910**	**1,127**	**1322**	**2.5**	**2.9**

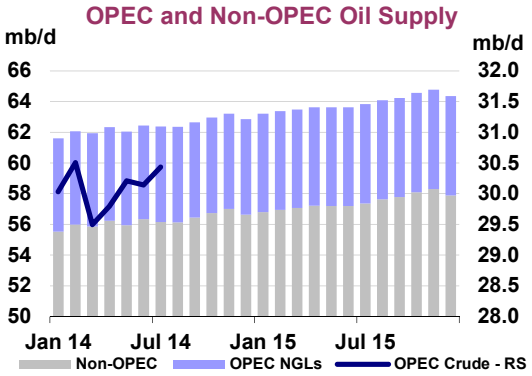
SUPPLY

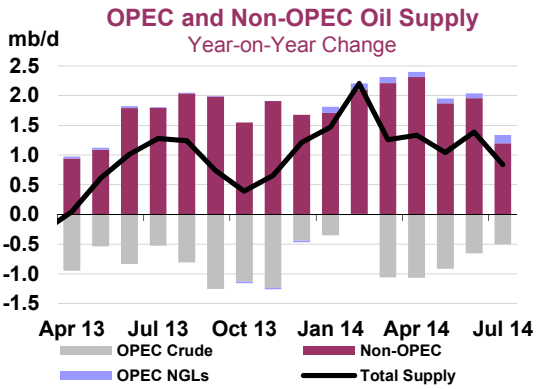
Summary

- **Global Supply was up 230 kb/d in July, to 93.0 mb/d.** Compared with a year ago, global supplies were 840 kb/d higher, with an increase of 1.2 mb/d in non-OPEC output more than offsetting a 360 kb/d decline in OPEC output.

- **July 2014 non-OPEC production fell by 170 kb/d month-on-month, to 56.2 mb/d, on declines in Brazil, Mexico, and Russia, as well as attacks that took down output in Colombia and Yemen.** Annual growth for 3Q14 is forecast at 1.4 mb/d, to 56.2 mb/d.

- **OPEC crude oil supply rose by 300 kb/d to 30.44 mb/d in July, a five-month high, with a boost from Saudi Arabia to 10 mb/d and a tentative recovery in Libyan output more than offsetting losses in Iraq, Iran and Nigeria.** The 'call on OPEC crude and stock change' is expected to average around 30.8 mb/d in 4Q14, steady on 3Q14. For full year 2015, the 'call' is pegged at 29.9 mb/d, down a touch on the 30 mb/d estimate for 2014.





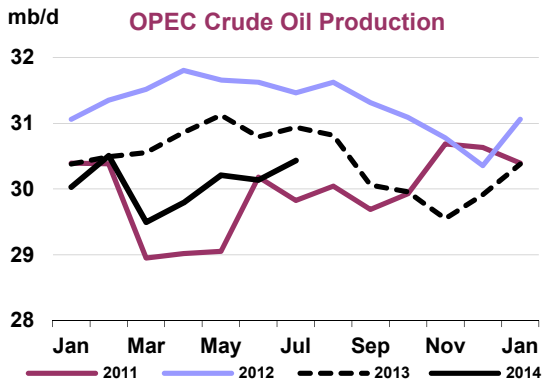
All world oil supply data for July discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary July supply data.

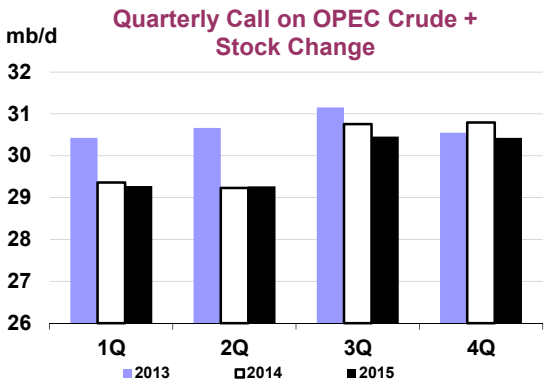
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 approximately -200 kb/d to -400 kb/d for non-OPEC as a whole.

OPEC Crude Oil Supply

OPEC crude supply rose by 300 kb/d to 30.44 mb/d in July, with higher flows from Saudi Arabia and Libya more than offsetting lower output in Iraq, Iran and Nigeria. Saudi output rose into double-digit territory and Libyan supply climbed 190 kb/d to 430 kb/d even as rival militias battled for control over the North African producer. By the second half of the month, fields were pumping 500 kb/d and Libya may be able to hold onto those gains despite rising violence (see *'Libya's Tenuous Recovery'*). Ongoing attacks by Islamist forces in Iraq took a deeper toll, with output from northern fields falling for a second month running. The militants' dramatic push towards the Kurdish region and march towards the Bai Hassan field

near Kirkuk have raised the risk of further losses in the north (see *'Iraq's Northern Strife'*). Far from harm's way, exports from the south - for now Baghdad's sole outlet - held steady at 2.4 mb/d in July.





The 'call on OPEC crude and stock change' is expected to rise to 30.8 mb/d in 4Q14, steady on 3Q14. For full year 2015, 'the call' is pegged at 29.9 mb/d, down a touch from 30 mb/d in 2014. OPEC's 'effective' spare capacity was estimated at 2.87 mb/d in July compared with 3.25 mb/d in June, with Saudi Arabia holding 84% of the surplus.

OPEC Crude Production

(million barrels per day)

	May 2014 Supply	Jun 2014 Supply	Jul 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Jul 2014 Supply	2Q14 Average Crude Supply
Algeria	1.15	1.14	1.14	1.17	0.03	1.14
Angola	1.62	1.65	1.70	1.80	0.11	1.63
Ecuador	0.56	0.56	0.56	0.57	0.01	0.55
Iran	2.85	2.80	2.76	2.90	0.14	2.83
Iraq	3.42	3.24	3.12	3.40	0.28	3.32
Kuwait[2]	2.80	2.78	2.80	2.90	0.10	2.80
Libya	0.22	0.24	0.43	0.60	0.18	0.23
Nigeria[3]	1.90	1.96	1.93	2.00	0.07	1.93
Qatar	0.70	0.73	0.73	0.73	0.01	0.71
Saudi Arabia[2]	9.71	9.78	10.01	12.40	2.40	9.71
UAE	2.79	2.80	2.80	2.90	0.10	2.73
Venezuela[4]	2.50	2.48	2.48	2.60	0.12	2.48
Total OPEC	**30.21**	**30.14**	**30.44**	**33.97**	**3.53**	***30.05***
(excluding Iraq, Nigeria, Libya and Iran)					**2.87**	

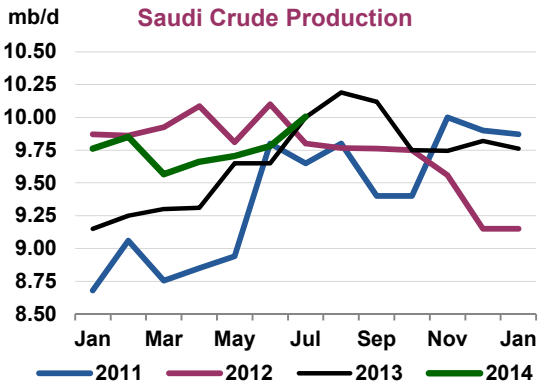
1 Capacity levels can be reached within 30 days and sustained for 90 days.

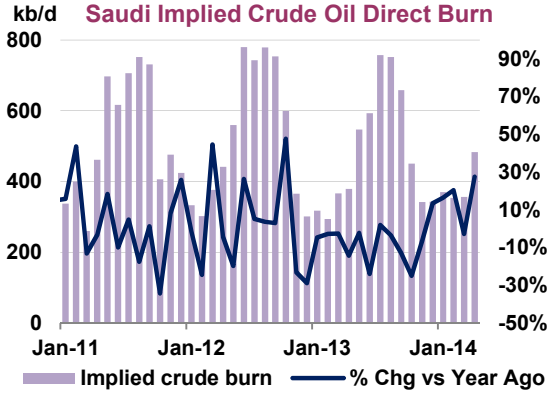
2 Includes half of Neutral Zone production.

3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in July.

Saudi Arabia's crude output climbed to an average 10.01 mb/d in July – the highest rate since September. Production rose 230 kb/d from June levels partly due to increased domestic consumption. Riyadh typically boosts supply in the summer to meet higher domestic demand for crude to fuel power plants. In 3Q13 it burned an average 720 kb/d versus 500 kb/d in 2Q13.

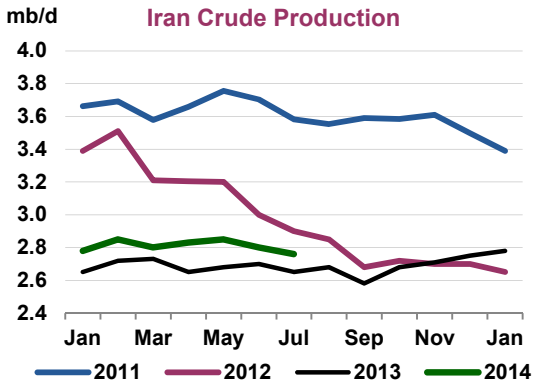
Saudi supplies to the market, which include sales from storage, were reported at 9.66 mb/d in July versus 9.75 mb/d in June.

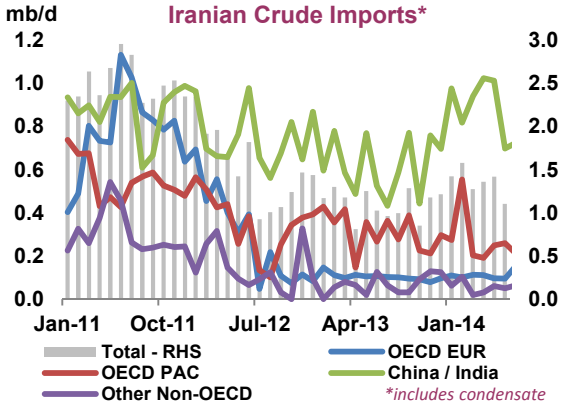




Saudi Arabia cut official selling prices for its benchmark Arab Light for customers in Asia by $0.40/bbl for September sales, with Arab Medium and Arab Heavy down by $0.40/bbl and $0.30/bbl, respectively. Weak refining margins and competition from West African and North Sea barrels may have led to the price reduction.

In contrast with the ramp-up in Saudi output, crude oil production from **Iran** declined in July to 2.76 mb/d – its lowest level since December. Output was down 40 kb/d on June, with preliminary data showing that China may have temporarily cut back on its previously high imports. As always, these figures may be subject to revision. Iran and the five permanent UN Security Council members plus Germany and the EU (P5+1) agreed to extend nuclear talks by four months after they failed to meet a 20 July deadline for settling their dispute over Iran's nuclear program. Under the interim deal, Iran's crude exports are supposed to hold at around 1 mb/d.





After running at 1.4 m b/d for the first five months of the year, import volumes of Iranian crude eased to roughly 1.1 mb/d during June and July, according to preliminary figures. The data include condensate volumes of 120 kb/d in June and 157 kb/d in July. After stripping out the condensate volumes, imports of Iranian crude sank below the nominal 1 mb/d target during June and July. Import levels were last below the 1 mb/d mark in November.

July preliminary data show imports from China, Iran's top buyer, inching up to 560 kb/d in July from June's 530 kb/d – sharply down from robust levels of 800 kb/d in April and 760 kb/d in May. Imports into India, Iran's second biggest customer, were steady during June and July at just over 160 kb/d, down from an average 300 kb/d during the first five months of the year. Japan lowered imports in July to 148 kb/d versus 187 kb/d in June.

Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports. Imports also include condensates from Iran's Assaluyeh terminal, which averaged around 200 kb/d during the first half of this year.

Confusion meanwhile arose over the details of a major oil-for-goods barter deal between Russia and Iran. The Russian government was initially reported as saying that details of the agreement had been finalised, then was said to have withdrawn the statement. Media reports earlier this year said Tehran would supply 500 kb/d of Iranian oil to Moscow as part of a wider economic pact. The volume under discussion subsequently has reportedly fallen to as low as 50 kb/d.

Iraq's Northern Strife

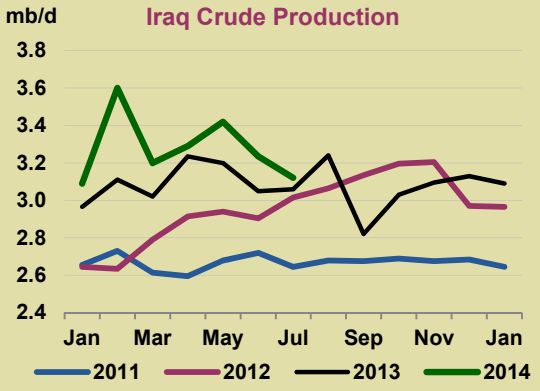
Radical Islamist forces were keeping up their assault on Iraq's northern oil sector at the time of writing, closing in on fields and blocks in the Kurdistan region and making progress towards the core field of Bai Hassan near the city of Kirkuk. Several areas have variously been taken and lost by both Islamic State (IS) and Kurdish Peshmerga forces since the start of US air strikes on 8 August to reinforce the Kurdish capital Erbil. As IS forces pushed closer to Erbil and sent tens of thousands fleeing, international oil companies at work in the area – such as ExxonMobil and Chevron – evacuated some of their expatriate staff.

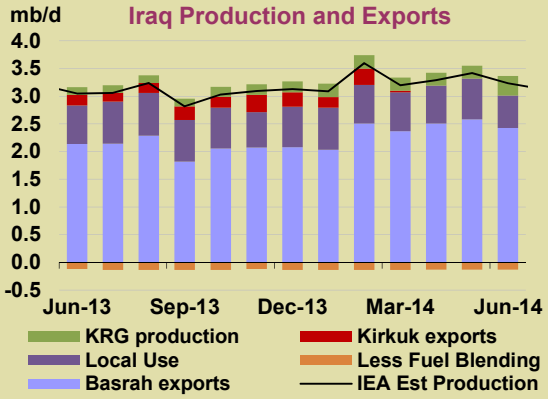
Ongoing attacks by the Islamic State, formerly the Islamic State for Iraq and Syria, on Iraq's northern oil infrastructure have already forced a dramatic curtailment of flows from the giant Kirkuk oil field, Bai Hassan – with capacity of 200 kb/d - and smaller nearby producers, halting exports to world markets since March. Production has sunk from more than 600 kb/d in January to less than 200 kb/d.

Operations at Kurdish oil fields – Khurmala and Shaikan are near the frontline - were continuing as normal as this month's *Report* went to press, but the region's output of some 350 kb/d is at risk of attack. The escalation in fighting between the Islamic State and Peshmerga has also brought the battle to a number of blocks operated by international oil companies – including two run by Exxon.

Despite the rising violence in northern Iraq, overall output has posted relatively modest losses. Total production, including areas under the control of Baghdad and from the Kurdistan Regional Government (KRG), dropped by 120 kb/d from June to average 3.1 mb/d in July – with much of that decline due to the situation at the country's biggest refinery at Baiji, a battleground between Islamist and Iraqi forces.

The fighting has forced Baiji offline and sharply reduced output by closing the major domestic channel for crude from the northern fields. Pumping from the fields has slowed since March, when sabotage along the Iraq-Turkey pipeline halted exports of some 250 kb/d. Production of about 160 kb/d continues, but most of it is re-injected into the Kirkuk field for lack of an outlet. About 30 kb/d is supplying the Kirkuk refinery.





Exports from Iraq's prized southern fields, insulated so far from the insurgents, nudged up to 2.44 mb/d in July. Scheduling snags and technical glitches at the loading terminal prevented higher shipments in July of Basrah Light crude – now the federal government's only source of exports – and these hurdles could yet stand in the way of increased loadings this month of Basrah Light crude – now the federal government's only source of exports - and these hurdles could yet stand in the way of increased loadings this month.

Iraq's Northern Strife (continued)

The militants' sweep towards KRG territory at the start of August allowed them to secure two small oil fields – Ain Zalah and Batma – in northwestern Nineveh province. Added to the fields of Najma, Qayara, Himreen, Ajeel and Balad they grabbed in mid-June, those new fields bring output under Islamic State control to about 80 kb/d. The group also has oil fields in the Syrian province of Deir al-Zor under its belt. Though small compared to Kirkuk, these fields allow the militants to secure their own fuel supplies and offer a potential source of revenue via smuggling.

Baghdad lost its grip on Kirkuk in June, when federal forces retreated from the Islamist forces' lightning advance. Kurdish Peshmerga forces swiftly filled the vacuum and by mid-July, the KRG effectively took over management of critical oil fields that had been run for decades by Iraq's North Oil Co. (NOC). It remains to be seen whether the KRG can hold onto Kirkuk, especially as Islamist militants at the time of writing were making progress towards Bai Hassan, only 30 km away.

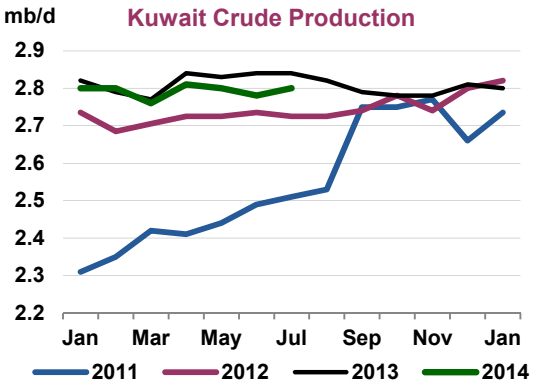
The combined production capacity of the Kirkuk fields – including Kirkuk's Avana and Baba domes and Bai Hassan - totals around 450 kb/d although they are now pumping only about 160 kb/d. The Kirkuk area's third dome, Khurmala, pumps about 100 kb/d and has been under KRG control for years. KRG total production ran at around 310 kb/d in July, down about 40 kb/d on June as full storage tanks at the Turkish Mediterranean port of Ceyhan led to a brief halt in flows through the KRG pipeline to Turkey.

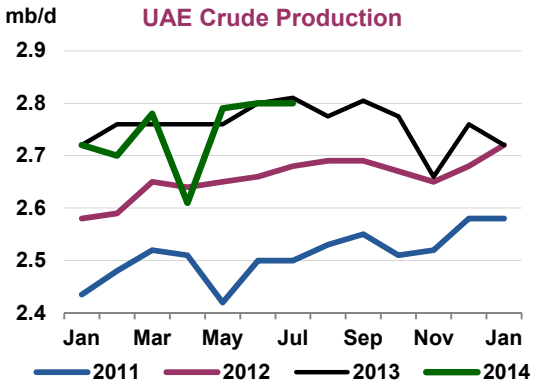
The capacity of the pipeline, now estimated at 150 kb/d, is expected to rise to around 300 kb/d shortly – possibly within weeks. KRG officials say Erbil needs to export about 400 kb/d to fuel its economy. Baghdad has cut the KRG budget since the start of the year over a long-running oil feud, piling pressure on a region that achieved a measure of autonomy in the wake of the 1991 Gulf War and – until the dramatic events of the past week - had been a relative safe haven since the 2003 US-led invasion.

KRG production capacity, estimated at about 400 kb/d, could be supplemented by the Kirkuk area fields it now effectively controls. Even before the militants began their march in June, the KRG had moved to connect NOC's production with its own network via a 36-inch pipeline with capacity of 700 kb/d. The KRG has linked the Khurmala and Avana domes and hooked up Bai Hassan to Avana and is working to pump at least 120 kb/d from these northern fields in the coming weeks.

In a bid to achieve greater economic and political autonomy, the KRG is exporting crude oil independently of Baghdad, in spite of the federal government's protests that it has sole rights to sell Iraqi oil. The landlocked region has trucked crude to world markets via Turkey since the end of 2012. But the challenge to Baghdad became more critical after Erbil built its own pipeline through Turkey and began shipping its crude via the Mediterranean at the end of May.

Since then, six cargoes have loaded but only one has been successfully delivered − to Israel. Iraq's federal government has moved to block the ships from unloading at foreign ports. Erbil has asked a US court to throw out an order to seize some 1 million barrels of disputed crude that has been anchored near Texas and allow the cargo to be freely delivered. The United States has stopped short of banning US companies from buying the oil while warning them of potential legal risks.



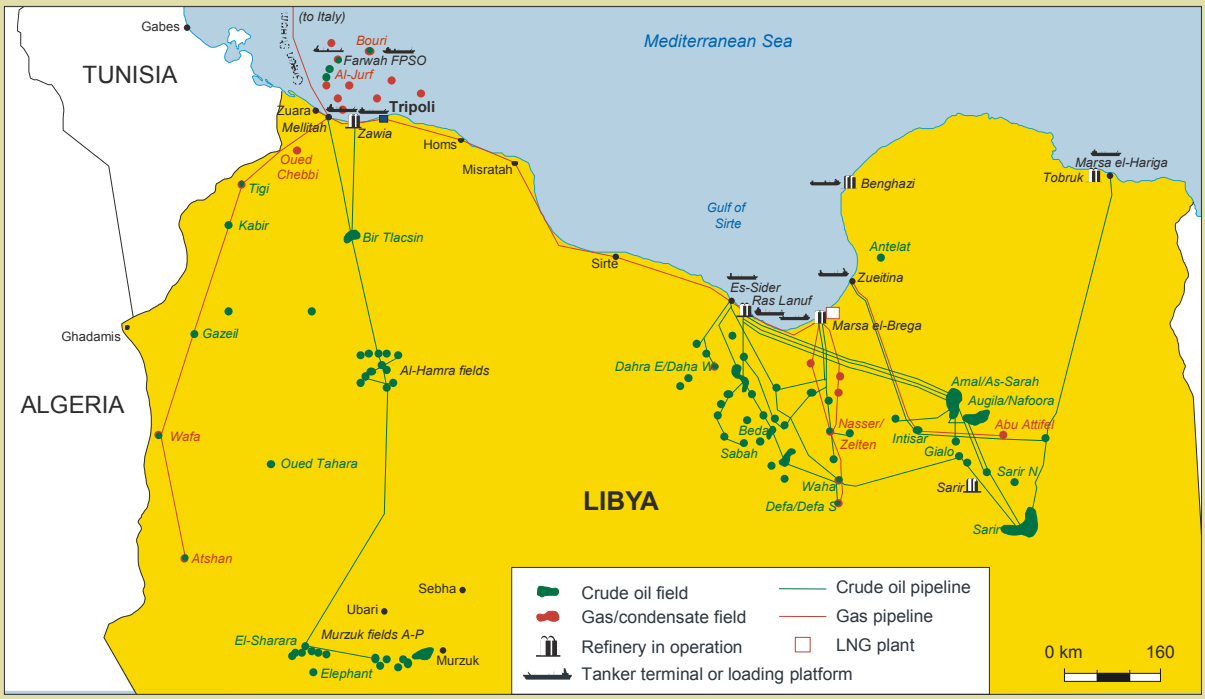


Kuwaiti crude oil production inched up to 2.8 mb/d in July while **UAE** production held steady at 2.8 mb/d. **Qatar's** output remained unchanged at 730 kb/d.

Libya's Tenuous Recovery

Fragile gains in Libyan output appear to be holding for now, but a significant and lasting recovery is likely to be some time off as violence rages and expatriates flee the North African producer. After recovering to an average 430 kb/d in July, up 190 kb/d on June, output is now hovering around 450 kb/d.

A swift ramp-up at Libya's biggest oil field, El Sharara, which restarted in early July, lifted flows to 500 kb/d during the second half of the month even as rival militias battled for control of the country. Expectations are that Libya should be able to sustain current production levels, a solid improvement from earlier this year when output sank to 200 kb/d - but still only about a third of pre-conflict rates. After rising early in 2013 to 1.4 mb/d, the highest level since the 2011 civil war, flows fell back as strikes and protests gathered pace last spring.



*This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

A return to the heights of 2013 looks very unlikely in the near term given the risk of damage to the country's oil fields and infrastructure. It could, in fact, take months for output to climb to a sustainable rate of 600 kb/d to 800 kb/d, because of the wear and tear on oil fields, pipes and pumps after repeated starts and stops. There is also concern about reservoir pressure at some fields.

Even so, there were signs of a revival in Libya's oil sector after an agreement in early July to end an 11-month oil blockade and the restart of production at El Sharara. But there are few hopes now for near-term stability amid a worsening conflict that finds a weak central government struggling to keep itself together and provide security.

The first formal session of a recently elected parliament was held on 4 August in the eastern city of Tobruk – far from Tripoli, where heated battle had erupted between rival militias from Zintan and Misrata. Fierce fighting at Tripoli's International Airport led to the withdrawal of Western diplomats and some expatriate workers from oil companies such as France's Total and Italy's Eni. Clashes have spread to the western town of Zawiya, home to a large oil port, although the terminal remains secure.

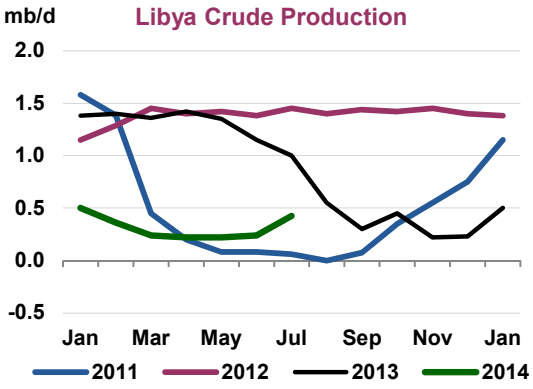
Despite the rising violence, Libya's state National Oil Corp. (NOC) managed to boost exports in July to about 200 kb/d, up from roughly 165 kb/d in June, and has plans to more than double shipments this month. A preliminary programme lists about 100 kb/d of Mellitah, 90 kb/d of Sarir, 90 kb/d of offshore Bouri and al Jurf, 80 kb/d of El Sharara, and 60 kb/d of Brega. Quantities of Es Sider are due to be sold out of storage.

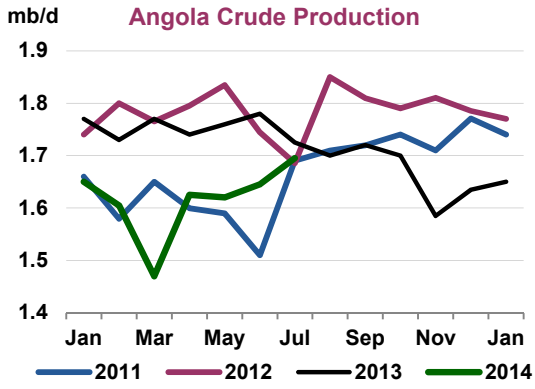
Libya's Tenuous Recovery (continued)

Although the vital eastern terminals of Ras Lanuf and Es Sider – with combined capacity of 560 kb/d – reopened early last month, there have yet to be shipments from those ports as the facilities are still being inspected and repaired. NOC wants swift lifting of the August barrels. It made downward adjustments to its official selling prices last month in an attempt to be more competitive. Market sources said it might be even tougher for Libya to sell significant volumes this month given the well supplied European market.

The restart of the 340 kb/d El Sharara field has meanwhile freed up light sweet Brega for export. NOC had been diverting oil exports from the Marsa al-Brega port to feed the 120 kb/d Zawiya refinery when the southwestern oil field was down. El Sharara exports resumed from the Zawiya terminal in July for first time since February.

Angolan crude output rose 50 kb/d on June to 1.70 mb/d in July as output increased from Total's 160 kb/d capacity deepwater Cravo, Lirio, Orquidea and Violeta (CLOV) project. August loading schedules for Angola are the highest since February on the rising CLOV output. Crude oil production from **Nigeria** slipped 30 kb/d to 1.93 mb/d in July due to intermittent loading disruptions.

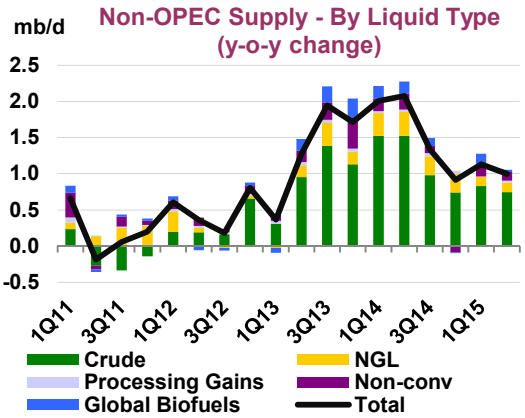


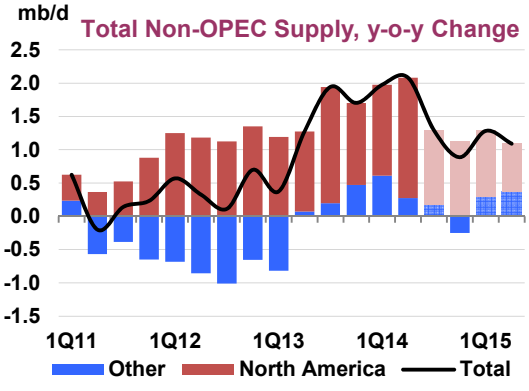


Supply from **Venezuela** and **Ecuador** remained steady in June versus July at a respective 2.48 mb/d and 560 kb/d.

Non-OPEC Overview

Non-OPEC supply fell by 170 kb/d in July, to just under 56.2 mb/d, due to a combination of seasonal declines, event-driven losses and longer-term trends. A seasonal dip in Russian condensate production and declines on some of the country's mature fields (-180 kb/d in total) were the largest contributor to the m-o-m drop. Pipeline attacks took down output in Colombia and Yemen by 35 kb/d and 40 kb/d, respectively, while Brazil reverted to a more gradually-rising annual trend after an exceptional June. Mexico continued its recent accelerated decline.





On the year, July non-OPEC production was up 1.2 mb/d. July's decline, however, comes after a strong monthly gain in June of 390 kb/d, despite a monthly decline in North America (-125 kb/d) in that earlier month. Both Colombia and Brazil saw strong gains in June, and India and several countries in Southeast Asia experienced smaller gains. Norway also saw a boost on reduced maintenance.

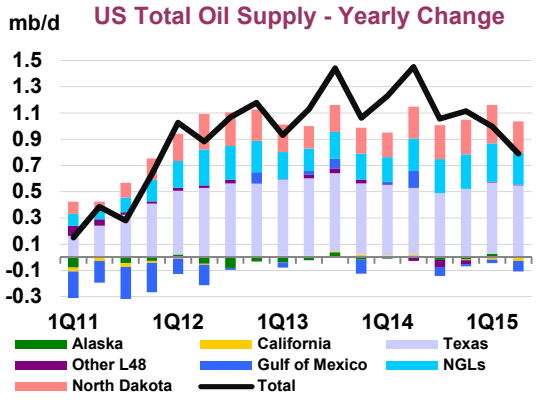
Given steep maintenance in the UK in August, as well as a countervailing strong increase of light, tight oil in the US, 3Q14 non-OPEC production is forecast at 56.2 mb/d. With five or six months of actuals received for most major producers, 2014 growth is expected to be 1.6 mb/d, or 2.9%, compared with the 2.5% gain achieved in 2013. The forecast for 2015 growth remains at 1.2 mb/d, or 2.1%.

Compared with the variation in annual non-OPEC supply growth rates experienced last decade, 2013-15 rates are very similar. This is partially due to sustained high oil prices, which support robust drilling activity, particularly in the US where drilling and production growth are tightly bound.

OECD

North America

US – July preliminary, Alaska actual, other states estimated: A 100 kb/d decline in Prudhoe Bay production in Alaska, due to maintenance, helped trim US crude oil output slightly in July compared with June, to 8.4 mb/d. State data show Alaska output at 420 kb/d, its lowest level since August 2012, and some 120 kb/d below that of April, before the start of the maintenance season. Light, tight oil (LTO) production, in contrast, continues to grow strongly, up an estimated 65 kb/d in July. May final data show US crude oil output at 8.36 mb/d, down slightly on April on lower US Gulf of Mexico (GOM) output. May US crude oil production was, nevertheless, up 1.1 mb/d year-on-year (y-o-y), roughly equivalent to adding the total crude oil supply of Colombia to the world in just 12 months.

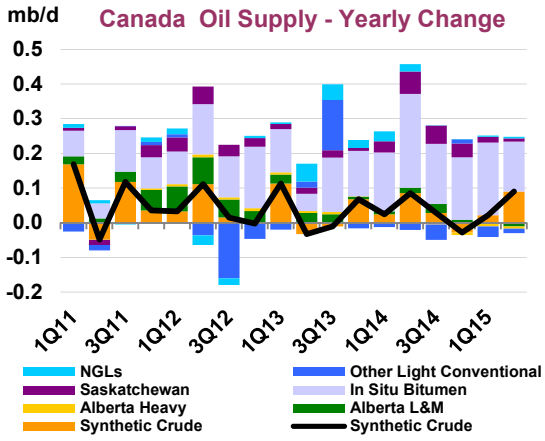


North Dakota Bakken LTO production increased to 975 kb/d in May, according to state data, and is estimated to have exceeded 1 mb/d in June. Bakken LTO production in North Dakota is expected to average more than 1.1 mb/d in 2H14, and surge past 1.2 mb/d by 2Q15. Additional Bakken LTO, upwards of 180 kb/d, is produced in neighbouring Montana and the Canadian province of Saskatchewan.

As discussed in the January 2014 issue of this *Report*, US federal regulators had initiated an investigation into whether the LTO from this play has particular volatile qualities that might require additional safety precautions, or even limited processing near the wellhead, prior to long-distance transport. After taking and testing 135 samples, the US Pipeline and Hazardous Materials Safety Administration (PHMSA) made a determination in a July report that Bakken crude is more flammable than other common US crude grades, with a high propensity to vaporise. This could lead to regulations limiting its ability to be railed, particularly in older-model cars, unless processed to reduce its volatility. Currently, over 700 kb/d of Bakken LTO is railed long distances to North American refineries. However, there are already plans to build nearly 1 mb/d in pipeline take-away capacity from the Williston Basin: Enbridge's 275-kb/d Sandpiper pipeline project to Superior, Wisconsin has already been submitted for regulatory approval, while Enterprise Product Partners has proposed a 320-kb/d line to the Cushing, Oklahoma storage hub, and Energy Transfer Partners has proposed a 340-kb/d line to Patoka, Illinois.

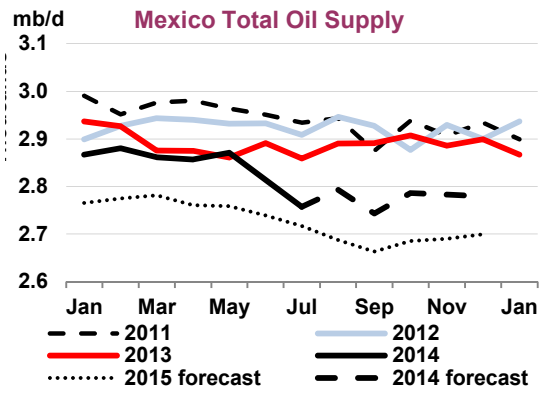
US NGL production surged in the first four months of the year, going from 2.6 mb/d in January up to 2.9 mb/d in April, before levelling off in May. Given reduced US petrochemical demand due to maintenance as well as high storage levels, we estimate that ethane production continued the 65 kb/d decline observed in May into June, with only a small recovery in July, as increasing amounts of ethane likely were rejected rather than added to storage. Nevertheless, ethane production is expected to be up about 100 kb/d on the year, to 1.1 mb/d. New regulations to reduce flaring in North Dakota will have a positive effect on NGL production. Oneok Partners has announced in July its intention to build a 2.06-billion cubic metre per year gas processing plant in the western part of that state by the end of 2015. US total liquids production, not including fuel ethanol and processing gains, reached 11.5 mb/d in July, and is expected to attain 12.0 mb/d by November 2014.

Canada – July estimated: Canadian total liquids production is estimated at about 4.1 mb/d for July, a level similar to May and June. Canadian production fell below 4.2 mb/d in April as project maintenance on synthetics upgraders began, and we estimate that it will remain between 4.1 mb/d and 4.2 mb/d until 4Q14, when production will start increasing again on higher bitumen output. Maintenance trimmed production from two offshore Newfoundland fields, White Rose in July and Terra Nova for four weeks from 6 August. Crude oil and field condensate production (including bitumen but excluding synthetics) is estimated at 2.6 mb/d for the month, a level it has held at since March, though down slightly in July on the offshore reductions. The Duvernay shale play in Alberta is yielding increasing quantities of field condensate, which, though still small by the standards of some plays south of the border, are expected to double in 2015 compared to 2013, to over 60 kb/d. Nearby, on the Saskatchewan portion of the Bakken, output is being increased through waterflooding via injector wells, with some 70 kb/d now being produced via this technology.



Even more important for growth prospects are in-situ Steam-Assisted Gravity Drainage (SAGD) projects. A recent Canadian Energy Research Institute study found that such projects have significantly lower costs than mined bitumen projects, let alone mining/upgrading projects. This finding is consistent with our forecast that about 400 kb/d of new in-situ capacity is expected to start up by end-2015, compared to only 10 kb/d of additional upgrading capacity (Horizon phase 2A) and 110 kb/d of mined bitumen production (Kearl 2).

Mexico – June actual, July preliminary: Following a period of stabilisation, steep decline rates have returned to the Cantarell offshore complex. As preliminary data had indicated, Mexican crude oil production dropped by over 50 kb/d in June to 2.4 mb/d, final data confirm. Preliminary data indicate that output dropped further in July to just slightly below 2.4 mb/d, the first time in decades that production has fallen below that level on a monthly basis. State oil company Petróleos Mexicanos (Pemex) was able to maintain production at about 450 kb/d on the Cantarell complex throughout 2012 and the first three quarters of 2013, but since 4Q13 the field appears to have resumed faster decline rates. Production fell to 380 kb/d in June, and likely yet lower in July. Pemex has said that it is studying the unexpected acceleration in



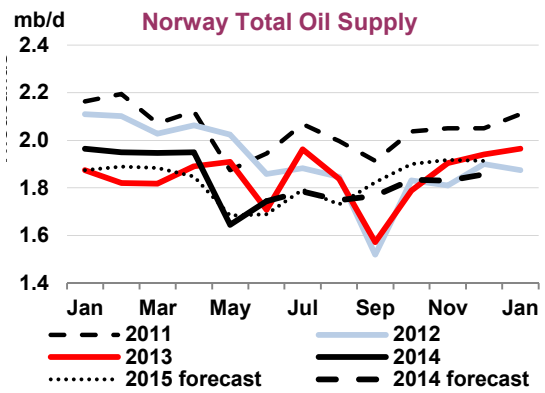
the decline rates on this complex, as well as on some other fields such as Ek-Balam, so that measures can be adopted to address it. Nevertheless, Pemex has reduced its crude oil production outlook for 2014, to 2.44 mb/d, in line with our expectation. NGL output in June was 360 kb/d, putting total liquids at just over 2.8 mb/d.

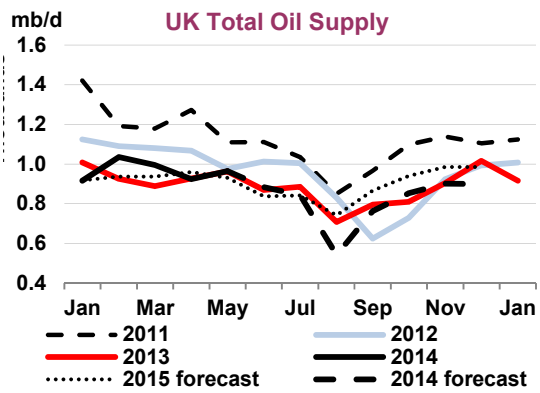
On 6 August, the Mexican Congress finished the approval process of the various secondary laws related to the reforms and constitutional changes approved in December 2013 (see '*Watershed Energy Reform Approved in Mexico*' in the January 2014 *Report*). On 11 August, President Peña Nieto signed the laws in an official ceremony. The government is now able to fully implement the reform process of the country's energy sector in the next few years. Next month's *Report* will have a summary of the main components and effects of this secondary legislation on the petroleum sector.

North Sea

North Sea supply is undergoing a seasonal dip, but structural declines are slowing. Total North Sea production (including all Norwegian production areas) was just over 2.8 mb/d in 2Q14. Output for 3Q14 is forecast at 2.6 mb/d, on heavy maintenance in the UK sector. Output in the Danish sector fell to 150 kb/d in 2Q14, and while it is forecast to increase in 2H14, Denmark's mature fields are expected to continue declining gradually through the end of 2015. As the maintenance season unwinds, production is forecast to recover in 4Q14 to 2.9 mb/d, evidencing only a 50 kb/d y-o-y decline.

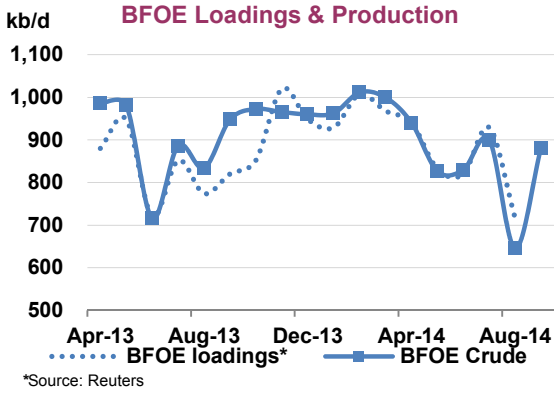
Norway – May actual, June preliminary: Final May data revised Norwegian total output down by about 20 kb/d, such that production rounds to 1.6 mb/d for the month, with crude production at 1.3 mb/d. Barring unplanned outages, May is likely to be the peak maintenance month on the Norwegian offshore for 2014, with crude oil production at 1.4 mb/d-1.5 mb/d for the remainder of the year, as maintenance is fairly evenly spread out through September. June preliminary data show crude oil output rising 80 kb/d to 1.4 mb/d and total liquids at 1.7 mb/d. This is still a seasonally reduced output level, as the Grane, Skuld, Snøhvit, Trym, Vigdis, and Visund fields had maintenance work (planned and unplanned). On 19 July, the Njord field came back online after cracks in the Njord A platform forced a shut down in July 2013. The field was producing just 7 kb/d in June 2013, though it had once produced as much as 70 kb/d. The Hyme field, which was undamaged but transports its output via Njord, also had to be shut down, and has reportedly restarted as well (June 2013 production was 16 kb/d). The fix is temporary, however, as Statoil has announced that the platform will have to be removed in 2016, and undergo two years of modifications before it can be reinstalled. The start up of the Valemon gas and condensate field has been delayed for a few months from its original target date of December 2014, on a delayed delivery of the topside unit from Korea. This platform will eventually add 35 kb/d of condensate capacity. The country is expected to maintain total production above 1.8 mb/d for 2015.





UK – May actual, June preliminary: May total liquids output of 970 kb/d was equivalent to the 1Q14 average, as maintenance in the UK sector was still light that month. June production dropped to

880 kb/d, as maintenance commenced. July scheduled loadings on Brent and Forties were higher than those of June, however, other systems were likely to have experienced maintenance that month. In addition, the Buzzard field, the UK's largest by current output capacity, experienced a five-day outage in mid-July. Hence, July production is estimated to have been at a similar level to that of June, but August total output is expected to drop below 600 kb/d given that the Forties system is scheduled to be offline for several weeks that month.



*Source: Reuters

Scheduled September BFOE loadings were not available at time of writing, but the revised August schedule shows loadings at 716 kb/d, commensurate with a production forecast of about 650 kb/d, given the Forties outage (some loadings will take oil produced in late July). September output is expected to rebound to 880 kb/d.

Non-OECD

Latin America

Spotlight on Argentina

In late July, Argentina defaulted on its debt as a result of a US court declaring in June that Argentina is liable to pay in full hold-out creditors from the 2001 default, and cannot pay creditors with which the country negotiated new terms unless it also pays the hold-outs. This circumstance has brought the country into the international spotlight, but the country's upstream oil sector is undergoing changes also worthy of interest since last looked at in depth in the May 2012 *Report*. In addition, the default could possibly negatively affect what has been a relatively positive outlook for the country's production, given other recent developments.

Argentinean crude oil output was 520 kb/d in June, essentially unchanged from May. A one-day strike of YPF workers likely reduced output by about 5 kb/d in July. Production levels have been steady since the start of 2013, ranging between 510 kb/d and 530 kb/d throughout the period. YPF is Argentina's largest producing company and has been majority-state-owned since the expropriation of Repsol's majority share in May 2012. Since the government has taken control, YPF has steadily increased its share of Argentina's oil production, from 35%-36% in the year prior to the expropriation to 42% as of June 2014. That increasing share is partially from declines on other companies' assets but also from a 20 kb/d increase in YPF's output. YPF's growth is focused on Neuquén province, where the company's output has increased 57% since April 2012. YPF has greatly expanded upstream investment under government ownership: for example, in 2011, the company had 24 rigs drilling new wells and 49 rigs on workovers; by 2Q14 the company had more than doubled that, to 68 and 92 rigs, respectively. The company plans to invest $1.6 billion on domestic drilling in 2014, with total capital expenditure to reach $7 billion. Overall, some 107 new-well rigs were operating in the country by the end of 2Q14, the highest number ever for the country.

While some small domestic companies, as well as Chevron on its mature fields, have experienced declines at the same time that YPF's output has increased, new investment related to the Vaca Muerta shale play is bringing expectations of increased output, and not only for YPF. A recent study by the consulting firm Accenture found Vaca Muerta to be the shale play outside of North America with the greatest prospects for growth, considering nine core criteria (resource size; fiscal regime; geology; land, water, and transport access; unconventional service companies; mid-stream networks; competition in the sector; and workforce skills). The 2014 MTOMR also identified Argentina as one of two countries outside of North America with the most important shale oil potential in the medium term. YPF is already producing about 25 kb/d on Vaca Muerta in a 50/50 partnership with Chevron. In July last year, YPF concluded a $1.24-billion exploration partnership with the California-based major, and reached another agreement in April of this year to drill over 1 000 new wells in the Loma Compana area of the play via a $1.6-billion deal. Wintershall of Germany

Spotlight on Argentina (continued)

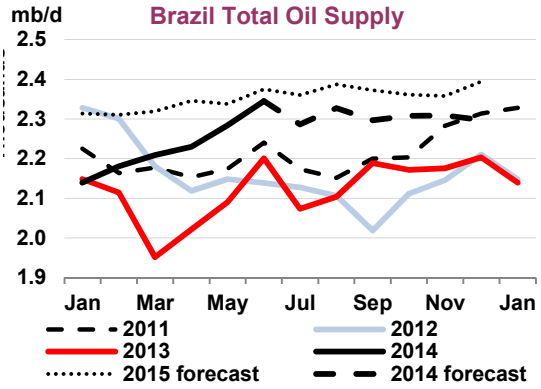
has partnered with provincial government company Gas y Petróleo de Neuquén and will begin a $109-million drilling programme on the play by the end of 2014. Wintershall is also participating in Total's drilling on the Aguada Federal block, where the French major has two rigs drilling horizontal hydraulic fracturing wells. ExxonMobil has also invested in Vaca Muerta via a 42.5% farm-in on Petrobras' Parva Negra block in July, in addition to its own holdings of nearly 1 million acres. The US major has large discovery in the Bajo del Choique block of the play, and began producing a small amount in Argentina in April of this year. The nearby Los Molles shale play, also in Neuquén province, has also drawn some exploration rigs from smaller operators.



Two major 'above-ground factors' could greatly affect the outlook, though. One is a struggle between the federal government (and YPF) and the provinces (and their companies) over investment rules and the participation of provincial companies in new upstream concessions. A 2007 law gives provinces substantial control over hydrocarbons concessions. Some provinces, including, crucially, Neuquén and Mendoza, which encompass most of Vaca Muerta, have mandated that their provincial companies hold a designated stake in all concessions. These concessions are usually financed through a carried-interest regime that allows the provincial company to obtain a stake without upfront payments. Provinces have also created an assortment of royalty rates and other contractual terms. YPF and the federal government have sought to standardise concession terms and reduce or eliminate carried-interest investments, as these are seen as hindering investment and reducing the overall amount invested. Issues of control over the oil and its revenues between provinces and the federal government (via YPF) are behind much of the discussion. Changing legal terms, such that new investors might have a competitive advantage, is also an issue of contention.

Talks are ongoing between Buenos Aires and the provinces, but the stress on the federal government as a result of the recent default will likely push the provincial control issue to the side, as the federal government works to prevent the judgement from affecting investment flows (in addition to numerous other potential problems created by the judgement). YPF has stated that it is an independent company whose assets do not belong to the government, and as such "cannot be embargoed by the Republic of Argentina's creditors," although it is clearly state-owned. In any event, plans by YPF to return to international financial markets to finance upstream investment seem on hold until if and when it is clear that claims by bondholders could not be made against YPF. Various Wall Street analysts have posited that investors will now be quite wary to make new investments in the sector. Yet, it is difficult to see how deals that involve no federal government assets (i.e. only provincial companies) could be affected by bondholder claims. Financing costs in Argentina are likely to rise, but for majors sitting on huge cash reserves and looking out on a world of high-risk options, such concerns may be marginal, and significant investment in Argentina's shale resources is likely to continue. Many transactions in Argentina already work on a cash basis, including all of its oil and gas imports.

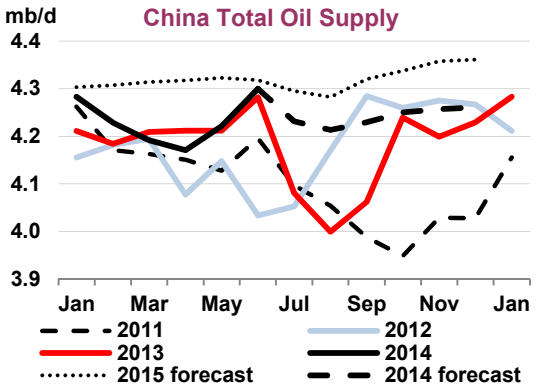
Brazil – June preliminary: Production built on high May output to exceed 2.3 mb/d, with crude and condensate production above 2.2 mb/d. This caps an outstanding quarter for the sector, with 2Q14 production up about 180 kb/d y-o-y. In addition to the start up of P-62 on Roncador in May, a new pre-salt well on the Caratinga field's P-48 platform, the end of maintenance on P-51 on Marlim Sul and an extended well test on Iara Oeste contributed to the rise in May and June output. Petrobras' Operational Increase Efficiency Programme (PROEF), which is a systematic approach to maintenance to improve the integrity and reliability of production systems, is yielding results (see the 2013 *MTOMR*). Operational efficiency averaged above 91% on all the company's production units in June, the highest level in several years. However, a fire on the small PNA-1 platform took offline about 2 kb/d from the end of July. July is estimated to be down somewhat on June's particularly successful month, but still at 2.3 mb/d.



With P-61 on the Papa Terra field to start up by the end of 3Q14, and the Cidade de Ilhabela and Cidade de Mangaratiba FPSOs to start up before the end of 2014, we expect y-o-y liquids growth of about 135 kb/d for 2014, to reach just under 2.3 mb/d.

Asia

China – June actual: Chinese oil production continued its recent upward swing, rising some 80 kb/d on the month to 4.3 mb/d (of which about 35 kb/d is from CTL projects). Some of the increase has come about as Chinese operators coax another 2 kb/d-4 kb/d of incremental production each month out of the country's numerous mature onshore fields. For example, PetroChina Lioahe Oilfield Company (a subsidiary of CNPC) put into production 179 new wells on the large Liohe field in 1H14 in order to obtain output in June of 210 kb/d, less than 10 kb/d higher than January, given rapid declines on mature wells on that field. On the Changqing field, China's third-largest by crude oil output, the situation is different. Although parts of the field have been in production for a long time, the challenging local landscape, depth of the reserves, and complicated geology (e.g. ultra-low permeability) have meant that much of Changqing's 24 billion barrels of proven reserves (according to PetroChina, though this seems more likely an estimate of reserves in place) are still untapped. On Changqing, PetroChina has adapted a strategy of letting its business units bid against each other on well development, as well as using private contractors on some tasks, which has lowered costs and increased output. Production on the field has increased by about 50 kb/d since the end of 2012, to 510 kb/d in June, and is forecast to add another 40 kb/d of incremental production by the end of 2015. Small new offshore developments are also contributing. At the end of July, the Panyu 10-2/5/8 fields in the Pearl River Estuary basin started up, eventually adding nearly 15 kb/d. Chinese oil production is expected to average a bit over 4.2 mb/d for 2014, up 60 kb/d on the year.

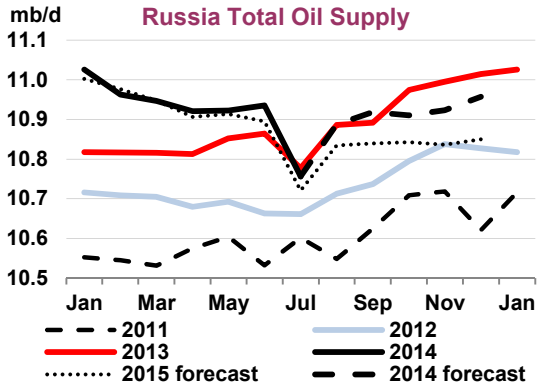


Former Soviet Union

Russia – June actual, July preliminary: Russian total liquids output dropped to under 10.8 mb/d in July, as NGLs and condensates fell by 110 kb/d, and crude oil by 60 kb/d, m-o-m. Some of the decline is seasonal, as Gazprom's summer natural gas output drops (in response to lower demand) and July is nearly always the lowest month of the year for Gazprom gas condensate output. Nevertheless, a tipping

point may have been reached where instead of new field production slightly outpacing declines on mature fields, as was the case in 2013, the opposite seems to be occurring in 2014. Declines are very small, however, compared to the size of Russian crude oil production, and output is expected to remain at around 10.1 mb/d for the remainder of the year, such that the yearly average will still slightly exceed that of 2013.

On 31 July, the European Union (EU) adopted certain sanctions that affect new contracts related to Russia's oil sector, in response to perceived Russian destabilising actions in Ukraine as well as Russian connections to rebels who are alleged to have shot down a civilian airliner. The oil sanctions, explicitly not retroactive, affect new exports and investments by EU-based entities in deep water, arctic, and non-conventional (shale) exploration and development. However, the conventional oil sector, as well as the natural gas sector, are unaffected. US sanctions, published on 6 August, appear to be more comprehensive than EU sanctions, affecting a broader scope of investment, with both the natural gas and oil sectors targeted. Existing agreements, however, are also exempted. The omission of the natural gas sector from sanction by the EU will likely mean that technological transfer and investment on shale plays will not be as greatly impeded as would otherwise be the case. This is because much of the technology overlaps and also because it can be difficult for regulators to draw a distinction. In any event, given the exemption of existing contracts and investments, the implications for Russian production are more in the medium-term, which would also necessitate the sanctions staying in place for some time. EU sanctions are set to expire in one year, unless an explicit decision is taken to renew them by the European Council. In the short term, a perception of higher risk could make some Russian companies more conservative in terms of their capital spending. Rosneft could also find that its acquisition (currently in process) of Morgan Stanley's energy trading practice is less valuable, as the company's ability to function as an oil trading company in the West is limited in some ways.



For 2015, crude oil production is expected to decline by about 80 kb/d, as declines outweigh new production a bit more than in 2014. Companies such as Slavneft and Tatneft are expected to experience output drops, and Rosneft's base production in West Siberia is forecast to fall as well. Rosneft's Vankor field appears to have plateaued at 440 kb/d since the start of 2014, with little scope for increase until associated fields are developed starting in 2016. Since the company's acquisition of TNK-BP in 2013 (the IEA began counting it as a single company in terms of production in September 2013), Russia's largest producer by far has had flat or falling quarterly output. Foreign companies also play a role in expanding output – one of the most important contributors to new Russian production in 2015 will be the ExxonMobil-operated Arkutun-Dagi field, part of the Sakhalin-1 project, which is expected to reach 80 kb/d by the end of 2015.

FSU net oil exports inched up by 70 kb/d in June after crude exports slumped to 6.0 mb/d (-100 kb/d m-o-m), their lowest level since November 2008 as FSU refinery throughputs increased by 160 kb/d to a record 7.2 mb/d, increasing regional crude demand. Shipments from Baltic ports fell by 200 kb/d m-o-m as liftings from Primorsk and Ust Luga were curbed by 70 kb/d and 120 kb/d, respectively. Despite this slump in Baltic shipments, Urals delivered from Baltic ports remained at a heavy discount to Urals delivered via Black Sea ports throughout June. One likely reason for this was a weak market for crude in Northwest Europe as refinery runs remained extremely low amid maintenance and weak margins. This weak market likely resulted in regional producers choosing to ship more crude via other routes, thereby amplifying the drop in Baltic volumes.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	3Q2013	4Q2013	1Q2014	2Q2014	Apr 14	May 14	Jun 14	Latest month vs. May 14	Latest month vs. Jun 13
Crude											
Black Sea	1.81	1.78	1.75	1.78	1.74	1.65	1.79	1.59	1.56	-0.03	-0.22
Baltic	1.67	1.57	1.44	1.58	1.33	1.46	1.56	1.50	1.31	-0.19	-0.09
Arctic/FarEast	0.65	0.80	0.81	0.82	0.88	0.88	0.89	0.85	0.90	0.05	0.13
BTC	0.66	0.64	0.65	0.61	0.58	0.59	0.61	0.53	0.64	0.11	-0.09
Crude Seaborne	**4.79**	**4.80**	**4.65**	**4.79**	**4.53**	**4.58**	**4.85**	**4.48**	**4.41**	**-0.06**	**-0.27**
Druzhba Pipeline	1.08	1.03	1.06	1.05	1.01	1.00	1.08	0.99	0.93	-0.05	-0.11
Other Routes	0.52	0.56	0.56	0.60	0.71	0.38	0.38	0.38	0.38	0.00	-0.14
Total Crude Exports	**6.39**	**6.39**	**6.27**	**6.44**	**6.26**	**6.26**	**6.62**	**6.14**	**6.03**	**-0.10**	**-0.22**
Of Which: Transneft[1]	4.22	4.07	3.98	4.07	3.95	4.02	4.23	4.07	3.78	-0.29	-0.12
Products											
Fuel oil[2]	1.72	1.62	1.68	1.41	1.63	1.77	1.85	1.61	1.84	0.23	-0.03
Gasoil	0.79	0.84	0.81	0.73	1.04	1.04	1.07	1.00	1.05	0.05	0.16
Other Products	0.44	0.50	0.53	0.53	0.64	0.62	0.63	0.67	0.57	-0.10	0.08
Total Product	**2.95**	**2.96**	**3.02**	**2.67**	**3.31**	**3.43**	**3.55**	**3.28**	**3.46**	**0.18**	**0.20**
Total Exports	**9.34**	**9.36**	**9.29**	**9.11**	**9.56**	**9.69**	**10.17**	**9.41**	**9.49**	**0.08**	**-0.01**
Imports	0.09	0.08	0.10	0.09	0.07	0.07	0.06	0.07	0.08	0.01	0.01
Net Exports	**9.25**	**9.28**	**9.20**	**9.02**	**9.49**	**9.62**	**10.11**	**9.34**	**9.41**	**0.07**	**-0.03**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

In the East, shipments via the ESPO line remained relatively stable at a combined 780 kb/d while 140 kb/d continues to be shipped to China via Kazakhstan through the Atasu-Alashankou pipeline. Elsewhere, combined volumes from Sakhalin 1 and 2 reached 305 kb/d, their highest level for four months. Outside of Russia, flows through the BTC pipeline rose by 110 kb/d to 640 kb/d after increasing volumes of Kazakh crude continued to be sent via the line. Reports suggest that BTC volumes are likely to slip in the 3Q14 as ACG fields are scheduled to undergo maintenance.

Refined products increased by a combined 180 kb/d in May in tandem with the increasing regional refinery activity. Fuel oil shipments surged by 230 kb/d, despite reports of extra product being destined for Russian bunker markets, which offset a 100 kb/d drop in shipments of 'other products'. The fall in 'other products' largely resulted from lower naphtha exports, which were likely curbed in response to weak European markets and limited opportunities to ship product to Asia.

OECD STOCKS

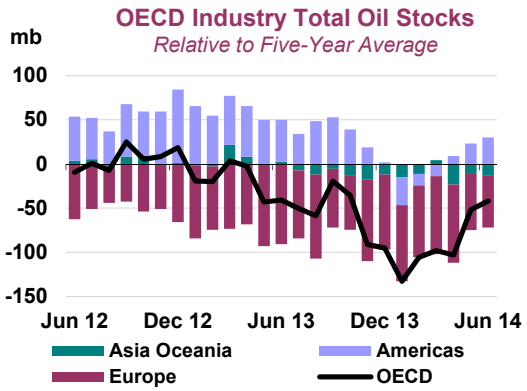
Summary

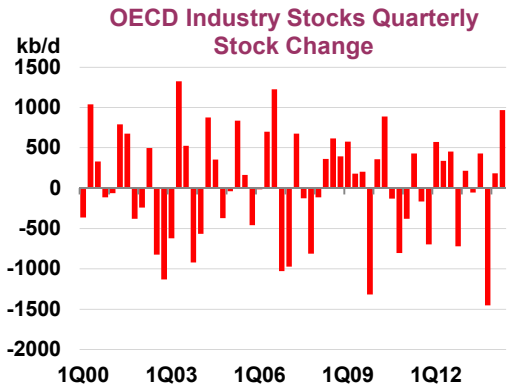
- **OECD commercial holdings replenished by 88 mb over the second quarter**, the largest quarterly build since 3Q06 and equating to 970 kb/d. Over the first half of the year inventories rebuilt by 104 mb clawing back a large chunk of the steep 134 mb 4Q13 draw.

- **OECD industry stocks posted their sixth consecutive monthly build in June as they increased by a steep 13.8 mb to stand at 2 671 mb at end-month**, their highest level since September 2013. Inventories' deficit to the five-year average narrowed to 42.1 mb from 52.0 mb at end-May. The deficit now stands at its smallest since October 2013 and remains centred in OECD Europe.

- **Stocks of refined products covered 29.3 days of forward demand at end-June**, 0.3 days above end-May though still 0.5 days below one year earlier.

- **Preliminary data for July indicate that OECD inventories continued to replenish in July as they posted a further 14.3 mb build** after a rise in 'other products', centred in the OECD Americas, more-than-offset a draw in crude oil. Since the increase was in line with seasonal trends, the deficit of inventories to the seasonal average remained at 42 mb.





OECD Inventory Position at End-June and Revisions to Preliminary Data

OECD commercial inventories extended recent gains, posting their sixth consecutive monthly build as they increased by 13.8 mb to stand at 2 671 mb at end-June, their highest level since September 2013. This brings total building since their recent end-December 2013 low through to 99 mb, still short of clawing back the 134 mb which drew in 4Q13. At end month, stocks stood 10.1 mb above one year earlier, while May stocks were revised upwards to a 4 mb surplus over the previous year, marking the first time that stocks have stood above year-earlier levels since April 2013.

OECD industry stocks replenished by 88 mb over the second quarter, the largest quarterly stock build since 3Q06 and equating to a rate of 970 kb/d. However, total OECD stocks built by 81 mb after they were tempered by a 7.2 mb decline in OECD government stocks stemming from the recent 5 mb test sale of crude from the US Strategic Petroleum Reserve and some limited destocking in OECD Europe.

Since the June build was steeper than the 4.0 mb five-year average build for the month, inventories' deficit versus the five-year average narrowed to 42.1 mb from 52.0 mb at end-May. The shortfall now stands at its smallest since October 2013 and remains centred in OECD Europe where inventories stand 59.3 mb below average while stocks in OECD Asia Oceania sit a 12.7 mb deficit. The surplus of stocks in the OECD Americas increased to 29.8 mb, its widest since October 2013.

As with May, the June stock build was driven by the restocking of 'other products' in the OECD Americas (mainly US ethane and propane inventories). Although stockholders typically replenish these products at this time of year as heating demand diminishes, in June, the 26.9 mb surge was more than double the five-year average build for that month and 10 mb more than the rise posted in June 2013. Crude oil stocks built unseasonably by 4.8 mb, centred in OECD Europe as refinery throughputs there remained low against a backdrop of maintenance and depressed margins.

Preliminary Industry Stock Change in June 2014 and Second Quarter 2014

	June 2014 (preliminary)								Second Quarter 2014			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-5.4**	**4.6**	**5.6**	**4.8**	**-0.18**	**0.15**	**0.19**	**0.16**	**0.11**	**0.14**	**-0.03**	**0.22**
Gasoline	0.6	-0.5	-0.8	-0.7	0.02	-0.02	-0.03	-0.02	-0.07	-0.07	-0.01	-0.15
Middle Distillates	-0.2	-5.3	-4.0	-9.6	-0.01	-0.18	-0.13	-0.32	0.10	-0.03	-0.02	0.05
Residual Fuel Oil	-1.9	-0.7	-1.7	-4.3	-0.06	-0.02	-0.06	-0.14	0.02	0.08	0.00	0.10
Other Products	25.5	0.7	0.7	26.9	0.85	0.02	0.02	0.90	0.61	0.03	-0.01	0.64
Total Products	**24.0**	**-5.8**	**-5.9**	**12.3**	**0.80**	**-0.19**	**-0.20**	**0.41**	**0.66**	**0.01**	**-0.04**	**0.64**
Other Oils[1]	-3.0	0.6	-0.9	-3.3	-0.10	0.02	-0.03	-0.11	0.12	-0.02	0.01	0.11
Total Oil	**15.6**	**-0.6**	**-1.2**	**13.8**	**0.52**	**-0.02**	**-0.04**	**0.46**	**0.89**	**0.13**	**-0.05**	**0.97**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Despite the replenishment of 'other products', OECD refined product inventories remain tight by historical standards, standing 62.3 mb below average levels. In June, middle distillates stocks slipped by 9.6 mb, over twice the seasonal average draw, while inventories of fuel oil and motor gasoline dropped by 4.3 mb and 0.7 mb, respectively. All told, at end-June refined products holdings covered 29.3 days of forward demand, 0.3 days above end-May but 0.5 days below one year earlier.

Upon the receipt of more complete data, May inventories were adjusted upwards by 17.7 mb. Therefore, the 44.2 mb May stock build reported in last month's report is now seen at 59.0 mb, considerably steeper than the 7.7 mb five-year average build for the month. The largest upward revision of 11.6 mb was made to crude oil in the OECD Americas. OECD refined products holdings were adjusted upwards by 1.2 mb, although this obscured a significant downward revision in OECD Americas which was counter-balanced by a 9.4 mb upward adjustment to Europe.

Revisions versus 11 July 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Apr-14	May-14	Apr-14	May-14	Apr-14	May-14	Apr-14	May-14
Crude Oil	**0.4**	**11.2**	**2.2**	**0.7**	**0.0**	**-3.3**	**2.7**	**8.6**
Gasoline	0.1	0.3	-0.1	0.0	0.0	-0.2	0.0	0.2
Middle Distillates	0.0	-1.4	0.3	5.0	0.1	0.6	0.5	4.2
Residual Fuel Oil	0.0	0.4	0.3	3.5	0.0	0.2	0.3	4.0
Other Products	-0.4	-8.8	0.0	0.9	0.0	0.8	-0.4	-7.2
Total Products	**-0.3**	**-9.5**	**0.4**	**9.4**	**0.1**	**1.3**	**0.3**	**1.2**
Other Oils[1]	-0.1	6.5	0.0	1.2	0.0	0.2	-0.2	7.8
Total Oil	**0.0**	**8.2**	**2.6**	**11.3**	**0.2**	**-1.8**	**2.9**	**17.7**

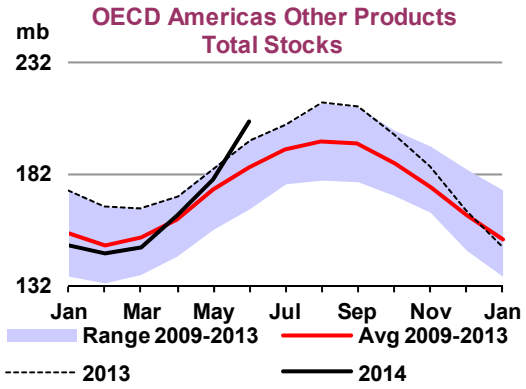
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

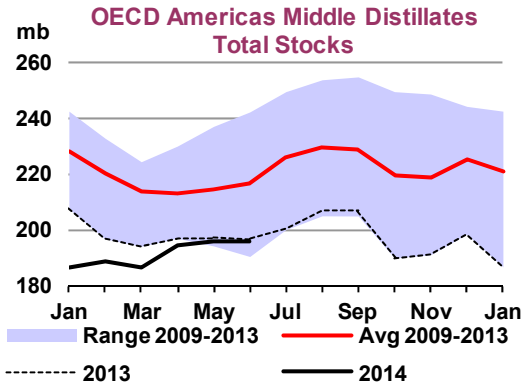
Preliminary data for July indicate that OECD inventories continued to replenish in July as they posted a further 14.3 mb build. Since this was in line with the 14.5 mb five-year average build for the month, the shortfall versus the seasonal average remained at 42 mb. Soaring 'other product' stocks, centred in the OECD Americas, drove inventories higher. Crude oil holdings dropped by 6.0 mb, although divergent trends were apparent between OECD regions; while stocks in the OECD Americas dropped in line with a ramping up in refinery throughputs, those in OECD Europe soared after refinery activity remained depressed compared to a year earlier.

Analysis of Recent OECD Industry Stock Changes

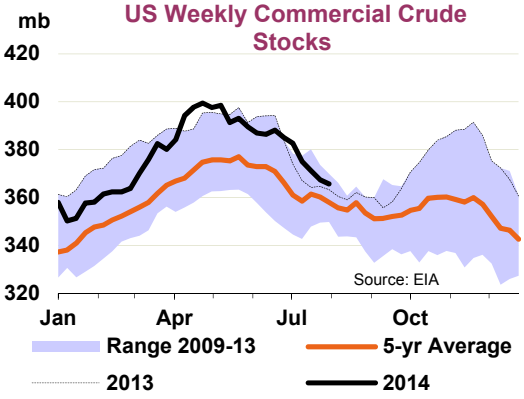
OECD Americas

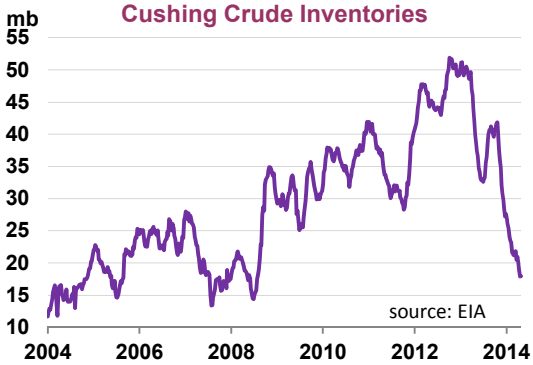
Industry stocks in the OECD Americas rose by 15.6 mb in June, considerably steeper than the 9.0 mb five year average build. Surging 'other products' holdings boosted stocks as they rose by 25.5 mb on the month as stocks of propane and ethane built in tandem with soaring natural gas production. This increase was significantly steeper than the 9.7 mb five-year build for the month and nearly double the 13.0 mb rise posted one-year earlier. This build is even more impressive given that US propane exports have averaged over 300 kb/d in recent months, 100 kb/d above year-earlier levels. One likely reason for the steep build is that reportedly, throughputs of propane into US petrochemical plants have dipped in recent months following a number of shutdowns.





Crude oil stocks fell by 5.4 mb in June as regional refiners hiked throughputs by a further 120 kb/d from May. Despite this draw, crude holdings have now stood above the seasonal range for a second consecutive month. Total oil inventories currently sit 29.9 mb above average, their widest margin since October 2013. Following recent builds the only product category which remains at a significant deficit (20.8 mb) versus the five-year average is middle distillates, stocks of which drew counter-seasonally by 0.2 mb in June. All told, refined products inventories built by a steep 24.0 mb in June to cover 28.8 mb at end-month, 1.1 days above end-May and 0.1 days below one year earlier.





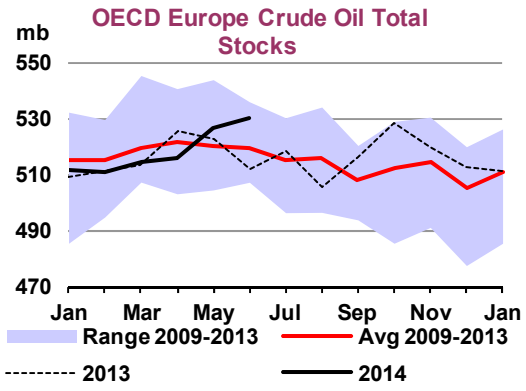
Preliminary weekly data from the US EIA suggest that stocks there inched up by a weak 1.4 mb as a further, steep 20.3 mb build in 'other products' was tempered by 18.1 mb slump in crude oil holdings. Crude stocks plunged in tandem with a 760 kb/d hike in refinery throughputs, as refiners, notably on the Gulf Coast and in the mid-continent, ran at high utilisation rates. Inventories of NGLs and other feedstocks drew by a further 1.3 mb.

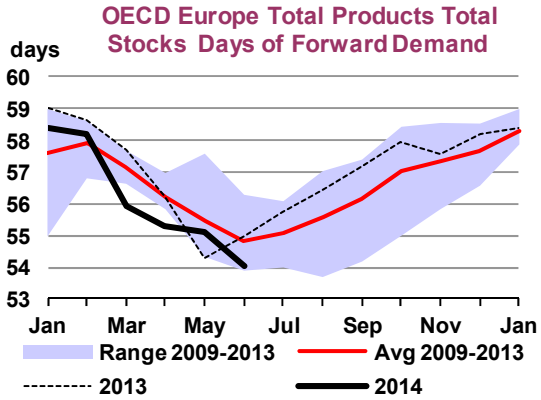
The draw in crude oil was centred on the Gulf Coast where stocks drew by 7.9 mb, but PADD 2 inventories also fell by 5.5 mb, with inventories at the Cushing, Oklahoma storage hub dropping by 2.7 mb to leave stocks there sitting below 18 mb for the first time since November 2008. The steady

draining of the hub over July helped support NYMEX WTI with WTI margins for midcontinent refiners considerably weaker than those for other US domestic grades.

OECD Europe

Commercial inventories in OECD Europe remain notionally tight as they slipped by 0.6 mb to stand at 885 mb at end-June, but less so in view of the fact that both demand and refinery throughputs have been on a declining path in Europe. Since the draw was less than the 5.3 mb five-year average draw for the month, the region's deficit versus seasonal levels narrowed to 59.3 mb from 64.0 mb one month earlier. Inventories also stand 11.2 mb above one year earlier. Crude oil built counter-seasonally by 4.6 mb and buttressed total inventories as refinery intake remained extremely low amid depressed margins and ongoing maintenance.



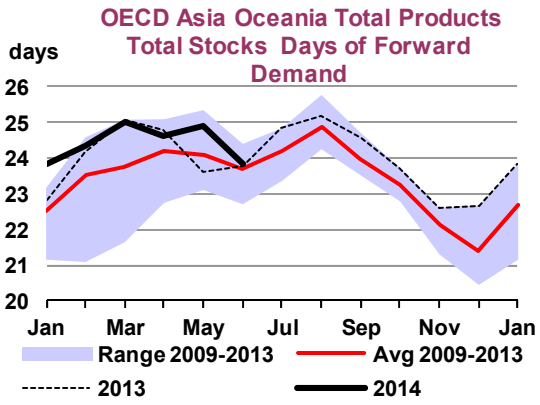


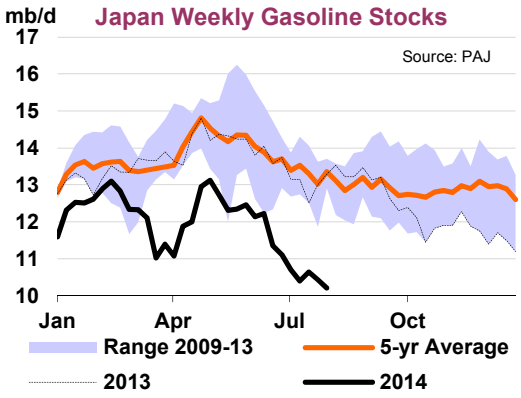
The low refinery activity pressured product stocks downwards as they drew by a steep 5.8 mb with only 'other products' posting a build (0.7 mb). Middle distillates continued on their recent downward trajectory, drawing by 5.3 mb on the month to leave inventories standing at a 24.3 mb deficit to seasonal levels. On an absolute basis, middle distillates' holdings remain 0.4 mb above year-ago levels but following a marginally more positive demand prognosis compared to a year-ago, they cover 0.3 days less of forward demand. At end-June regional refined products holdings covered 54.0 days of forward demand, 1.1 days lower than end-May. This is the lowest amount of cover for three years.

Preliminary data from Euroilstock indicate that European inventories climbed by 10.4 mb in July, counter-seasonal to the 1.4 mb five-year average draw for the month. Stocks were pushed higher as regional crude inventories soared counter-seasonally by 11.0 mb after, despite a slight month-on-month uptick, refinery runs remained lower compared to a year earlier. Low refinery activity also resulted in product stocks slipping by a combined 0.6 mb after draws in 'other products' (-0.9 mb) and middle distillates (0.8 mb) offset builds in fuel oil (0.6 mb) and motor gasoline (0.4 mb).

OECD Asia Oceania

Asia Oceania industry stocks inched down counter-seasonally by 1.2 mb in June after a steep 5.9 mb drop in refined products pressured stocks downwards. As a result, the region's deficit to the five-year average widened to 12.7 mb from 11.2 mb at end-May. The fall in refined products' inventories stemmed from a 140 kb/d drop in refinery throughputs as they hit a seasonal maintenance-affected low. Crude oil provided some offset, as stocks rose by 5.6 mb, over twice the average build while NGLs and other feedstocks slipped by 0.9 mb. On a product-by-product basis, inventories of all refined product categories bar 'other products' (+0.7 mb) posted draws. Notably, middle distillates holdings declined by 4.0 mb, ten times the seasonal draw for the month, to stand at a 7.6 mb deficit to the average. At end-month, refined products' holdings covered 23.9 days of forward demand, 1.0 day below one month earlier.

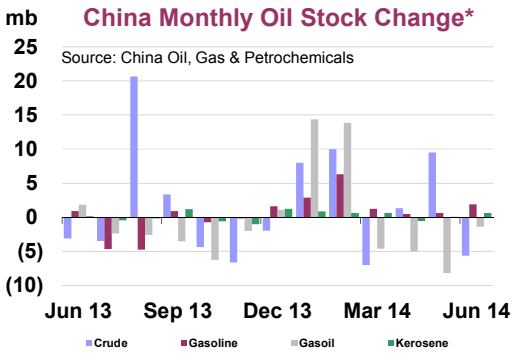




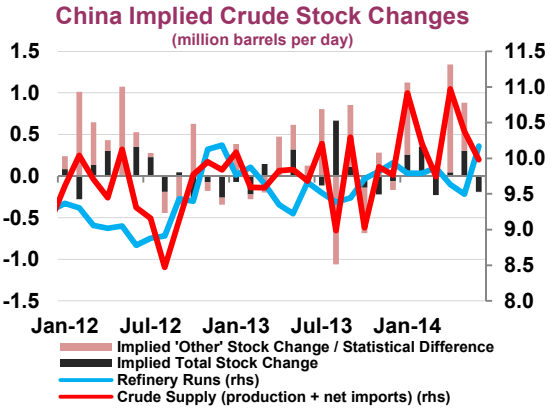
Preliminary data from the Petroleum Association of Japan (PAJ) suggest that Japanese inventories rose by 2.5 mb in July. Stocks of all oil categories posted builds bar motor gasoline (-0.5 mb) and 'other products' (-0.7 mb). Motor gasoline stocks have now been on a downward course for the past two months and by end-July stood at their lowest absolute levels since December 1991 and 2.7 mb below the five-year average. Crude oil built counter-seasonally by 1.0 mb, as despite refinery throughputs ramping up strongly in the second half of the month, crude imports likely remained high. Inventories of NGLs and other feedstocks rose counter-seasonally by 1.2 mb.

Recent Developments in Singapore and China Stocks

According to data from *China Oil, Gas and Petrochemicals* (*China OGP*), Chinese commercial crude stocks drew by an equivalent 5.7 mb over June (data are reported in terms of percentage stock change) as refiners came out of seasonal maintenance. Taking into account the reported stock change, crude supply (production and net imports) and refinery runs, the implied unreported stock change fell to zero in June, thereby signifying an abrupt halt to the filling of China's Strategic Petroleum Reserve. It is now estimated that China added 67 mb of crude to the SPR over the second quarter. Moreover, *China* OGP, published by the state controlled Xinhua news agency, reported in early-August that a part of 1H14 crude imports were destined for national strategic petroleum reserves. As refinery output increased in June, commercial product stocks rose by a combined 1.1 mb. Gasoline stocks rose by 2.7% (1.9 mb) while kerosene inventories increased by 4.3% (0.6 mb). On the other hand, gasoil holdings fell (-1.4 mb) for the fourth consecutive month.



*Since August 2010, COGP only reports percentage stock change

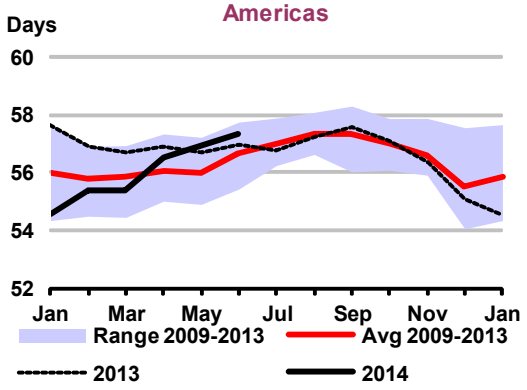


Data from *International Enterprise* pertaining to land-based refined product inventories in Singapore indicate that stocks there plummeted by 6.0 mb during July, marking the steepest monthly decline since May 2010. Falling residual fuel stocks (-4.0 mb m-o-m) pressured total stocks lower after bunker fuel demand reportedly picked up as prices fell in tandem with easing crude. Middle and light distillates inventories slipped by 1.1 mb and 0.9 mb, respectively, as Asian refinery maintenance curbed exports to the territory and caused some states, notably in Southeast Asia, to increase their imports from the territory.

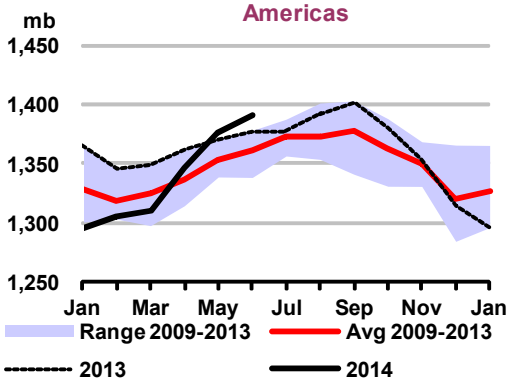
Regional OECD End-of-Month Industry Stocks

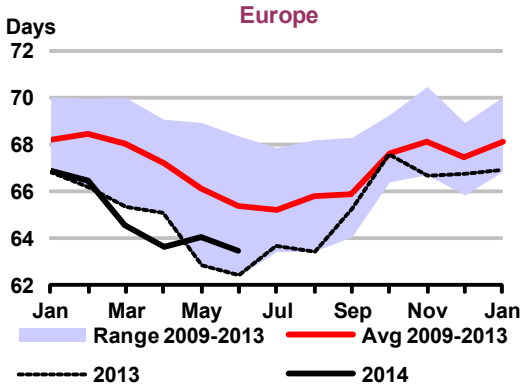
(in days of forward demand and million barrels of total oil)

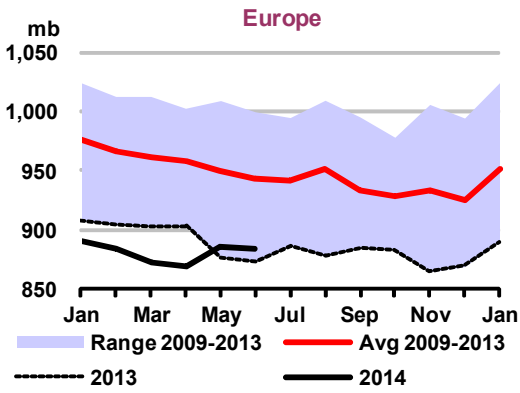
Days[1]

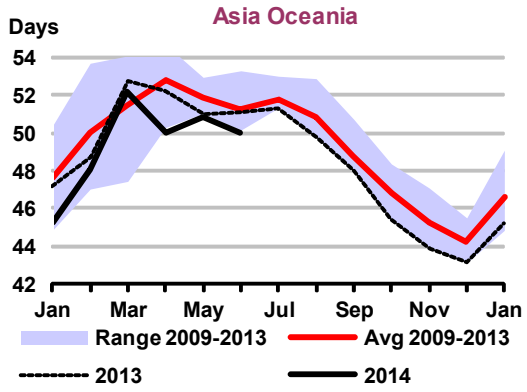


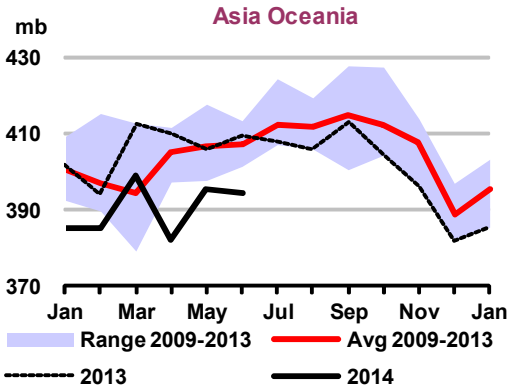
Million Barrels

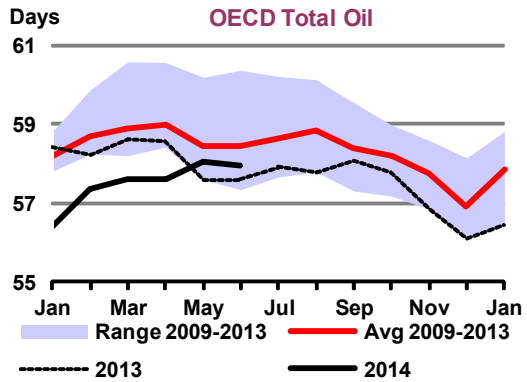


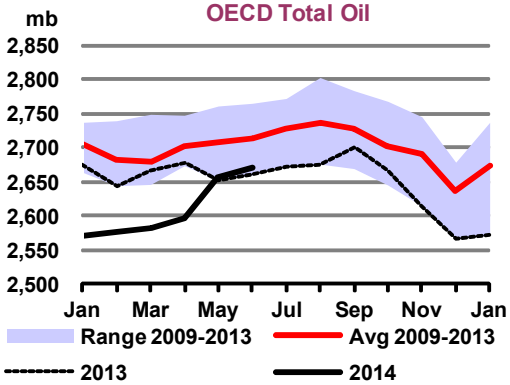












1 Days of forward demand are based on average demand over the next three months

PRICES

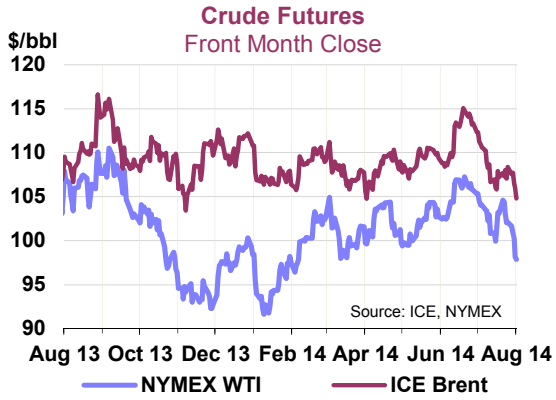
Summary

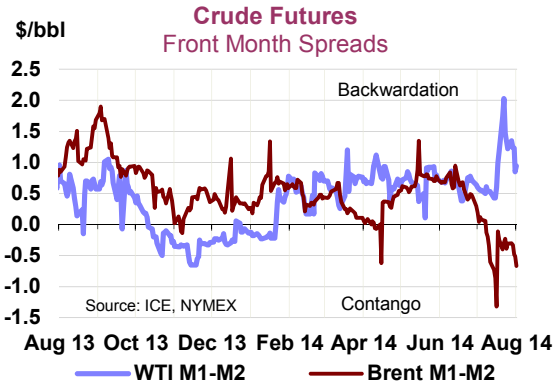
- **Crude prices fell in July as plentiful supply in the wake of weak refinery demand in June eased concerns that escalating conflicts in Iraq, Libya and Ukraine would threaten the market balance.** At the time of writing, ICE Brent was below $105/bbl – $10/bbl off the mid-June peak hit when Islamist militants began their advance through northern Iraq - as confidence grew that US air strikes would lower the risk of supply outages in OPEC's second largest producer. NYMEX WTI was around $98/bbl.

- **Hedge funds dramatically slashed their net long exposure to ICE Brent in July**, after having built to record highs on the back of the turmoil in Iraq, as price gains did not materialize. Overall open interest collapsed, especially on the front end of the curve, and now sit at their lowest since January 2013, amid record-high trading volume.

- **Weak refining margins in Europe and Asia suppressed demand for crude**, with the resulting overhang of Atlantic Basin and West African barrels weighing on spot markets – deflating North Sea Dated Brent prices and narrowing their premium versus WTI and Dubai. Russian Urals also firmed against Brent as European refiners anticipated reduced loadings in August.

- **Surveyed spot product prices slipped across the board, mid-July to early August as product markets remained weak** amid plentiful supply. Nonetheless, cracks in Europe and Singapore generally firmed as benchmark crudes came off their recent highs. On the other hand, cracks on the US Gulf Coast weakened as LLS strengthened after PADD 3 refinery runs ramped up to record highs.



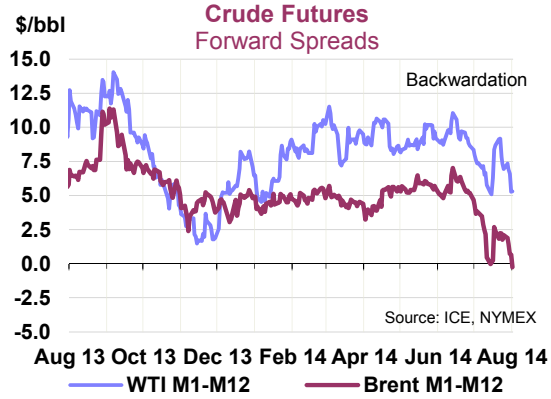


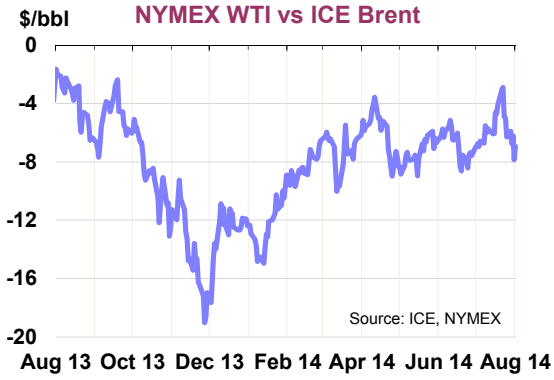
Market Overview

Oil prices declined month-on-month (m-o-m) in July, as surplus barrels from West Africa and the Atlantic Basin pressured markets despite escalating conflicts in Iraq, Libya and Ukraine that threaten to disrupt supply. ICE Brent futures were down by $3.78/bbl to $108.19/bbl while NYMEX WTI lost $2.76/bbl to average $102.39/bbl. Brent fell further – to below $105/bbl at the time of writing - as confidence grew that US airstrikes in Iraq would help contain the advance of Islamist fighters in the major OPEC producer. NYMEX WTI was around $98/bbl.

Reflecting the easing demand pressure on physical markets, North Sea Brent flipped into contango – where front-month futures trade at a discount to later months. In mid-July, front month Brent traded at more than a $1/bbl discount to September futures – the widest spread between the first two months in four years. At the same time, the Brent M1-M12 spread narrowed to $2.06/bbl in July versus $5.55/bbl in June. By contrast, US WTI was in backwardation, with front month futures at a premium to the second month contract. Record high US refinery run rates lent support (see '*Refining*' section).

Prior to the US airstrikes, Brent futures surged towards an intraday high of $107/bbl as the dramatic advance by Islamist fighters in northern Iraq spooked the market. Militant attacks on Iraq's northern oil infrastructure have already sharply curtailed flows from the giant Kirkuk field and Islamist fighters are advancing on oil blocks in the Kurdish region (see *'Iraq's Northern Strife'*). Iraq's prized southern oil fields, which pump virtually all the country's exports, so far remain insultated from the insurgents. Exports of Basrah Light from southern Iraq held steady in July and shipments from Libya bumped higher. Weak refining demand in Europe and Asia increased the pressure – leaving cargoes from the North Sea and West Africa in search of a home.





Oil prices barely reacted to the West slapping tougher sanctions on Russia over what Washington called "continued provocations in Ukraine". The front-month ICE Brent-Nymex WTI spread shrank further in July, averaging $5.80/bbl compared with $6.82/bbl in June – mostly due to the over-arching weakness in Brent. By the time of publication, however, Brent's premium to WTI was around $7/bbl.

Prompt Month Oil Futures Prices

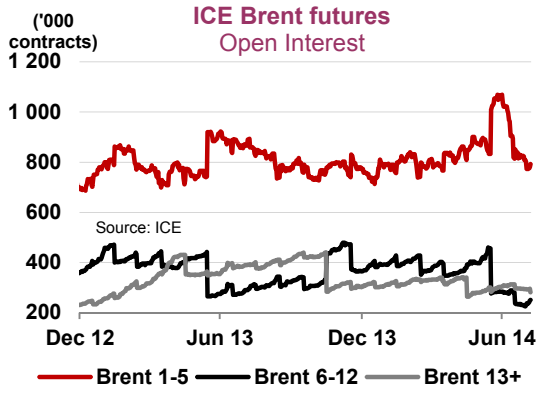
(monthly and weekly averages, $/bbl)

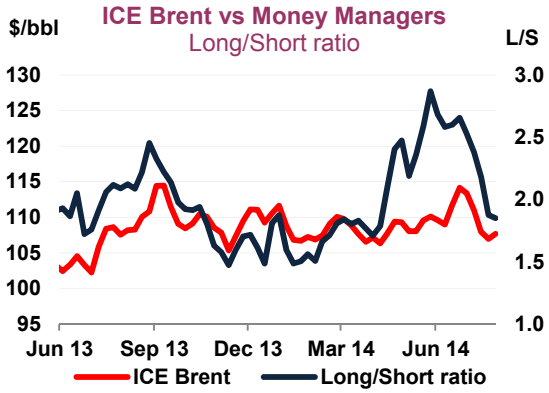
	May	Jun	Jul	Jul-Jun Avg Chg	% Chg	Week Commencing: 07 Jul	14 Jul	21 Jul	28 Jul	04 Aug
NYMEX										
Light Sweet Crude Oil	101.79	105.15	102.39	-2.76	-2.7	102.60	101.68	103.26	99.79	97.52
RBOB	124.23	127.86	122.23	-5.64	-4.6	124.03	121.36	120.41	118.77	115.13
No.2 Heating Oil	123.07	124.49	121.23	-3.26	-2.7	121.07	120.04	120.75	121.28	120.68
No.2 Heating Oil ($/mmbtu)	21.71	21.96	21.38	-0.57	-2.7	21.35	21.17	21.30	21.39	21.28
Henry Hub Natural Gas ($/mmbtu)	4.54	4.59	4.03	-0.57	-14.1	4.17	4.05	3.80	3.80	3.90
ICE										
Brent	109.24	111.97	108.19	-3.78	-3.5	108.56	106.80	107.70	106.53	105.01
Gasoil	121.79	122.26	119.34	-2.93	-2.5	119.03	118.22	118.85	119.38	117.79
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-7.45	-6.82	-5.80	1.02		-5.96	-5.12	-4.44	-6.74	-7.49
NYMEX No.2 Heating Oil - WTI	21.28	19.34	18.84	-0.50		18.47	18.36	17.49	21.49	23.16
NYMEX RBOB - WTI	22.44	22.71	19.84	-2.88		21.43	19.68	17.15	18.98	17.61
NYMEX 3-2-1 Crack (RBOB)	22.05	21.59	19.51	-2.08		20.45	19.24	17.26	19.81	19.46
NYMEX No.2 - Natural Gas ($/mmbtu)	17.17	17.36	17.36	-0.01		17.18	17.12	17.49	17.59	17.38
ICE Gasoil - ICE Brent	12.55	10.29	11.15	0.85		10.47	11.42	11.15	12.85	12.78

Source: ICE, NYMEX.

Futures Markets

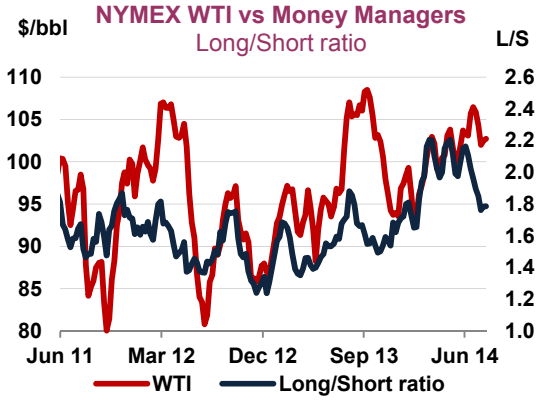
July was one of the most active months for the ICE Brent futures market. After having built to record high on the back of Iraq turmoil, overall open interest in ICE Brent collapsed in July, just shy of a 20% drop from its 1.65 mln contracts peak in late June. At the time of writing, overall open positions are sitting at their lowest since January 2013. By and large, the majority of the drop happened on the very front portion of the curve, namely the first five months, which alone shed more than 280 000 contracts from the late June peak.

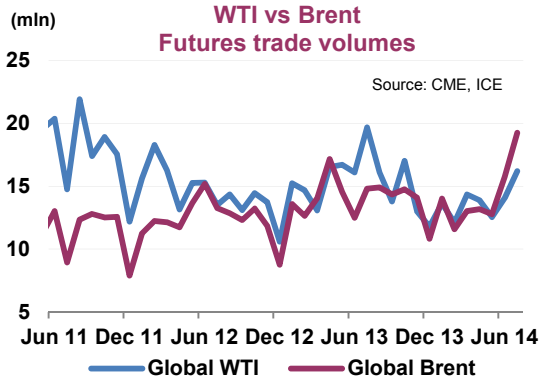




Hedge funds dramatically slashed their net long exposure to ICE Brent, leading to the largest drop in net positions on record. Contracts declined by about 110 200 during the month, of which 48 000 in the period between 8 and 15 July alone, the biggest weekly decline registered to date.

Put in relative terms, the '*long-to-short*' ratio plunged from an historical peak of nearly 3-to-1 to a much more modest 2-to-1 ratio. Money managers operating in NYMEX also reduced their long stance in WTI from almost record-high levels, albeit less dramatically than their London counterparts.





Monthly trading volumes were at record highs for Brent, posting a 22% gain on the month and 30% y-o-y, to surpass the previous record by more than nearly 2 million trades. WTI also registered a strong 15% m-o-m gain but stayed below Brent for the third consecutive month.

On the products side, hedge funds reduced their buying of both heating oil and gasoil futures, eventually turning to a net short stance in NYMEX heating oil contracts in the second half of July, on the back of the general weak momentum for gasoil/diesel.

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

29 July 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	227.6	278.1	-50.5	*Short*	↑ 2.9	↑ 46.2
Swap Dealers' Positions	271.5	623.3	-351.9	*Short*	↓ -1.0	↑ 43.9
Money Managers' Positions	603.0	337.5	265.5	*Long*	↑ 4.2	↓ -57.5
Others' Positions	430.4	331.1	99.2	*Long*	↓ -10.9	↓ -36.7
Non-Reportable Positions	96.4	58.8	37.7	*Long*	↑ 4.8	↑ 4.0
Open Interest			**1628.9**		↓ -13.9	↓ -91.9

Source: CFTC

Positions on ICE Brent Crude Futures

Thousand Contracts

29 July 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	455.6	764.4	-308.8	*Short*	↑ 2.1	↑ 77.7
Swap Dealers' Positions	451.8	230.4	221.4	*Long*	↑ 4.5	↑ 41.5
Money Managers' Positions	283.3	153.1	130.2	*Long*	↑ 1.6	↓ -110.2
Others' Positions	105.3	154.9	-49.5	*Short*	↓ -7.4	↓ -1.6
Non-Reportable Positions	34.3	27.6	6.7	*Long*	↓ -0.8	↓ -7.4
Open Interest			**1330.2**		↓ -24.4	↓ -323.6

Source: ICE

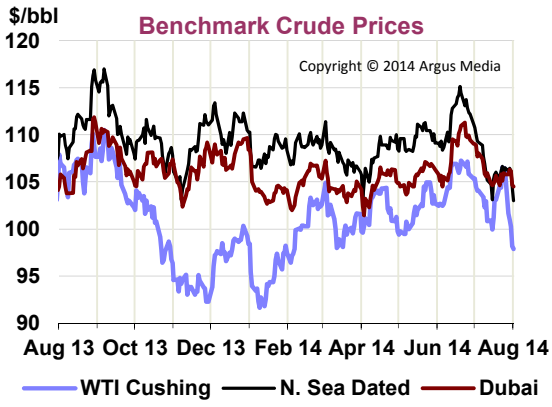
Financial Regulation

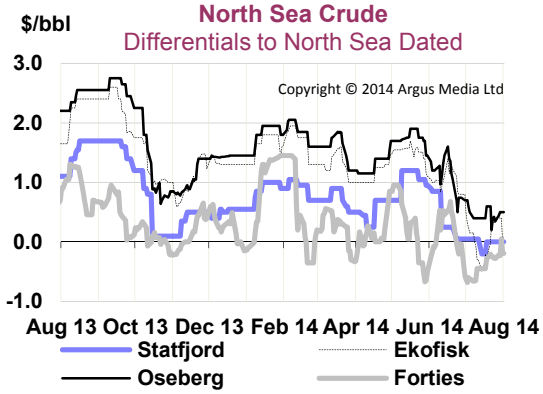
The US Commodity Futures Trading Commission (CFTC) issued no-action relief for swap dealers to report data for cleared swap contracts until 30 June 2015, as stakeholders requested more time in order to adapt their processes to the new requirement. The US agency is expected to finalize its rules on speculative position limits the coming autumn, after having reopened and then further extended public comment period until 4 August.

As the public consultation period closed on August 1, the European Securities and Markets Authority (ESMA) published the responses it received regarding its two 'discussion papers' on the technical standards for the main pillar of the EU financial reform, the Markets in Financial Instruments Directive (MiFID II). As the process proceeds, further public comment will be open from December 2014 to March 2015. The final standards are to be submitted to the European Commission by December 2015, while the legislation is planned to be phased in from 2016.

Spot Crude Oil Prices

Weak refining margins and ample supply piled pressure on spot prices for benchmark crudes in July, with global benchmark Dated Brent posting the biggest decline – down 4.5% m-o-m to an average $106.63/bbl. Spot prices for Dubai held up comparatively well, easing 1.8% to $106.12/bbl. Brent's sharp decline narrowed the gap between the North Sea benchmark and Dubai by $3.09/bbl to an average $0.51/bbl for July. WTI shed 2.2% to average $102.92/bbl, while sour Russian Urals was off 3.6% to $105.51/bbl for the month.

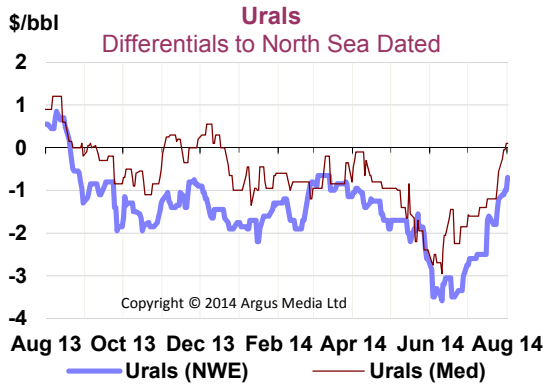


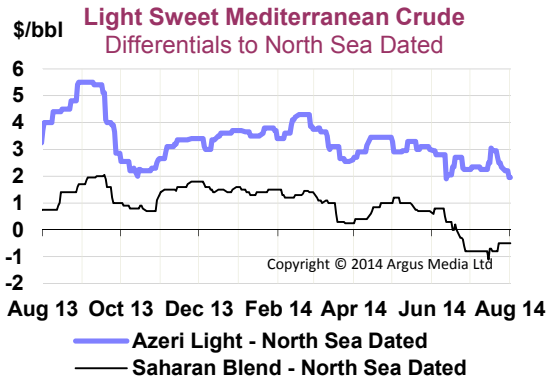


In Europe, markets for light sweet crude were under pressure on expectations that Libyan supplies would rise after the lifting of a year-long blockade at the Es Sider and Ras Lanuf terminals. Shipments for July

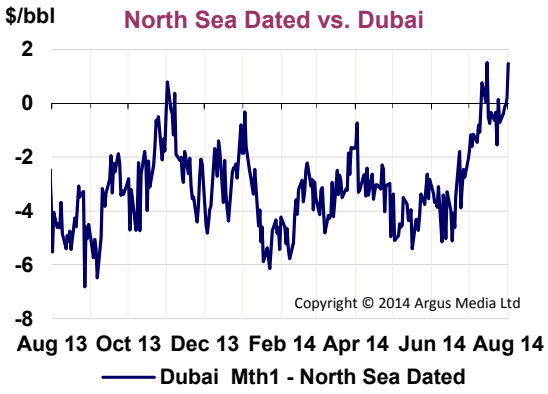
rose versus June, although loadings have yet to resume from Libya's major terminals. Sluggish demand for sweet barrels in Europe pushed North Sea Ekofisk to a discount to Dated Brent from a premium of nearly $1.50/bbl in mid-June. Many West African grades sank to the lowest premiums versus Dated Brent this year.

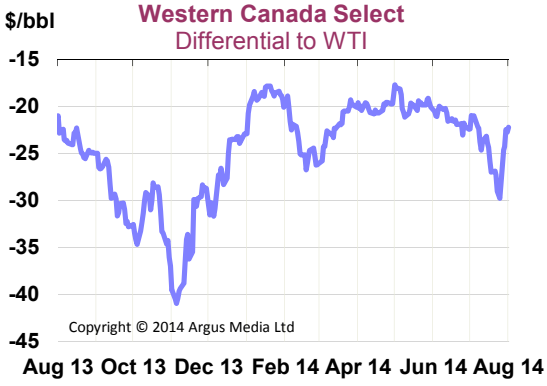
Maintenance in the North Sea was expected to cut total loadings of Brent, Forties, Oseberg and Ekofisk (BFOE) to below 720 kb/d in August, more than 190 kb/d down on July (see '*the non-OPEC Supply*' section). Supplies of Russian Urals were also expected to be reduced this month, reportedly due to the restart of Russia's Achinsk refinery. Urals firmed as a result, with its discount to Dated Brent narrowing to an average $1.12/bbl during July versus $2.16/bbl the previous month.





Crude trade in the US was more robust than in other markets, with soaring refinery use along the Gulf Coast supporting regional grades Mars and LLS relative to WTI. Sour Mars climbed from a discount to a premium to WTI, while light sweet LLS's premium to WTI strengthened. Rising output in Canada and limited pipeline capacity for exports widened the discount for heavy sour benchmark Western Canadian Select versus WTI.





Weak margins and a wave of crude from the North Sea, West Africa and the Caspian pressured spot market prices for Middle East grades in Asia. Russian light sweet ESPO Blend fell to a 15-month low relative to Dubai.

Spot Crude Oil Prices and Differentials

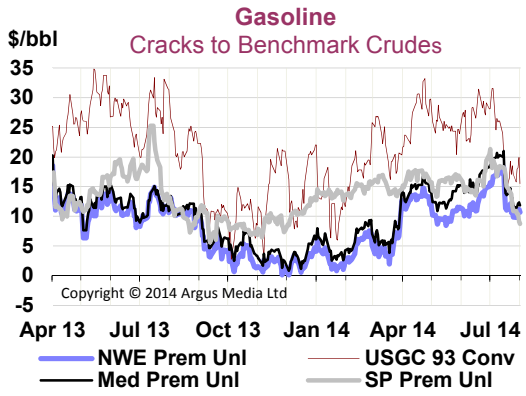
(monthly and weekly averages, $/bbl)

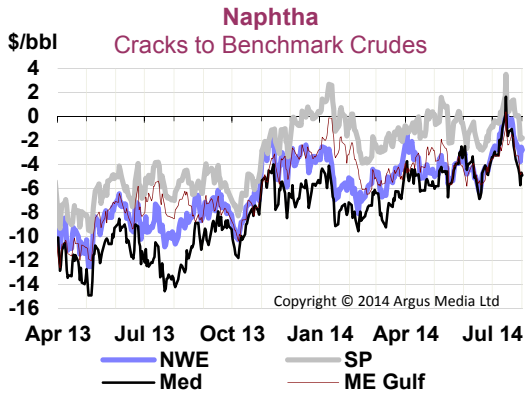
	May	Jun	Jul	Jul-Jun Avg Chg	%	Week Commencing: 07 Jul	14 Jul	21 Jul	28 Jul	04 Aug
Crudes										
North Sea Dated	109.60	111.67	106.63	-5.04	-4.5	106.92	105.01	106.07	105.25	103.46
Brent (Asia) Mth 1	109.88	112.22	107.99	-4.23	-3.8	108.79	106.63	106.69	106.04	104.91
WTI (Cushing) Mth 1	101.86	105.24	102.92	-2.31	-2.2	102.60	101.68	105.59	99.79	97.52
Urals (Mediterranean)	107.96	109.50	105.51	-3.99	-3.6	105.40	103.73	105.06	105.22	103.85
Dubai	105.67	108.06	106.12	-1.95	-1.8	106.34	104.99	105.45	105.40	103.71
Tapis (Dated)	107.41	108.86	103.61	-5.26	-4.8	103.72	101.81	103.23	102.37	100.86
Differential to North Sea Dated										
WTI (Cushing)	-7.73	-6.43	-3.71	2.72		-4.32	-3.33	-0.47	-5.46	-5.94
Urals (Mediterranean)	-1.63	-2.16	-1.12	1.05		-1.52	-1.28	-1.01	-0.03	0.39
Dubai	-3.92	-3.60	-0.51	3.09		-0.58	-0.02	-0.62	0.15	0.25
Tapis (Dated)	-2.19	-2.80	-3.02	-0.22		-3.20	-3.20	-2.84	-2.88	-2.60
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.64	0.41	-0.54	-0.95		-0.41	-0.87	-0.60	-0.62	-0.84
Forward WTI Cushing Mth1-Mth2	0.63	0.65	1.28	0.63		0.54	0.73	3.09	1.12	0.78
Forward Dubai Mth1-Mth2	0.58	0.53	0.51	-0.02		0.51	0.51	0.52	0.44	0.01

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Spot Product Prices

Surveyed spot product prices slipped across the board from mid-July onwards as product markets remained weak amid plentiful supply. Nonetheless, cracks in Europe and Singapore generally firmed as benchmark crudes came off their recent highs. On the other hand, cracks on the US Gulf Coast weakened as LLS strengthened after PADD 3 refinery runs ramped up by about 550 kb/d m-o-m. The region also saw spot prices slide more steeply than elsewhere as the high refinery activity pushed extra products onto an already saturated market.

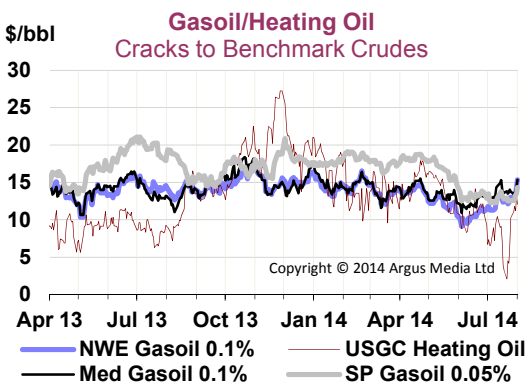


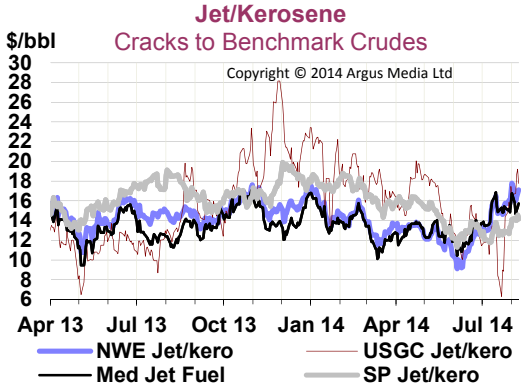


USGC gasoline cracks plunged by $6.0/bbl in July on average as the strength of LLS combined with an oversupplied market. However, by late month, cracks had arrested their decline as demand to ship product to the US East Coast strengthened. In Europe, cracks were supported as easing crude prices outpaced product price losses. However, from mid-month onwards, cracks changed course as spot gasoline prices retreated dramatically after import demand from the US East Coast waned while European demand remained weak. Cracks in Singapore initially received support from stock draws and tight supply but cracks eventually fell back as refinery throughputs rebounded.

European naphtha cracks briefly entered positive territory to hit a three and a half year high in early-July as demand from regional gasoline blenders and to export product to Asia remained high while product supply remained tight amid low refinery activity. However, as Asian spot prices weakened, the arbitrage to ship product eastwards narrowed with cracks slipping accordingly. Nonetheless, by early August,

cracks remained on a par with the year earlier. A similar picture prevailed in Singapore as naphtha cracks there hit their highest level since 1Q13 on still rising Korean petrochemical demand and tight supply, but as refineries returned from maintenance cracks retreated to May levels.





European spot gasoil prices plunged in early-July on the back of weak regional demand and reportedly high supply as arrivals from the US and FSU remained elevated, The ICE gasoil contract moved into contango for the first time since 1Q13. In the Mediterranean, additional downward pressure came from lower exports to North Africa, exports to which have recently dwindled as gasoil production has risen on the completion of a number of Algerian refinery upgrades. USGC cracks plummeted to their lowest level in 15 months in mid-July on the back of high refinery production, limited export opportunities and stock builds. However, in late month the crack rebounded as LLS retreated and regional gasoil stocks drew.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	May	Jun	Jul	Jul-Jun Chg	Jul-Jun %	Week Commencing: 30 Jun	07 Jul	14 Jul	21 Jul	28 Jul	May	Jun	Jul	Chg
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	119.57	123.87	120.46	-3.41	-2.8	125.73	124.17	119.38	117.04	115.79	9.97	12.21	13.84	1.63
Naphtha	105.38	107.02	105.13	-1.89	-1.8	107.36	105.43	105.36	104.79	102.33	-4.22	-4.65	-1.50	3.15
Jet/Kerosene	121.70	122.80	121.42	-1.39	-1.1	123.26	120.91	120.48	121.20	121.67	12.10	11.14	14.79	3.65
ULSD 10ppm	123.49	123.80	121.37	-2.43	-2.0	123.71	121.37	120.33	120.77	121.18	13.89	12.13	14.74	2.61
Gasoil 0.1%	121.79	122.14	119.14	-3.00	-2.5	121.62	118.89	117.91	118.67	119.15	12.19	10.48	12.51	2.04
LSFO 1%	98.15	99.46	94.20	-5.26	-5.3	97.84	95.64	93.14	92.76	92.01	-11.45	-12.21	-12.43	-0.22
HSFO 3.5%	88.84	90.99	88.38	-2.61	-2.9	90.07	87.98	88.03	88.18	87.99	-20.75	-20.67	-18.25	2.42
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	120.88	125.25	121.83	-3.42	-2.7	127.14	125.58	120.75	118.40	117.09	12.92	15.75	16.32	0.57
Naphtha	103.40	104.91	103.09	-1.83	-1.7	105.23	103.36	103.34	102.77	100.33	-4.56	-4.59	-2.43	2.16
Jet Aviation fuel	120.80	121.71	120.38	-1.33	-1.1	122.11	119.82	119.46	120.20	120.73	12.83	12.20	14.86	2.66
ULSD 10ppm	123.00	123.44	121.81	-1.63	-1.3	123.99	121.73	120.72	121.19	121.79	15.03	13.93	16.30	2.36
Gasoil 0.1%	121.12	121.78	119.28	-2.50	-2.1	121.69	119.03	118.04	118.81	119.36	13.16	12.27	13.77	1.49
LSFO 1%	99.72	100.76	95.47	-5.30	-5.3	99.24	96.95	94.26	94.06	93.25	-8.24	-8.74	-10.05	-1.31
HSFO 3.5%	88.38	90.33	87.57	-2.76	-3.1	89.35	87.21	87.20	87.32	87.14	-19.58	-19.18	-17.94	1.23
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	129.46	135.54	127.80	-7.74	-5.7	137.22	131.51	124.29	126.59	120.97	25.20	27.33	21.31	-6.02
Unleaded	118.98	123.87	119.70	-4.18	-3.4	125.21	121.30	119.10	118.09	115.87	14.72	15.67	13.21	-2.46
Jet/Kerosene	120.35	120.96	118.48	-2.48	-2.1	119.41	117.86	117.32	118.81	119.48	16.08	12.75	11.99	-0.76
ULSD 10ppm	121.90	122.59	119.40	-3.19	-2.6	121.71	119.14	118.23	119.07	119.74	17.64	14.38	12.91	-1.47
Heating Oil	118.18	119.02	114.40	-4.62	-3.9	115.26	114.87	112.84	114.45	115.35	13.91	10.81	7.91	-2.90
No. 6 3%*	91.61	93.10	89.05	-4.05	-4.3	91.46	88.65	88.80	89.01	88.55	-12.65	-15.11	-17.43	-2.33
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	121.42	123.72	121.96	-1.77	-1.4	128.25	124.20	122.25	118.39	115.06	15.75	15.66	15.84	0.18
Naphtha	105.46	106.29	106.37	0.08	0.1	107.95	106.35	106.46	106.38	103.86	-0.21	-1.77	0.25	2.02
Jet/Kerosene	119.86	120.83	118.81	-2.02	-1.7	121.00	118.34	118.20	118.23	118.78	14.19	12.76	12.69	-0.07
Gasoil 0.05%	122.31	121.25	118.97	-2.28	-1.9	121.43	118.81	118.25	118.06	118.85	16.64	13.19	12.85	-0.33
LSWR Cracked	109.00	110.49	106.18	-4.31	-3.9	108.67	106.06	105.39	105.25	106.55	3.32	2.42	0.06	-2.36
HSFO 180 CST	95.41	97.36	94.75	-2.61	-2.7	96.46	94.60	94.39	94.15	94.75	-10.26	-10.71	-11.37	-0.66
HSFO 380 CST 4%	93.69	95.92	94.13	-1.79	-1.9	95.68	93.76	93.72	93.73	94.19	-11.99	-12.14	-11.99	0.15

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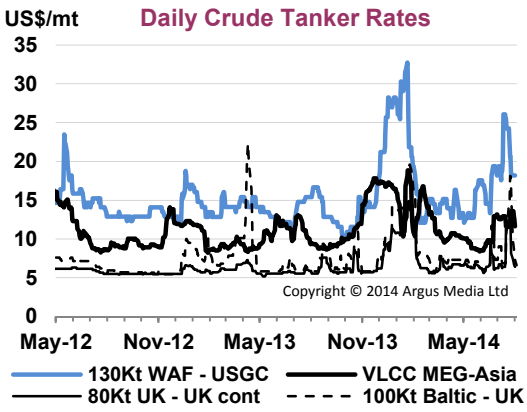
Jet kerosene markets fared slightly better than gasoil in Europe as high summer demand buttressed spot

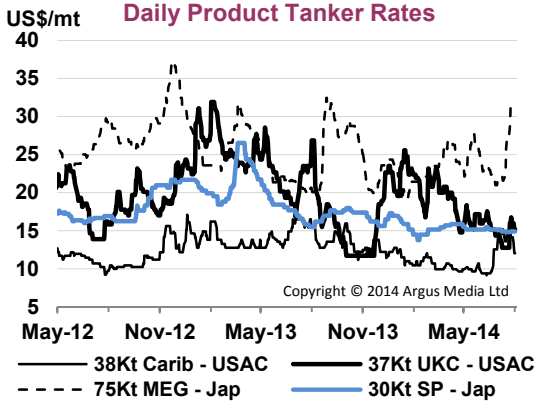
prices with regional cracks firming by $3.15/bbl on average. This reportedly moved some European refiners to increase their jet kerosene yields at the expense of other middle distillates. Indeed, cracks continued on their upward trajectory into early-August despite reports of supplies arriving from Asia and the Middle East. In the US Gulf, cracks plummeted from $12/bbl to $6/bbl from mid-month onwards on firming LLS prices before roaring back to exceed $18/bbl by early-August as LLS weakened, the arbitrage to send product to East Coast markets widened and amid stock draws.

Freight

Rates for crude carriers strengthened during the second half of July, although by the end of the month rates had eased. Momentum built on the benchmark VLCC Middle East Gulf–Asia trade, with the rate coming rising above the $10/mt mark, to peak at $13.60/mt and before closing the month around $12.60/mt, as high Middle East loadings provided support. The benchmark Suezmax West Africa-US Gulf Coast rate firmed in the second week of July to surpass $25/mt, a spike unseen since January - then fell back to about $18/mt.

In Northwest Europe, rates for Aframax firmed in mid-month on stronger activity in the North Sea and Baltic, with support coming from the Caribbean Aframax market. Rates surged to the highest level since January, but the market lost steam after cargoes got covered.





Rates on product tankers were relatively steady except for the Aframax Middle East – Japan route which saw rates ramp up in the second half of July to the highest since August 2013. Monthly loadings were at the highest since January 2008, reportedly driven mostly by naphtha, as Japanese refiners ran at very low rates – increasing import demand from the petrochemical sector.

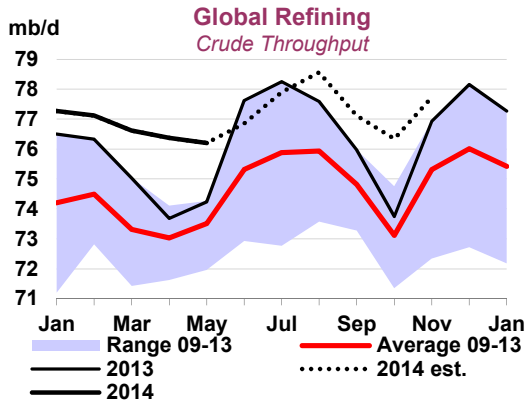
The 38kt Caribbean – USAC route posted stronger rates as the gasoline arbitrage window opened. The Caribbean-USAC route had a knock-on effect on the 37kt UK-USAC route – prompting ship owners even to fix at a discount to bring vessels to the East Atlantic.

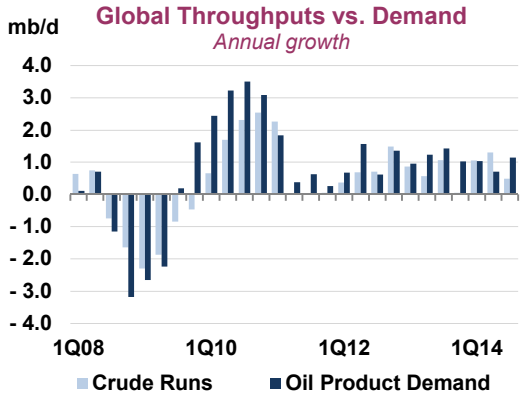
REFINING

Summary

- **Global refinery activity saw diverging trends in June, with a counter-seasonal fall in OECD throughputs contrasting with record-high runs in several key non-OECD countries.** OECD refinery crude oil intake plunged by 1.9 mb/d from a year earlier. In contrast, throughput levels in China, Brazil, Russia and Saudi Arabia hit record highs. Global refinery runs are now estimated at 76.5 mb/d for 2Q14, up 1.3 mb/d year-on-year (y-o-y), and 0.2 mb/d higher than in our last Report.

- **The forecast of global refinery runs for 3Q14 is unchanged at 77.8 mb/d.** While throughputs are rising seasonally through August, annual gains are expected to ease to 0.6 mb/d, in part due to a high baseline last year. Global refinery output exceeded product demand in recent months, keeping a lid on refinery margins and leading some refiners to scale back runs.





- **OECD refinery runs plummeted counter-seasonally in June to 35.7mb/d, a steep 1.9 mb/d y-o-y drop.** In Japan, the effect of peak seasonal maintenance was compounded by reductions in capacity, sending runs to 25-year lows. Unscheduled outages took US throughputs lower, while persistently poor European margins, despite several plant closures, led European refiners to scale back runs. Preliminary data show US and Japanese activity rebounding in July, and European refinery runs rising seasonally.

- **Refinery margins continued their rebound** into early-July after low OECD refinery runs in June helped to tighten supply and push up product prices. However, this upward momentum was short-lived. From mid-July onwards, margins retreated steeply after refiners increased throughputs. On a monthly average basis, margins in Europe and Singapore rose after benchmark crude prices weakened, while US refiners were negatively affected by the relative strength of domestic grades.

Global Refinery Overview

After months of robust growth, a counter-seasonal decline in OECD throughputs in June caused global refinery crude runs to contract y-o-y for the first time since October 2013. OECD refinery activity slumped as economically motivated run cuts compounded the effect of scheduled and unscheduled outages and refinery closures to take total throughputs 1.9 mb/d below the previous year. Both US and Japanese runs fell short of expectations due to high offline capacity. Japanese runs were at their weakest in 25 years, and US refiners missed their seasonal upswing ahead of the summer driving season as storms in the Gulf Coast caused unplanned outages. European refinery runs, meanwhile, contracted by 1.1 mb/d y-o-y, their steepest deficit in nine months.

In contrast, non-OECD throughputs showed remarkable strength in June, with several large refining countries posting record-high throughputs. Chinese refinery runs hit new highs in June of some 10.2 mb/d. After months of subdued runs, a monthly increase of 675 kb/d took runs 5.3% above year-earlier levels. Industry surveys of refinery plans suggest that the surge could have been temporary, however, and that operators already started scaling back runs in July. Russian crude runs also hit an all-time high in June at close to 6.0 mb/d. For the first half of 2014, Russia increased crude processing by 380 kb/d, or 7.1%, and exported most of the incremental output. As in China, refinery activity was pared back in July, earlier in the season than usual. After a brief respite in May, Brazilian refinery runs bounced back to record highs in June. Lastly, Middle Eastern throughputs, led by Saudi Arabia, surged in May (the most recent month for which data are available) to their highest level yet – almost 1 mb/d higher than a year earlier. Our estimates peg them higher still in June and coming months.

Global Refinery Crude Throughput[1] [2]

(million barrels per day)

	1Q2014	Apr 14	May 14	Jun 14	**2Q2014**	Jul 14	Aug 14	Sep 14	**3Q2014**	Oct 14	Nov 14
Americas	**18.3**	18.9	18.8	18.9	**18.9**	19.6	19.3	19.0	**19.3**	18.4	18.8
Europe	**11.1**	11.3	11.2	10.9	**11.1**	11.4	11.5	11.3	**11.4**	11.1	11.2
Asia Oceania	**6.9**	6.4	6.0	5.9	**6.1**	6.4	6.6	6.3	**6.4**	6.1	6.6
Total OECD	**36.3**	36.6	36.1	35.7	**36.1**	37.5	37.5	36.6	**37.2**	35.6	36.6
FSU	**7.1**	6.7	7.1	7.2	**7.0**	7.1	7.1	6.6	**6.9**	6.6	7.0
Non-OECD Europe	**0.4**	0.5	0.5	0.4	**0.5**	0.5	0.5	0.4	**0.5**	0.5	0.5
China	**9.8**	9.6	9.5	10.2	**9.8**	9.9	10.0	9.9	**9.9**	10.0	10.0
Other Asia	**10.1**	9.7	9.7	9.8	**9.7**	9.7	10.1	10.1	**10.0**	10.1	10.0
Latin America	**4.9**	4.8	4.7	4.9	**4.8**	4.8	4.9	4.8	**4.8**	4.8	4.8
Middle East	**6.3**	6.2	6.5	6.4	**6.4**	6.3	6.4	6.5	**6.4**	6.7	6.7
Africa	**2.2**	2.3	2.2	2.2	**2.2**	2.1	2.1	2.1	**2.1**	2.1	2.1
Total Non-OECD	**40.7**	39.8	40.1	41.2	**40.4**	40.4	41.0	40.5	**40.7**	40.7	41.1
Total	**77.0**	76.4	76.2	76.9	**76.5**	77.9	78.5	77.1	**77.8**	76.3	77.7

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

2 From the report dated 10 August, 2012 OECD Americas include Chile and OECD Asia Oceania includes Israel.

Preliminary data for July show both US and Japanese refinery runs rebounding steeply. Weekly data show US refinery runs reaching a record high of 16.5 mb/d for the month on average, a full 720 kb/d increase from the previous month. Japanese refinery throughputs also rebounded, while a recovery in margins in early July likely lifted European runs. Preliminary data released by Euroilstocks on 11 August indicate European runs remained firmly below year-earlier levels, though rising seasonally..

While recently announced capacity reductions by Italy's Eni had been largely expected, the news in late July that privately-held Klesch Group had agreed to buy the Milford Haven refinery in the UK from Murphy Oil and save it from closure came more as a surprise.

Refinery Margins

Refinery margins continued their rebound into early-July after low refinery runs in June put downward pressure on crude prices and helped to tighten product supply and push up product prices. This upward momentum was short-lived, however, as from mid-July onwards margins retreated sharply after refiners increased throughputs and product prices weakened again. Nonetheless, on a monthly basis, margins in Europe and Singapore rose after benchmark crudes there weakened, while US refiners were negatively affected by the relative strength of domestic grades.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Apr 14	May 14	Jun 14	Jul 14	Jul 14-Jun 14	11 Jul	18 Jul	25 Jul	01 Aug	08 Aug
NW Europe										
Brent (Cracking)	4.49	1.72	1.75	3.96	2.21	5.19	4.48	2.64	3.63	3.32
Urals (Cracking)	4.13	1.84	3.18	4.53	1.35	5.60	5.37	3.57	3.48	3.43
Brent (Hydroskimming)	-0.85	-3.17	-3.56	-1.94	1.62	-0.86	-1.45	-3.09	-2.09	-2.27
Urals (Hydroskimming)	-3.32	-5.36	-4.20	-2.79	1.41	-2.32	-1.81	-3.28	-3.23	-2.92
Mediterranean										
Es Sider (Cracking)	5.61	3.24	2.80	5.20	2.39	6.12	5.71	4.05	5.28	5.05
Urals (Cracking)	4.18	2.56	2.65	4.74	2.09	5.38	5.72	4.23	4.02	3.64
Es Sider (Hydroskimming)	0.86	-1.12	-1.68	-0.02	1.66	1.09	0.43	-1.24	-0.18	-0.38
Urals (Hydroskimming)	-4.04	-5.45	-5.25	-3.41	1.84	-3.01	-2.29	-3.72	-3.99	-4.08
US Gulf Coast										
50/50 HLS/LLS (Cracking)	13.15	10.83	8.83	6.94	-1.89	7.90	6.64	4.09	8.37	9.49
Mars (Cracking)	7.25	5.08	3.73	0.51	-3.22	1.77	0.62	-2.69	1.48	3.13
ASCI (Cracking)	7.13	5.32	3.93	0.40	-3.53	1.54	0.30	-2.71	1.42	2.99
50/50 HLS/LLS (Coking)	14.56	12.28	10.56	8.46	-2.11	9.45	8.06	5.54	10.09	11.46
50/50 Maya/Mars (Coking)	10.98	7.48	6.40	4.98	-1.42	6.28	5.18	2.35	5.04	6.21
ASCI (Coking)	12.72	10.13	8.70	5.39	-3.31	6.70	5.16	2.10	6.39	7.92
US Midcon										
WTI (Cracking)	18.49	15.65	16.05	9.88	-6.17	11.19	10.18	5.49	11.32	15.37
30/70 WCS/Bakken (Cracking)	20.66	19.43	20.62	17.66	-2.96	17.55	17.81	16.83	18.99	22.52
Bakken (Cracking)	24.11	22.26	23.23	19.81	-3.42	19.83	19.67	18.53	21.28	24.83
WTI (Coking)	20.49	17.53	18.27	11.62	-6.65	12.98	11.78	7.11	13.27	17.77
30/70 WCS/Bakken (Coking)	24.59	22.57	23.72	20.70	-3.02	20.67	20.73	19.74	22.10	25.97
Bakken (Coking)	24.66	22.80	23.95	20.28	-3.67	20.34	20.06	18.93	21.85	25.65
Singapore										
Dubai (Hydroskimming)	-2.44	-3.05	-4.34	-4.30	0.05	-4.57	-3.45	-4.42	-4.48	-3.91
Tapis (Hydroskimming)	-0.32	-0.81	-1.97	0.96	2.93	0.86	2.14	0.42	1.44	1.69
Dubai (Hydrocracking)	4.83	3.77	2.06	2.14	0.08	2.15	3.04	1.65	1.26	1.53
Tapis (Hydrocracking)	2.94	1.84	0.64	4.14	3.50	4.24	5.45	3.39	3.87	3.64

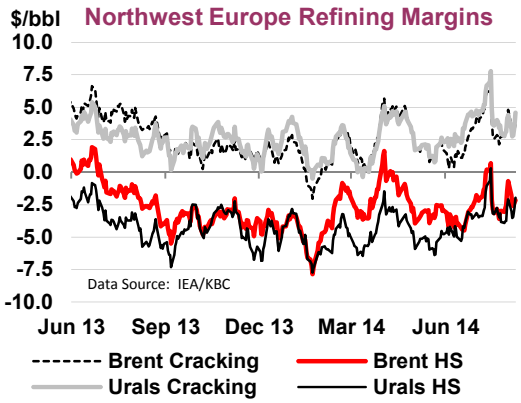
1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. Consequently, reported margins should 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 crude for pricing purposes.

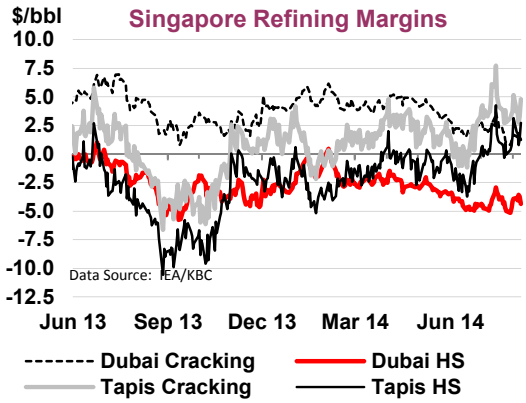
Source: IEA, KBC Advanced Technologies (KBC)

Northwest European refining margins strengthened by $1.65/bbl on average in July as Brent and Urals came off their recent highs amid low regional runs. Margins peaked in mid-month as regional throughputs reached a likely nadir, only to slip again as refiners subsequently came back. Although Brent margins improved more than Urals margins on a monthly average basis, Urals margins at complex refineries surpassed those for Brent in mid-month to briefly exceed $7.50/bbl, their highest since 1Q13. One reason for this was low regional demand for Urals, which saw its differential to Brent narrow sharply. While crack spreads weakened for light products, refiners benefitted from strength in the middle of the barrel, notably for jet kerosene, regional demand for which remained relatively strong.

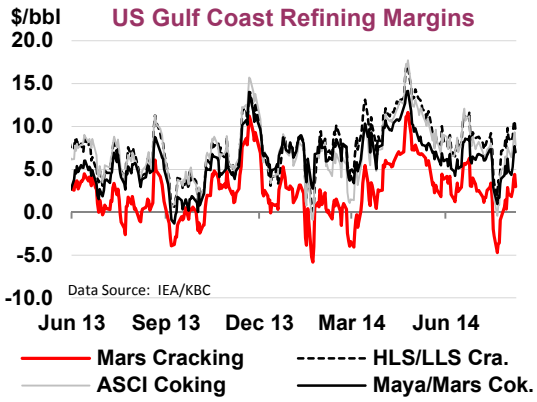
Refiners in the Mediterranean posted the strongest gains among surveyed markets. Margins in the region rose by $2/bbl on a monthly average basis as the weakening of benchmark grades outstripped declines in product prices. The resumption of limited Libyan exports saw Es Sider weaken by $5/bbl on average over the month while Urals dropped by $4/bbl. As in Northwest Europe, margins for more complex refiners benefitted from jet kerosene prices which held up well compared to other middle and

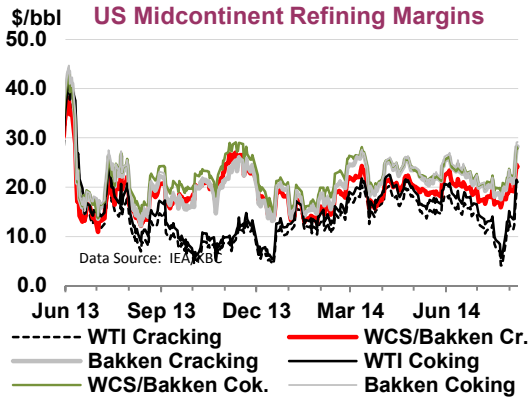
light distillates. In contrast, gains for simple refiners were muted due to their exposure to depressed fuel oil markets.





In Singapore, margins improved by $1.65/bbl on average, but lost ground after peaking in mid-month as refiners likely hiked throughputs. Refiners running sour Dubai were at a distinct disadvantage after the grade held its price better than Malaysian Tapis, which weakened due to a reported high number of unsold light, sweet West African cargoes in the region. Thus, Dubai margins firmed by just $0.06/bbl on average, compared to gains of $3.20/bbl for Tapis. Complex refiners running Tapis saw their margins rise by an even steeper $3.50/bbl over the month as product prices at the light end of the barrel held up better than those at the middle and bottom.





In the US, refiners saw margins weaken as crude prices strengthened with surging refinery throughputs. On the Gulf Coast, the Mars cracking margin plummeted into negative territory for the first time since March as the grade strengthened by $5.70/bbl and gasoline and fuel oil cracks declined. At the time of writing, cracks had returned to positive territory as Mars weakened once again. In the Midcontinent, refiners running WTI saw margins slump below $10/bbl, their lowest levels since January, as the grade took strength from a drop in inventories at the Cushing, Oklahoma storage hub to their lowest level in over five years. In comparison refiners running Bakken and West Canada Select (WCS) saw their margins buttressed as these grades inched down across the month, but refiners were nonetheless negatively affected by product price falls.

OECD Refinery Throughput

OECD refinery crude intake fell 380 kb/d in June, to average 35.7 mb/d, with declines in Europe and Asia Oceania partly offset by a slight increase in the Americas. The slump in refinery activity was counter-seasonal, causing total OECD throughputs to plunge by a massive 1.9 mb/d below year-earlier levels. The steepest declines came from Europe, where refinery runs fell by 360 kb/d on the month and 1.1 mb/d on

the year. At 10.9 mb/d, regional runs were at their lowest since last October. Throughputs fell short of year-earlier levels also in Asia Oceania and the Americas, by 620 kb/d and 180 kb/d, respectively.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

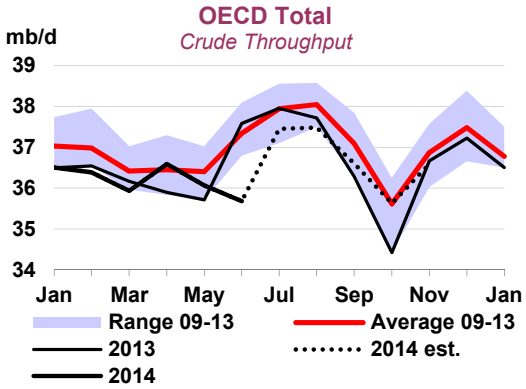
	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Change from May 14	Change from Jun 13	Utilisation rate[1] Jun 14	Utilisation rate[1] Jun 13
US[2]	15.30	15.12	15.13	15.87	15.94	15.79	-0.15	-0.04	88.0%	88.3%
Canada	1.76	1.87	1.63	1.59	1.54	1.73	0.19	-0.05	94.5%	92.6%
Chile	0.18	0.17	0.17	0.18	0.18	0.17	-0.01	-0.01	76.7%	82.6%
Mexico	1.20	1.08	1.18	1.25	1.13	1.22	0.09	-0.08	73.8%	78.5%
OECD Americas	**18.44**	**18.25**	**18.11**	**18.89**	**18.80**	**18.91**	**0.12**	**-0.18**	**87.3%**	**87.9%**
France	1.08	1.07	1.04	1.08	1.01	1.05	0.04	-0.23	75.2%	91.3%
Germany	1.89	1.90	1.81	1.95	1.80	1.63	-0.16	-0.33	80.8%	96.9%
Italy	1.29	1.17	1.05	1.08	1.17	1.19	0.01	-0.08	60.6%	60.7%
Netherlands	1.01	1.04	1.00	1.01	0.98	0.95	-0.02	-0.03	74.0%	76.5%
Spain	1.06	1.13	1.15	1.13	1.25	1.23	-0.03	0.01	80.8%	79.9%
United Kingdom	1.19	1.10	1.19	1.17	1.14	1.05	-0.09	-0.26	67.1%	83.8%
Other OECD Europe	3.65	3.83	3.73	3.85	3.89	3.78	-0.11	-0.19	75.9%	79.6%
OECD Europe	**11.17**	**11.25**	**10.98**	**11.26**	**11.25**	**10.88**	**-0.36**	**-1.10**	**73.9%**	**80.6%**
Japan	3.43	3.46	3.38	3.16	2.80	2.52	-0.28	-0.45	62.3%	64.5%
South Korea	2.51	2.47	2.55	2.35	2.41	2.43	0.02	-0.17	79.6%	85.0%
Other Asia Oceania	0.95	0.97	0.93	0.93	0.80	0.93	0.13	-0.01	76.2%	76.8%
OECD Asia Oceania	**6.89**	**6.90**	**6.85**	**6.44**	**6.02**	**5.88**	**-0.14**	**-0.63**	**70.7%**	**73.2%**
OECD Total	**36.50**	**36.39**	**35.94**	**36.59**	**36.06**	**35.67**	**-0.39**	**-1.91**	**79.8%**	**82.7%**

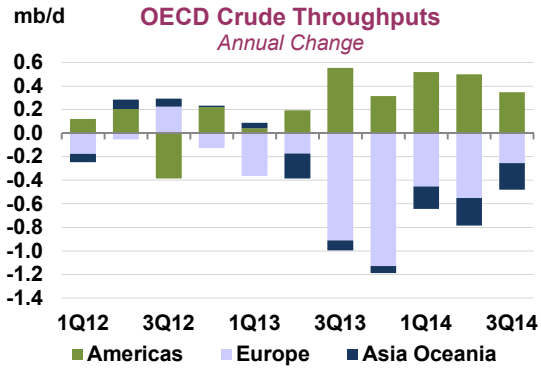
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

While OECD refinery activity continues to be weighed down by poor margins and weak underlying demand, June's poor showing is expected to be temporary as it was amplified by exceptionally high outages in the US and Japan, both scheduled and unscheduled. Japanese runs plummeted to 25-year lows as heavy maintenance and recently completed refinery shutdowns curbed activity. US throughputs fell short of expectations as storm damage caused unscheduled outages on the Gulf Coast.

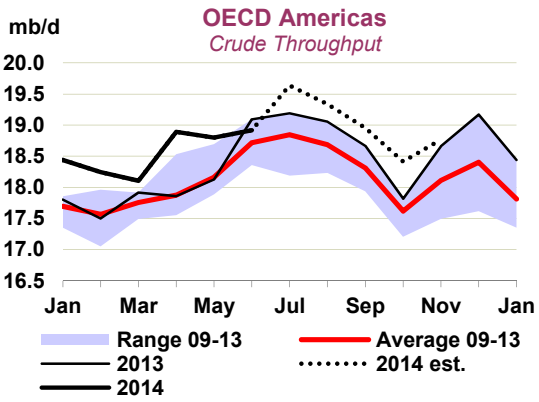


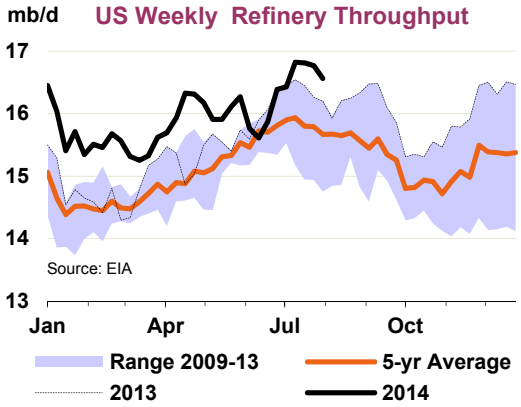


Indeed, preliminary data for July point to a sharp rebound in both US and Japanese throughputs. The former surged by 720 kb/d to 16.5 mb/d, their highest on record, while Japanese refiners increased intake by 460 kb/d on average, to 3.0 mb/d. Recently released data from Euroilstocks show European

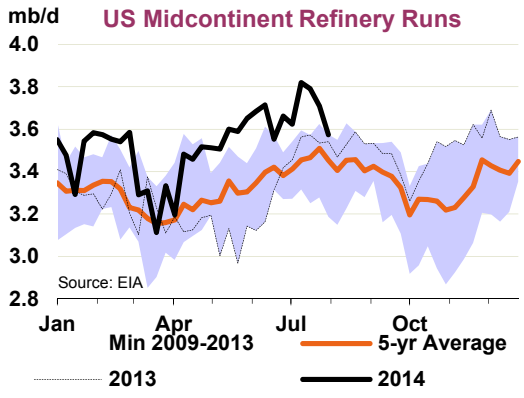
refiners also lifted runs in July as maintenance was completed and margins improved somewhat early-month. In all, we now estimate regional runs look to have risen by 560 kb/d in July to 11.4 mb/d, and OECD runs to have risen 1.8 mb/d to 37.5 mb/d.

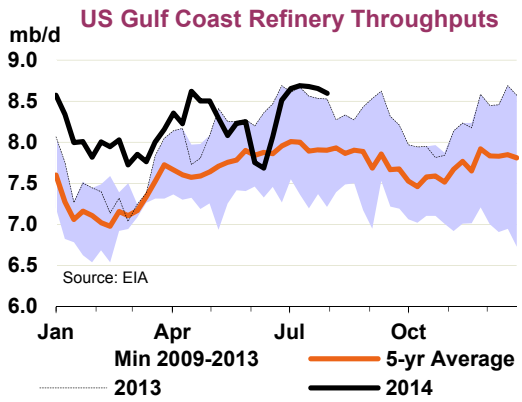
The monthly increase in US throughputs in July stemmed largely from a rebound on the Gulf Coast, accounting for 75% of the gains (or 550 kb/d). PADD 3 throughputs had been surprisingly low in June as unscheduled outages compounded the effect of planned maintenance. Amongst others, Marathon had to shut one of two crude units at its 522 kb/d Garyville refinery at the end of May, as a tornado damaged a cooling water system supporting the unit. Exxon's Beaumont refinery also only resumed full rates at the end of June, after having completed a seven-week overhaul of the plant's 240 kb/d sour crude distillation unit.



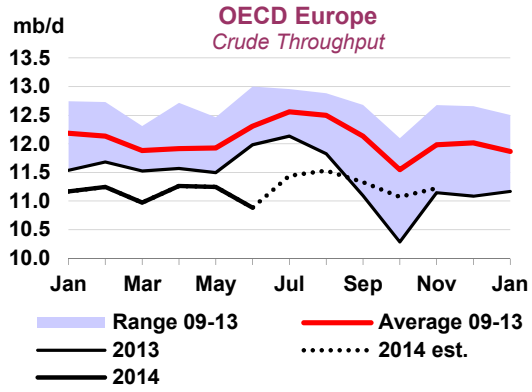


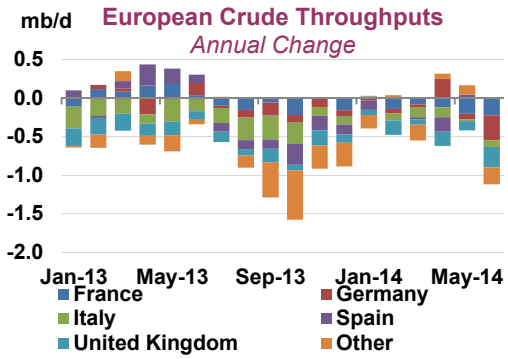
On average, US Gulf Coast refiners pushed utilisation rates to 95% in July, while Midcontinent operators averaged 97% for the month, and even pushed plants to 100% in mid-month. Such rates are not seen as sustainable over time, and indeed the most recent data show operating levels came down towards the end of the month. A fire at CVR Energy Inc's 115 kb/d Coffeyville, Kansas, refinery on 29 July lowered runs in the Midcontinent. The fire was quickly extinguished but led to a drop in US crude prices, as the plant, located near the Cushing storage hub, is a large consumer of WTI. The company said that it could be shut for four weeks.





European refinery runs plunged 360 kb/d, to 10.9 mb/d, in June, their lowest since October 2013 and a massive 1.1 mb/d below year-earlier levels. France, Germany and the UK all saw runs some 200 kb/d to 300 kb/d below the previous year. The month-on-month (m-o-m) decline stemmed from Germany (-160 kb/d), the UK (-90 kb/d), Greece (-65 kb/d) and Belgium (-45 kb/d). Total was reported to have halted its 227 kb/d Leuna refinery in Germany for a six-week period starting in early June.



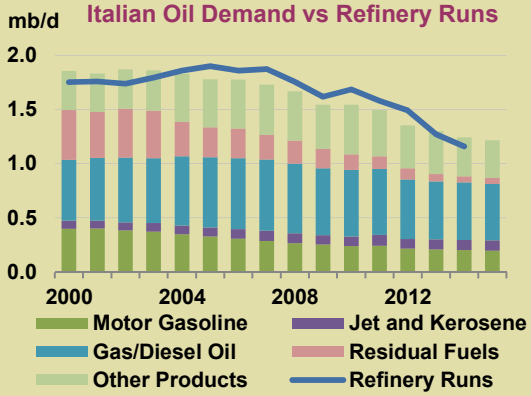


UK throughputs were curbed by the shutdown of Murphy Oil's 135 kb/d Milford Haven refinery in May, after the company failed to strike a deal with the London-based private equity fund Grey Bull. At the end of July, however, Murphy Oil announced that it had reached an agreement to sell the plant to the Swiss-based Klesch group. The deal is expected to be completed by 31 October, after which the refinery is set to resume operations. Also in the UK, India's Essar is reportedly going ahead with plans, first announced in February, to mothball 100 kb/d of capacity at its 296 kb/d Stanlow refinery later this year.

While a seasonal uptick in European refinery throughputs was expected for July, regional refinery activity will likely remain subdued through 3Q14, as refinery margins remain under pressure. A short-lived recovery in regional benchmark margins in July was not enough to sustain higher throughputs near year-earlier levels. Preliminary data from Euroilstocks show regional runs increased seasonally as expected, though runs remained firmly in contractionary territory compared with the previous year. In early August, BP closed one of two 200 kb/d crude units at its Rotterdam refinery for maintenance. Statoil's Mongstad refinery and Repsol's Cartagena refineries are among plants planning shutdowns in September/October.

Italy's Refining Industry Restructuring yet to Run its Course

Italy's refinery industry has long been under pressure due to declining domestic demand and increased competition from competitors abroad. Eni's latest strategic plan, calling for the closure or conversion of a further three refineries, reducing the company's refining capacity by more than 50% (from a previous plan of a 35% reduction), nevertheless came as a blow to the industry and employees who see Italy's entire industrial future at risk. Italy's three largest oil industry unions promptly called for a one-day strike on 29 July for all of Eni's domestic employees in protest of the plan.



The restructuring of Italy's refinery industry has already started, with four plants shut or converted since 2011. Eni closed its Porto Marghera refinery in Venice in 2013, and subsequently converted it to a green refinery. The plant now processes domestic and imported biofuels into green drop-in biofuels, mainly green hydrotreated vegetable oil *(see 'A New Green Start for Italy's Venice Refinery' in OMR dated 11 April 2014).* The company's Gela, Sicily, refinery has also been partially shut since March 2014, after earlier plans to invest $700 million to upgrade the plant were abandoned. Other companies have shut or converted a further three plants since 2011, including Tamoil's Cremona plant, Raffineria di Roma's Rome refinery and most recently MOL's Mantova plant. Including Porto Marghera, crude processing capacity has been cut by a total of 330 kb/d. Yet, Italy still has 11 operating fuels refineries (not including Alma's Ravenna bitumen refinery), with combined primary distillation capacity of 1.8 mb/d. Some of those plants are relatively small and unsophisticated. Eni's recently announced plan to idle another three refineries, assuming they are indeed shut or converted into terminals rather than sold,

Italy's Refining Industry Restructuring yet to Run its Course (continued)

would reduce Italy's primary distillation capacity to 1.6 mb/d, still up on current demand estimates for 2014 and 2015 of around 1.2 mb/d.

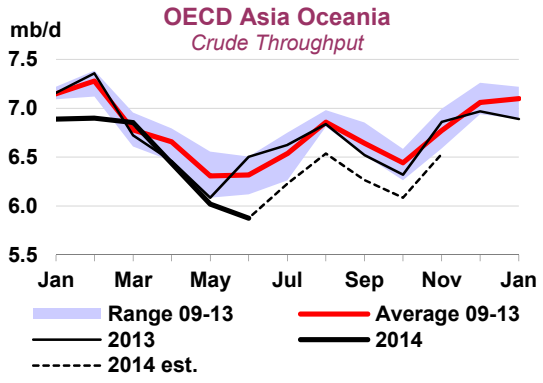
Meanwhile, product exports have fallen from 640 kb/d in 2007 to 500 kb/d in 2013, and 390 kb/d for the first five months of 2014. On a net basis, product trade has fallen from net exports of 390 kb/d in 2007 to net exports of 245 kb/d in 2013 on increased competition from Russia, Asia, the Middle East and the US, and declining demand in key export markets in OECD and non-OECD Europe. So however disruptive and difficult to accept recent and planned capacity closures might be for those directly affected, on balance it looks like consolidation in Italy's refining industry might not have run its course just yet.

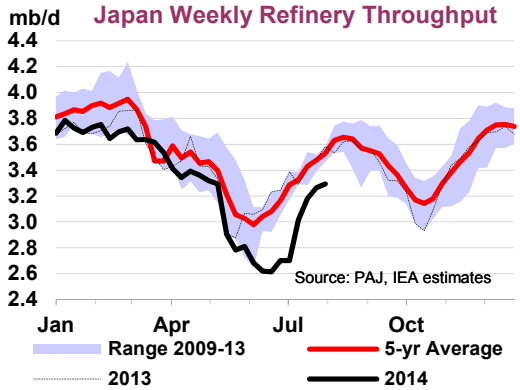
Italian Refinery Capacity

Refinery	Owner	Status	Shut CDU Capacity	Current CDU Capacity	Nelson Complexity Index
Gela	Eni	Operating		105	13.9
Livorno	Eni	Operating		84	9.7
Porto Marghera	Eni	Converted to Green Refinery	80	0	6
Sannazzaro, Pavia	Eni	Operating		237	10.3
Taranto	Eni	Operating		84	9.9
Falconara	API	Operating		83	10.9
Ravenna*	Alma	Operating		11	1.1
Augusta, Siracusa	ExxonMobil	Operating		198	10
Frassino, Mantova	MOL	Converted to Terminal	69	0	7.4
Busalla	Iplom	Operating		40	5.4
Priolo	ISAB	Operating		368	9.1
Milazzo	Raffineria di Milazzo	Operating		206	8.4
Rome	Raffineria di Roma	Converted to Terminal	89	0	5.3
Sarroch	Saras	Operating		300	10.3
Cremona	Tamoil Raffinazione SPA	Closed	94	0	NA
Trecate	Sarpom	Operating		126	6.9
Total			**332**	**1842**	

* Bitumen refinery

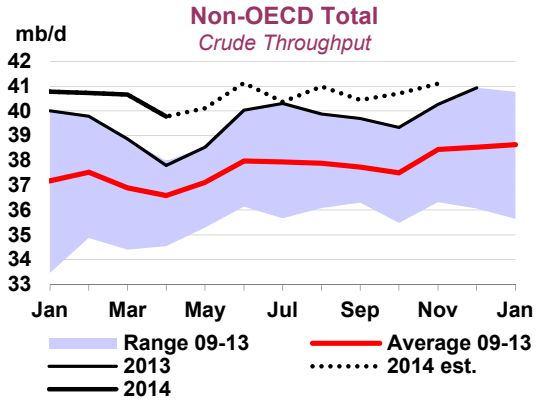
Crude throughputs in **OECD Asia Oceania** extended earlier declines in June, taking regional runs to their lowest level since June 1995. The monthly declines of close to 0.3 mb/d in Japan was partly offset by increased runs in Australia where two refineries had been in maintenance in May. Australian throughputs will be curbed again in the second half of this year, after Caltex completes the shutdown of its 125 kb/d Kurnell refinery. After plunging to 25-year lows in June, Japanese refinery runs rebounded sharply in July, to 3.0 mb/d, according to preliminary weekly data (adjusting for NGLs).

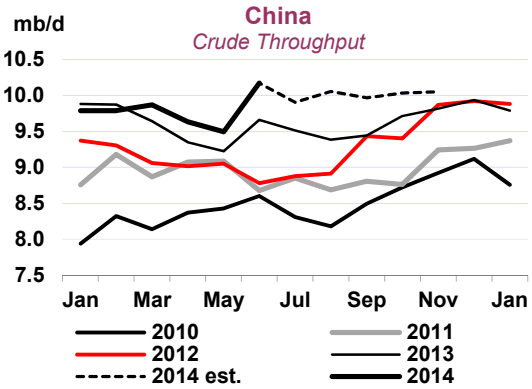




Non-OECD Refinery Throughput

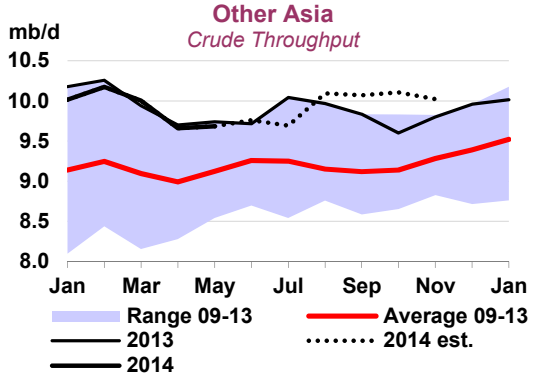
As 2Q14 data continues to trickle in, **non-OECD** refinery throughputs look set to post annual gains of nearly 1.6 mb/d for the quarter and 1.4 mb/d for 1H14 on average. Most recent data showed several countries processing record amounts of crude in June, a month when OECD refinery activity surprised to the downside. After months of subdued activity, Chinese refinery runs surged by 675 kb/d m-o-m, to a record high. Russian and Brazilian refinery throughputs also hit new highs, shooting up by 200 kb/d and 180 kb/d, respectively. Saudi Arabian refinery runs reached a record level in May, and likely increased further in June, lifting regional runs almost 1 mb/d above a year earlier. In all, 2Q14 non-OECD refinery crude runs averaged 40.4 mb/d. While runs are forecast to rise to 40.7 mb/d in 3Q14, annual growth eases from 1.6 mb/d in 2Q14 to 0.7 mb/d in 3Q14.

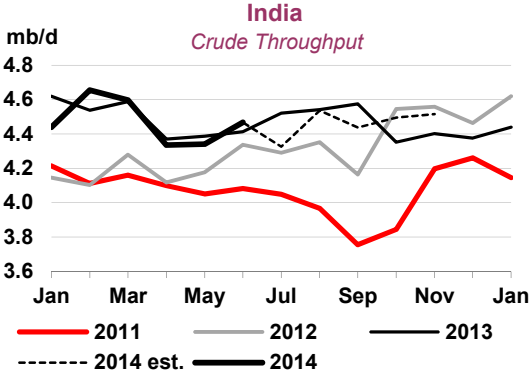




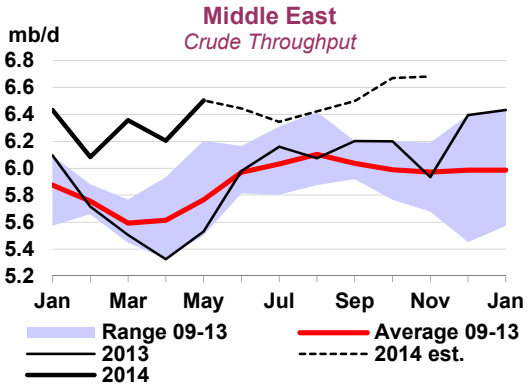
Chinese refinery throughputs rose to record 10.2 mb/d in June, 0.2 mb/d higher than our previous forecast, from 9.5 mb/d in May. Refinery maintenance was scaled back from the April-May period, when an average of around 900 kb/d of capacity was offline, to only around 400 kb/d of capacity shut in June. While maintenance schedules and refinery shutdowns were relatively unchanged from June to July, company surveys indicate refiners throttled back runs in July, in due in part to weak underlying demand and poor margins. Maintenance work at PetroChina's Lanzhou and Jinzhou refineries was also expected to curb runs in July and into early August.

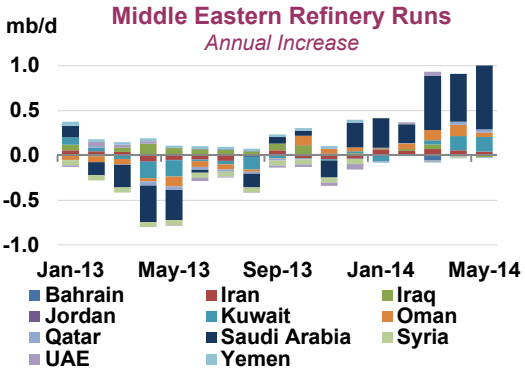
Indian refiners boosted crude runs to 4.5 mb/d in June, from 4.3 mb/d a month earlier. The increase came despite maintenance work at IOC's 300 kb/d Panipat and 275 kb/d Koyali refineries during the month. Throughputs are expected to have fallen in July, as Essar had to reduce activity at its Vadinar refinery, due to repair work on a pipeline feeding the plant. A fire on 20 June also forced the shutdown of BPCL's 180 kb/d Bathinda refinery, after which the management decided to move up maintenance scheduled for later in the year. On the other hand, BORL postponed maintenance for its 120 kb/d Bina refinery from September this year to early 2015.





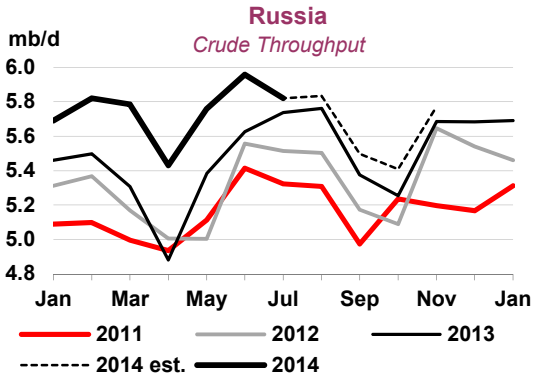
Middle Eastern refinery crude runs posted annual gains of almost 1 mb/d in May, averaging 6.5 mb/d in total. Growth stemmed largely from **Saudi Arabia**, whose new 400 kb/d Jubail refinery is ramping up to capacity, and where maintenance had kept year-earlier runs unusually low. Saudi Arabian throughputs were an impressive 700 kb/d above year-earlier levels according to JODI data. Further gains are expected in the Kingdom's downstream sector later this year, if the 400 kb/d Yanbu refinery, jointly owned by Saudi Aramco and China's Sinopec, starts operations. The latest announcement from the Kingdom was that the construction was proceeding according to plan and that the plant would be fully operational in 3Q14. The refinery will process heavy crude from the Manifa oil field.

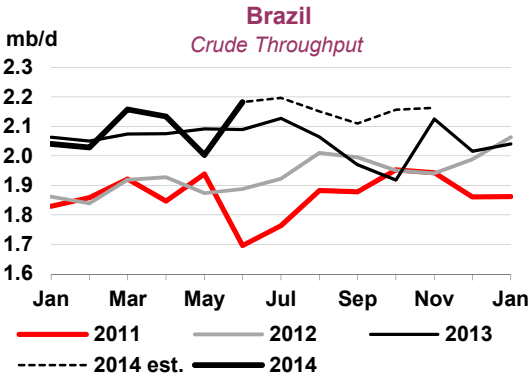




Iraq's largest refinery, the 320 kb/d Baiji plant, remained under siege in early August, with fresh attacks from Islamic State militants causing a fire and damage to storage tanks. The Baiji refinery has been the source of intense fighting since June, with Iraqi forces so far keeping IS forces at bay. We assume that the plant, which reportedly processed around 190 kb/d of crude prior to its shutdown, will remain offline for the remainder of this year.

Refinery activity in the **Former Soviet Union** looks to have peaked in June, when **Russian** refiners processed a record 5.96 mb/d. Preliminary data show Russian refinery runs eased in June, to 5.8 mb/d. A deadly fire and explosion at Rosneft's 140 kb/d Achinsk refinery in June forced a prolonged shutdown of the plant. The refinery, which was undergoing maintenance at the time of the accident, will likely be restarted in the fall of 2014. In **Belarus**, maintenance at Belneftekhim's 320 kb/d Mozyr plant and 220 kb/d Novopoltsk facility during August-October will sharply curb product exports in coming months.





Brazilian refinery crude runs rose 180 kb/d in June, to 2.2 mb/d, their highest yet. Petrobras' new 230 kb/d Abreu e Lima refinery (RNEST) is expected to start running at half capacity in November, before the second crude unit is brought on line in mid-2015. The refinery, which has faced numerous delays and cost overruns, will process heavy Brazilian and Venezuelan crude, once fully operational later next year.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.7	23.8	24.2	24.3	24.0	23.9	23.7	24.2	24.5	24.1	23.9	23.9	24.2	24.4	24.1
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.6	13.0	13.5	13.9	13.7	13.6	13.2	13.6	13.9	13.5	13.5
Asia Oceania[3]	8.1	8.5	8.9	7.8	8.0	8.6	8.3	8.8	7.7	7.9	8.4	8.2	8.6	7.5	7.8	8.4	8.1
Total OECD	46.4	45.9	45.8	45.5	46.2	46.5	46.0	45.7	44.8	46.1	46.7	45.8	45.7	45.0	45.9	46.3	45.7
NON-OECD DEMAND																	
FSU	4.5	4.6	4.4	4.6	4.9	4.9	4.7	4.6	4.8	4.9	4.9	4.8	4.6	4.8	5.0	5.0	4.8
Europe	0.7	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	9.4	9.8	9.8	10.0	10.1	10.2	10.0	10.0	10.2	10.4	10.6	10.3	10.5	10.6	10.8	11.0	10.7
Other Asia	11.2	11.6	11.9	11.9	11.6	12.0	11.9	12.2	12.2	12.0	12.4	12.2	12.7	12.6	12.3	12.8	12.6
Americas	6.2	6.4	6.4	6.6	6.8	6.8	6.6	6.6	6.8	6.9	6.9	6.8	6.7	6.9	7.0	7.0	6.9
Middle East	7.5	7.7	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.9	8.1	8.0	8.4	8.9	8.2	8.4
Africa	3.6	3.8	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0	4.1	4.2	4.1	4.2	4.2
Total Non-OECD	43.1	44.6	44.6	45.6	46.2	46.2	45.6	45.7	46.9	47.4	47.4	46.9	47.2	48.1	48.8	48.9	48.3
Total Demand[4]	**89.5**	**90.6**	**90.4**	**91.0**	**92.3**	**92.7**	**91.6**	**91.5**	**91.7**	**93.4**	**94.0**	**92.7**	**92.9**	**93.1**	**94.7**	**95.2**	**94.0**
OECD SUPPLY																	
Americas[1,7]	14.6	15.8	16.8	16.7	17.4	17.8	17.2	18.2	18.5	18.5	19.0	18.5	19.1	19.2	19.4	19.8	19.4
Europe[2]	3.8	3.5	3.4	3.3	3.2	3.4	3.3	3.5	3.3	3.0	3.3	3.3	3.4	3.2	3.1	3.4	3.3
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Total OECD	19.0	19.9	20.6	20.5	21.1	21.7	21.0	22.1	22.2	22.1	22.8	22.3	23.0	22.9	23.1	23.8	23.2
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.8	13.8	13.8	14.1	13.9	14.0	13.8	13.8	13.9	13.9	13.9	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3	4.4	4.3
Other Asia[5]	3.7	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.6	3.5
Americas[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.5	4.5	4.5
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.4	2.3	2.3	2.3	2.3
Total Non-OECD	29.9	29.5	29.5	29.4	29.2	29.9	29.5	29.8	29.6	29.4	29.6	29.6	29.9	29.8	29.7	29.9	29.8
Processing gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.5	2.1	2.1	1.8	2.2	2.6	2.2	2.2
Total Non-OPEC[5]	52.9	53.3	53.8	54.1	54.9	55.9	54.7	55.8	56.2	56.2	56.8	56.2	56.9	57.2	57.6	58.1	57.5
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.1								
NGLs	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.3	6.4	6.5	6.4	6.7	6.7	6.7	6.7	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	36.9	36.1	36.7	36.3	36.4								
Total Supply[9]	**88.6**	**90.9**	**90.5**	**91.3**	**91.8**	**91.9**	**91.4**	**92.1**	**92.6**								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	-0.1	0.4	-1.5	-0.2	0.2	1.0								
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0	-0.1								
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2	0.9								
Floating storage/Oil in transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3	-0.3								
Miscellaneous to balance[10]	-0.5	0.2	-0.4	0.5	-1.2	0.4	-0.2	0.2	0.3								
Total Stock Ch. & Misc	**-0.8**	**0.3**	**0.0**	**0.3**	**-0.5**	**-0.7**	**-0.2**	**0.6**	**0.8**								
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.7	31.0	30.4	30.7	31.2	30.6	30.7	29.4	29.2	30.8	30.8	30.0	29.3	29.3	30.5	30.4	29.9

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-0.3	-	0.1	-0.1	-	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-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 OECD	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1
NON-OECD DEMAND																	
FSU	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	-	0.1	0.1	0.1	0.1	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-0.1	-0.2	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2
Other Asia	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.2
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-0.1	-0.1	-0.1	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1
Africa	0.1	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
Total Non-OECD	0.5	0.4	0.1	0.3	0.3	0.3	0.3	0.1	0.2	0.1	-	0.1	0.1	0.1	0.1	-	0.1
Total Demand	**0.4**	**0.4**	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**	**-**	**-0.2**	**0.1**	**0.1**	**-**	**-**	**-0.1**	**-**	**-0.1**	**-0.1**
OECD SUPPLY																	
Americas	-	-	-	-	-0.1	-	-	-	0.1	0.1	-	0.1	-	-	0.2	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-0.1	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-0.1	-	-	-	0.1	0.2	0.1	0.1	-	-0.1	0.2	0.2	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	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	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Total Non-OECD	-0.1	-0.1	-0.2	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2	-0.1	-0.1
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-0.1	-0.1	-0.1	-0.1	-0.3	-0.2	-0.2	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.2	-	0.1	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-0.1	-0.1	-0.1
Total OPEC	-	-	-	-	-	-	-	-	-								
Total Supply	**-0.1**	**-0.1**	**-0.2**	**-0.2**	**-0.3**	**-0.2**	**-0.2**	**-0.2**	**-**								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-									
Government	-	-	-	-	-	-	-	-									
Total	-	-	-	-	-	-	-	-									
Floating storage/Oil in transit	-	-	-	-	-	-	-	-									
Miscellaneous to balance	-0.5	-0.5	-0.3	-0.4	-0.5	-0.5	-0.4	-0.2									
Total Stock Ch. & Misc	**-0.5**	**-0.5**	**-0.3**	**-0.4**	**-0.5**	**-0.5**	**-0.4**	**-0.2**	**0.2**								
Memo items:																	
Call on OPEC crude + Stock ch.	0.5	0.5	0.3	0.4	0.5	0.5	0.4	0.2	-0.1	0.1	0.3	0.1	0.2	0.1	-	-0.1	-

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

Table 2
SUMMARY OF GLOBAL OIL DEMAND

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.62	23.74	23.79	24.18	24.35	24.02	23.86	23.66	24.24	24.51	24.07	23.87	23.89	24.22	24.43	24.10
Europe[2]	13.80	13.21	13.83	13.99	13.55	13.65	13.02	13.52	13.93	13.75	13.56	13.18	13.58	13.85	13.48	13.53
Asia Oceania[3]	8.52	8.86	7.83	8.02	8.61	8.33	8.85	7.65	7.89	8.40	8.20	8.61	7.52	7.84	8.36	8.08
Total OECD	45.94	45.82	45.46	46.19	46.50	46.00	45.73	44.83	46.07	46.66	45.82	45.66	44.99	45.91	46.27	45.71
Asia	21.40	21.77	21.89	21.68	22.26	21.90	22.22	22.48	22.40	23.02	22.53	23.14	23.23	23.09	23.76	23.31
Middle East	7.75	7.54	7.93	8.39	7.72	7.90	7.79	8.20	8.61	7.90	8.12	7.98	8.38	8.87	8.25	8.37
Americas	6.42	6.37	6.60	6.76	6.76	6.62	6.58	6.80	6.89	6.88	6.79	6.71	6.90	7.05	7.04	6.93
FSU	4.61	4.43	4.63	4.91	4.92	4.73	4.59	4.77	4.91	4.86	4.78	4.60	4.79	5.03	4.96	4.84
Africa	3.78	3.89	3.90	3.74	3.83	3.84	3.91	3.99	3.92	4.04	3.97	4.12	4.15	4.11	4.25	4.16
Europe	0.65	0.62	0.65	0.66	0.68	0.65	0.65	0.67	0.66	0.68	0.66	0.66	0.68	0.68	0.69	0.68
Total Non-OECD	44.61	44.61	45.59	46.15	46.18	45.64	45.73	46.91	47.38	47.38	46.86	47.20	48.14	48.83	48.95	48.29
World	**90.55**	**90.42**	**91.05**	**92.35**	**92.68**	**91.63**	**91.46**	**91.74**	**93.45**	**94.04**	**92.68**	**92.87**	**93.12**	**94.74**	**95.22**	**94.00**
of which: US50	18.54	18.66	18.67	19.13	19.28	18.94	18.84	18.70	19.09	19.31	18.99	18.84	18.87	19.14	19.28	19.03
Europe 5*	8.36	8.05	8.33	8.31	8.10	8.20	7.89	8.02	8.26	8.19	8.09	7.95	8.07	8.15	7.99	8.04
China	9.80	9.82	9.99	10.09	10.21	10.03	9.98	10.25	10.42	10.63	10.32	10.46	10.61	10.78	10.98	10.71
Japan	4.69	5.05	4.08	4.28	4.72	4.53	5.02	3.87	4.08	4.47	4.36	4.72	3.80	4.02	4.43	4.24
India	3.75	3.87	3.85	3.55	3.81	3.77	3.93	3.94	3.67	3.90	3.86	4.04	4.07	3.77	4.01	3.97
Russia	3.40	3.31	3.42	3.69	3.60	3.51	3.46	3.56	3.66	3.52	3.55	3.43	3.55	3.76	3.63	3.60
Brazil	2.97	2.96	3.06	3.15	3.19	3.09	3.08	3.16	3.19	3.23	3.17	3.13	3.20	3.28	3.31	3.23
Saudi Arabia	2.97	2.76	3.09	3.35	2.88	3.02	2.85	3.25	3.47	2.91	3.12	2.93	3.30	3.59	3.10	3.23
Canada	2.35	2.38	2.40	2.38	2.40	2.39	2.41	2.36	2.44	2.43	2.41	2.34	2.34	2.42	2.42	2.38
Korea	2.32	2.33	2.29	2.27	2.40	2.32	2.36	2.32	2.30	2.42	2.35	2.41	2.24	2.32	2.41	2.34
Mexico	2.09	2.05	2.08	2.03	2.02	2.04	1.95	1.97	2.05	2.10	2.02	2.01	2.03	2.01	2.07	2.03
Iran	1.79	1.79	1.80	1.80	1.79	1.79	1.84	1.84	1.84	1.84	1.84	1.89	1.90	1.89	1.88	1.89
Total	**63.03**	**63.02**	**63.06**	**64.03**	**64.40**	**63.64**	**63.61**	**63.24**	**64.48**	**64.95**	**64.07**	**64.15**	**63.98**	**65.13**	**65.50**	**64.69**
% of World	69.6%	69.7%	69.3%	69.3%	69.5%	69.4%	69.5%	68.9%	69.0%	69.1%	69.1%	69.1%	68.7%	68.7%	68.8%	68.8%
Annual Change (% per annum)																
Americas[1]	-1.6	1.5	0.9	1.9	2.4	1.7	0.5	-0.6	0.3	0.7	0.2	0.0	1.0	-0.1	-0.3	0.1
Europe[2]	-3.2	-3.9	-0.2	0.8	-1.2	-1.1	-1.5	-2.3	-0.4	1.4	-0.7	1.3	0.5	-0.6	-1.9	-0.2
Asia Oceania[3]	4.6	-2.7	-2.1	-2.8	-1.5	-2.3	-0.2	-2.3	-1.6	-2.3	-1.6	-2.6	-1.7	-0.6	-0.5	-1.4
Total OECD	-1.01	-0.90	0.04	0.71	0.60	0.11	-0.19	-1.38	-0.28	0.33	-0.38	-0.15	0.35	-0.33	-0.82	-0.24
Asia	4.0	3.4	3.2	2.3	0.5	2.3	2.1	2.7	3.3	3.4	2.9	4.1	3.3	3.1	3.2	3.4
Middle East	3.7	4.9	2.2	1.2	-0.2	1.9	3.3	3.4	2.5	2.2	2.9	2.4	2.3	3.1	4.4	3.1
Americas	3.3	2.9	3.5	3.5	2.6	3.1	3.4	3.0	1.9	1.8	2.5	2.0	1.5	2.3	2.3	2.0
FSU	1.4	0.1	1.8	3.6	4.0	2.5	3.5	3.2	-0.1	-1.2	1.2	0.2	0.2	2.5	2.0	1.3
Africa	5.5	3.7	3.8	0.2	-1.0	1.7	0.6	2.5	4.7	5.5	3.3	5.3	4.0	4.8	5.0	4.8
Europe	-3.4	-4.4	-0.7	2.7	4.4	0.5	5.3	2.6	0.5	0.8	2.2	2.3	2.1	2.7	1.8	2.2
Total Non-OECD	3.59	3.16	2.89	2.22	0.99	2.30	2.53	2.90	2.66	2.61	2.68	3.21	2.61	3.05	3.31	3.05
World	**1.2**	**1.1**	**1.4**	**1.5**	**0.8**	**1.2**	**1.2**	**0.8**	**1.2**	**1.5**	**1.1**	**1.5**	**1.5**	**1.4**	**1.3**	**1.4**
Annual Change (mb/d)																
Americas[1]	-0.38	0.36	0.21	0.45	0.57	0.40	0.12	-0.13	0.06	0.16	0.05	0.00	0.23	-0.02	-0.07	0.03
Europe[2]	-0.46	-0.54	-0.02	0.11	-0.17	-0.15	-0.19	-0.31	-0.06	0.19	-0.09	0.16	0.06	-0.08	-0.27	-0.03
Asia Oceania[3]	0.37	-0.24	-0.17	-0.23	-0.13	-0.19	-0.02	-0.18	-0.13	-0.20	-0.13	-0.23	-0.13	-0.05	-0.04	-0.11
Total OECD	-0.47	-0.42	0.02	0.32	0.28	0.05	-0.09	-0.63	-0.13	0.15	-0.17	-0.07	0.16	-0.15	-0.38	-0.11
Asia	0.82	0.72	0.67	0.48	0.12	0.50	0.45	0.60	0.72	0.76	0.63	0.92	0.75	0.69	0.74	0.77
Middle East	0.28	0.35	0.17	0.10	-0.02	0.15	0.25	0.27	0.21	0.17	0.23	0.19	0.19	0.27	0.35	0.25
Americas	0.21	0.18	0.22	0.23	0.17	0.20	0.21	0.20	0.13	0.12	0.17	0.13	0.10	0.16	0.16	0.14
FSU	0.07	0.00	0.08	0.17	0.19	0.11	0.16	0.15	-0.01	-0.06	0.06	0.01	0.01	0.12	0.10	0.06
Africa	0.20	0.14	0.14	0.01	-0.04	0.06	0.02	0.10	0.17	0.21	0.13	0.21	0.16	0.19	0.20	0.19
Europe	-0.02	-0.03	0.00	0.02	0.03	0.00	0.03	0.02	0.00	0.01	0.01	0.02	0.01	0.02	0.01	0.01
Total Non-OECD	1.54	1.37	1.28	1.00	0.45	1.03	1.13	1.32	1.23	1.21	1.22	1.47	1.23	1.45	1.57	1.43
World	**1.07**	**0.95**	**1.30**	**1.33**	**0.73**	**1.08**	**1.04**	**0.69**	**1.10**	**1.36**	**1.05**	**1.40**	**1.39**	**1.30**	**1.19**	**1.32**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.01	0.01	0.00	0.01	0.01	0.00	-0.29	-0.03	0.11	-0.05	-0.03	-0.08	-0.03	-0.02	-0.04
Europe[2]	0.03	0.00	0.00	0.01	0.00	0.00	-0.03	-0.03	0.02	0.01	-0.01	-0.04	-0.02	0.00	0.01	-0.01
Asia Oceania[3]	-0.06	-0.07	-0.07	-0.07	-0.07	-0.07	-0.07	-0.11	-0.06	-0.03	-0.07	-0.08	-0.09	-0.09	-0.10	-0.09
Total OECD	-0.03	-0.06	-0.07	-0.05	-0.07	-0.06	-0.10	-0.43	-0.07	0.08	-0.13	-0.15	-0.19	-0.12	-0.10	-0.14
Asia	0.12	-0.06	0.09	0.13	0.17	0.08	-0.02	-0.01	0.07	0.09	0.03	-0.06	-0.05	0.05	0.02	-0.01
Middle East	0.00	-0.06	-0.08	-0.10	-0.04	-0.07	-0.07	-0.02	-0.06	-0.11	-0.07	-0.05	-0.08	-0.10	-0.08	-0.08
Americas	0.04	0.01	0.02	0.04	0.01	0.02	0.01	0.02	0.00	0.01	0.01	0.02	0.01	-0.02	-0.03	0.00
FSU	0.12	0.13	0.13	0.09	0.10	0.11	0.14	0.16	0.05	0.01	0.09	0.11	0.11	0.06	0.00	0.07
Africa	0.15	0.15	0.14	0.12	0.13	0.13	0.11	0.10	0.09	0.07	0.09	0.09	0.08	0.10	0.11	0.10
Europe	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Total Non-OECD	0.40	0.14	0.27	0.26	0.34	0.25	0.15	0.22	0.13	0.05	0.14	0.10	0.05	0.07	0.00	0.06
World	**0.37**	**0.08**	**0.20**	**0.21**	**0.27**	**0.19**	**0.04**	**-0.20**	**0.06**	**0.13**	**0.01**	**-0.05**	**-0.13**	**-0.05**	**-0.10**	**-0.08**
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.04	-0.15	-0.04	-0.16	-0.36	-0.18	-0.03	-0.40	-0.15	-0.14	-0.18	-0.09	0.07	-0.10	-0.23	-0.09

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

										Latest month vs.	
	2012	2013	2Q13	3Q13	4Q13	1Q14	Mar 14	Apr 14	May 14 [2]	Apr 14	May 13
Americas[3]											
LPG and ethane	3.12	3.29	2.96	3.00	3.59	3.54	3.25	3.00	2.75	-0.25	-0.12
Naphtha	0.34	0.38	0.40	0.40	0.38	0.37	0.36	0.33	0.36	0.03	-0.05
Motor gasoline	10.38	10.49	10.63	10.77	10.45	10.21	10.36	10.65	10.75	0.09	0.01
Jet and kerosene	1.62	1.65	1.65	1.73	1.67	1.63	1.69	1.65	1.63	-0.01	-0.03
Gasoil/diesel oil	4.98	5.09	5.03	4.90	5.23	5.44	5.31	5.12	5.17	0.05	0.11
Residual fuel oil	0.77	0.69	0.68	0.76	0.58	0.54	0.56	0.57	0.54	-0.03	-0.05
Other products	2.41	2.42	2.44	2.62	2.46	2.14	2.08	2.25	2.33	0.08	-0.10
Total	**23.62**	**24.02**	**23.79**	**24.18**	**24.35**	**23.86**	**23.61**	**23.57**	**23.53**	**-0.04**	**-0.22**
Europe[4]											
LPG and ethane	0.94	1.03	1.10	1.03	0.97	1.01	1.05	1.11	1.09	-0.02	-0.03
Naphtha	1.21	1.19	1.15	1.22	1.15	1.31	1.23	1.21	1.19	-0.02	0.05
Motor gasoline	2.01	1.95	1.99	2.08	1.92	1.81	1.83	1.96	1.95	-0.01	-0.02
Jet and kerosene	1.21	1.21	1.22	1.32	1.19	1.12	1.13	1.21	1.24	0.03	0.02
Gasoil/diesel oil	5.95	5.96	6.00	5.96	6.12	5.73	5.87	5.88	5.66	-0.22	-0.25
Residual fuel oil	1.11	1.00	1.02	0.98	0.95	0.96	0.93	0.94	0.89	-0.05	-0.16
Other products	1.38	1.29	1.35	1.39	1.26	1.08	1.14	1.22	1.23	0.01	-0.08
Total	**13.80**	**13.65**	**13.83**	**13.99**	**13.55**	**13.02**	**13.19**	**13.52**	**13.22**	**-0.30**	**-0.48**
Asia Oceania[5]											
LPG and ethane	0.89	0.85	0.82	0.79	0.85	0.88	0.86	0.81	0.83	0.02	-0.02
Naphtha	1.80	1.84	1.74	1.83	1.93	1.97	1.84	1.83	1.77	-0.06	0.05
Motor gasoline	1.63	1.61	1.58	1.68	1.60	1.54	1.62	1.47	1.52	0.05	-0.06
Jet and kerosene	0.89	0.89	0.71	0.70	1.01	1.13	1.02	0.75	0.67	-0.08	-0.02
Gasoil/diesel oil	1.76	1.76	1.72	1.71	1.84	1.82	1.88	1.71	1.73	0.02	0.01
Residual fuel oil	0.90	0.76	0.67	0.72	0.74	0.83	0.78	0.68	0.60	-0.08	-0.03
Other products	0.67	0.62	0.61	0.58	0.63	0.67	0.65	0.56	0.48	-0.07	-0.17
Total	**8.52**	**8.33**	**7.83**	**8.02**	**8.61**	**8.85**	**8.65**	**7.81**	**7.60**	**-0.21**	**-0.24**
OECD											
LPG and ethane	4.94	5.18	4.88	4.82	5.41	5.43	5.16	4.92	4.67	-0.24	-0.17
Naphtha	3.35	3.42	3.29	3.45	3.45	3.65	3.43	3.37	3.31	-0.06	0.05
Motor gasoline	14.01	14.05	14.19	14.53	13.97	13.56	13.82	14.09	14.21	0.12	-0.07
Jet and kerosene	3.72	3.76	3.58	3.76	3.88	3.88	3.84	3.61	3.54	-0.07	-0.03
Gasoil/diesel oil	12.69	12.81	12.75	12.58	13.19	12.99	13.06	12.70	12.56	-0.14	-0.13
Residual fuel oil	2.78	2.45	2.37	2.47	2.27	2.33	2.26	2.19	2.02	-0.16	-0.24
Other products	4.45	4.34	4.40	4.59	4.35	3.89	3.87	4.03	4.04	0.02	-0.35
Total	**45.94**	**46.00**	**45.46**	**46.19**	**46.50**	**45.73**	**45.45**	**44.90**	**44.35**	**-0.55**	**-0.94**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

										Latest month vs.	
	2012	2013	2Q13	3Q13	4Q13	1Q14	Mar 14	Apr 14	May 14 [2]	Apr 14	May 13
United States[3]											
LPG and ethane	2.26	2.42	2.11	2.20	2.68	2.64	2.38	2.15	1.91	-0.24	-0.13
Naphtha	0.24	0.28	0.28	0.28	0.27	0.24	0.23	0.20	0.21	0.02	-0.08
Motor gasoline	8.69	8.78	8.91	9.03	8.75	8.53	8.69	8.96	9.00	0.04	0.02
Jet and kerosene	1.41	1.43	1.43	1.50	1.45	1.41	1.44	1.45	1.41	-0.04	-0.02
Gasoil/diesel oil	3.74	3.84	3.77	3.67	3.97	4.17	4.05	3.96	3.93	-0.03	0.15
Residual fuel oil	0.37	0.32	0.26	0.36	0.28	0.24	0.22	0.27	0.22	-0.05	0.02
Other products	1.83	1.88	1.90	2.08	1.89	1.62	1.54	1.76	1.84	0.08	-0.05
Total	**18.54**	**18.94**	**18.67**	**19.13**	**19.28**	**18.84**	**18.54**	**18.74**	**18.52**	**-0.22**	**-0.08**
Japan											
LPG and ethane	0.53	0.50	0.47	0.44	0.50	0.56	0.53	0.47	0.48	0.01	0.00
Naphtha	0.72	0.77	0.71	0.76	0.82	0.81	0.71	0.74	0.64	-0.09	-0.04
Motor gasoline	0.98	0.96	0.94	1.03	0.96	0.92	1.00	0.84	0.88	0.04	-0.05
Jet and kerosene	0.55	0.54	0.38	0.37	0.64	0.77	0.68	0.41	0.35	-0.07	-0.02
Diesel	0.42	0.42	0.41	0.43	0.45	0.44	0.48	0.40	0.40	0.01	0.00
Other gasoil	0.40	0.40	0.35	0.36	0.42	0.46	0.46	0.36	0.35	-0.01	-0.01
Residual fuel oil	0.55	0.45	0.37	0.43	0.44	0.52	0.48	0.40	0.32	-0.07	-0.03
Other products	0.55	0.49	0.46	0.47	0.49	0.54	0.52	0.45	0.36	-0.09	-0.14
Total	**4.69**	**4.53**	**4.08**	**4.28**	**4.72**	**5.02**	**4.85**	**4.06**	**3.79**	**-0.28**	**-0.30**
Germany											
LPG and ethane	0.10	0.11	0.12	0.11	0.10	0.09	0.09	0.10	0.11	0.00	-0.01
Naphtha	0.38	0.40	0.39	0.38	0.39	0.43	0.42	0.42	0.40	-0.01	0.00
Motor gasoline	0.43	0.43	0.44	0.45	0.42	0.41	0.43	0.43	0.44	0.00	0.00
Jet and kerosene	0.19	0.18	0.19	0.20	0.18	0.17	0.17	0.19	0.19	0.00	-0.01
Diesel	0.67	0.68	0.70	0.73	0.69	0.68	0.72	0.73	0.72	-0.01	0.05
Other gasoil	0.40	0.41	0.46	0.36	0.40	0.38	0.44	0.35	0.30	-0.05	-0.13
Residual fuel oil	0.13	0.13	0.13	0.12	0.12	0.12	0.11	0.12	0.10	-0.02	-0.04
Other products	0.08	0.07	0.08	0.09	0.07	0.05	0.05	0.06	0.06	0.01	-0.01
Total	**2.39**	**2.40**	**2.51**	**2.44**	**2.37**	**2.33**	**2.43**	**2.39**	**2.31**	**-0.07**	**-0.14**
Italy											
LPG and ethane	0.10	0.11	0.10	0.09	0.11	0.10	0.09	0.09	0.09	-0.01	-0.01
Naphtha	0.08	0.08	0.09	0.07	0.06	0.07	0.06	0.07	0.06	-0.01	-0.02
Motor gasoline	0.22	0.21	0.19	0.23	0.22	0.20	0.20	0.21	0.21	0.00	0.02
Jet and kerosene	0.09	0.09	0.09	0.11	0.09	0.08	0.08	0.09	0.10	0.01	0.01
Diesel	0.47	0.45	0.45	0.45	0.45	0.44	0.44	0.49	0.45	-0.03	0.00
Other gasoil	0.10	0.11	0.11	0.11	0.12	0.08	0.09	0.05	0.08	0.03	-0.02
Residual fuel oil	0.11	0.08	0.09	0.08	0.08	0.07	0.07	0.06	0.06	0.00	-0.03
Other products	0.21	0.19	0.17	0.20	0.20	0.15	0.16	0.13	0.17	0.05	0.01
Total	**1.37**	**1.32**	**1.29**	**1.35**	**1.33**	**1.20**	**1.19**	**1.19**	**1.23**	**0.05**	**-0.05**
France											
LPG and ethane	0.11	0.11	0.10	0.08	0.11	0.12	0.10	0.09	0.08	-0.01	-0.01
Naphtha	0.14	0.15	0.16	0.16	0.11	0.17	0.17	0.16	0.16	0.00	0.00
Motor gasoline	0.18	0.17	0.18	0.19	0.17	0.16	0.16	0.19	0.17	-0.01	-0.01
Jet and kerosene	0.15	0.15	0.15	0.16	0.15	0.14	0.14	0.15	0.15	0.00	-0.01
Diesel	0.69	0.69	0.70	0.71	0.70	0.66	0.67	0.72	0.66	-0.05	-0.01
Other gasoil	0.27	0.29	0.27	0.26	0.29	0.28	0.28	0.24	0.18	-0.05	-0.08
Residual fuel oil	0.07	0.06	0.07	0.06	0.06	0.05	0.05	0.05	0.05	0.00	-0.01
Other products	0.15	0.15	0.16	0.16	0.13	0.11	0.11	0.15	0.13	-0.02	-0.05
Total	**1.77**	**1.77**	**1.79**	**1.79**	**1.71**	**1.69**	**1.68**	**1.74**	**1.59**	**-0.15**	**-0.18**
United Kingdom											
LPG and ethane	0.11	0.11	0.14	0.11	0.09	0.12	0.12	0.14	0.13	-0.01	-0.01
Naphtha	0.03	0.03	0.03	0.03	0.02	0.02	0.03	0.03	0.02	-0.01	0.00
Motor gasoline	0.32	0.31	0.31	0.31	0.30	0.29	0.28	0.31	0.30	-0.01	0.01
Jet and kerosene	0.31	0.31	0.30	0.32	0.33	0.32	0.31	0.30	0.31	0.01	0.00
Diesel	0.45	0.46	0.46	0.46	0.48	0.45	0.46	0.50	0.47	-0.02	0.03
Other gasoil	0.13	0.12	0.12	0.13	0.11	0.11	0.10	0.12	0.11	-0.01	0.00
Residual fuel oil	0.05	0.04	0.04	0.04	0.04	0.03	0.03	0.04	0.03	0.00	0.00
Other products	0.14	0.13	0.14	0.13	0.12	0.12	0.12	0.14	0.13	-0.01	0.00
Total	**1.53**	**1.51**	**1.54**	**1.52**	**1.48**	**1.47**	**1.45**	**1.57**	**1.49**	**-0.07**	**0.01**
Canada											
LPG and ethane	0.40	0.43	0.41	0.36	0.45	0.45	0.42	0.42	0.41	-0.01	0.00
Naphtha	0.09	0.09	0.10	0.09	0.08	0.09	0.09	0.09	0.11	0.01	0.00
Motor gasoline	0.79	0.82	0.84	0.86	0.80	0.81	0.80	0.82	0.86	0.04	0.01
Jet and kerosene	0.10	0.10	0.10	0.12	0.10	0.09	0.09	0.09	0.10	0.01	-0.01
Diesel	0.30	0.30	0.30	0.29	0.27	0.29	0.29	0.27	0.29	0.03	0.00
Other gasoil	0.27	0.30	0.28	0.30	0.33	0.34	0.30	0.26	0.30	0.03	-0.01
Residual fuel oil	0.06	0.05	0.06	0.05	0.05	0.07	0.06	0.05	0.05	-0.01	-0.01
Other products	0.33	0.31	0.31	0.31	0.33	0.28	0.29	0.26	0.27	0.01	-0.03
Total	**2.35**	**2.39**	**2.40**	**2.38**	**2.40**	**2.41**	**2.35**	**2.26**	**2.38**	**0.11**	**-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)

	2013	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	May 14	Jun 14	Jul 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.46	9.48				9.53	9.52	9.75
Iran	2.68			2.81	2.83				2.85	2.80	2.76
Iraq	3.08			3.29	3.32				3.42	3.24	3.12
UAE	2.76			2.73	2.73				2.79	2.80	2.80
Kuwait	2.55			2.53	2.56				2.62	2.52	2.54
Neutral Zone	0.52			0.52	0.47				0.36	0.52	0.52
Qatar	0.73			0.72	0.71				0.70	0.73	0.73
Angola	1.72			1.57	1.63				1.62	1.65	1.70
Nigeria	1.95			1.93	1.93				1.90	1.96	1.93
Libya	0.90			0.37	0.23				0.22	0.24	0.43
Algeria	1.15			1.07	1.14				1.15	1.14	1.14
Ecuador	0.52			0.55	0.55				0.56	0.56	0.56
Venezuela	2.50			2.45	2.48				2.50	2.48	2.48
Total Crude Oil	30.46			29.99	30.05				30.21	30.14	30.44
Total NGLs[1]	6.26	6.39	6.68	6.31	6.34	6.45	6.46	6.66	6.34	6.34	6.45
Total OPEC	**36.72**			**36.31**	**36.39**				**36.55**	**36.48**	**36.88**
NON-OPEC[2]											
OECD											
Americas[6]	17.19	18.54	19.40	18.15	18.50	18.52	18.98	19.15	18.51	18.39	18.40
United States[b]	10.31	11.51	12.25	11.04	11.51	11.58	11.89	11.95	11.51	11.44	11.48
Mexico	2.89	2.82	2.73	2.87	2.85	2.76	2.78	2.77	2.87	2.81	2.76
Canada	3.97	4.21	4.42	4.24	4.13	4.17	4.29	4.41	4.12	4.12	4.15
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.31	3.27	3.26	3.50	3.25	3.05	3.30	3.36	3.19	3.14	3.18
UK	0.89	0.88	0.91	0.98	0.92	0.72	0.88	0.93	0.96	0.88	0.84
Norway	1.84	1.83	1.83	1.95	1.78	1.77	1.84	1.88	1.64	1.74	1.78
Others	0.58	0.56	0.53	0.57	0.55	0.56	0.57	0.55	0.58	0.51	0.55
Asia Oceania[8]	0.48	0.51	0.54	0.49	0.46	0.54	0.54	0.55	0.39	0.53	0.53
Australia	0.40	0.42	0.45	0.41	0.39	0.45	0.44	0.45	0.31	0.45	0.45
Others	0.08	0.08	0.09	0.08	0.08	0.09	0.09	0.09	0.08	0.08	0.08
Total OECD	**20.97**	**22.32**	**23.20**	**22.14**	**22.22**	**22.10**	**22.81**	**23.05**	**22.09**	**22.06**	**22.10**
NON-OECD											
Former USSR	13.88	13.87	13.75	14.00	13.85	13.79	13.86	13.90	13.83	13.77	13.72
Russia	10.88	10.92	10.88	10.98	10.93	10.85	10.93	10.98	10.92	10.94	10.76
Others	3.00	2.95	2.87	3.02	2.92	2.94	2.93	2.92	2.91	2.84	2.96
Asia	7.67	7.64	7.84	7.70	7.65	7.58	7.65	7.77	7.60	7.74	7.63
China	4.18	4.24	4.32	4.23	4.23	4.22	4.26	4.31	4.22	4.30	4.23
Malaysia	0.64	0.64	0.67	0.66	0.66	0.59	0.64	0.66	0.64	0.66	0.64
India	0.88	0.88	0.88	0.88	0.87	0.88	0.87	0.88	0.86	0.88	0.88
Indonesia	0.87	0.82	0.84	0.84	0.84	0.82	0.80	0.80	0.83	0.83	0.82
Others	1.10	1.07	1.14	1.08	1.05	1.06	1.08	1.12	1.04	1.07	1.06
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	4.17	4.28	4.49	4.22	4.28	4.29	4.32	4.41	4.28	4.38	4.28
Brazil[b]	2.12	2.27	2.35	2.18	2.29	2.30	2.30	2.31	2.28	2.34	2.29
Argentina	0.63	0.61	0.61	0.63	0.62	0.60	0.60	0.60	0.62	0.62	0.60
Colombia	1.01	0.99	1.11	1.00	0.97	0.97	1.00	1.08	0.95	1.01	0.97
Others	0.42	0.41	0.42	0.41	0.42	0.42	0.41	0.41	0.42	0.41	0.42
Middle East[3]	1.35	1.32	1.27	1.35	1.32	1.30	1.29	1.29	1.28	1.33	1.29
Oman	0.95	0.95	0.94	0.96	0.95	0.95	0.94	0.95	0.94	0.95	0.95
Syria	0.06	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Yemen	0.15	0.15	0.11	0.17	0.15	0.13	0.13	0.12	0.12	0.16	0.12
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.30	2.35	2.35	2.38	2.33	2.33	2.35	2.37	2.31	2.34	2.34
Egypt	0.73	0.70	0.68	0.72	0.70	0.69	0.68	0.68	0.70	0.70	0.69
Gabon	0.24	0.24	0.23	0.24	0.24	0.24	0.24	0.23	0.24	0.24	0.24
Others	1.33	1.41	1.43	1.42	1.39	1.40	1.43	1.45	1.37	1.40	1.40
Total Non-OECD	**29.51**	**29.60**	**29.83**	**29.78**	**29.57**	**29.43**	**29.62**	**29.87**	**29.44**	**29.71**	**29.40**
Processing gains[4]	2.18	2.21	2.22	2.21	2.19	2.24	2.22	2.22	2.19	2.19	2.24
Global Biofuels[5]	2.00	2.12	2.20	1.66	2.19	2.47	2.14	1.79	2.22	2.37	2.41
TOTAL NON-OPEC	**54.67**	**56.25**	**57.45**	**55.79**	**56.17**	**56.25**	**56.78**	**56.93**	**55.94**	**56.33**	**56.16**
TOTAL SUPPLY	**91.39**			**92.10**	**92.56**				**92.50**	**92.82**	**93.04**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Feb2014	Mar2014	Apr2014	May2014	Jun2014*	Jun2011	Jun2012	Jun2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	514.0	522.7	533.4	538.0	532.7	499.8	523.1	518.0	0.02	-0.22	0.25	0.11
Motor gasoline	267.8	259.3	253.1	252.4	253.0	249.5	241.5	260.5	-0.08	0.08	-0.02	-0.07
Middle distillate	187.2	185.6	193.0	194.6	194.4	216.3	189.3	195.6	0.11	-0.09	-0.13	0.10
Residual fuel oil	44.1	43.9	44.9	47.8	45.8	44.9	46.3	45.9	-0.03	0.03	-0.02	0.02
Total products[3]	645.6	637.8	653.9	674.2	698.2	676.8	670.7	699.0	0.16	-0.48	-0.35	0.66
Total[4]	1305.6	1310.6	1346.2	1376.0	1391.6	1338.1	1362.0	1377.5	0.27	-0.95	-0.05	0.89
OECD Europe												
Crude	306.7	310.8	310.2	319.2	323.8	322.0	321.8	305.1	0.07	-0.05	0.04	0.14
Motor gasoline	93.6	92.1	87.5	86.3	85.8	93.2	88.4	88.7	0.01	-0.02	0.04	-0.07
Middle distillate	258.8	249.1	251.5	251.6	246.3	274.2	253.4	245.9	0.15	-0.09	-0.03	-0.03
Residual fuel oil	65.0	61.1	64.3	69.0	68.3	78.7	74.9	76.5	-0.05	-0.06	-0.06	0.08
Total products[3]	511.9	492.9	494.7	499.7	493.9	549.5	522.1	510.0	0.02	-0.16	-0.05	0.01
Total[4]	884.7	872.9	869.5	885.3	884.7	940.2	912.6	873.5	0.12	-0.17	0.04	0.13
OECD Asia Oceania												
Crude	151.8	169.6	156.6	161.2	166.8	160.3	170.6	168.0	-0.12	-0.14	0.27	-0.03
Motor gasoline	27.6	25.5	26.4	25.5	24.7	25.4	26.4	27.5	-0.03	-0.01	0.01	-0.01
Middle distillate	61.3	56.2	56.6	58.5	54.5	67.4	61.7	61.0	0.10	-0.03	-0.13	-0.02
Residual fuel oil	18.8	21.0	21.4	22.5	20.8	21.4	19.7	19.7	0.00	-0.01	0.02	0.00
Total products[3]	164.8	160.9	157.8	163.6	157.7	172.4	167.3	167.5	0.17	-0.14	-0.10	-0.04
Total[4]	385.3	398.9	382.1	395.5	394.3	406.7	413.4	409.5	0.04	-0.34	0.19	-0.05
Total OECD												
Crude	972.5	1003.1	1000.2	1018.4	1023.3	982.1	1015.5	991.1	-0.02	-0.40	0.57	0.22
Motor gasoline	389.0	376.9	367.0	364.2	363.5	368.1	356.3	376.6	-0.09	0.06	0.04	-0.15
Middle distillate	507.2	490.9	501.1	504.8	495.2	557.9	504.4	502.5	0.36	-0.21	-0.29	0.05
Residual fuel oil	127.9	125.9	130.6	139.3	135.0	145.0	140.9	142.0	-0.07	-0.04	-0.06	0.10
Total products[3]	1322.3	1291.6	1306.4	1337.5	1349.8	1398.6	1360.1	1376.4	0.35	-0.78	-0.50	0.64
Total[4]	2575.6	2582.3	2597.8	2656.7	2670.6	2684.9	2688.0	2660.4	0.43	-1.45	0.18	0.97

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			
	Feb2014	Mar2014	Apr2014	May2014	Jun2014*	Jun2011	Jun2012	Jun2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	696.0	695.9	693.3	691.0	691.0	726.5	696.0	696.0	0.00	0.00	0.00	-0.05
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	203.7	203.3	205.5	207.2	206.0	184.9	192.6	206.7	-0.02	0.01	-0.03	0.03
Products	262.5	263.3	260.6	262.0	258.7	240.9	234.6	259.7	0.04	-0.03	0.03	-0.05
OECD Asia Oceania												
Crude	387.8	387.8	387.8	387.7	387.7	391.1	393.5	386.1	-0.01	0.02	0.01	0.00
Products	30.5	30.5	30.5	30.5	30.5	20.0	20.0	23.1	0.06	0.02	0.00	0.00
Total OECD												
Crude	1287.5	1287.1	1286.5	1285.9	1284.6	1302.5	1282.1	1288.8	-0.04	0.03	-0.01	-0.03
Products	294.1	294.8	292.1	293.6	290.2	261.0	255.7	283.8	0.09	-0.01	0.04	-0.05
Total[4]	1585.6	1585.8	1582.5	1583.5	1578.6	1564.8	1539.0	1576.8	0.05	0.02	0.02	-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 June 2013		End September 2013		End December 2013		End March 2014		End June 2014 [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
OECD Americas										
Canada	174.4	72	183.1	76	170.0	70	174.2	-	-	-
Chile	9.3	28	11.2	35	9.8	30	9.5	-	-	-
Mexico	50.0	25	50.0	25	48.7	25	47.6	-	-	-
United States[a]	1818.7	95	1832.6	95	1761.0	94	1754.0	-	-	-
Total[4]	2074.4	86	2099.0	86	2011.6	84	2007.5	85	2083.6	86
OECD Asia Oceania										
Australia	39.7	37	36.6	33	36.8	34	36.8	-	-	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	587.9	137	590.7	125	575.3	115	585.8	-	-	-
Korea	182.3	80	190.7	80	177.8	75	186.5	-	-	-
New Zealand	8.8	61	8.2	52	9.2	57	8.1	-	-	-
Total	818.7	102	826.3	96	799.1	90	817.3	107	812.5	103
OECD Europe[5]										
Austria	21.2	76	20.6	79	21.6	91	22.3	-	-	-
Belgium	37.0	59	39.4	66	41.0	66	42.5	-	-	-
Czech Republic	18.5	96	20.3	103	20.0	110	19.3	-	-	-
Denmark	22.1	136	21.3	138	23.7	157	19.6	-	-	-
Estonia	1.5	48	1.4	47	1.6	55	1.7	-	-	-
Finland	38.2	190	41.0	206	39.0	211	37.9	-	-	-
France	165.5	92	166.1	97	167.5	99	167.2	-	-	-
Germany	288.4	118	286.9	121	289.9	124	289.2	-	-	-
Greece	26.6	86	26.7	95	25.6	101	24.9	-	-	-
Hungary	15.6	112	15.9	113	15.6	123	15.2	-	-	-
Ireland	10.4	75	10.7	76	10.0	70	11.0	-	-	-
Italy	125.7	93	130.8	99	125.1	104	121.7	-	-	-
Luxembourg	0.6	11	0.7	11	0.7	13	0.7	-	-	-
Netherlands	123.1	122	120.7	122	115.5	121	122.5	-	-	-
Norway	24.2	107	27.9	121	28.7	123	28.6	-	-	-
Poland	61.0	109	61.9	118	60.4	129	60.2	-	-	-
Portugal	21.7	84	22.1	89	23.1	105	23.8	-	-	-
Slovak Republic	8.6	108	8.3	104	8.8	127	9.6	-	-	-
Slovenia	5.2	110	5.3	106	5.4	119	4.9	-	-	-
Spain	117.1	96	120.3	99	111.6	93	117.4	-	-	-
Sweden	27.6	90	25.8	94	28.2	104	27.5	-	-	-
Switzerland	36.7	144	37.2	129	35.9	165	36.4	-	-	-
Turkey	63.9	82	63.2	87	62.3	98	62.7	-	-	-
United Kingdom	83.9	55	81.8	55	77.9	53	76.6	-	-	-
Total	1344.1	96	1356.4	100	1339.3	103	1343.3	99	1353.1	97
Total OECD	**4237.3**	**92**	**4281.7**	**92**	**4150.0**	**91**	**4168.1**	**93**	**4249.1**	**92**
DAYS OF IEA Net Imports[6]	-	**160**	-	**161**	-	**157**	-	**158**	-	**-**

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 2014 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]		
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4211	1547	2663	92	34	58
1Q2013	4247	1581	2665	94	35	59
2Q2013	4237	1577	2660	92	34	58
3Q2013	4282	1582	2700	92	34	58
4Q2013	4150	1584	2566	91	35	56
1Q2014	4168	1586	2582	93	35	58
2Q2014	4249	1579	2671	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 2Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Mar 14	Apr 14	May 14	Year Earlier May 13	Year Earlier change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.66	0.85	0.76	0.79	0.71	0.82	0.66	0.55	0.11
Europe	0.83	0.85	0.79	0.88	0.86	0.77	0.73	0.78	0.89	0.96	0.94	0.02
Asia Oceania	1.24	1.26	1.21	1.20	1.16	1.25	1.27	1.28	1.15	1.33	1.23	0.11
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.44	0.47	0.44	0.40	0.49	0.40	0.48	-0.08
Europe	0.02	0.05	0.01	0.02	0.02	0.02	0.01	-	0.01	0.02	0.01	0.00
Asia Oceania	0.40	0.45	0.43	0.34	0.43	0.45	0.45	0.45	0.41	0.40	0.27	0.13
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.26	0.40	0.31	0.37	0.40	0.19	0.39	0.21	0.18
Europe	0.11	0.26	0.25	0.26	0.34	0.22	0.29	0.33	0.33	0.57	0.29	0.28
Asia Oceania	0.34	0.33	0.31	0.35	0.30	0.24	0.28	0.38	0.26	0.14	0.31	-0.17
Kuwait Blend												
Americas	0.08	0.22	0.28	0.23	0.30	0.30	0.33	0.23	0.31	0.23	0.34	-0.11
Europe	0.08	0.09	0.10	0.11	0.12	0.07	0.07	0.11	0.14	0.09	0.08	0.01
Asia Oceania	0.57	0.65	0.64	0.62	0.63	0.65	0.71	0.70	0.46	0.63	0.60	0.04
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.10	0.06	0.05	0.10	0.10	0.07	0.05	0.09	-0.04
Asia Oceania	0.04	0.02	0.00	-	0.01	-	0.01	-	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.01	0.04	0.03	0.00	0.01	0.05	0.05	0.01	0.04
Asia Oceania	0.51	0.33	0.30	0.25	0.31	0.24	0.33	0.20	0.19	0.25	0.42	-0.17
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.62	0.61	0.62	0.62	0.59	0.57	0.70	0.57	0.13
Europe	0.05	0.08	0.07	0.08	0.10	0.04	0.08	0.08	0.08	0.08	0.11	-0.03
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.67	0.70	0.79	0.64	0.65	0.62	0.72	0.67	0.06
Europe	0.12	0.14	0.14	0.16	0.14	0.13	0.15	0.16	0.17	0.09	0.13	-0.04
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.44	1.53	1.56	1.66	1.64	1.64	1.41	0.22
Europe	-	-	-	-	-	-	0.00	-	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.03	0.02	0.01	0.02	0.03	-	-	0.05	-
Europe	0.64	0.55	0.47	0.42	0.52	0.46	0.53	0.59	0.68	0.66	0.48	0.18
Asia Oceania	0.02	0.07	0.06	0.04	0.02	0.05	0.16	0.10	0.13	-	0.07	-
Russian Urals												
Americas	0.01	0.00	0.00	0.02	-	-	-	-	-	-	0.02	-
Europe	1.69	1.86	1.79	1.93	1.64	1.76	1.74	1.74	1.48	1.71	2.07	-0.36
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.02	0.09	0.05	0.02	-	-	-	-	-
Europe	0.62	0.53	0.59	0.60	0.59	0.57	0.60	0.54	0.71	0.70	0.65	0.06
Asia Oceania	-	-	0.00	0.01	-	-	0.02	0.03	0.04	-	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	0.01	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.78	0.42	0.22	0.23	0.15	0.04	0.24	0.89	-0.64
Asia Oceania	0.01	0.04	0.03	0.03	0.02	0.02	-	-	0.05	0.02	0.02	0.00
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.15	0.01	-	0.01	0.02	-	-	0.23	-
Europe	0.45	0.58	0.53	0.46	0.46	0.57	0.58	0.59	0.63	0.39	0.46	-0.07
Asia Oceania	0.05	0.04	0.03	0.05	0.03	0.02	0.03	0.03	0.05	0.03	0.08	-0.05

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	2Q13	3Q13	4Q13	1Q14	Mar 14	Apr 14	May 14	Year Earlier May 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5110	5266	5479	4655	4385	4323	4723	4403	5427	-19%
Europe	8988	9346	8921	9243	9112	8399	8201	8208	8328	8855	9427	-6%
Asia Oceania	6609	6761	6553	6242	6465	6519	6954	7051	5779	6047	6241	-3%
Total OECD	22468	22208	20584	20750	21056	19573	19541	19581	18830	19306	21096	-8%
LPG												
Americas	30	20	17	14	4	14	19	18	12	8	26	-70%
Europe	318	287	382	400	361	412	386	332	379	451	433	4%
Asia Oceania	568	620	546	547	524	517	544	514	489	555	494	13%
Total OECD	916	927	945	961	890	942	949	864	880	1015	953	6%
Naphtha												
Americas	42	20	17	20	16	11	28	21	20	30	26	19%
Europe	298	381	313	275	305	323	342	297	327	371	258	44%
Asia Oceania	884	900	927	939	866	949	1040	1006	797	1021	927	10%
Total OECD	1224	1301	1257	1235	1187	1284	1410	1324	1143	1423	1210	18%
Gasoline[3]												
Americas	762	730	659	806	637	583	550	596	713	862	824	5%
Europe	222	212	106	93	121	92	152	173	142	84	83	2%
Asia Oceania	95	86	83	91	73	72	89	64	87	119	94	26%
Total OECD	1079	1028	848	990	831	747	790	833	942	1065	1001	6%
Jet & Kerosene												
Americas	77	73	81	82	93	98	81	104	140	104	92	13%
Europe	397	398	446	435	509	512	384	395	449	462	474	-2%
Asia Oceania	58	62	74	56	53	82	57	36	50	60	44	36%
Total OECD	532	533	602	573	655	692	521	536	639	626	610	3%
Gasoil/Diesel												
Americas	72	59	58	81	46	21	200	231	88	39	78	-50%
Europe	1044	984	1120	963	1170	1278	1095	1052	1208	985	1016	-3%
Asia Oceania	147	185	162	166	137	170	152	151	208	252	131	92%
Total OECD	1263	1227	1340	1211	1352	1468	1447	1434	1503	1277	1225	4%
Heavy Fuel Oil												
Americas	268	206	165	150	193	155	162	120	98	83	130	-36%
Europe	537	521	552	513	613	539	595	552	735	666	535	24%
Asia Oceania	153	224	242	197	221	290	304	293	251	188	186	1%
Total OECD	958	951	959	860	1027	985	1061	965	1084	937	851	10%
Other Products												
Americas	871	813	812	863	902	746	619	690	772	761	947	-20%
Europe	700	636	792	777	764	800	755	793	790	725	897	-19%
Asia Oceania	366	356	385	372	404	382	461	438	413	339	425	-20%
Total OECD	1937	1805	1989	2013	2070	1929	1835	1922	1976	1824	2269	-20%
Total Products												
Americas	2122	1921	1809	2018	1891	1629	1658	1781	1843	1887	2123	-11%
Europe	3516	3419	3710	3457	3843	3955	3708	3595	4028	3745	3695	1%
Asia Oceania	2271	2432	2420	2368	2279	2463	2646	2502	2295	2535	2301	10%
Total OECD	7909	7773	7940	7843	8013	8047	8013	7877	8166	8167	8119	1%
Total Oil												
Americas	8993	8022	6919	7283	7370	6284	6044	6103	6566	6290	7550	-17%
Europe	12504	12765	12631	12700	12955	12354	11909	11803	12357	12600	13123	-4%
Asia Oceania	8880	9194	8973	8611	8744	8982	9600	9552	8074	8582	8542	0%
Total OECD	30377	29981	28523	28593	29070	27620	27554	27459	26996	27472	29215	-6%

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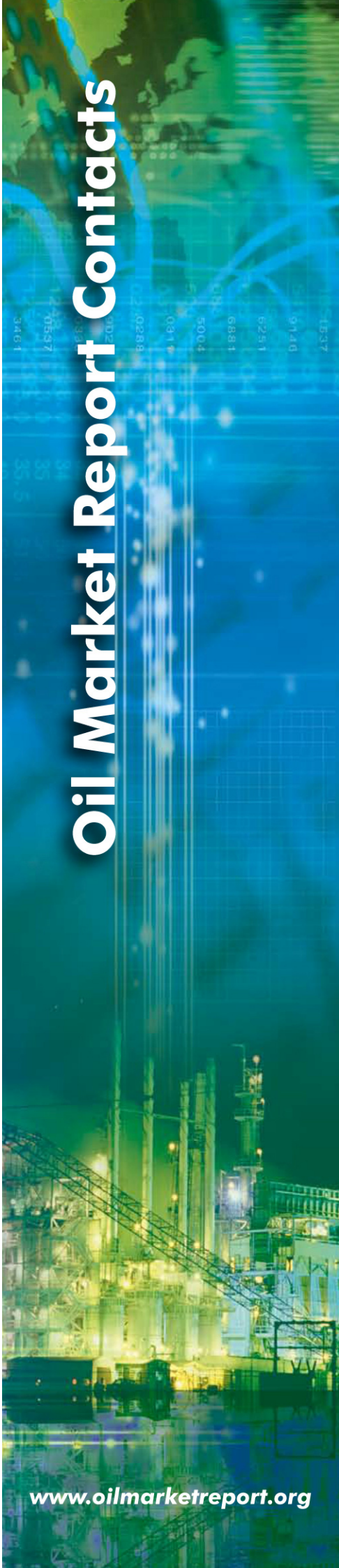
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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2014), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 11 September 2014





International Energy Agency

11 September 2014

HIGHLIGHTS

- **Oil prices fell sharply in August, weighed down by abundant supplies** and further indications of slow global economic and oil–demand growth. ICE Brent futures tumbled below $100/bbl on 8 September for the first time in over a year and were last trading at $98/bbl. NYMEX WTI was around $91.40/bbl.

- **Global oil demand growth for 2014 and 2015 has been curbed to 0.9 mb/d and 1.2 mb/d,** respectively, to reach 93.8 mb/d in 2015. A pronounced slowdown in demand growth in 2Q14 and a weaker outlook for Europe and China underpin the downward revisions.

- **Global supply was down 400 kb/d in August, to 92.9 mb/d, on lower non-OPEC production**. Compared with a year ago, global supply was 810 kb/d higher, with an increase in non-OPEC of 1.2 mb/d more than offsetting a 370 kb/d OPEC decline. Non-OPEC supply is set to expand by 1.6 mb/d in 2014, and 1.3 mb/d in 2015, to reach 57.6 mb/d.

- **OPEC production fell by 130 kb/d in August to 30.31 mb/d** as a steady recovery in Libya failed to offset lower supply from Saudi Arabia and Iraq. The 'call on OPEC crude and stock change' was lowered by 200 kb/d for 4Q14 to 30.6 mb/d and 300 kb/d for 2015 to 29.6 mb/d on a weaker demand outlook and robust non-OPEC supply growth.

- **OECD industry inventories built seasonally by 15.5 mb in July, to 2 670 mb,** on soaring US 'other products' stocks. Preliminary data indicate that stocks continued on their upward trajectory during August, rising by 19.5 mb, further cutting the deficit to the five-year average which stood at 57 mb/d at end-July.

- **Global refinery crude throughputs surged by more than 2 mb/d over July and August to a seasonal peak of 78.7 mb/d** before autumn maintenance curbed activity again from September. Global crude runs projections for 2H14 are largely unchanged since last month's *Report*, averaging 77.9 mb/d in 3Q14 and 77.5 mb/d in 4Q14.

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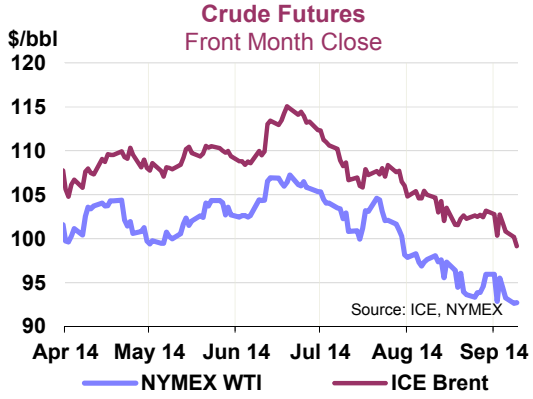
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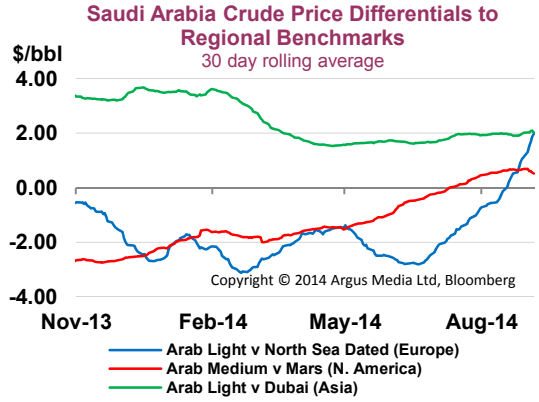
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PRICE SIGNALS HELP MITIGATE RISKS

While festering conflicts in Iraq and Libya show no sign of abating, their effect on global oil market balances and prices remains muted amid weakening oil demand growth and plentiful supply. US production continues to surge, and OPEC output remains above the group's official 30 mb/d supply target. Latest data on oil deliveries show further signs of a clear slowdown in global demand growth. Against this backdrop, it is not surprising that prices have been easing, with front-month Brent futures slipping below $100/barrel for the first time in a year. The Brent futures market has shifted into contango, providing market participants with an incentive to build stocks. As supply risks remain elevated, market signals effectively are encouraging participants to build up buffers against potential disruptions.

While much attention has been paid to the relentless growth in North American unconventional supply, demand headwinds have perhaps been less widely noticed. The recent slowdown in demand growth is nothing short of remarkable. Latest statistics show that demand growth slowed to below 500 kb/d year-on-year in 2Q14 for the first time in two and a half years. Demand projections for 3Q14 have been revised downwards, as have been forecasts for 2014 and 2015 as a whole. While demand growth is still expected to gain momentum, the expected pace of recovery is now looking somewhat more subdued.





OPEC supply has been remarkably robust in view of the troubles in Libya and Iraq, with output from the producer group assessed at about 30.3 mb/d for August, just slightly down from July on the back of lower Saudi and Iraqi production, partly offset by a continued rebound in Libya. This production level was not too far off from the estimated 'call on OPEC and stock change' for 3Q14, and the latest dip in Saudi supply seems primarily to reflect reduced import demand from US refiners, as well as weaker-than-expected crude demand in Europe and Asia.

Shifts in the direction of OPEC export flows are as noteworthy as the group's aggregate production levels. In recent years, surging LTO production has backed out US imports of West African crude, which are now moving to Asia. Saudi exports seem to be showing the beginning of a similar shift. Saudi exports as a whole are likely to have run below 7 mb/d for the last four months, their lowest level since September 2011. Exports to the US led the drop amid rising Saudi domestic demand for crude burn and refinery runs. State oil company Saudi Aramco appears to be pricing oil out of the US market by ratcheting up Official Selling Prices to North America, while OSPs to Asia have come off, likely setting the stage for a broad rebalancing of trade flows. Thus is the global crude market continuing to adjust to the new North American supply reality.

Despite market talk of oil traders scrambling to secure tankage to store crude, there is relatively scant evidence yet of a large build-up in commercial inventories. But oil stock data are lagged and mostly limited to the OECD, whereas much of the reported speculative stock builds are said to have occurred in such non-OECD locations as Saldanha Bay in South Africa or Fujairah in the Persian Gulf. Within the OECD, data show a seasonal build in total oil stocks of roughly 15 mb in July and a provisional build of nearly 20 mb for August, twice the monthly average. Clearly the price structure encourages further builds. Given the volatile situation in the MENA region, this is a benefit to global energy security.

DEMAND

Summary

- **The global oil demand trend showed clear signs of weakening in 2Q14**, as growth eased back to a near two-and-a-half year low of around 480 kb/d year-on-year (y-o-y). Euro zone economic growth is petering-out, while US petrochemical usage fell alongside pronounced declines in Japanese power-sector demand. Total oil product demand averaged 91.6 mb/d in 2Q14, 125 kb/d below the estimate carried in last month's *Report*.

- **Preliminary assessments of 3Q14 demand point towards a modest acceleration in global momentum,** with reports of business confidence rising in some countries (such as the US) supporting the still relatively weak forecast y-o-y gain of approximately 840 kb/d. The uptick in demand momentum comes despite the overall forecast of 93.3 mb/d in 3Q14 being revised down by approximately 120 kb/d from the previous estimate.

- **The forecast of oil demand growth for 2014 has been trimmed by 150 kb/d to 0.9 mb/d,** taking projected demand for the year to 92.6 mb/d. Curbed outlooks for China and Europe are the key downside contributors.

- **The growth forecast for 2015 has also been tempered**, to 1.2 mb/d, from 1.3 mb/d previously, taking global deliveries up to 93.8 mb/d in 2015, approximately 165 kb/d below the previous projection. This new forecast still amounts to a notable acceleration on 2014, as the International Monetary Fund (IMF) anticipates global economic growth accelerating to +4.0%, from 3.4% in 2014, according to July's *World Economic Outlook.* The reduction in the forecast uptick comes as we anticipate a marginally weaker GDP projection with the publication of the IMF's October update.

- **Non-OECD oil demand growth will lead the forecast upside in 2015**, rising by 1.3 mb/d (after a rise of 1.2 mb/d in 2014), an increase that more than offsets the modest 0.1 mb/d reduction foreseen for OECD economies (versus the 0.3 mb/d reduction expected in 2014).

- **Chinese demand is forecast to average 10.3 mb/d in 2014, up 2.4% on the year earlier,** a notable downgrade on the previous projection as ongoing declines in the recent gasoil demand data feed through. The generally gloomier macroeconomic backdrop has also influenced the curtailed 2015 forecast, to 10.6 mb/d, albeit with a modest acceleration still foreseen (+3.2%) as mildly positive gasoil demand growth is forecast to return

Global Oil Demand (2013-2015)

(million barrels per day)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0	4.1	4.1	4.1	4.2	4.1
Americas	30.2	30.5	31.1	31.1	30.7	30.4	30.4	31.3	31.4	30.9	30.6	30.8	31.3	31.5	31.1
Asia/Pacific	30.6	29.8	29.7	30.9	30.3	31.2	30.1	30.1	31.4	30.7	31.7	30.7	30.8	32.0	31.3
Europe	13.8	14.5	14.6	14.2	14.3	13.7	14.1	14.6	14.3	14.2	13.8	14.1	14.5	14.1	14.1
FSU	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.1	5.0	4.9
Middle East	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.9	8.1	7.9	8.4	8.8	8.2	8.3
World	**90.5**	**91.1**	**92.5**	**92.7**	**91.7**	**91.6**	**91.6**	**93.3**	**93.9**	**92.6**	**92.8**	**93.0**	**94.6**	**95.0**	**93.8**
Annual Chg (%)	1.2	1.6	1.6	0.8	1.3	1.2	0.5	0.9	1.3	1.0	1.3	1.5	1.4	1.2	1.3
Annual Chg (mb/d)	1.1	1.4	1.5	0.7	1.2	1.1	0.5	0.8	1.2	0.9	1.2	1.3	1.3	1.1	1.2
Changes from last OMR (mb/d)	0.07	0.09	0.14	0.02	0.08	0.12	-0.12	-0.12	-0.14	-0.07	-0.11	-0.16	-0.15	-0.22	-0.16

Global Overview

Ongoing weakness in both the European and Chinese economies, coupled with lower-than-expected oil deliveries in Japan and Brazil, saw the 2014 demand forecast reduced. This month's *Report* sees the projected 2014 growth rate for total oil demand curbed back to +1.0% (or 0.9 mb/d), versus the previous +1.1% (or 1.0 mb/d) assessment. This adjustment occurred as the majority of the latest oil delivery data has come out below prior expectations, while the generally deteriorating macroeconomic picture pares back the overall forecast 2H14 uptick. Total global oil deliveries are now expected to average 92.6 mb/d in 2014, 65 kb/d below the estimate cited last month, with lower assessment of Chinese, Japanese and German oil demand leading the revisions.

At 91.6 mb/d, the 2Q14 global oil demand estimate has been revised down by 125 kb/d since last month's *Report*. Leading the 2Q14 downgrade were notably reduced estimates of German, Brazilian and UK deliveries. Indeed, weaknesses were seen across the euro zone, where the economic recovery came to a halt in 2Q14, with both German and Italian GDP declining in quarter-on-quarter (q-o-q) terms while France stagnated for a second consecutive quarter. Even previous strongly rising demand centres, such as Brazil, have shown signs of slowing recently, with Brazilian oil demand growth at a near one-and-a-half year low y-o-y in June.

Preliminary estimates of 3Q14 oil demand were also reduced, by around 120 kb/d over last month's *Report* to 93.3 mb/d, on lower assessments of oil demand in Japan and softer economic growth in Europe. The US provides a significant 3Q14 offset, +145 kb/d on last month's *Report*, in response to the recent strength in the US oil delivery data, figures that have themselves been revised up as continued gains emerge in the US industrial outlook. Manufacturing sentiment indicators for the US, from the Institute for Supply Management (ISM), climbed to a near three-and-a-half year high in August, firmly pointing towards strongly expansionary territory over 2H14. This strengthening industrial sentiment/activity supports the rising US oil demand outlook.

The recent demand picture can be split along two distinct trends: that of stronger US deliveries, versus weaker conditions in China and Europe; the latter force currently outweighing the former. Indeed, the macroeconomic malaise experienced across much of Europe recently has been the dominant downside influence. Euro zone economies, already struggling with stagnation (i.e. weak-to-falling economic growth coupled with high unemployment), are getting perilously close to deflation. The risk being that falling European prices trigger a deflationary spiral that causes further reductions in economic activity, as market participants delay investment/purchasing decisions, which in-turn curb production and overall economic output. In response to such concerns, the ECB announced a surprise ten basis point cut in interest rates, taking its benchmark interest rate to 0.05%, and reduced its GDP forecasts for the euro zone to 0.9% in 2014 (two-tenths of a percentage point below the 1.1% forecast cited by the IMF in July).

China has been the other significant downside contributor to this month's demand revisions. After months of anaemic Chinese oil demand growth, it is becoming ever clearer that even with an assumed uptick in 2H14, Chinese oil demand growth will struggle to get much above 2%. Falling gasoil/diesel deliveries, on the back of absolute contractions in domestic coal use, as less diesel has been required to move coal from mines to power stations, lay at the heart of this downside revision and will likely remain a heavy restraint throughout 2014.

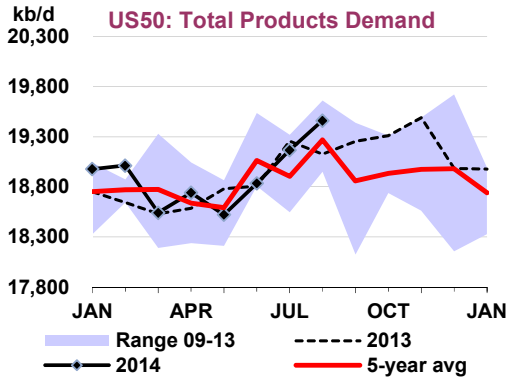
The 2015 global demand forecast has also been revised down sharply since last month's *Report*, as total oil deliveries are now forecast to average roughly 93.8 mb/d in 2015, approximately 165 kb/d below the previous projection. The two prime contributors to the reduced 2015 forecast are the same as for the year earlier revision, i.e. curbed projections for both Chinese and European demand. Despite this downgrade, overall growth momentum is still expected to accelerate in 2015, to 1.2 mb/d from 0.9 mb/d in 2014, an uptick supported by the assumed strengthening of the macroeconomic backdrop; it is just

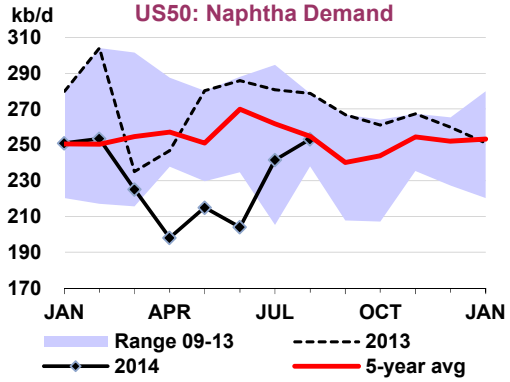
that the potential additional demand has now been tempered on a slightly less upbeat outlook for the world economy. Non-OECD countries dominate the 2015 growth forecast, contributing approximately 1.3 mb/d of additional deliveries forecast for 2015, which more than offsets the forecast OECD contraction of 0.1 mb/d.

Top 10 Consumers

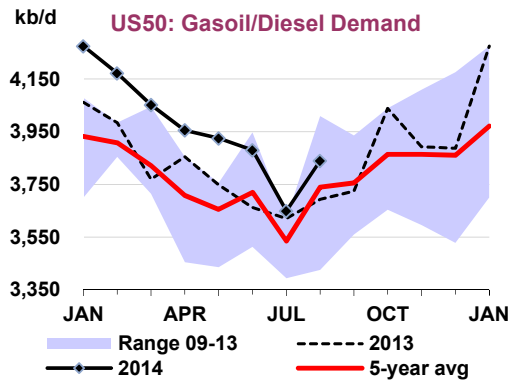
US

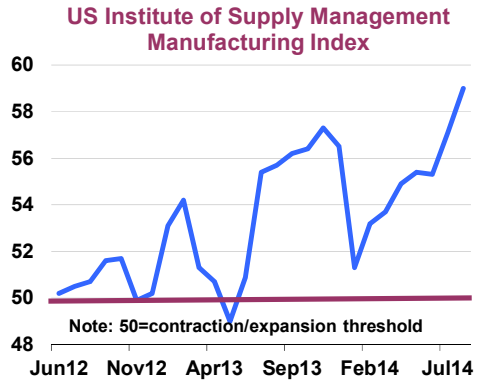
The June US demand data, at 18.8 mb/d, was roughly unchanged on the estimate carried in last month's *Report*. June deliveries rose by a modest 0.2% y-o-y, after a 1.4% y-o-y decline in May. Notable weakness was seen in the naphtha, residual fuel oil and 'other products' categories. The strongest growth was reserved for gasoil/diesel, up 4.4% y-o-y in 2Q14, specifically higher by 5.9% on a y-o-y basis in June after a 4.7% gain in May. Naphtha deliveries fell heavily, down by 28.6% in June after a 23.3% decline in May, as maintenance closures trimmed available petrochemical cracker capacity, while gasoil/diesel's strength reflected increased activity in the US construction sector.



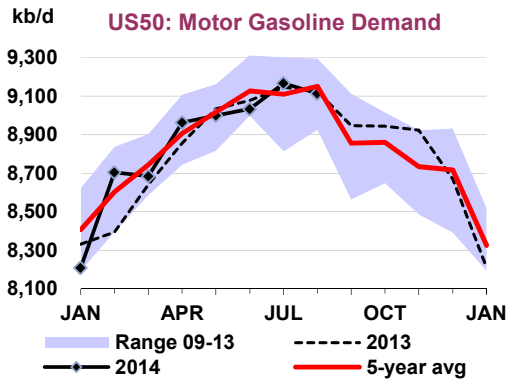


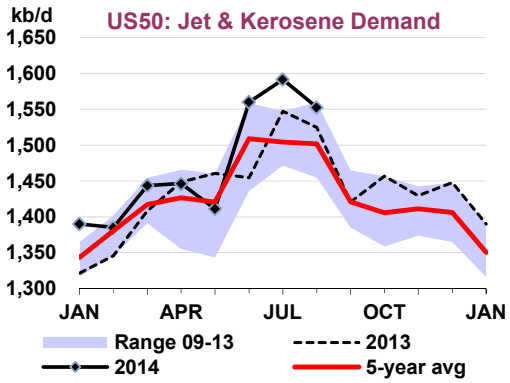
Early estimates of US July demand, based on US Energy Information Administration weekly releases, show a further augmentation in US oil deliveries to 19.2 mb/d, supported by seasonally higher gasoline demand and strong y-o-y gains in jet/kerosene. A further gain, to 19.5 mb/d is assumed in August, not only amounting to a strong 1.8% gain on the year earlier but also the highest absolute level of US demand experienced since November 2013. With both forecasts, for July and August demand, now significantly above those carried in last month's *Report*, respectively higher by 270 kb/d and 130 kb/d, the projection for the year as a whole has also been raised, by 40 kb/d to 19.0 mb/d. The forecast growth trend in 2014 is accordingly higher, +0.4% versus the previous +0.3% forecast. A further gain of around 0.4% is then foreseen in 2015, as the US economy is likely to gain additional momentum.





The latest data from US Department of Transportation's Bureau of Transportation Statistics confirm the relative strength that has emerged recently in one of the key upside supports for US demand, jet fuel, with total US airline jet fuel purchases coming in at 3 240 million gallons in 1Q14, up 1.1% on the year earlier. Of the big three US airlines, American Airlines reported a 5.3% gain in purchases (to 905 million gallons), followed by Delta (+1.9%, to 730 million gallons) and United (-0.3%, to 745 million gallons). International flights, to and from the US, accounted for the majority of the 1Q14 increase, as roughly 1 275 million gallons were reported in 1Q14, up 2.6% on the year earlier, outpacing the more subdued 0.2% gain seen domestically.





The historical data for the US were revised up in this month's *Report*, with approximately 20 kb/d of additions being made to the 2013 US demand estimate. Notably higher estimates of US gasoline (+60 kb/d) and LPG (+20 kb/d) demand were made, offsetting reductions in the 'other products' category (-55 kb/d). Total deliveries across the fifty states of the US are now estimated to average 19.0 mb/d in 2013, equivalent to a gain of 2.4% (or 440 kb/d) on the year earlier, versus the 2.1% expansion previously cited.

Top-10 Oil Consumers

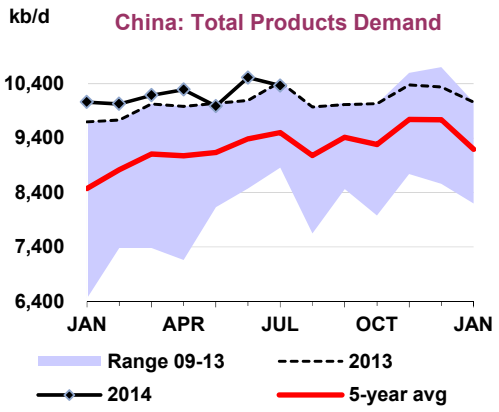
(thousand barrels per day)

	Demand			Annual Chg (kb/d)			Annual Chg (%)		
	Jun-14	2014	2015	Jun-14	2014	2015	Jun-14	2014	2015
US50	18,836	19,028	19,106	30	67	78	0.2	0.4	0.4
China	10,514	10,306	10,641	423	242	335	4.2	2.4	3.2
India	3,961	3,859	3,974	159	89	115	4.2	2.4	3.0
Japan	3,774	4,347	4,227	-86	-183	-120	-2.2	-4.0	-2.8
Russia	3,705	3,568	3,620	64	53	52	1.7	1.5	1.5
Saudi Arabia	3,500	3,114	3,211	211	105	97	6.4	3.5	3.1
Brazil	3,086	3,159	3,220	48	70	61	1.6	2.3	1.9
Canada	2,460	2,420	2,387	71	-5	-32	3.0	-0.2	-1.3
Korea	2,330	2,357	2,351	10	33	-6	0.4	1.4	-0.3
Germany	2,257	2,378	2,380	-231	-25	1	-9.3	-1.0	-0.2
% global demand	60%	59%	59%						

China

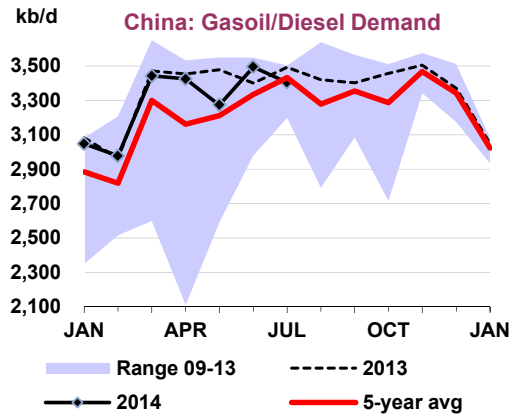
The latest estimate of Chinese apparent oil demand, at 10.4 mb/d in July, was roughly 140 kb/d less than the forecast carried in last month's *Report* as two of the key components that make up our apparent demand estimate fell: refinery output and net product imports. From approximately 1.4 mb/d in 2013, net product imports fell to 1.2 mb/d in July as domestic requirements eased. Compared to the year earlier, total Chinese oil deliveries eased back by around 70 kb/d in July, with the sharpest reversals seen in the industrially important gasoil/diesel and residual fuel oil categories. These declines came in contrast

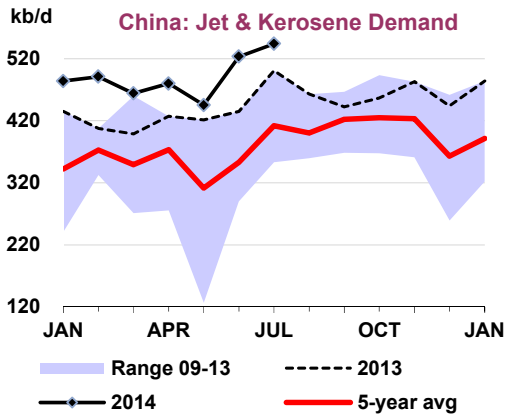
to the large gains experienced in the still thriving domestic transport fuel markets of gasoline and jet/kerosene. The petrochemical sector, meanwhile, continued to support strong gains in LPG and naphtha.





Given the clear weakness in the recent Chinese data, the forecast for the year as a whole has accordingly been revised down, with a more muted +2.4% forecast now carried for 2014 versus the previous 2.9% assessment. Even with this reduced forecast, a modest upturn in Chinese demand growth is expected over the remainder of the year, with a near 3% growth trend assumed post-July, a forecast that is broadly supported by manufacturing business sentiment indicators. HSBC's *Manufacturing Purchasing Managers' Index* (PMI), for example, which provides a proxy for activity in the heavily energy-intensive manufacturing sector up to six-months ahead, rose to a five-month high in July of 51.7, clearly above the key-50 'expansionary' threshold, before dipping back perilously close to it in August to 50.2. This August dip accordingly curbs the 4Q14-1Q15 forecast. Looking further ahead, the outlook for 2015 is for Chinese oil demand growth accelerating back to around +3.2%, taking deliveries up to an average of around 10.6 mb/d in 2015. This upturn in momentum is based upon the projections of continued strong gains in the transport and petrochemical sectors, and the return of modest gasoil/diesel demand growth after a two-year hiatus.





One of the strongest recent performing Chinese demand sectors has been the jet/kerosene market, with double-digit percentage point gains seen recently as increases in flight numbers shrug-off the current economic woes. The Civil Aviation Administration of China (CAAC) reported turnover of six billion tonne kilometres in May, a gain of over 10% on the year earlier. Over 30 million air-passenger trips were made in May, up 9.8% on the year earlier, while monthly air-cargos rose by 7.7% in May to 505 tonnes. The CAAC estimates that passenger numbers will rise by 12% y-o-y in July and 13% in August, alongside respective gains of 7% and 7.5% in cargo.

The introduction of tighter environmental restrictions on gasoline use in many areas, could meanwhile, provide additional support to the 3Q14 Chinese gasoline demand forecast, as the fuel's lower required octane content essentially means more gasoline will be required to move the same distance. Since July, petrol stations in southern Guangdong have been required to only stock gasoline which meets the *China 5* standard, a quality of fuel with notably lower levels of sulphur, olefins, octane and manganese.

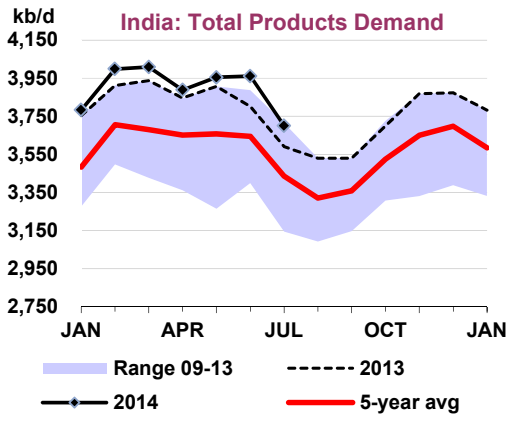
China: Demand by Product

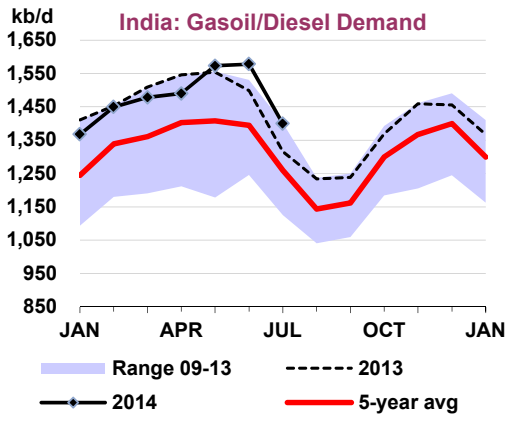
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	789	826	898	37	72	4.7	8.7
Naphtha	1,128	1,166	1,201	37	35	3.3	3.0
Motor Gasoline	2,053	2,189	2,321	136	132	6.6	6.0
Jet Fuel & Kerosene	443	489	506	45	17	10.2	3.6
Gas/Diesel Oil	3,378	3,361	3,422	-17	61	-0.5	1.8
Residual Fuel Oil	415	358	354	-57	-4	-13.8	-1.1
Other Products	1,858	1,918	1,939	60	21	3.2	1.1
Total Products	**10,064**	**10,306**	**10,641**	**242**	**335**	**2.4**	**3.2**

India

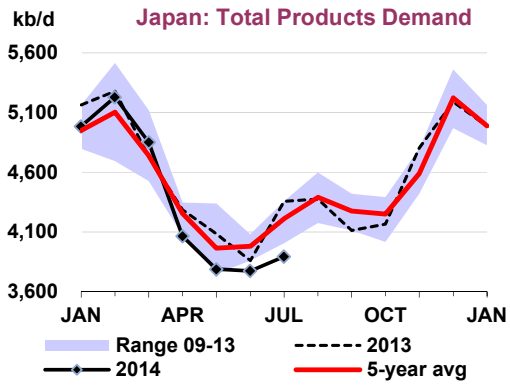
The Indian demand forecast for 2014 is little changed from recent issues of this *Report* as the latest petroleum product sales data, from the Ministry of Petroleum and Natural Gas, closely matched our own pre-existing projections. Roughly 4.0 mb/d of oil products were delivered in June, falling to 3.7 mb/d in July as seasonal diesel use eased. The dominant Indian gasoil/diesel segment, however, still leads y-o-y growth momentum, rising by 5.3% in June to 1.6 mb/d and 6.3% in July to 1.4 mb/d. Diesel demand gained additional support as numerous power outages required additional diesel-powered emergency generators to be used. The forecast for the year as a whole is for a gain of 2.4% in 2014, to 3.9 mb/d, accelerating to 3.0% in 2015 as additional macroeconomic momentum likely supports extra gasoil demand.

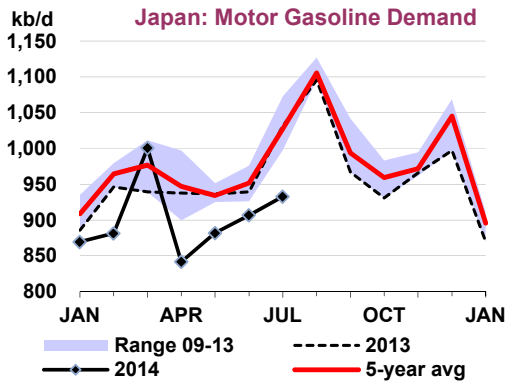




Japan

Preliminary indicators of Japanese demand in July point towards a near 10% y-o-y decline rate, with sharp reductions experienced across most of the product spectrum. Particularly heavy drops were concentrated in the naphtha, jet/kerosene, residual fuel oil and 'other product' (which includes the direct crude burn of the electrical generating sector) segments. Deliveries of these last two categories fell in July, as power sector oil usage declined, while weaker petrochemical demand curbed naphtha deliveries.

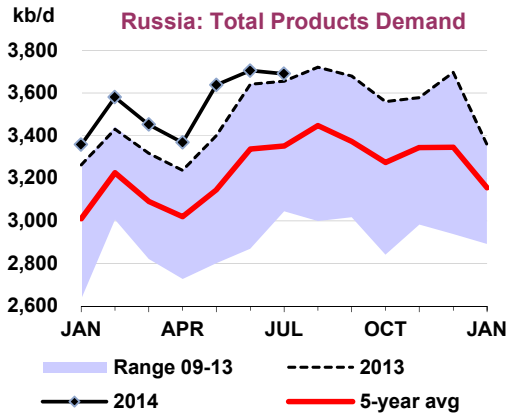


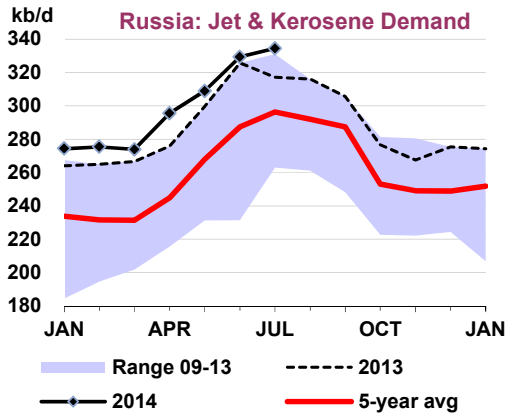


July's double-digit percentage point decrease amounted to a sharp deterioration on the upwardly revised 2.2% drop now reported for June (previously -3.0%). The estimate for year as a whole, at 4.3 mb/d, has accordingly been based, not just on this lower July estimate (110 kb/d below last month's *Report*) but also on the reductions in the August demand forecast (-75 kb/d), as transportation fuel demand likely eases consequentially on an unusually heavy typhoon-season.

Russia

The Russian demand data has surprised on the upside recently, with approximately 3.7 mb/d of products delivered in July, 90 kb/d above the forecast cited in last month's *Report*. A combination of strong July gains for residual fuel oil, 'other products' and jet/kerosene, more than offset absolute declines in gasoline and LPG, to leave overall demand roughly 1% higher y-o-y in July. This escalating-demand environment comes despite the continuation/build of Russian/Ukrainian tensions and the implementation of sanctions with the West. The Russian economy is currently expected to expand by a muted 0.2% in 2014, according to the consensus of economic forecasters quoted in early-September's *Economist* magazine. Such an economic outlook is down significantly on the plus 1% growth rate seen in 2013, but even this curtailment is unlikely to be sufficient to bring Russian demand growth much below the current near +1% forecast, given the strength of January-July data.

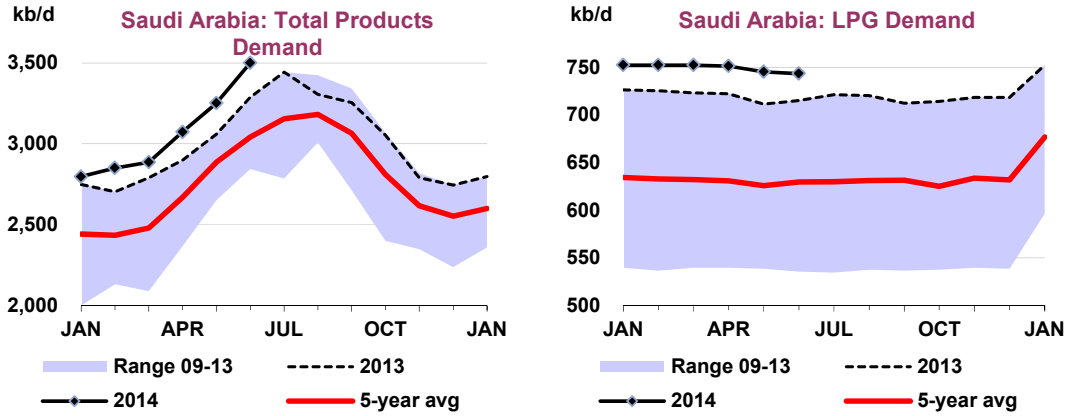




Saudi Arabia

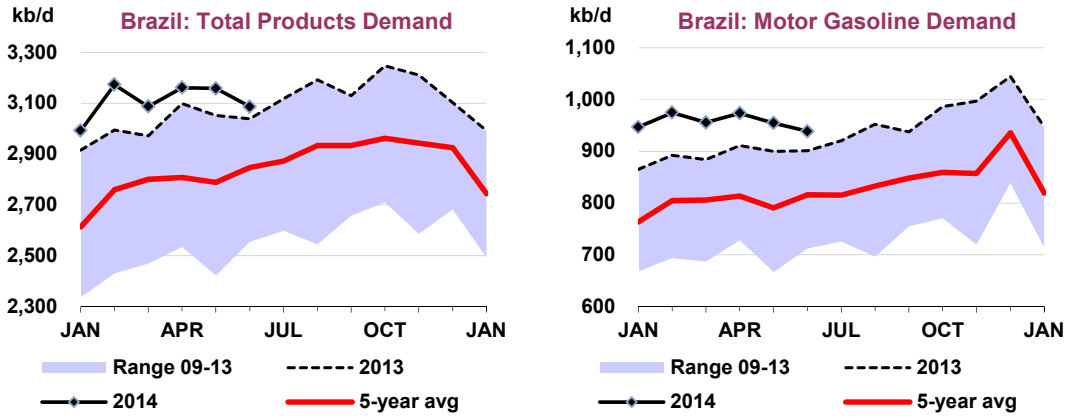
Saudi Arabian oil demand totalled roughly 3.5 mb/d in June, 6.4% up on the year earlier as strong gains were seen in the gasoil, 'other products' and LPG product categories. Petrochemical demand remains relatively robust, with a near 4% y-o-y gain in LPG deliveries reported in 2Q14 to 745 kb/d. This follows news that SABIC, the state-owned petrochemical company, declared a 7% y-o-y gain in profits in 2Q14. Producers are responding to concerns that market share could be lost to the US, as American shale feedstocks threaten the country's previous competitive advantage (see *Medium Term Oil Market Report,*

2014), by diversifying petrochemical outputs into high value and speciality chemicals. The outlook for the Saudi Arabian petrochemical sector is for continued expansion, with near 3% growth foreseen in LPG demand in both 2014 and 2015. Underlying such a demand forecast is the potential export market for relatively cost-competitive Saudi Arabian fertilizers and plastics, with SABIC's CEO, Muhammad al-Mady, stating that he believes Africa will provide a particularly fruitful source of future petrochemical product demand.



Brazil

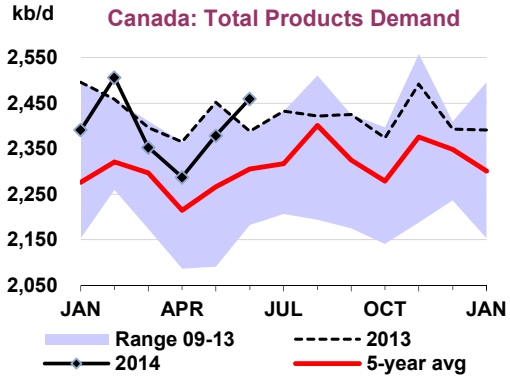
The latest Brazilian demand data, at 3.1 mb/d in June, was 75 kb/d below the forecast we carried last month, as June data essentially magnified the decelerating trend that we had been alluding to for some time now. Up just 1.6% on the year, June's growth rate amounted to a near one-and-a-half year low and was less than half the previous six-month average y-o-y increase. Notably curbed gains in the domestic transportation sector played a key role in June's slowdown, with motor gasoline demand in June, for example, rising by its slowest rate in 15 months. Having previously enjoyed a 12-month average y-o-y growth rate of 7.8%, June's 4.2% increase in motor gasoline amounted to a near halving in momentum, as ailing consumer confidence (which fell to a five-month low in May) suppressed the numbers of journeys made. Looking ahead, the latest car dealership data suggests that month-on-month (m-o-m) declines in new car sales were seen in both June and July, further undermining the future demand trend.

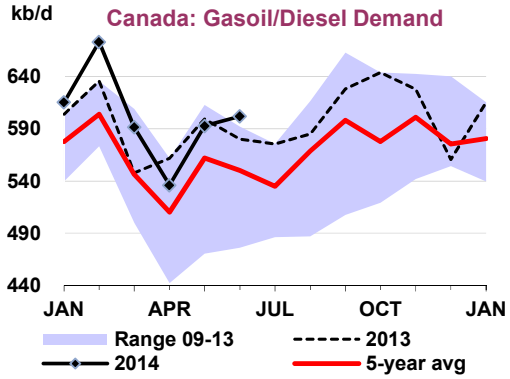


Once the football World Cup support has finally fallen out of the demand data, i.e. post-July when tourist footfall is projected to ease, a further deceleration in the Brazilian demand trend is foreseen. The latest data suggest that our previously forecast 2H14 deceleration might have started even earlier, hence we have marginally curtailed the forecast for the year as a whole to +2.3% compared to the previous +2.5% projection.

Canada

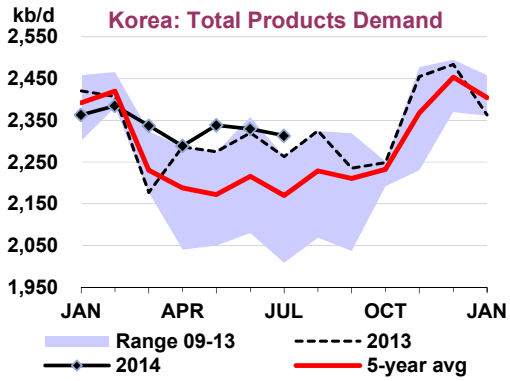
A strengthening industrial backdrop saw roughly 2.5 mb/d of oil products delivered in June, a modest upside revision on last month's *Report*, as total industrial production for the overall Canadian economy came in 4.9% above the year earlier. Such supportive conditions sustained a near 3% y-o-y gain in total Canadian oil deliveries. Notably raised estimates were seen for LPG, gasoline and gasoil/diesel in June, more than offsetting declines in naphtha and jet/kerosene.

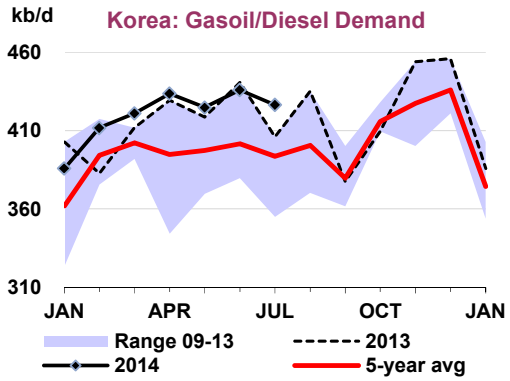




Korea

July data saw South Korean oil demand post its fifth consecutive month of y-o-y growth, with approximately 2.3 mb/d of oil products delivered in July, a 50 kb/d (or 2.2%) gain on the year earlier and 40 kb/d above the estimate carried in last month's *Report*. The strongest y-o-y growth was reserved for the LPG, gasoil and jet/kerosene categories, as gains in these products more than offset declines in naphtha, residual fuel oil and 'other product' demand. Relatively high naphtha prices in Asia, however, are reported to have temporarily curbed naphtha demand, which fell by 1.0% on the year earlier to 1.1 mb/d, and similarly boosted LPG.

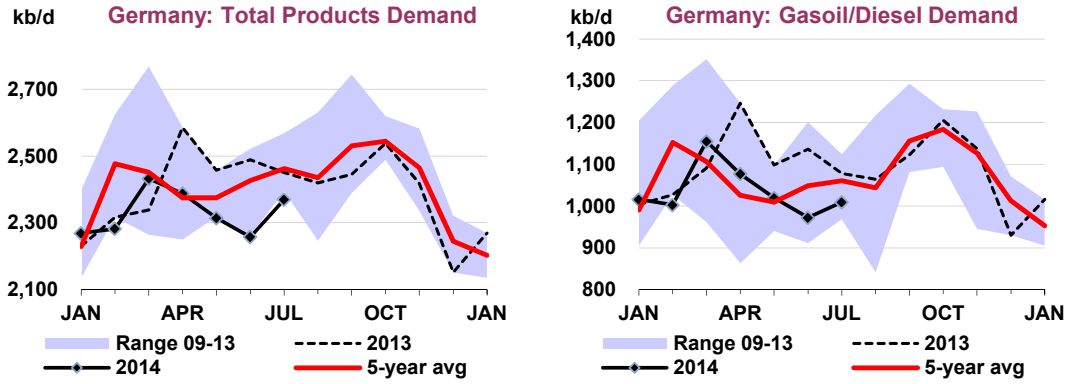




Relatively strong economic activity across South Korea generally supported the country's recently rising oil demand trend. Consumer confidence is thriving, supporting absolute gains across the Korean transport sector, with the Bank of Korea, for example, citing a consumer confidence reading of 105 in July, whereby any reading above 100 signifies an "improving outlook". Similarly upbeat industrial output – with the official numbers showing growth at a five-month high of 3.4% y-o-y in July – particularly supported deliveries of LPG and gasoil. Looking forward, a near 1.5% gain is foreseen across the year as a whole, to an average of around 2.4 mb/d, a level that is forecast to roughly hold in 2015 as additional efficiency gains are forecast as curbing demand growth.

Germany

The recent German demand data, with an estimated 2.3 mb/d delivered in 2Q14 and 2.4 mb/d in July, is down sharply on the year earlier as the economic picture for Germany has deteriorated sharply recently. Both the June and July German oil demand numbers are down heavily on the projections carried in last month's *Report,* respectively lower by 135 kb/d and 70 kb/d, with lower gasoil deliveries the key contributing factor. With German economic momentum in 2Q14 falling by 0.2% on 1Q14, the risk of a triple-dip recession looms, resulting in a paring of the 2014 oil demand outlook to 2.4 mb/d, equivalent to a decline of 1.0% on the year earlier. Although something of an uptick is still foreseen in the 2H14, the confidence that such a scenario will occur has been curbed as export flows to Russia likely decline in the face of the recent emergence of economic sanctions between the two countries.



At 2.3 mb/d in June, the officially confirmed German demand data implies a much weaker trend than that previously assumed from the inland-delivery statistics. The 230 kb/d y-o-y contraction (or -9.3%) in June was the steepest decline in 16 months and amounted to a 135 kb/d curtailment on the previous forecast. Notably lower estimates of gasoil, residual fuel oil and 'other product' deliveries led the June revision.

OECD

Having experienced a temporary reprieve in 2013, the OECD oil demand trend returned to a clearly falling trajectory in 2014, something we envisage continuing in 2015. Relatively efficient oil consumption, somewhat subdued macroeconomic conditions and continued product switching made for a particularly unsupportive OECD demand-side environment. Total OECD deliveries are expected to average 45.8 mb/d in 2014, down by around 0.5% on the year earlier, with sharp declines in residual fuel oil and 'other products' (which includes the direct crude burn). Both of these product segments are forecast to experience notable declines in 2014, as the Japanese power sector increasingly switches out of oil products into more cost competitive alternatives. Absolute gains are then foreseen in the gasoil, jet/kerosene and naphtha categories, distillate demand gaining particular support from the US industrial uptick.

The latest OECD demand data impled a hefty 0.8 mb/d (or 1.7%) 2Q14 y-o-y decline, to 44.7 mb/d. The sharp 2Q14 OECD decline took hold as the Japanese power sector made rapid movements out of oil, European economic momentum reversed and US petrochemcial demand eased, curbing both LPG and naphtha deliveries. Although we continue to envisage absolute y-o-y declines in OECD oil deliveries in 2H14, the near-perfect storm of 2Q14 is unlikely to be repeated any time soon, thus supporting the forecast of easing OECD declines across 2H14.

OECD Demand based on Adjusted Preliminary Submissions - July 2014

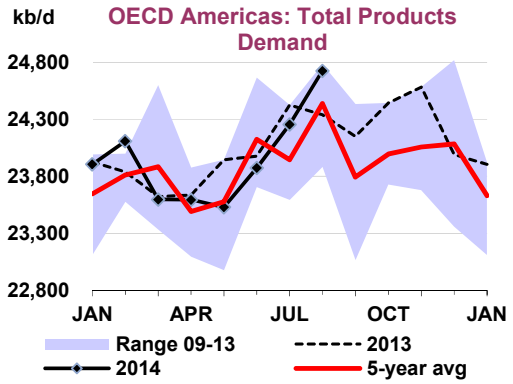
(million barrels per day)

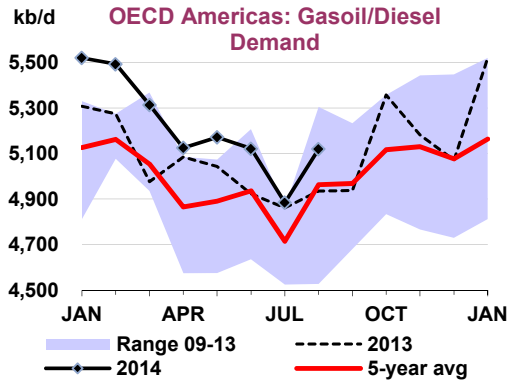
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.92**	**0.0**	**1.83**	**3.3**	**4.48**	**1.2**	**0.41**	**-6.8**	**0.58**	**-24.1**	**6.04**	**-1.22**	**24.26**	**-0.7**
US50	9.17	0.2	1.59	2.9	3.59	1.8	0.06	-37.8	0.25	-31.7	4.51	-1.52	19.17	-0.5
Canada	0.88	0.5	0.11	6.9	0.29	-6.0	0.28	2.9	0.04	-7.4	0.81	-2.85	2.41	-1.1
Mexico	0.75	-2.3	0.07	11.2	0.39	2.5	0.05	-4.5	0.19	-22.0	0.59	2.79	2.03	-2.0
OECD Europe	**2.07**	**-3.2**	**1.34**	**1.6**	**4.71**	**1.2**	**1.21**	**-11.5**	**0.93**	**-5.4**	**3.71**	**-1.60**	**13.96**	**-1.8**
Germany	0.45	-0.1	0.19	-3.6	0.74	0.8	0.27	-21.8	0.12	-8.3	0.61	1.01	2.37	-3.3
United Kingdom	0.29	-1.7	0.31	3.2	0.47	4.5	0.12	0.4	0.03	-8.0	0.27	-9.10	1.49	-0.3
France	0.20	-3.8	0.17	1.3	0.75	-2.4	0.24	-3.5	0.04	-28.6	0.46	2.88	1.85	-2.0
Italy	0.23	-6.3	0.11	2.3	0.49	1.5	0.09	-16.6	0.08	-11.6	0.35	-11.05	1.35	-5.4
Spain	0.12	-3.9	0.14	1.0	0.45	-1.4	0.12	-4.5	0.16	9.0	0.25	-4.88	1.24	-1.2
OECD Asia & Oceania	**1.58**	**-6.0**	**0.65**	**-4.1**	**1.28**	**1.1**	**0.44**	**-7.9**	**0.64**	**-14.6**	**3.11**	**-3.63**	**7.71**	**-4.7**
Japan	0.93	-9.6	0.32	-9.0	0.43	-4.5	0.33	-10.9	0.37	-16.7	1.51	-11.65	3.89	-10.7
Korea	0.19	0.7	0.14	4.8	0.33	6.0	0.10	1.8	0.22	-15.2	1.34	4.74	2.31	2.2
Australia	0.33	-1.4	0.14	-1.4	0.41	1.6	0.00	14.3	0.03	10.2	0.18	9.27	1.10	1.7
OECD Total	**14.57**	**-1.1**	**3.82**	**1.4**	**10.46**	**1.2**	**2.06**	**-9.8**	**2.15**	**-13.9**	**12.86**	**-1.92**	**45.92**	**-1.7**

* Including US territories

Americas

Despite enduring a 2Q14 correction, OECD American oil demand is forecast to rise on a y-o-y basis in 3Q14, a prediction that gains particular credibility on the basis of the stronger than expected July-August data already alluded to in our *US* section. Approximately 24.4 mb/d of oil products are expected to be delivered across the OECD Americas in 3Q14, 0.3% up on the year earlier, with notable additions foreseen in gasoil/diesel and jet/kerosene deliveries. The predicted 3Q14 uptick comes after the confirmed 0.8% y-o-y decline in 2Q14, when particularly weak petrochemical demand in the US, caused by some temporary cracker closures, restrained overall deliveries. The forecast for the year as a whole is essentially flat, as demand in the OECD Americas averages roughly 24.1 mb/d in 2014, before posting a very modest gain to 24.2 mb/d in 2015 supported by an intensification of US economic growth. The industrially important LPG (which includes ethane used in the petrochemical sector) and gasoil/diesel categories are forecast to then drive this growth in 2015.

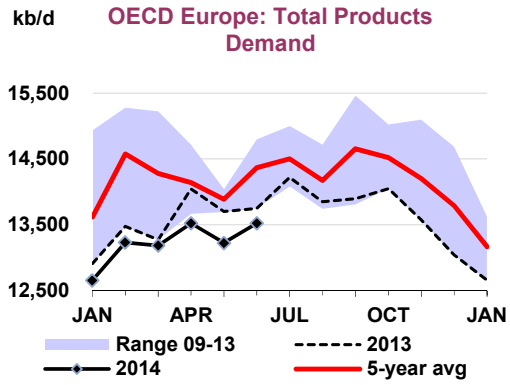


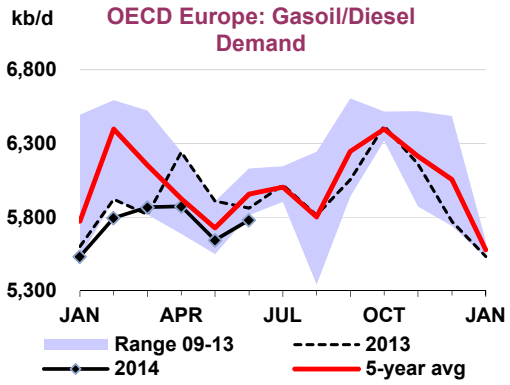


Europe

The weak European economic backdrop has added an additional downside jolt to 2Q14 European oil demand. A downwardly revised 2Q14 European demand estimate, of 13.4 mb/d, was made, 95 kb/d below that carried in last month's *Report* with weaker deliveries of gasoil, residual fuel oil and 'other products' the key factors. This 2Q14 reduction coincided with Eurostat's official confirmation that in the euro zone economic activity showed no q-o-q growth in 2Q14, with Germany (-0.2%) and Italy (-0.2%)

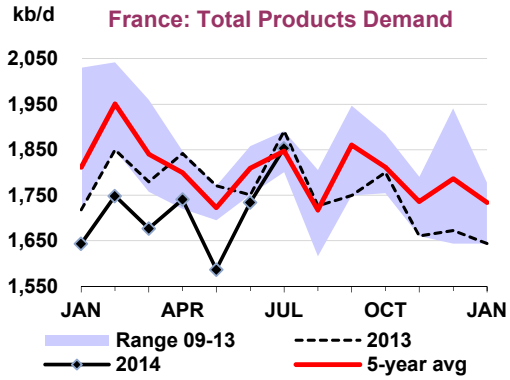
both down a fact reflected in their weaker oil demand trends. With preliminary estimates of July demand also below previous expectations, a further 25 kb/d has been trimmed from the 3Q14 European demand estimate to 13.9 mb/d.

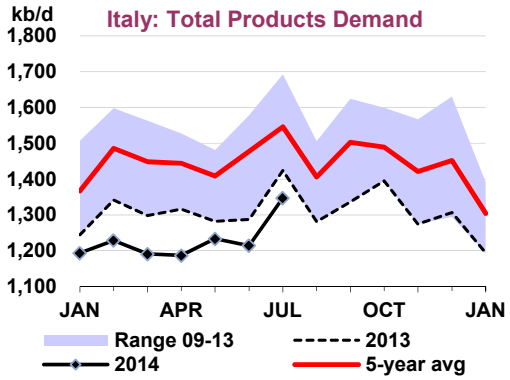




These two factors, coupled with growing concerns that the IMF's July (+1.1% for the euro zone) estimate of economic growth will prove too optimistic, encouraged a reduction of 55 kb/d from our 2014 European oil demand forecast, to 13.5 mb/d, leaving a decline rate of 1.1% (or -145 kb/d) for the year as a whole. This scepticism was confirmed, September 4, when the ECB announced not only a surprise ten basis point cut in interest rates but also a lowering of its euro zone economic outlook to +0.9% growth for 2014.

Growing concerns regarding the sustainability of the European economic recovery have also resulted in a reduction of the 2015 European demand forecast to 13.4 mb/d, amounting to a further decline of 0.4% on the year earlier. This relative easing of the European decline rate, from -1.1% in 2014 to -0.4% in 2015, arises as the ECB forecasts an uptick in euro zone macroeconomic momentum in 2015, to 1.6%; an argument supported by the IMF in July (1.5%) and the consensus of macroeconomic forecasters cited in *The Economist* magazine at the time of going to press. A close watch must, however, be maintained over the situation with regard to Russia, as a further intensification of sanctions could reduce euro zone economic growth, with a leaked EU document talking about a potential 75 basis points reduction.

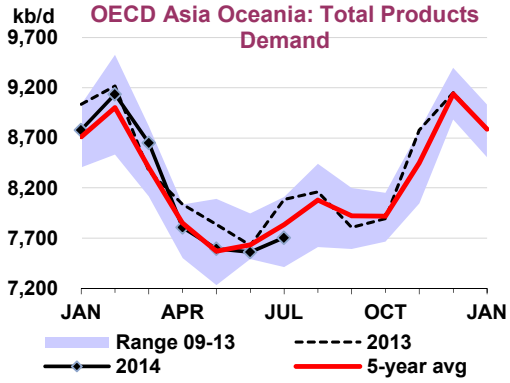


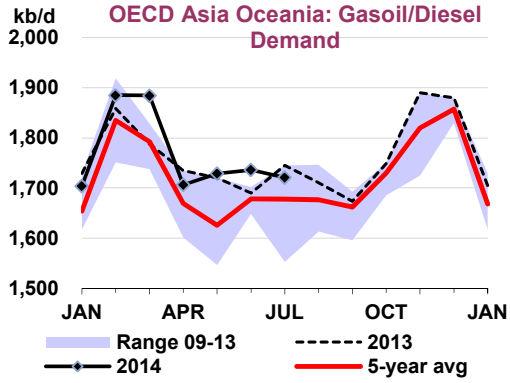


Despite these concerns and having endured an exceptionally tough January-through-May, the **French** oil demand trend has moderated recently. Supported by strengthening demand in the naphtha, jet/kerosene and 'other product' categories, approximately 50 kb/d was added to the French July demand estimate to 1.9 mb/d. This amounts to a 2% correction on the year earlier, which along with June's 0.9% y-o-y decline demonstrates a notable easing from the previous six-month trend (-4.9%). The **Italian** demand assessment for July was similarly revised up, to 1.3 mb/d, amounting to a 75 kb/d (or 5.4%) decline on the year earlier but 10 kb/d less than the reduction cited in last month's *Report*.

Asia Oceania

Recent oil demand data for OECD Asia Oceania have been downgraded on account of reduced Japanese power sector oil use, with approximately 7.7 mb/d of oil products delivered in July, 75 kb/d below the estimate cited in last month's *Report*. The 3Q14 demand estimate has accordingly been curbed, by a more modest 50 kb/d, leaving an average demand forecast of 7.8 mb/d in 3Q14. The forecast for the year as a whole, and for 2015, is for a modest downgrade in demand, to 8.2 mb/d and 8.1 mb/d respectively, as further product shifting occurs alongside enhanced efficiency measures.





Non-OECD

Compressed by reduced forecasts for China and Brazil (see *Top 10 Consumers*), the total non-OECD oil demand forecast for 2014 has been curtailed by approximately 45 kb/d to 46.8 mb/d. Such a reduction takes the projected 2014 growth rate back to an estimated +2.5%, roughly two-tenths of a percentage point below the forecast cited in last month's *Report.* Restraining progress will be the relatively subdued gains forecast in both gasoil and residual fuel oil, as absolute Chinese declines in each of these categories quell the non-OECD metric. Contrasting strength in some key transport fuels, both in China and across most other non-OECD countries (bar the economies of the former Soviet Union), provide an offset, with total non-OECD gasoline demand forecast to rise by approximately 3.8% in 2014 (to 9.7 mb/d) and jet/kerosene by 3.6% (to 2.9 mb/d). Overall momentum should then accelerate, up by 2.8% in 2015 to 48.1 mb/d, with rapid gains in petrochemical, transport and industrial fuel oil demand forecast.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
LPG & Ethane	5,060	5,114	5,133	177	212	3.6	4.3
Naphtha	3,177	3,249	3,104	51	69	1.6	2.3
Motor Gasoline	9,525	9,500	9,694	361	429	3.9	4.6
Jet Fuel & Kerosene	2,904	2,892	2,876	119	122	4.3	4.4
Gas/Diesel Oil	14,134	13,667	14,332	141	124	1.0	0.9
Residual Fuel Oil	5,363	5,405	5,464	90	67	1.7	1.2
Other Products	6,041	6,023	6,272	289	233	5.0	3.9
Total Products	**46,205**	**45,850**	**46,875**	**1,229**	**1,255**	**2.8**	**2.8**

With the exception of China, **non-OECD Asian** oil demand growth is forecast to accelerate in 2014 with relatively strong gains in petrochemical usage expected to support near 4% gains in both LPG (includes ethane) and naphtha deliveries. The forecast for 2H14 should also include a notable acceleration in gasoil demand growth, as both Indian and Indonesian deliveries are projected to ramp up; India supported by a strengthening macroeconomic backdrop (with GDP forecast to climb by 6.4% in 2015, according to the IMF in July) and Indonesia as government efforts to restrict mining exports are removed. The 2H14

reversal of the law that banned Indonesian unprocessed mineral exports is likely to result not only in higher Indonesian mining activity but also additional diesel consumption from this traditionally very gasoil-intensive sector. Looking further forward, we project that, with the generally assumed macroeconomic strengthening that is forecast to occur in non-OECD Asia in 2015, oil demand growth will increase still further, with accelerating transportation fuel demand providing a key support.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	4Q13	1Q14	2Q14	1Q14	2Q14	1Q14	2Q14
Africa	3,831	3,919	3,970	28	73	0.7	1.9
Asia	22,289	22,329	22,474	561	548	2.6	2.5
FSU	4,933	4,592	4,782	136	153	3.0	3.3
Latin America	6,763	6,579	6,772	213	174	3.4	2.6
Middle East	7,713	7,783	8,218	258	297	3.4	3.7
Non-OECD Europe	677	648	658	33	9	5.3	1.4
Total Products	**46,205**	**45,850**	**46,875**	**1,229**	**1255**	**2.8**	**2.8**

After a difficult couple of months, the African oil demand outlook is expected to rise by around 3% in 2014, to 4.0 mb/d and 4.5% in 2015, to 4.1 mb/d. Many of the economies in the region have struggled with challenging circumstances, whether that be the Ebola virus in West Africa or fighting in Libya, but are cautiously expecting to see stronger economic growth in 2014 and 2015. The World Bank's latest Global Economic Prospects, for example, says that "despite emerging challenges, medium-term growth prospects for sub-Saharan Africa remain favourable. Regional GDP growth … (is projected to strengthen) to 5.1% in 2015". Similarly the World Bank's wider "Middle East and North Africa region … (experienced) a recovery in 2014, following a 0.1% (GDP) contraction in 2013, on the back of domestic and regional turmoil and weak external demand. Recovery in oil production, industrial activity and exports are contributing to the pick-up in growth this year," to 1.9% with a further acceleration in GDP growth to 3.6% assumed in 2015. Many recently crisis-hit countries, such as Egypt, Algeria and Libya, will likely continue to struggle in 2014, although even here the World Bank foresees modestly brightening prospects, before hopefully emerging on a more resilient growth trend in 2015.

SUPPLY

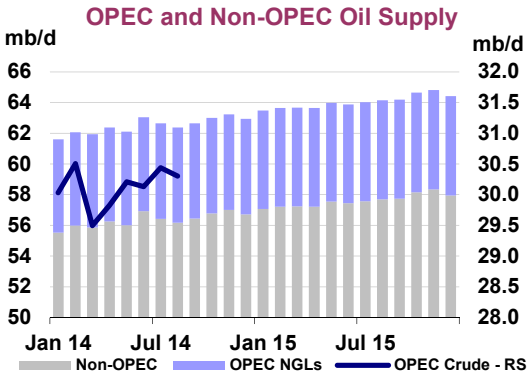
Summary

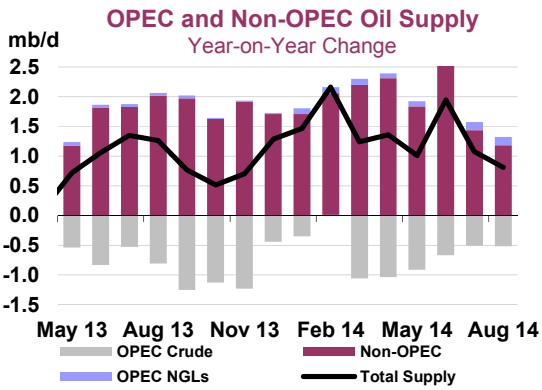
- **Global supply was down 395 kb/d in August, to 92.9 mb/d.** Compared with a year ago, global supply was 810 kb/d higher, with an increase in non-OPEC of 1.2 mb/d more than offsetting a 515 kb/d decline in OPEC crude output.

- **August 2014 non-OPEC production fell by 265 kb/d month-on-month, to 56.2 mb/d, on seasonal declines in the North Sea and Alaska, as well as reduced output in Malaysia.** Annual growth for 4Q14 is forecast at 930 kb/d, to 56.8 mb/d.

- **OPEC supply fell by 130 kb/d in August to 30.31 mb/d as a steady recovery in Libyan output failed to offset declines from Saudi Arabia and Iraq.** The 'call on OPEC crude and stock change' was cut by 200 kb/d for 4Q14 to 30.6 mb/d as the non-OPEC supply estimate was revised up and global demand down. Similar reasoning impacted 'the call' for 2015, which was lowered to 29.6 mb/d.

- **Top OPEC producer Saudi Arabia cut August supply by 330 kb/d to 9.68 mb/d, seemingly in response to lower requests from customers.** Output from Libya continued to improve, with flows rising by 110 kb/d from July to 530 kb/d. Early indications suggest the recovery gathered pace in September, with output touching 800 kb/d - over three times the average rate of three months ago.





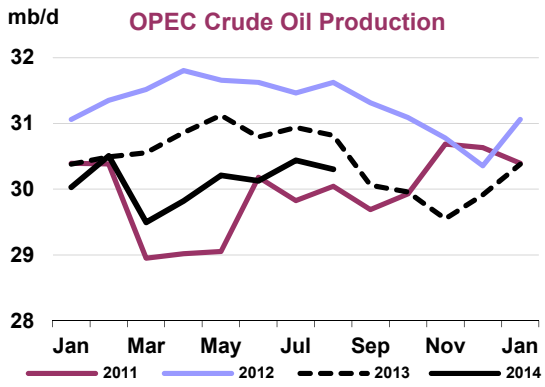
All world oil supply data for August discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico and Russia are supported by preliminary August supply data.

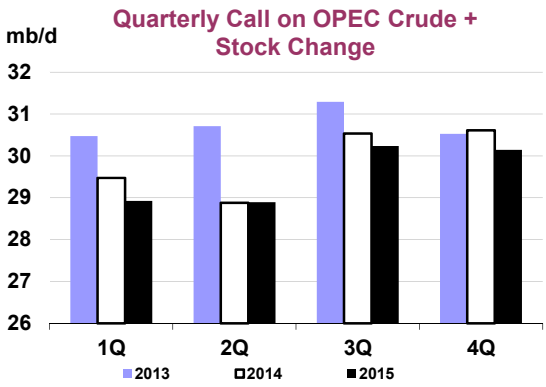
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 approximately –200 kb/d to -400 kb/d for non-OPEC as a whole.

OPEC Crude Oil Supply

OPEC crude supply fell by 130 kb/d in August to 30.31 mb/d after output declined in Saudi Arabia and Iraq. Rising production from Libya partly offset the decrease. Saudi Arabia, OPEC's top producer, cut August supply by 330 kb/d, apparently in response to lower requests from customers. Libya's output recovery held up in August, with flows rising by 110 kb/d from July to 530 kb/d after the lifting of a year-

long rebel blockade allowed vital eastern ports to reopen. Iraq's output fell to the lowest level since January after a decrease in exports from its Gulf terminals due to bad weather and loading glitches.





The 'call on OPEC crude and stock change' was lowered by 200 kb/d in 4Q14 to 30.6 mb/d on a combination of anticipated slower demand and additional non-OPEC supplies. For full year 2015, 'the call' was cut by 300 kb/d to 29.6 mb/d from 2014 levels. OPEC's 'effective' spare capacity was estimated at 3.07 mb/d in August compared with 2.87 mb/d in July, with Saudi Arabia holding 89% of the surplus.

OPEC Crude Production

(million barrels per day)

	Jun 2014 Supply	Jul 2014 Supply	Aug 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Aug 2014 Supply	2Q14 Average Crude Supply
Algeria	1.14	1.14	1.14	1.17	0.03	1.14
Angola	1.65	1.68	1.71	1.80	0.09	1.63
Ecuador	0.56	0.56	0.56	0.57	0.01	0.55
Iran	2.80	2.76	2.80	2.90	0.10	2.84
Iraq	3.26	3.15	3.10	3.35	0.26	3.32
Kuwait[2]	2.78	2.80	2.85	2.90	0.05	2.80
Libya	0.24	0.42	0.53	0.80	0.27	0.23
Nigeria[3]	1.91	1.90	1.89	2.00	0.12	1.91
Qatar	0.73	0.73	0.73	0.73	0.00	0.71
Saudi Arabia[2]	9.78	10.01	9.68	12.40	2.72	9.71
UAE	2.83	2.83	2.85	2.90	0.04	2.74
Venezuela[4]	2.48	2.48	2.48	2.60	0.12	2.48
Total OPEC	**30.13**	**30.44**	**30.31**	**34.12**	**3.81**	***30.06***
(excluding Iraq, Nigeria, Libya and Iran)					**3.07**	

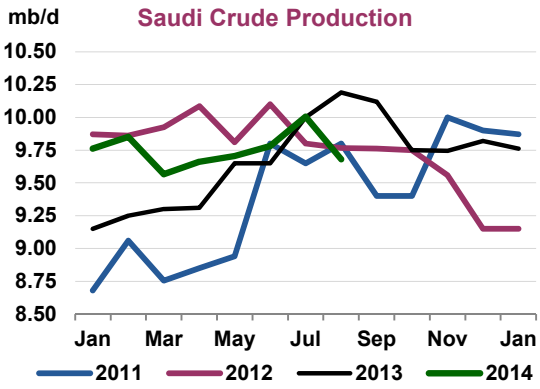
1 Capacity levels can be reached within 30 days and sustained for 90 days.

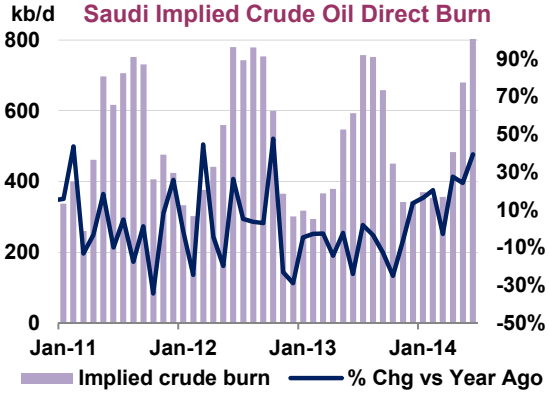
2 Includes half of Neutral Zone production.

3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in August.

Saudi crude output fell by 330 kb/d to 9.68 mb/d in August, seemingly in response to lower requests from customers. Official data show exports at 6.95 mb/d in June and 6.99 mb/d in May, the lowest levels since September 2011. Exports had been running at more than 7 mb/d since October 2011. During June, Saudi exports to the US market slipped to just over 1 mb/d compared with 1.4 mb/d in the January-May period. The latest tanker tracking data suggest a sharp drop in Saudi shipments in August.

Riyadh is meanwhile burning large volumes of crude at home - more than 800 kb/d – to meet rising summer demand at power plants, while throughput to local refineries – at more than 2 mb/d - is at record rates. And yet more Saudi crude will be kept at home after the Yasref refinery at Yanbu starts operations in October (*see Refining*).



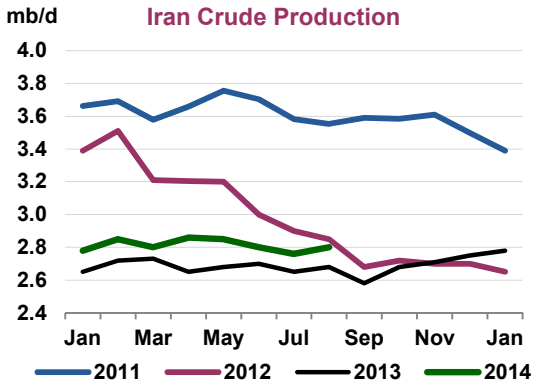


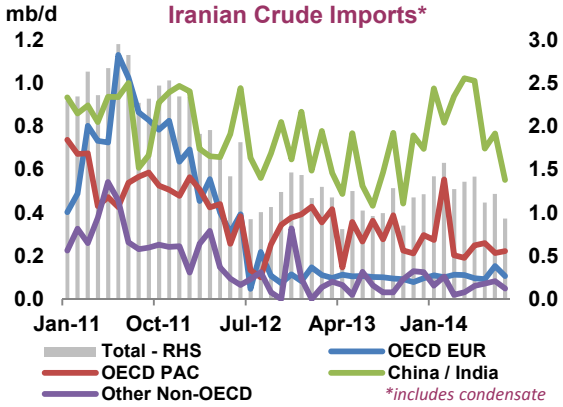
Saudi Arabia cut official selling prices for its benchmark Arab Light for customers in Asia by $1.70/bbl for October sales, a move widely pinned by market analysts on a bid to protect its Asian market share with Arab Medium and Arab Heavy down by $1.50/bbl and $1.20/bbl, respectively. The deeper-than-expected cuts may have been in response to weak refining margins and head-on competition from West African and North Sea barrels.

Iranian crude oil production edged 40 kb/d higher from July to 2.8 mb/d. Top buyer China reportedly stepped up loadings in August, which would arrive in September or October. Preliminary data show that deliveries of Iranian oil in August to regular buyers in Asia sank below the nominal 1 mb/d limit set by Western powers under an interim deal to curb Iran's nuclear programme.

Total imports - including condensate, an ultra-light liquid hydrocarbon from Iran's South Pars gas project - dropped to 930 kb/d versus 1.2 mb/d in July. Imports during 1H14 averaged 1.4 m b/d. After stripping out condensates, imports of Iranian crude sank to 720 kb/d in August. These figures are subject to revision.

Deliveries into China for August appear to have declined by 145 kb/d on July to just above 400 kb/d - half the level of April's record 800 kb/d, according to initial data. A significant portion of the imports was likely to have loaded during July. China began to ramp up purchases of Iranian oil after an interim nuclear deal struck last November between Tehran and Western powers eased some sanctions on Iran. Rigorous measures are still in place to block sales of Iranian oil to the West.





August data show that Syria and Japan were the only countries to increase imports of Iranian crude oil. After a pause in July, an average 30 kb/d was delivered into Syria, which imported an average 30 kb/d during the first half of 2014. Imports into Japan rose 60 kb/d to 190 kb/d.

Iran's second biggest customer, India, took in 140 kb/d during August versus 210 kb/d in July. India purchased about 285 kb/d during the first half of the year. Korea's purchases dropped by 50 kb/d to

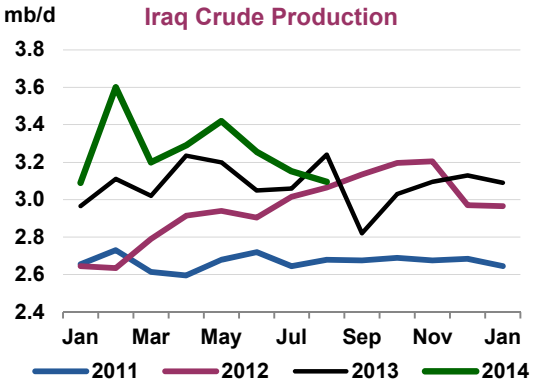
average 30 kb/d last month. Shipments into Turkey fell by a similar amount, with average deliveries in August at 108 kb/d. Imports into the UAE ran at 20 kb/d in August versus 80 kb/d in July.

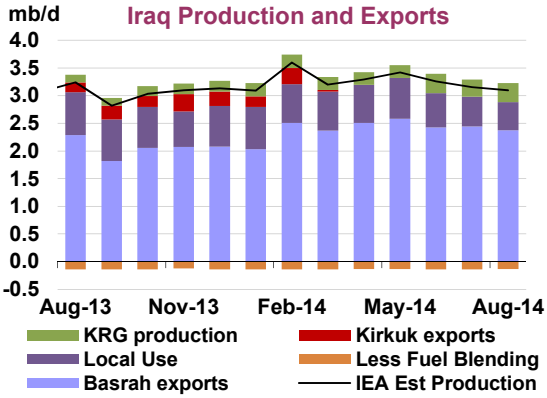
Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports. Imports also include condensates from Iran's Assaluyeh terminal, which averaged around 200 kb/d during the first half of this year.

To keep up the pressure on Tehran while the nuclear discussions continue, Washington on 29 August punished a number of Iranian and foreign companies for violating sanctions on Iran, mostly in connection to its nuclear work. Iran and the P5+1 are expected to hold talks later this month in New York.

Total production from **Iraq**, including volumes from the Kurdistan Regional Government (KRG), decreased by 60 kb/d from July to 3.10 mb/d, the lowest level since January. Exports from Iraq's giant southern oil fields, insulated from insurgent attacks in the north and west of the country, slipped to 2.38 mb/d versus 2.44 mb/d in July due to bad weather and loading glitches at the country's Gulf terminals.

The decline in southern production was partly offset by a recovery in the northern KRG region, where flows through the KRG pipeline to Turkey ran at a steady rate of roughly 120 kb/d in August. A build-up in stocks at the Turkish port of Ceyhan allowed for KRG exports of 170 kb/d in August versus just 30 kb/d in July. About 200 kb/d is now moving through the KRG pipeline and deliveries are expected to rise to 300 kb/d by the end of the month. The extra 100 kb/d could arrive from Iraq's prized northern Kirkuk field and nearby Bai Hassan that are now effectively controlled by the KRG and connected by a spur to the KRG pipeline. For now, however, the KRG is struggling to market the oil after Baghdad – which claims sole right to sell Iraqi crude – warned buyers to steer clear of what it calls "smuggled" oil. This issue has come up in the US judicial system as well.





Re-armed and supported by US air strikes, KRG Peshmerga and Iraqi forces have meanwhile reclaimed some oil fields and ground previously gained by Islamic State (IS) militants after they pushed towards the northern KRG region in August. There is lingering concern, however, that IS militants will make periodic attempts on vital infrastructure. The jihadists remain in control of the northern Baiji refinery, Iraq's biggest facility. Their occupation has damaged the Baiji refinery, forced it offline and sharply reduced output by closing the major domestic outlet for crude from the northern fields.

Pumping from Iraq's northern fields has slowed since March, when sabotage along the Iraq-Turkey pipeline halted exports of some 250 kb/d. Production – which had been about 500 kb/d early this year - has now slumped to about 120 kb/d, but most of it is re-injected into the Kirkuk field for lack of an outlet. About 30 kb/d is supplying the Kirkuk refinery.

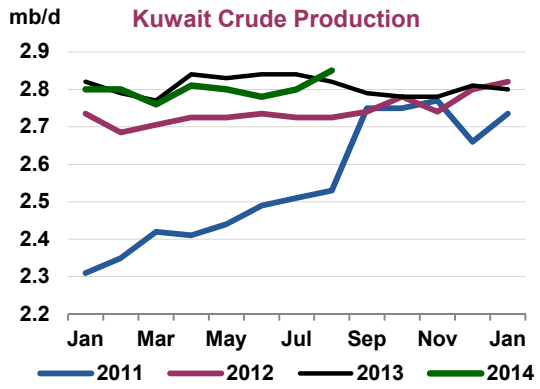
In a bid to pull Iraq back from the brink, Iraq's parliament approved a new government headed by Haider al-Abadi as Prime Minister on 8 September. The oil portfolio went to former Vice President and Finance Minister Adel Abdul-Mahdi, who replaced Abdul Kareem Luaibi. The senior politician will have his work cut out as he seeks to calm investor fears over security, resolve a long-running feud between Baghdad and the KRG over oil rights and tackle critical infrastructure issues. As a member of the Shiíte Supreme Iraqi Islamic Council, which has strong ties with Kurdish political parties, he could prove more conciliatory towards the KRG. Former Deputy Prime Minister for Energy Hussain al-Shahristani, who ran Iraq's energy policy for much of the past decade, was not appointed to any energy-related positions.

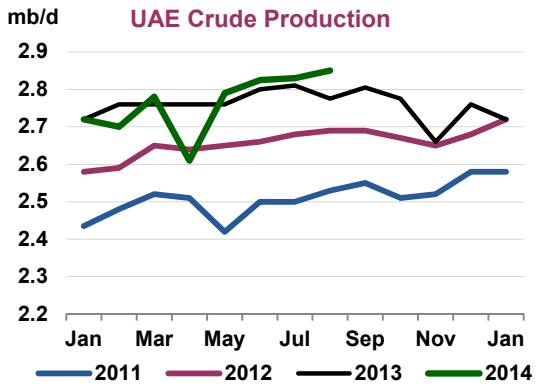
Days before the new government was formed, Baghdad finalised a lower output target for its biggest producing field Rumaila, and extended the life of the contract, as part of a wider effort to temper its production ambitions. Rumaila, operated by BP and China's CNPC, is expected to reach 2.1 mb/d within the next decade – down from an original 2.85 mb/d. The southern supergiant is now pumping around 1.4 mb/d, nearly half Iraq's production. The revised contract also raised the companies' stakes on the technical service contract to 47.6% for BP and 46.4% for CNPC, while reducing Iraq's share to 6%. BP previously held 38% and CNPC 37%. CNPC also signed a new contract to reduce the output target at Halfaya to 400 kb/d from 535 kb/d. Operator CNPC has now got the field pumping at 200 kb/d.

The central government has already reduced capacity targets at other giant southern oil fields such as West Qurna and Zubair, paying heed to growing concerns about the unrealistic targets agreed with foreign partners in 2009-10. The overall aim now is to reach capacity of 8.5-9 mb/d by 2020 – down from an original 12 mb/d.

The Rumaila and Halfaya agreements should help boost investor confidence at a time when Iraq is battling a brutal campaign by Islamic State militants and allow international oil companies to move forward with the next stage of re-development. But foreign companies on the ground say long-standing obstacles such as exceedingly slow decision-making on major contract approvals, the insistence on using state procurement rules and infrastructure bottlenecks have yet to be overcome. One of Abdul-Mahdi's biggest challenges will be to deliver the long-delayed $5 billion-plus Common Seawater Supply Facility (CSSF), a joint water treatment and injection project that underpins the country's massive oil expansion programme.

Qatar's output held steady in August at 730 kb/d while **UAE** production bumped up 20 kb/d from July to reach 2.85 mb/d. **Kuwait** also posted a rise**,** with production up 50 kb/d to 2.85 mb/d in August. The Gulf producer is now targeting output of 3 mb/d after lining up additional crude oil sales to China and securing Philippine refiner Petron as a new customer. State-owned Kuwait Petroleum Corp. is to supply Petron with 65 kb/d of crude in 2015, while supplies to China's Unipec will rise from about 170 kb/d to 300 kb/d under a new 10-year contract. Kuwait is also preparing for limited involvement by major oil companies in its upstream oil sector, with the Ratqa heavy oil development project one such possibility. A tender, using an enhanced technical service agreement (ETSA), could be launched early next year.





In **Libya**, a tentative output recovery is continuing – with flows rising by 110 kb/d to 530 kb/d in August after major eastern oil ports restarted following an agreement between the central government and the rebels that occupied them. Despite rising violence that is pushing this North African producer towards full-blown civil war, production by early September had surged to 800 kb/d – the highest level in more than a year and a vast improvement on the 240 kb/d of just two months ago.

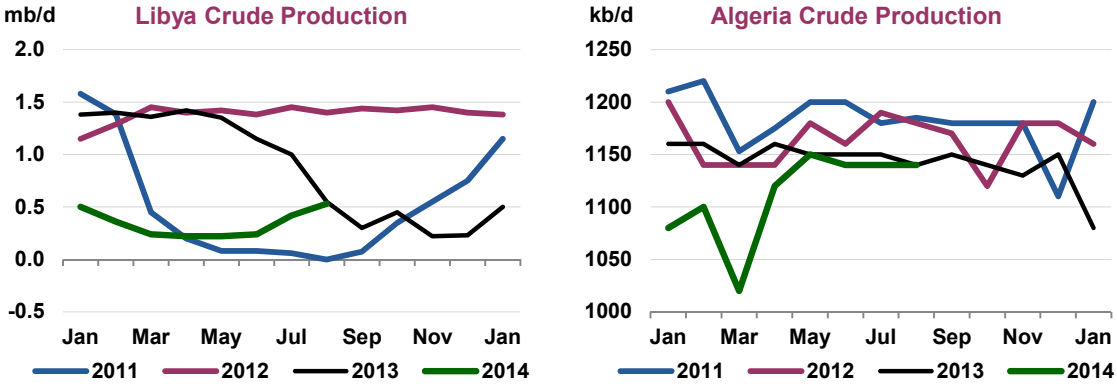
If higher production can be sustained, exports of roughly 570 kb/d may be possible in September – up from more than 500 kb/d that was shipped in August. Liftings resumed last month from the eastern ports of Es Sider and Ras Lanuf – with combined capacity of 560 kb/d - after being blocked for a year by rebels seeking autonomy in the east of Libya.

Rising shipments from Es Sider, the country's largest export terminal, drained down storage tanks and allowed oil from the Sirte Basin to move to the port. Output from Libya's Waha Oil Co., which feeds Es Sider, rose to roughly 90 kb/d by early September. Pre-blockade, Waha – a joint-venture of Libya's National Oil Corp. (NOC) and US ConocoPhillips, Marathon and Hess – was exporting about 320 kb/d.

Recent output gains could, however, prove fleeting as the country struggles to hold itself together: armed groups and two parliaments are fighting for control over the North African producer. On a technical basis, 1 mb/d is achievable although there is lingering concern about reservoir pressure at some fields.

The country's oil fields were pumping 1.4 mb/d before spiralling violence brought chaos to Libya's oil sector last spring. The latest fighting, so far, has not touched Libya's oil ports and fields. Further improvements at the western fields of El Sharara and El Feel are supporting the production rise and account for nearly half the current rate of 800 kb/d. Many Western oil workers have yet to return.

In the midst of Libya's oil revival, the country's acting oil minister Omar Shakmak has resigned and will be replaced by the chairman of state oil firm National Oil Corp (NOC), Mustafa Sanallah.

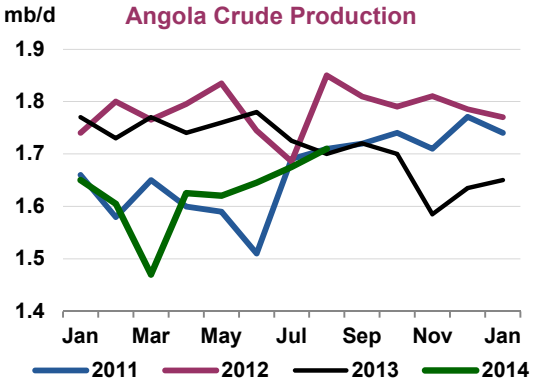


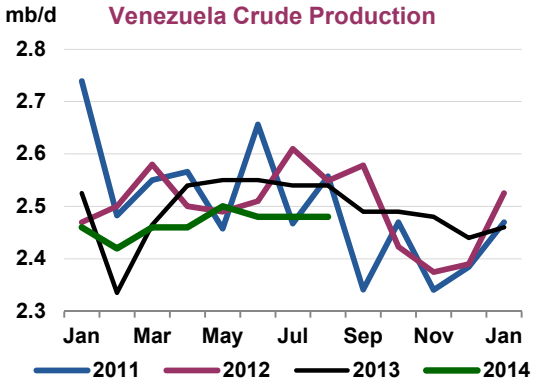
In OPEC's other North African producer, **Algeria,** flows held at 1.14 mb/d month-on-month. At the end of September, state-owned Sonatrach, seeking to reverse declining oil and gas output, plans to open bids in its fourth licensing round. Contracts are set to be awarded on 29 October. International oil companies showed little enthusiasm during the previous three rounds, but Algiers has tried to drum up interest by revising its hydrocarbon law and fiscal terms. The proceedings will be overseen by Said Sahnoun, Sonatrach's former upstream vice president, who took over as interim top executive at the state company after Abdelhamid Zerguine was dismissed at the end of July.

Prospects for capacity growth have been dimmed by security concerns following the deadly attack at the In Amenas gas plant in January 2013, bureaucratic inertia and political uncertainty. There are signs, however, of some improvement in the security situation. Following the adoption of more stringent safety

procedures, the In Amenas plant is returning to normal operations and is expected to be at full production in a few months. Before the attack, the major gas facility – operated jointly by Norway's Statoil, BP and Sonatrach - provided roughly 11.5% of Algeria's natural gas output.

Angolan crude output rose 30 kb/d on July to 1.71 mb/d in August as flows rose steadily from Total's 160 kb/d capacity deepwater Cravo, Lirio, Orquidea and Violeta (CLOV) project that started up in July. Crude oil production from **Nigeria** edged down 10 kb/d from July to 1.89 mb/d – a nine-month low - due to ongoing, sporadic loading disruptions during August.





Supply from **Venezuela** remained steady in August versus July at 2.48 mb/d, but a shake-up in the oil industry saw the sidelining of long-serving Oil Minister and PDVSA chief Rafael Ramírez. As part of a wider cabinet reshuffle, President Nicolás Maduro promoted Eulogio del Pino – former PDVSA Exploration and Production chief – to the state oil company's top slot and tapped Asdrúbal Chávez, the cousin of late socialist leader Hugo Chávez, as oil minister. Ramírez – appointed oil minister in 2002 and PDVSA chief in 2004 - had been running both positions.

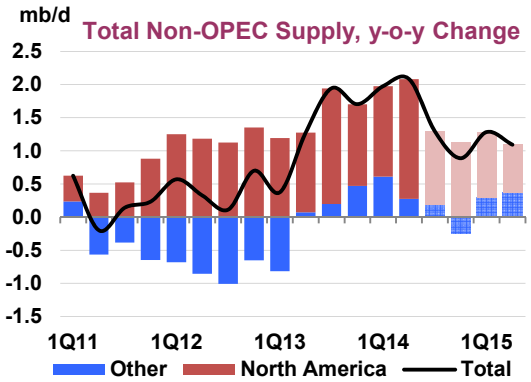
The government of Maduro, who took office last year after the death of Chávez, has been under siege since the start of 2014 from opposition groups but – so far – the widening unrest and deepening economic crisis have had little, if any, impact on the oil sector. Foreign investors, concerned by the growing instability, are keeping a watchful eye on the changes in the oil sector's top brass. Though straddling the world's largest oil reserves, Venezuela's development of the massive Orinoco heavy oil belt is running well behind schedule as it struggles to start up projects.

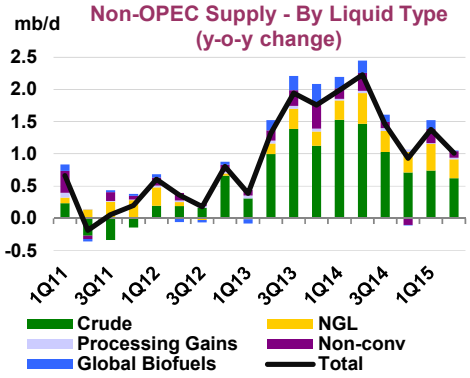
While wholesale changes are not anticipated in the oil sector, there is concern that Venezuela's economic crisis will worsen after Ramírez, regarded as a relative pragmatist, also lost his job as Vice President of Economic Affairs and has been shifted instead to the Foreign Ministry.

Non-OPEC Overview

Non-OPEC output dropped by 265 kb/d in August, to 56.2 mb/d, on the back of a 435 kb/d drop in North Sea oil production. This stems mostly from planned maintenance, but also includes some unplanned outages. Malaysian production was likely down on the month as well, as a dearth of Tapis cargoes was reported for the month. Seasonally low Alaskan production also mitigated production increases in the contiguous 'Lower 48' states of the US.

On the year, August non-OPEC production was up 1.2 mb/d. After year-on-year (y-o-y) gains above 1.5 mb/d since June 2013, with some months above 2.0 mb/d, the more modest (though still substantial) y-o-y gains are expected in the coming two quarters. Quarterly growth in 4Q14 should be strong as typical with the end of the summer maintenance season and the winding down of the hurricane season. A 485 kb/d gain is expected, such that supply reaches 56.8 mb/d.

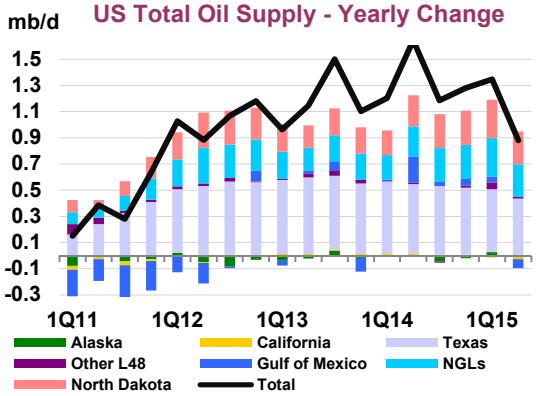




OECD

North America

US – August preliminary, Alaska actual, other states estimated: The US produced an estimated 8.5 mb/d of crude oil in August, steady on July levels, as a seasonal low in Alaska was compensated for by gains in Texas and North Dakota, and the US Gulf of Mexico experienced no major storms in the month. Alaska production dropped just below 400 kb/d not only on maintenance at Prudhoe Bay, but also generally lower output rates on equipment optimised to function in extremely cold temperatures. Alaska voted in a referendum on 19 August to retain the new petroleum tax regime that went into effect at the beginning of 2014. Hence, taxes will not be increasing on the oil industry, a possibility that the industry claimed would have impacted production levels.



While the July 2014 *Report* has discussed the growth on Eagle Ford play in Texas in detail, the Permian region has also been an important contributor to the surge in Texas production past the 3 mb/d mark in May and to an estimated 3.14 mb/d in August. According to US government data, the Permian region has experienced output growth of about 200 kb/d from January to August, to 1.7 mb/d, as drilling has rebounded steeply in 2014, after declining in much of 2013. This rapid growth has created a shortage of mid-stream capacity in the area. Pipeline capacity taking off the Permian is about 1.3 mb/d, so some shippers have applied for permission to use a lottery system to allocate space on lines. Railing is also possible, but the local glut of crude makes it less competitive. Indeed, this glut was clearly visible in the surging WTI Midland-Cushing spread in late July through mid-August, when it approached $20/bbl, before an announced pipeline reversal to Oklahoma reduced the spread in late August.

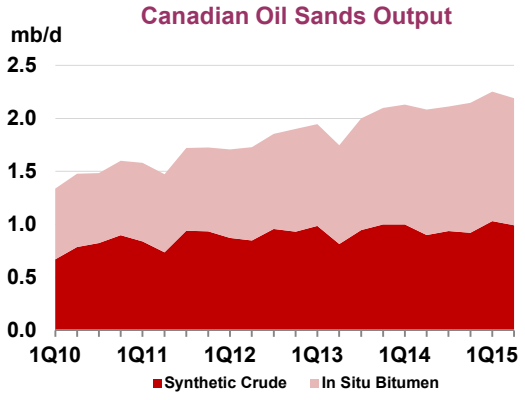
Final data for June show US crude oil production at 8.5 mb/d, up an exceptional 1.3 mb/d y-o-y. This was in part due to Gulf of Mexico offshore production, up about 300 kb/d y-o-y that month, as the Atlantis and Na Kika projects continued to ramp up and Mars II came online in February 2014.

Natural gas liquids (NGL) production is surging in the US, with production reaching the milestone of 3 mb/d in June, supported by surprisingly strong output of ethane (which can be seen in storage levels – see Stocks). Although a typical slight seasonal decline is estimated for July and August compared to June, nevertheless, impressive growth of 340 kb/d is forecast for the year as a whole, to average over 2.9 mb/d. Export demand increasingly sustains investment in LPG production, but ethane is often rejected in the US on relatively low prices and the sometimes lack of midstream connectors to petrochemical facilities. The outlook for ethane exports continues to grow, however, with both Borealis

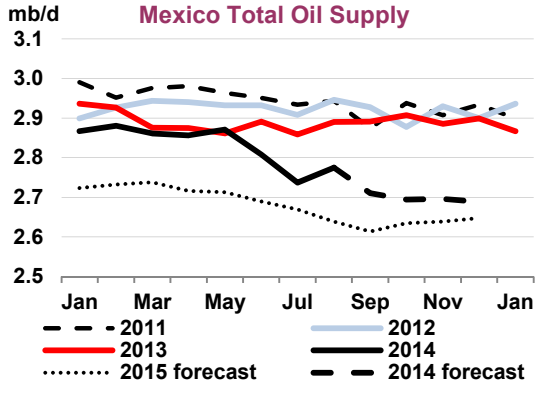
of Austria and Reliance Industries of India announcing in August their intention to commence importing US ethane in 2016. Total liquids output (excluding ethanol and processing gain) for August is estimated at 11.8 mb/d, with an impressive 12.0 mb/d now expected to be exceeded by October, and total liquids is expected to stay above that level for the remainder of the forecast period.

Canada – August estimated: Total liquids supply is estimated at 4.1 mb/d in August, as synthetics projects were able to produce closer to capacity levels, at about 980 kb/d of output, on reduced maintenance. Crude oil and field condensate production (including bitumen) held steady at about 2.5 mb/d. Despite declines on many conventional heavy oil fields in Alberta, production has been maintained at roughly 150 kb/d for over a year, as Husky Energy has implemented several thermal projects on its conventional heavy fields that have boosted output. The Suncor-operated Terra Nova field, offshore Newfoundland, had heavy planned maintenance on its FPSO for most of August, but came back online on 3 September. Nevertheless, the company is likely to experience an output decline starting in September, as the U1 upgrader on the company's synthetics projects began 11 weeks of planned maintenance.

Despite the country's NGL production being dwarfed by that of its neighbour, Canada remains one of the world's largest NGL producers, with August production estimated at 625 kb/d. Ethane production continues to slowly decline, though some of the country's large petrochemical facilities in Alberta and Ontario have connected to imported US ethane in the past year. Non-refinery propane production in Alberta has risen slightly on increased natural gas drilling, however, just as the 70-kb/d Cochin propane pipeline that previously exported to the US was reversed in July. This has taken the differential with US Conway prices from positive to negative territory in recent months. Canadian NGL production is to average about 655 kb/d for the year, total liquids 4.1 mb/d, with the latter up 170 kb/d y-o-y, mostly on higher Alberta bitumen output.



Mexico - July actual, August preliminary: Despite a generally negative short-term outlook for Mexican crude oil production, preliminary data for August show crude oil production up slightly, by about 30 kb/d, to just over 2.4 mb/d. As was noted in last month's *Report*, Pemex trimmed its outlook for 2014 to 2.44 mb/d as mainstay shallow-water fields such as Cantarell and Ku have declined more rapidly than expected. New projects, such as Ayatsil-Tekel, have experienced serious delays, taking them out of the short-term forecast. (Such projects may become joint-ventures in the medium term, probably enhancing their likelihood of success and timeliness – see feature box to follow *'Mexican Energy Sector Reform Moves into High Gear'*.) However, a new issue that has emerged from data collected by industry regulator CNH is that Pemex's reported production figures include a substantial amount of water—about 160 kb/d in 1H14. This is the gap between reported Pemex production and the amount of oil processed by Pemex's distribution system, according to CNH. CNH, now with a stronger regulatory status as a result of the new laws passed as part of the reform process, may be in a position to curb a problem that has existed for several years, according to CNH data. In late August, Pemex announced that the crude oil production forecast had been



lowered to 2.35 mb/d for the year on the basis of more-accurately measured output. However, the August production figure did not seem to indicate any changes in measurement. Indeed, with eight months of data, output in the remaining four months of the year would have to fall to an average of 2.13 mb/d, an unprecedented level of monthly decline in Mexico, in order to arrive at a yearly average of 2.35 mb/d. Perhaps revisions in historical data are set to arrive before the end of the year, but until we are able to obtain precise monthly revisions, we have maintained our crude oil rate for the year at 2.42 mb/d, with NGLs at 350 kb/d.

Mexico Energy Sector Reform Moves into High Gear

On 11 August, Mexican President Peña Nieto signed into law the various bills approved by the Mexican Congress that together make up the secondary laws for the reform of the energy sector. This reform was initiated by constitutional changes approved in December 2013 (see *'Watershed Energy Reform Approved in Mexico'* in the January 2014 *Report*). These laws clarify how the energy sector will be restructured and opened for private investment, lifting decades-long restrictions. That restructuring process already took an important step forward on 13 August with the announcement of the results of the so-called 'Round Zero.' This is the process wherein those fields and prospective areas that state oil company Petróleos Mexicanos (Pemex) will retain and those that will be made available to other companies (as well as to Pemex potentially) through a public bidding process were decided upon by the government.

The reforms, which go far beyond the oil sector to include restructuring of the electricity and natural gas industries, provide new structures and rules for upstream development and also put in place a framework for the opening of the downstream oil sector beginning in 2018, including refining, pipelines, and service stations.

The laws, despite numerous amendments and changes proposed by members of the Mexican Congress, follow closely the original bills submitted by the current PRI administration. Among the major components of the secondary laws are:

- The Hydrocarbons Laws, which authorise and regulate the participation of companies other than Pemex in the sector beyond the already-permitted service contracts. These companies will have opportunities to work with Pemex as well as independently from it on projects.
- The Pemex Laws, which redefine it as a 'productive state company' subject to corporate tax and paying a dividend to the state, as Pemex remains 100% state-owned. (Pemex currently pays the state on the basis of its revenues, not imputed profits.) In addition, Pemex is restructured internally, i.e., merging the natural gas, refining and petrochemical divisions into a single unit.
- Laws which set up a new fiscal framework for the hydrocarbons sector, defining the various instruments of state revenue.
- Laws that create and define the new Oil Stabilisation and Development Fund.
- Local content laws.
- New environmental and industrial safety laws for the hydrocarbons sector, which include the creation of a new regulatory agency that will administer and regulate these issues specifically within the hydrocarbons sector.

The National Hydrocarbons Commission (CNH) will take a much greater role in administering the sector henceforth, and reportedly, Pemex has already begun seconding employees to the agency so that it can take on these responsibilities. Pemex will now operate more independently in some ways, particularly in a fiscal sense: the company will be taxed more like a non-state company, paying a surface rental fee, royalties based on oil (and gas) prices, and a corporate profit tax. However, Pemex will be limited by the state in its ability to choose which companies it desires to partner with—instead, CNH will make such decisions. Pemex will also transfer its pension liabilities to the federal budget, giving the company additional fiscal room for manoeuvre.

Companies other than Pemex operating in the upstream hydrocarbons sector will do so under three types of contracts (in addition to the already-available service contracts):

Mexico Energy Sector Reform Moves into High Gear *(continued)*

1. Profit-sharing ('shared-utility') contracts: companies entering into such contracts with the state receive a percentage of the profits resulting from hydrocarbon development.
2. Production-sharing contracts: companies entering into such contracts with the state receive as payment a percentage of the hydrocarbon extracted, rather than a percentage of profits, though the amount of hydrocarbon is still calculated as the equivalent in value to a percentage of operating income as with a profit-sharing contract.
3. Licenses: In this type of contract, the company essentially has title to the hydrocarbon extracted from a project (or its share of the project) once it is above ground. However, in contrast to concessions offered in some countries, the company does not take ownership with the license until the hydrocarbon is above ground.

In all three types of contracts, companies should generally be able to 'book' reserves, and, in addition, such contracts will usually offer more potential revenues and incentives than service contracts. In the first and second types of contracts, the companies pay an exploration fee (if applicable) and a basic royalty rate, as well as income tax. The state's income in these types of contracts comes mainly from the percentage of the operating income that the state is contracted to receive. These types of contracts also have cost recovery for the companies involved.

Licenses differ significantly from both profit-sharing and production-sharing contracts in terms of potential earnings and payments to the state. For licenses, companies must also pay signature bonuses and there is an additional royalty arrangement (*contraprestación*), and no allowance for cost recovery. However, there is 100% ownership of extracted assets (in line with the company's share of a project). Hence, licences offer greater risk but greater potential rewards. CNH will specify the type of contract available on a project depending on the risks, difficulty, and capital needs of the project in question, with licenses more likely when these three factors are relatively high. Regardless of the type of contract, CNH will make allocation decisions based on which company or group of companies offer the greatest return to the state over time. In the first two types, the company bids in terms of the highest percentage of income to the state as well as overall investment commitment. In the later type, bidding is essentially in terms of the *contraprestación* promised, as well as overall investment commitment.

In both cases, requirements for technical capacity will be established, and the new local content laws must be adhered to. The laws specify a general local content requirement for companies operating in the upstream to start at 25%, and rise to 35% by 2025, though there will be flexibility to have lower percentages on some projects if compensated by higher percentages on others.

The Oil Stabilisation and Development Fund will receive payments that are not taxes, e.g. signature bonuses and royalties. The fund will be used domestically to invest the long-run surplus savings from petroleum income and to serve as a stabilisation fund for government revenues, rather than as a pure offshore investment vehicle model of the Norwegian Government Pension Fund Global. The Mexican fund will in some ways compensate for the reduced amount of revenue that Pemex is expected to pay into the Mexican treasury. Further details about this fund are expected this month. The specific government regulations coming from all of this secondary legislation are to be published in October 2014, and additional details on contracts to be published in February 2015.

Round Zero

The term 'Round Zero' has been used to describe the process of deciding which resources Pemex will keep and which ones will be put up for bidding or farm-out in the country's first post-reform bid process ('Round One'). Upon signing the aforementioned legislation, President Peña Nieto noted that he wished to "accelerate" the reform process by having the Energy Secretariat (Sener) reveal its decisions on which assets Pemex would be able to retain monopoly ownership of and which ones would be part of bid round one in 2015. This occurred about a month before the decision was expected to be made public. Hence, just two days later, on 13 August, Sener revealed that Pemex was granted rights to 100% of assets already in production, and overall about 83% of the country's proven and probable reserves, as the company had requested. However, Pemex was granted just 21% of Mexico's prospective reserves, lower than the 31% that the company had requested. Pemex also revealed ten projects that will be made available to joint-venture partners, with more likely to follow. Pemex has, unsurprisingly, selected projects that can benefit

Mexico Energy Sector Reform Moves into High Gear (continued)

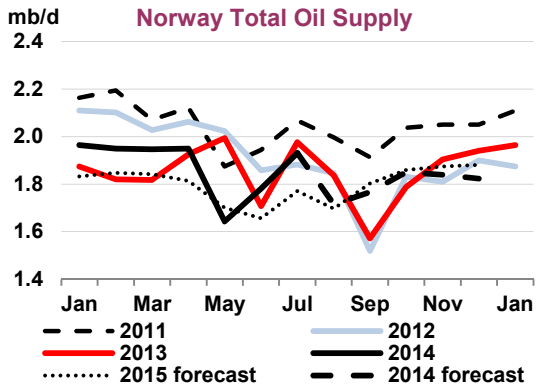
from additional expertise and technology, such as the offshore (shallow-water) ultra-heavy and sour Ayatsil-Tekel and Utzil projects.

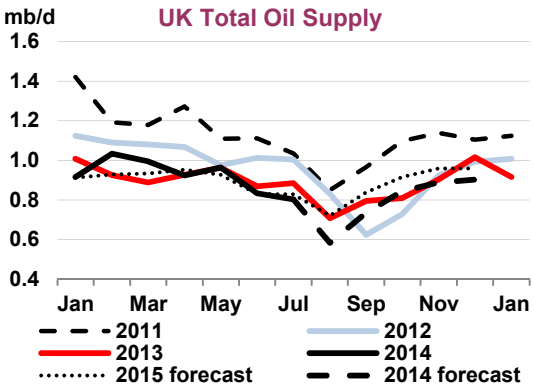
For the areas not assigned to Pemex and in Round One, which according to Sener represent 3.8 billion barrels in proven and probable reserves, as well as 14.6 billion barrels of prospective reserves, an auction of 169 blocks is to be held sometime between May 2015 and September 2015. In addition, Pemex announced that 11 service contracts currently in operation will be migrated to one of the new forms of contract available prior to the bid round commencing. Pemex has estimated that this bid round and future ones, as well as new joint-ventures and contract migration will bring about $76.5 billion in new investment in the country in the next ten years. Given that CNH has no experience in handling bid rounds, and that the timeline is fairly tight to accomplish all of the above, challenges for the sector and for the Mexican government remain.

North Sea

It is estimated that August will be the monthly low for the year for North Sea offshore production (including all Norwegian offshore areas), at slightly more than 2.4 mb/d, as output increases m-o-m in the remaining four months of the year, achieving a 4Q14 average of about 2.9 mb/d. Note that German offshore production has dwindled in the last few years to the point where 99% of that country's crude oil production of 50 kb/d is now onshore.

Norway – June actual, July preliminary: Total output pushed back above 1.9 mb/d in July, as maintenance was very light after a heavy May and still substantial maintenance in June. The Draugen, Skuld, and Valhall fields did experience technical problems, reducing their production, but for other fields it was a very good month, as crude oil production returned to early-spring levels, at over 1.5 mb/d. We expect some maintenance took place in August, though not as much as in May, and the 58-kb/d capacity Troll C floating platform was taken offline for at least a week in late August due to corrosion problems, with Fram production also affected by the outage. Final June data show crude oil production at just under 1.4 mb/d. NGL and condensate output was revised up about 30 kb/d, however, so total liquids came closer to 1.8 mb/d than 1.7 mb/d. Lundin has announced that the start-up of the Brynhild field has been delayed until sometime in 4Q14, attributing problems in preparing the FPSO to its partners on the project.

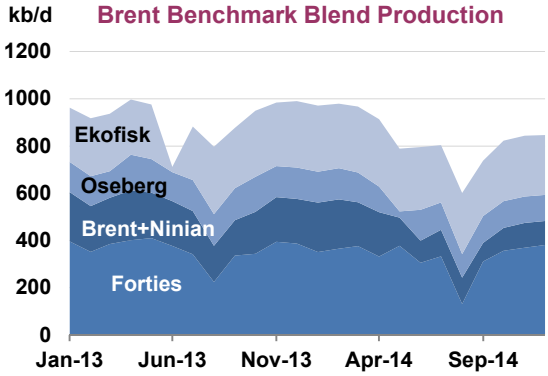




UK – June actual, July preliminary (crude only): July crude oil production was about 710 kb/d, down about 25 kb/d on June given additional maintenance in the latter month and outage on the Buzzard field. June total liquids output was about 830 kb/d, with July total liquids estimated to have fallen by 30 kb/d m-o-m. Given the lengthy August Forties outage, as well as additional problems on the Buzzard field in the latter part of the month when the Forties system was back online, production is estimated to have fallen just under 600 kb/d for the month. Buzzard output for 2013-2014 is expected to average about

40 kb/d below its peak of 210 kb/d reached in November 2013 due to numerous unplanned outages, though the field is not in decline. The great majority of the UK's offshore production is in Scottish waters, and a referendum on Scottish independence is to be held on 18 September.

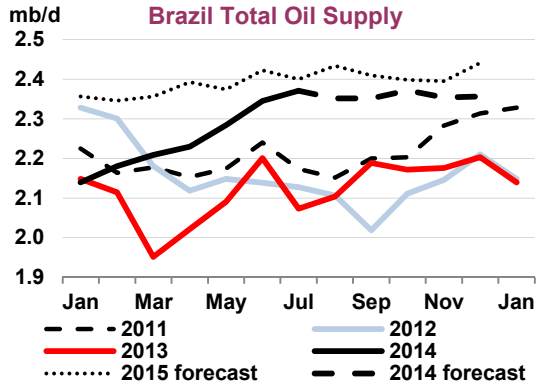
BFOE loadings are assessed at 716 kb/d for August, and scheduled to rebound to 920 kb/d in September with only Brent loadings expected to be significantly below the yearly average, at 100 kb/d. Given continued problems with Buzzard and a more gradual return to normal production levels in general after extended outages on the North Sea, we expect September BFOE production to still be curtailed, at 830 kb/d.



Non-OECD

Latin America

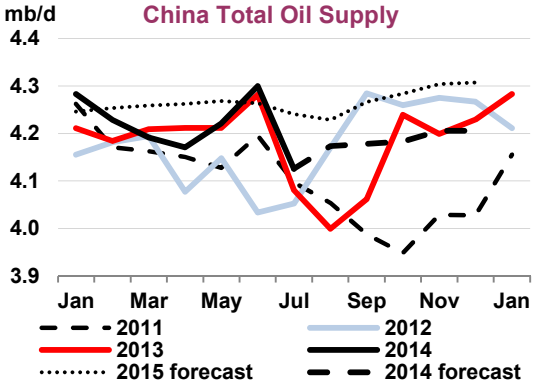
Brazil – July actual: Crude and condensate output continued its upward path in July, inching up by 20 kb/d to reach nearly 2.3 mb/d, Brazil's highest-ever output. NGL production also set a record, although there have been many months in the past within 5 kb/d of July output of 98 kb/d. Much of the crude oil increase came from the Roncador field in the Campos Basin (Brazil's largest field for the month) and the Lula field in the Santos Basin. The P-62 platform on Roncador continues to ramp up, as does the Cidade de Paraty FPSO on the Lula field. The P-58 platform connected to the Parque das Baleias complex of fields also contributed to the gain. Petrobras connected six new wells at offshore facilities in July, and the Cidade de São Paulo FPSO on the Sapinhoá field reached full capacity output of 120 kb/d on the month.



Despite this, pre-salt production was flat on the month, at 480 kb/d, after many months of increases, and fields such as Marlim (including Leste and Sul) and Albacora (including Leste) continue their long decline. Many platforms required heavy maintenance in July, cutting net gains for the month. Petrobras remains under fiscal pressure, as upstream production in 2Q14 was outstanding, yet profits for the quarter fell by 20% y-o-y as costs increased and write-offs for dry or non-commercial wells were substantial. Net debt rose to $110 billion, given dividend payments and debt-financing the company's investments. In mid-August, the Cidade de Mangaratiba FPSO left its shipyard to head to the Iracema (Sul) field, where production is forecast to commence in December 2014.

Asia

China – July actual: Chinese oil production fell substantially in July, for reasons that are not entirely clear. Crude oil production dropped under 4.1 mb/d, the lowest since September 2013, when the industry was still recovering from the extensive floods of oilfields that summer. The country's two largest, mature fields where IOR/EOR is ongoing experienced reductions: -25 kb/d on the Daqing field, -20 kb/d on the Changqing field. Given the very large size of these fields, this could be natural decline. However, the largest decline m-o-m was in the



reported output of 'CNOOC and others', the others being smaller companies undertaking that onshore production not carried out by CNPC and Sinopec. Some offshore maintenance is a possibility; it is also possible that there was flooding in more isolated areas with smaller fields that has not (yet) been reported. This uncertainty has reduced our outlook for China somewhat, with the y-o-y increase reduced to 30 kb/d for 2014, at 4.2 mb/d (total liquids).

Former Soviet Union

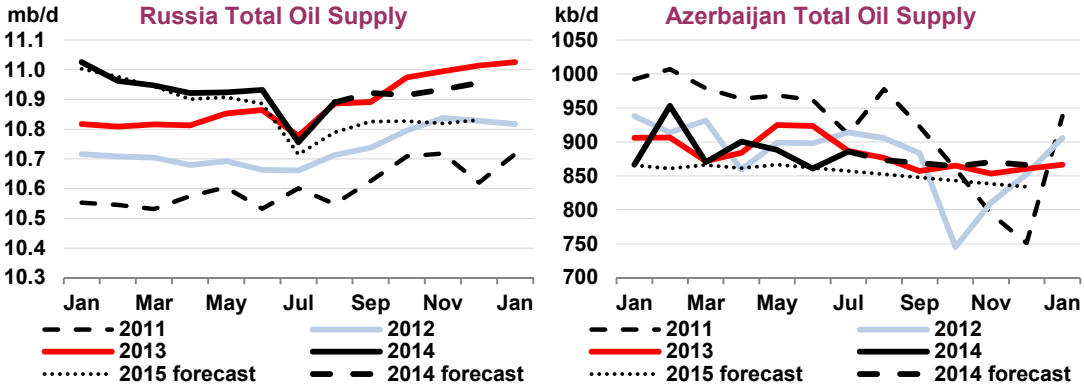
Russia – July actual, August preliminary: August output bounced back from July's yearly low of under 10.1 mb/d for crude and under 10.8 mb/d for total liquids, as Gazprom increased condensate output by 90 kb/d m-o-m on higher natural gas production and the completion of major maintenance at Sakhalin brought up PSA operators' output by 90 kb/d. For August, NGL and condensate production increased by 80 kb/d, and crude oil by about 50 kb/d, for total liquids of 10.9 mb/d.

Changes in the subsoil resource tax regime appear imminent, with the Finance Ministry issuing a draft proposal in August to increase the Mineral Extraction Tax (MET) by 57% in 2015, with further increases after that. However, export duties on crude oil and certain oil products would be lowered, offsetting much if not all of the increase in the MET for exporters. This change, brought about in part to harmonise oil export duties with those of Kazakhstan, also shows that the government is willing to allow many producers to retain more of their earnings, as an even higher increase in the MET had been under consideration. The plan also encourages refiners to invest in upgrading, as fuel oil will eventually have the same export duty as crude oil under the proposal, albeit two years later than initially proposed, while export duties on products such as gasoline and diesel are to fall sharply. Another proposal by the Energy Ministry in early September would implement a trial of a tax system that would tax profits (thereby taking into account production costs) rather than merely revenues. However, this would necessitate the creation of a new accounting system, to which the sector may have difficulty adapting, and it is unclear whether this would be a net positive or negative for government revenues. However, the aim of the government may be to raise recovery rates, as a profit tax rather than a revenue tax can make it more economic to develop difficult reserves.

This all comes as, at the time of writing, additional economic sanctions by the European Union have been prepared, but have been put on hold for at least a few days as, according to EU President Van Rompuy on 8 September, "This will leave time for an assessment of the implementation of the cease-fire agreement and the peace plan. Depending on the situation on the ground, the EU stands ready to review the agreed sanctions in whole or in part." Some of these proposed additional sanctions are reported to target the financing of state-owned Russian oil companies. In particular, state-owned companies Gazpromneft, Transneft, and Rosneft would be barred from raising funds on capital markets with a maturity of 30 days or more (under current sanctions it is 90 days). Technology transfer for deepwater projects is also reportedly proposed to come under greater restrictions, in addition the current ban on such transfer for Arctic and shale oil projects.

We forecast a 90 kb/d decline in Russian crude oil production in 2015, but this is an extension of current trends rather than an immediate effect of sanctions. Nevertheless, even in the short term, EU and other sanctions are certainly not helpful to Russian producers, thereby lowering the upside risk of a turnaround from 2015's expected annual decline, the first one since 2008. Rosneft, in particular, has shown some evidence financial strain, though it could be said that sanctions exacerbate more than cause this stress, and 2Q14 financial results were generally positive. Recent declines in oil prices may also be causing concern, though, if the price has dropped below Rosneft's budgeted price for the year. A share in the crown jewel of its upstream assets, the massive and highly-profitable 440-kb/d Vankor field, would likely not have been offered to Chinese shareholders on 1 September if the need for additional financing were not pressing. Other signs that Rosneft is looking to cut costs include reports in the Russian press that the company is planning large-scale staff reductions at its headquarters and has asked the Russian

government for financial assistance. In addition to being a state company, and thereby more exposed to sanctions, Rosneft borrowed heavily in order to acquire TNK-BP in 2013, and carries substantial debts. The prospect of drilling at rates even higher than the 83% y-o-y increase in hydrofracs achieved in 1H14 in order to turn around the decline on mature West Siberian assets under its Yuganskneftegas subsidiary seems unlikely. A forecast 45-kb/d decline in 2015 on current production of over 3.7 mb/d is marginal, but medium-term implications could be more severe. Rosneft currently produces some 37% of Russian crude oil output, a quantity by itself greater than that of any OPEC country, save Saudi Arabia, and is a major contributor to the Russian treasury.



Azerbaijan – June actual, July preliminary: Azerbaijani crude oil production reached 885 kb/d in July, including 50 kb/d of Shah Deniz condensate. This is up on June's output of 860 kb/d, likely due to the continued expansion of production from the West Chirag field, which started in January 2014. BP released 2Q14 data on the large offshore ACG fields that are responsible for the majority of the country's production, with West Chirag averaging 41 kb/d for the quarter. The design capacity of its platform is 183 kb/d. Other ACG fields were stable on the quarter, except for West Azeri, which continues its steady decline.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	3Q2013	4Q2013	1Q2014	2Q2014	May 14	Jun 14	Jul 14	Latest month vs. Jun 14	Latest month vs. Jul 13
Crude											
Black Sea	1.81	1.78	1.75	1.78	1.74	1.65	1.59	1.56	1.61	0.05	-0.19
Baltic	1.67	1.57	1.44	1.58	1.33	1.46	1.50	1.31	1.30	-0.02	-0.05
Arctic/FarEast	0.65	0.80	0.81	0.82	0.88	1.18	1.15	1.20	1.17	-0.03	0.37
BTC	0.66	0.64	0.65	0.61	0.58	0.59	0.53	0.64	0.74	0.10	0.05
Crude Seaborne	**4.79**	**4.80**	**4.65**	**4.79**	**4.53**	**4.88**	**4.77**	**4.72**	**4.82**	**0.11**	**0.17**
Druzhba Pipeline	1.08	1.03	1.06	1.05	1.01	1.00	0.99	0.93	0.98	0.05	-0.10
Other Routes	0.52	0.56	0.56	0.60	0.71	0.38	0.38	0.38	0.44	0.05	-0.12
Total Crude Exports	**6.39**	**6.39**	**6.27**	**6.44**	**6.26**	**6.26**	**6.14**	**6.03**	**6.24**	**0.21**	**-0.05**
Of Which: Transneft[1]	4.22	4.07	3.98	4.07	3.95	4.02	4.07	3.78	3.80	0.02	-0.11
Products											
Fuel oil[2]	1.72	1.62	1.68	1.41	1.63	1.77	1.61	1.84	1.57	-0.27	-0.26
Gasoil	0.79	0.84	0.81	0.73	1.04	1.04	1.00	1.05	0.91	-0.13	0.05
Other Products	0.44	0.50	0.53	0.53	0.64	0.62	0.67	0.57	0.52	-0.05	-0.04
Total Product	**2.95**	**2.96**	**3.02**	**2.67**	**3.31**	**3.43**	**3.28**	**3.46**	**3.01**	**-0.45**	**-0.25**
Total Exports	**9.34**	**9.36**	**9.29**	**9.11**	**9.56**	**9.69**	**9.41**	**9.49**	**9.25**	**-0.24**	**-0.30**
Imports	0.09	0.08	0.10	0.09	0.07	0.07	0.07	0.07	0.08	0.01	0.00
Net Exports	**9.25**	**9.28**	**9.20**	**9.02**	**9.49**	**9.62**	**9.34**	**9.42**	**9.17**	**-0.25**	**-0.30**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

FSU net oil exports dropped by 250 kb/d to 9.2 mb/d in July as a 200 kb/d increase in crude deliveries failed to offset a steep 450 kb/d decline in product shipments. The hike in crude exports came amid higher exports from Kazakhstan and Azerbaijan, which were largely shipped outside the Transneft network. Flows through the BTC exceeded 740 kb/d (+100 kb/d m-o-m), their highest levels since March 2012, as the State Oil Company of Azerbaijan (SOCAR) shipped more Azeri oil through the line. Preliminary data for August suggest that flows through the line dropped back to June levels. As construction to increase the capacity of the CPC pipeline continues, flows through the line continue to rise, hitting 890 kb/d (the third highest on record) as Kazakhstani crude production rose by over 100 kb/d on the month.

In Russia, crude exports remained level with June at 3.9 mb/d, their lowest level in several years, as domestic demand for crude remains high with refiners keeping throughputs near historical highs. With Russian refinery throughputs at record highs in August, exports will likely continue to be constrained. August loading schedules appear to confirm this, with seaborne deliveries via the Transneft network set to contract by a further 5%. Volumes from Baltic ports are expected to be especially hard-hit with shipments via Primorsk set to decline to near 500 kb/d, their lowest level since at least 2003.

High Russian refinery activity did not translate into high product exports as shipments plummeted by 450 kb/d month-on-month to 3.0 mb/d in July. Reports suggest that some product may have been put into storage as regional demand remained underwhelming while a further constraint on fuel oil exports may have come from marine bunker fuel sales. Anecdotal reports suggest that domestic sales of residual fuel oil from Russian marine bunker suppliers [NB: bunkers are not accounted for as exports] were brisk as prices remained on a downward course throughout June and July.

OECD STOCKS

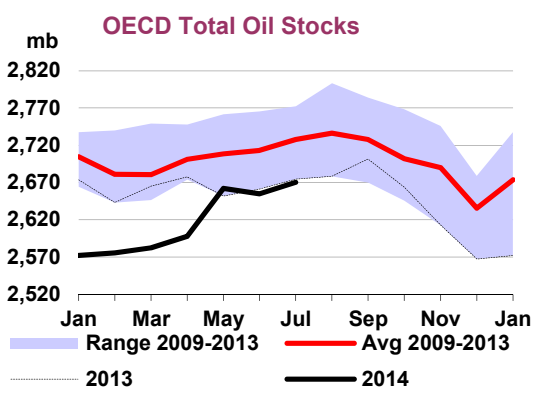
Summary

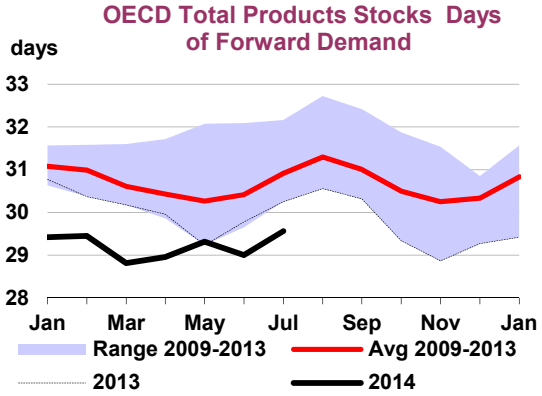
- **OECD industry inventories built seasonally by 15.5 mb to stand at 2 670 mb at end-July.** The deficit of total oil stocks versus the five-year average narrowed slightly to 57 mb while refined products covered 29.6 days of forward demand at end-month, a rise of 0.6 days on end-June.

- **Soaring US inventories of 'other products' drove July stocks higher** as US market participants continued to seasonally restock amid increasing production and seasonally weak demand.

- **A 15.7 mb downward revision was made to June data**, centred on OECD American 'other products' holdings. Therefore, the 13.8 mb stock build for June presented in last month's *Report* is now seen as a 7.3 mb counter-seasonal draw, halting five consecutive monthly builds.

- **Preliminary data indicate that stocks continued on their upward trajectory during August as they rose by 19.2 mb**, more than double their typical seasonal build.





OECD Inventory Position at End-July and Revisions to Preliminary Data

OECD industry inventories built seasonally by 15.5 mb to stand at 2 670 mb at end-July. The deficit of total oil stocks versus the five-year average fell slightly to 57 mb at end-month with refined products in OECD Europe accounting for 50 mb of the gap. Inventories have now built for six of the past seven months with only June showing a counter-seasonal draw after data were adjusted downwards.

Revisions versus 12 August 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	May-14	Jun-14	May-14	Jun-14	May-14	Jun-14	May-14	Jun-14
Crude Oil	**0.5**	**-1.1**	**0.3**	**-4.6**	**-0.4**	**-2.6**	**0.4**	**-8.4**
Gasoline	0.0	-0.4	0.0	-2.4	0.1	0.1	0.1	-2.6
Middle Distillates	-0.1	-3.0	1.2	3.9	0.5	-0.2	1.7	0.6
Residual Fuel Oil	0.0	-1.1	2.3	-0.1	0.1	0.1	2.3	-1.0
Other Products	0.1	-9.2	-0.1	-1.3	0.4	-0.2	0.4	-10.7
Total Products	**0.0**	**-13.7**	**3.4**	**0.2**	**1.1**	**-0.2**	**4.4**	**-13.7**
Other Oils[1]	0.2	4.5	0.1	1.5	0.2	0.3	0.5	6.3
Total Oil	**0.7**	**-10.3**	**3.8**	**-2.9**	**0.9**	**-2.5**	**5.4**	**-15.7**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

A 15.7 mb downward adjustment was made to June data. Since May data were revised upwards by 5.4 mb, the steep 13.8 mb preliminary stock build for June presented in last month's *Report* is now seen as an unseasonal 7.3 mb draw halting five consecutive monthly builds. The revision was centred in the

OECD Americas where estimates of 'other products' inventories were adjusted downwards by 9.2 mb but were still seen rising by a steep 15.9 mb. Middle distillates holdings were revised down by 3.0 mb. The second quarter stock build in OECD industrial stocks has been tempered accordingly and is now seen at 67.9 mb (800 kb/d), compared to the 88 mb (970 kb/d) originally presented. This is the steepest quarterly build since 2Q10.

Preliminary Industry Stock Change in July 2014 and Second Quarter 2014

	July 2014 (preliminary)								Second Quarter 2014			
	(million barrels)				*(million barrels per day)*				*(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-16.1**	**7.0**	**-7.3**	**-16.3**	**-0.52**	**0.23**	**-0.23**	**-0.53**	**0.10**	**0.09**	**-0.06**	**0.13**
Gasoline	-1.1	-0.3	-0.6	-2.0	-0.03	-0.01	-0.02	-0.06	-0.07	-0.10	-0.01	-0.18
Middle Distillates	1.8	6.9	3.9	12.5	0.06	0.22	0.13	0.40	0.06	0.01	-0.02	0.05
Residual Fuel Oil	-1.8	-0.1	2.0	0.1	-0.06	0.00	0.07	0.00	0.01	0.08	0.00	0.09
Other Products	18.8	1.5	2.6	22.8	0.61	0.05	0.08	0.74	0.51	0.02	-0.01	0.52
Total Products	**17.7**	**7.9**	**7.9**	**33.4**	**0.57**	**0.25**	**0.25**	**1.08**	**0.51**	**0.01**	**-0.04**	**0.49**
Other Oils[1]	-1.4	-0.4	0.0	-1.7	-0.04	-0.01	0.00	-0.05	0.17	-0.01	0.02	0.18
Total Oil	**0.2**	**14.6**	**0.7**	**15.5**	**0.01**	**0.47**	**0.02**	**0.50**	**0.78**	**0.10**	**-0.08**	**0.80**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

The July build was driven by soaring 'other products' inventories in the US, chiefly ethane and propane as market participants continue to seasonally replenish holdings amid high domestic natural gas production and weak seasonal demand and ahead of the peak demand season for heating and crop drying starting in September. In particular, ethane production in the US achieved record quarterly production of 1.1 mb/d in 2Q14 at a time of reduced demand because of petrochemical facility maintenance. Middle distillates posted a 12.5 mb build, slightly less than the 16.4 mb five-year average build for the month. OECD middle distillate inventories now stand at a 56 mb deficit to average levels, with OECD Americas inventories standing a significant 31 mb below average. All told, refined products inventories rose by a steeper-than-average 33.5 mb. At end-month, they covered 29.6 days of forward demand, a rise of 0.6 days on end-June.

July crude oil inventories showed diverging patterns across OECD regions. In the OECD Americas, inventories dropped seasonally by 16.1 mb, double the five-year average draw for the month, as US refiners ran at extremely high utilisation rates exceeding 90%. Stocks dropped by 7.3 mb in Asia Oceania as refiners came back from maintenance and throughputs rose by a steep 650 kb/d, likely outpacing crude imports. In Europe crude holdings rose counter-seasonally by 7.1 mb as, despite a 760 kb/d increase in refinery activity, throughputs remained 570 kb/d below a year earlier amid low margins.

Preliminary data indicate that stocks continued on their upward trajectory during August as they rose by 19.2 mb, more than double their typical seasonal build. As in previous months, the build was centred on US 'other products' holdings which added a steep 14.5 mb over the month. All told, refined products built by 22.5 mb as middle distillates and fuel oil also increased by 8.7 mb and 1.3 mb while motor gasoline drew by 3.0 mb. Crude oil drew by 5.3 mb as inventories in the Americas and Asia Oceania fell by 6.3 mb and 2.1 mb, respectively, more-than-offsetting a 3.1 mb rise in Europe.

Does the Return of Contango Signal an Uptick in Floating Storage?

Recent declines in prompt month crude and product prices have moved a number of markets into prolonged contango (when oil for future delivery is priced higher than for prompt delivery) for the first time in four years. This raised the prospect of the return of floating storage as a trading 'play'. August saw a flurry of vessel bookings from market participants eager to buy prompt cargoes in anticipation of prices rallying in the future.

Preliminary inventory data for August and tanker tracking data do not support the idea that floating storage has significantly increased and anecdotal reports suggest that market participants have put their extra cargoes into land-based storage. With the price spread between first- and second-month Brent prices on the ICE futures market remaining at about $0.80/bbl over July and August, it appears that the economics support land-based storage but not floating storage which normally requires a sustained contango of at least $1/bbl to cover the higher costs involved such as freight, insurance and bunker fuel.

Does the Return of Contango Signal an Uptick in Floating Storage? (continued)

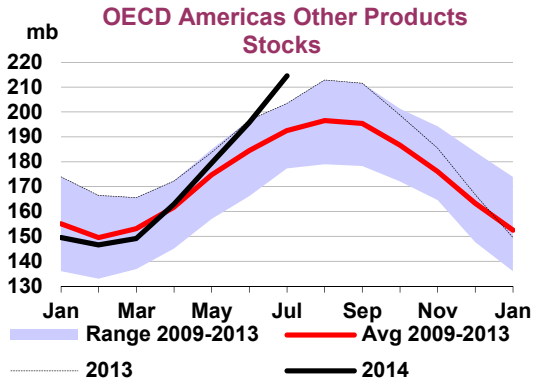
During August a number of West African, Middle Eastern and North Sea crude cargoes were bought by traders and initially thought to be destined for floating storage, although it now appears that these were shipped to the Saldanha Bay terminal near Durban, South Africa which offers easy export routes into Asian and Atlantic Basin markets. In Europe, there is also evidence that, with a steep contango persisting in the ICE gasoil contract, market participants have put product into land-based storage. Preliminary August data suggest that gasoil volumes in independent storage in Northwest Europe rose while Euroilstock data indicate that middle distillates rose by 1.7 mb. Outside of Europe, reports from shipbrokers indicate that there has been some activity in Asian markets with traders exploiting weak prompt-month fuel oil prices by buying consignments and storing them offshore Singapore.

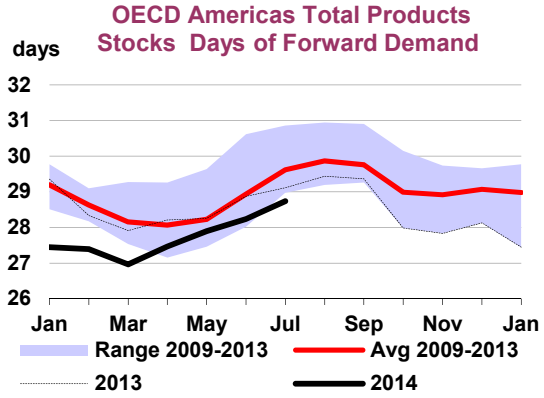
Discounting semi-permanent storage, global floating storage of crude and refined products is currently assessed at approximately 45 mb. Evidence suggests that this continues to be led by oil stored on the water out of necessity rather than for economic reasons; notably cargoes of Iranian and KRG crude.

Recent OECD Industry Stock Changes

OECD Americas

Commercial total oil inventories inched up marginally by 0.2 mb in OECD Americas over July as a 17.7 mb increase in refined products balanced out a combined 17.5 mb drop in crude, NGLs and other feedstocks. Since the uptick in total oil stocks was weaker than the 10.8 mb five-year average build for the month, the surplus of inventories to average levels more than halved, to 8.8 mb at end-month from 19.4 mb one month earlier. Regional refined product holdings covered 28.7 days of forward demand in July, a rise of 0.6 days on end-June.





Crude stocks tumbled by 16.1 mb, approximately twice the seasonal draw as refiners came back from scheduled maintenance with regional throughputs climbing by 650 kb/d to 19.6 mb. Despite the increased refinery activity, stocks of motor gasoline, middle distillates and fuel oil dipped by a combined 1.1 mb as exports of refined products remained high. 'Other products' led refined products inventories upwards. Although adhering to seasonal patterns, 'other products' stocks have now posted four consecutive steeper-than-average monthly builds, most likely as US NGL production continues to increase compared with a year earlier. These have been driven by increases in US LPG holdings where stockholders are building product rapidly ahead of peak demand for crop drying and the winter heating season (propane is the heating fuel of choice in the US Midwest), and anxious to avoid a repeat of last winter's propane shortages. Data from the US Energy Information Administration (EIA) indicate that half of the July stock build was located in the Midcontinent (PADD 2). At end-July, regional 'other products' stocks stood 11 mb and 22 mb above a year earlier and the five-year average, respectively.

Preliminary weekly data from the US EIA suggest that US commercial oil stocks rose for a seventh consecutive month as they inched up by 2.5 mb in August. However, crude oil inventories sank by a steep

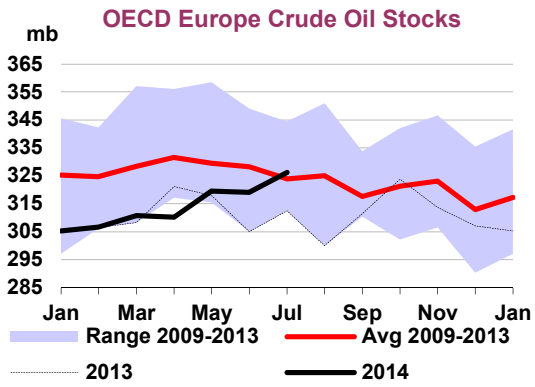
6.3 mb despite throughputs dipping by 100 kb/d following a number of shut-ins at refineries in PADD 2. The draw in crude was concentrated in PADD 3 (-5.4 mb), where refinery runs remained at historical highs. Additionally, the Louisiana Offshore Oil Port (LOOP) was closed mid-month after reports of an oil spill, disrupting crude imports and inbound deliveries of West Texas crude and forcing refiners to draw stocks.

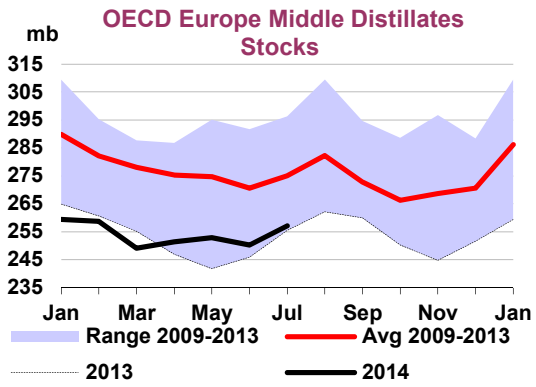
US refined products holdings rose by 9.7 mb in August. As in July, this was led by soaring 'other products' stocks which climbed by a steep 14.5 mb. Stocks of motor gasoline and middle distillates drew by 4.9 mb and 1.5 mb, respectively. US middle distillates inventories remain tight. At end-August they stood 36 mb below average levels after drawing by 5.8 mb since the turn of the year while US middle distillates exports have continued to grow, hitting 1.3 mb/d on average in August.

OECD Europe

Inventories in OECD Europe built by 14.6 mb in July. Since this was counter-seasonal to the 1.5 mb five-year average draw for the month, the region's deficit versus average levels narrowed to 46.2 mb from 62.3 mb one month earlier. Crude stocks rose counter-seasonally by 7.1 mb against a backdrop of regional crude prices flipping into contango. Despite throughputs remaining lower than a year earlier, they posted a 760 kb/d month-on-month (m-o-m) rise which drove refined product inventories 7.9 mb higher.

Middle distillates accounted for 6.9 mb of the build. Stockholders were encouraged to build stocks by favourable economics; contango in the ICE gasoil contract steepened over the month as prompt demand for products remained weak with later months gaining strength in anticipation of winter heating demand. Extra support going forward is likely coming from expectations of increased marine gasoil demand as tighter bunker fuel regulations are introduced in January 2015. Meanwhile, reports suggest that German consumers continued to restock along seasonal lines as stocks hit 59% of capacity in early-August. At end-July regional refined product holdings covered 36.1 days of forward demand, a rise of 0.5 days on end-June but 0.9 days lower than one year earlier.



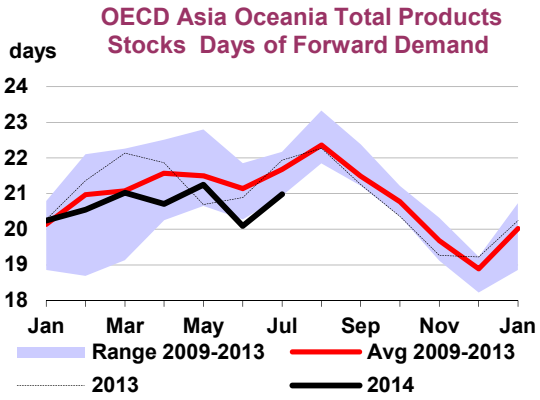


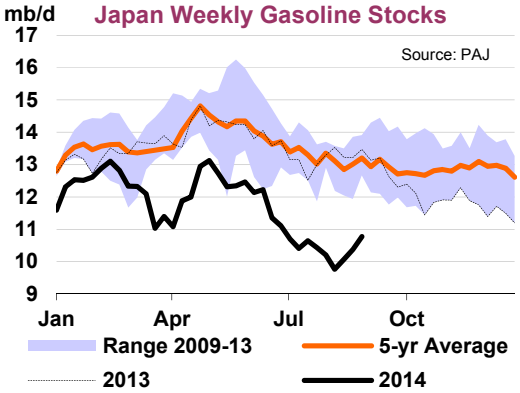
Preliminary data from Euroilstock indicate that European inventories rose seasonally by 5.5 mb during August. Despite a slight rise in refinery throughputs, crude oil built by 3.1 mb to climb further above average levels. On the products side, motor gasoline (+1.4 mb) and middle distillates (+1.7 mb) rose while fuel oil (-0.3 mb) and 'other products' (-0.4 mb) posted draws.

OECD Asia Oceania

Commercial oil inventories in Asia Oceania inched up by 0.7 mb in July, weaker than the 5.3 mb average build for the month. This saw the region's deficit versus average levels widen to 19.8 mb from 15.2 mb at end-June. Crude oil holdings dipped counter-seasonally by 7.3 mb as refinery throughputs increased by 650 kb/d m-o-m and outpaced crude imports. Refined products increased seasonally by 7.9 mb as builds in middle distillates (3.9 mb), 'other products' (2.6 mb) and fuel oil (2.0 mb) more-than-offset a 0.3 mb

draw in motor gasoline. Following recent refinery rationalisation, Japanese motor gasoline inventories have steadily declined throughout 2014. At end-July, they stood at 10.9 mb, their lowest level since 1992. On a days-of-forward-demand basis, they covered 11.5 days, 1.2 days lower than one year earlier. At end-month, regional refined products covered 21.0 days of forward demand, a rise of 0.9 days on end-June but 0.9 days below one-year earlier.

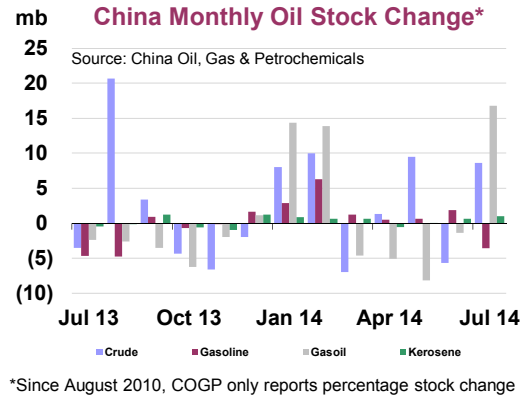




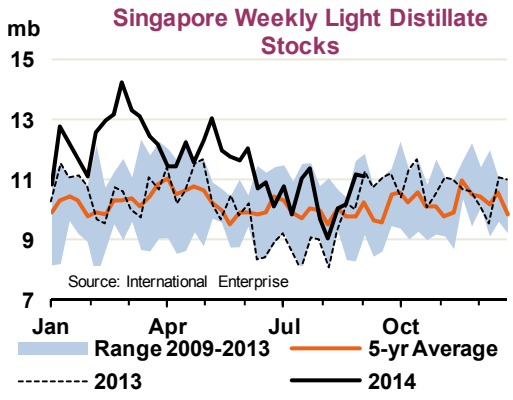
Preliminary data from the Petroleum Association of Japan indicate that stocks there built by 11.2 mb in August. All oil categories bar crude oil (-2.1 mb) posted builds with demand for crude increasing as Japanese refiners ramped up their runs by 140 kb/d. The increased throughputs saw refined product holdings surge by 10.5 mb. Middle distillates accounted for the lion's share of the build, rising by 8.4 mb on the month. 'Other products', fuel oil and motor gasoline posted more modest builds of 1.5 mb, 0.4 mb and 0.2 mb, respectively.

Recent Developments in Singapore and China Stocks

According to data from *China Oil, Gas and Petrochemicals* (*China OGP*), commercial crude stocks built by an equivalent 8.6 mb (data are reported in terms of percentage stock change) in July. Additionally, it appears that China did not add to its Strategic Crude Petroleum Reserve in July as the difference between crude supply (crude production and net imports) and refinery activity indicated an unreported stock draw. Chinese commercial refined products surged by 14.2 mb in July. Soaring gasoil holdings (+16.8 mb) led stocks higher, amid reports of thin demand, while stocks rose by 1.0 mb and gasoline inventories declined by 3.6 mb.



*Since August 2010, COGP only reports percentage stock change



Weekly data from *International Enterprise* indicate that land-based inventories of refined products in Singapore continue to trend below five-year average levels as stocks of middle distillates and residual fuel oil remain low. On m-o-m basis, inventories remained roughly level, inching up by 20 kb after light distillates soared by 1.4 mb while residual fuel oil rose by 0.3 mb, offsetting a 1.1 mb dip in middle distillates holdings. Total stocks currently stand at 39.0 mb, 6.4 mb below a year ago.

Recent and Future Developments in Iranian Oil Storage

The Iran Oil Terminal Company (IOTC) recently announced the expansion of storage capacity at Iran's principal crude export terminal on Kharg Island. Four 1-mb tanks have been constructed which take total storage capacity at the port to 28 mb, a significant increase on the terminal's storage capacity of 7 mb at the turn of the millennium. These tanks were originally scheduled to be completed at end-2013 and are now understood to be operational. During 1H14, shipments from the port averaged 900 kb/d and accounted for over 80% of total Iranian crude exports. However, deliveries from the outlet are still significantly lower than pre-2012 levels when it regularly shipped over 2 mb/d.

Since the adoption of sanctions targeting Iran's crude exports in 2012, Iran has seen its crude exports fall by over 1 mb/d to 1.3 mb/d. At times, sanction's-related export constraints have seen Iran's land-based crude inventories reach storage capacity with the National Iranian Oil Company (NIOC) forced to store crude on National Iranian Tanker Company (NITC)-controlled tankers at sea. At end-August, Iranian floating storage stood at 22 mb, substantially lower than its peak of nearly 50 mb in mid-2012. The expansion of land-based storage increases the flexibility of the Iranian supply chain, which could see floating storage volumes fall further over coming months, which will free-up NITC tankers for deliveries if required.



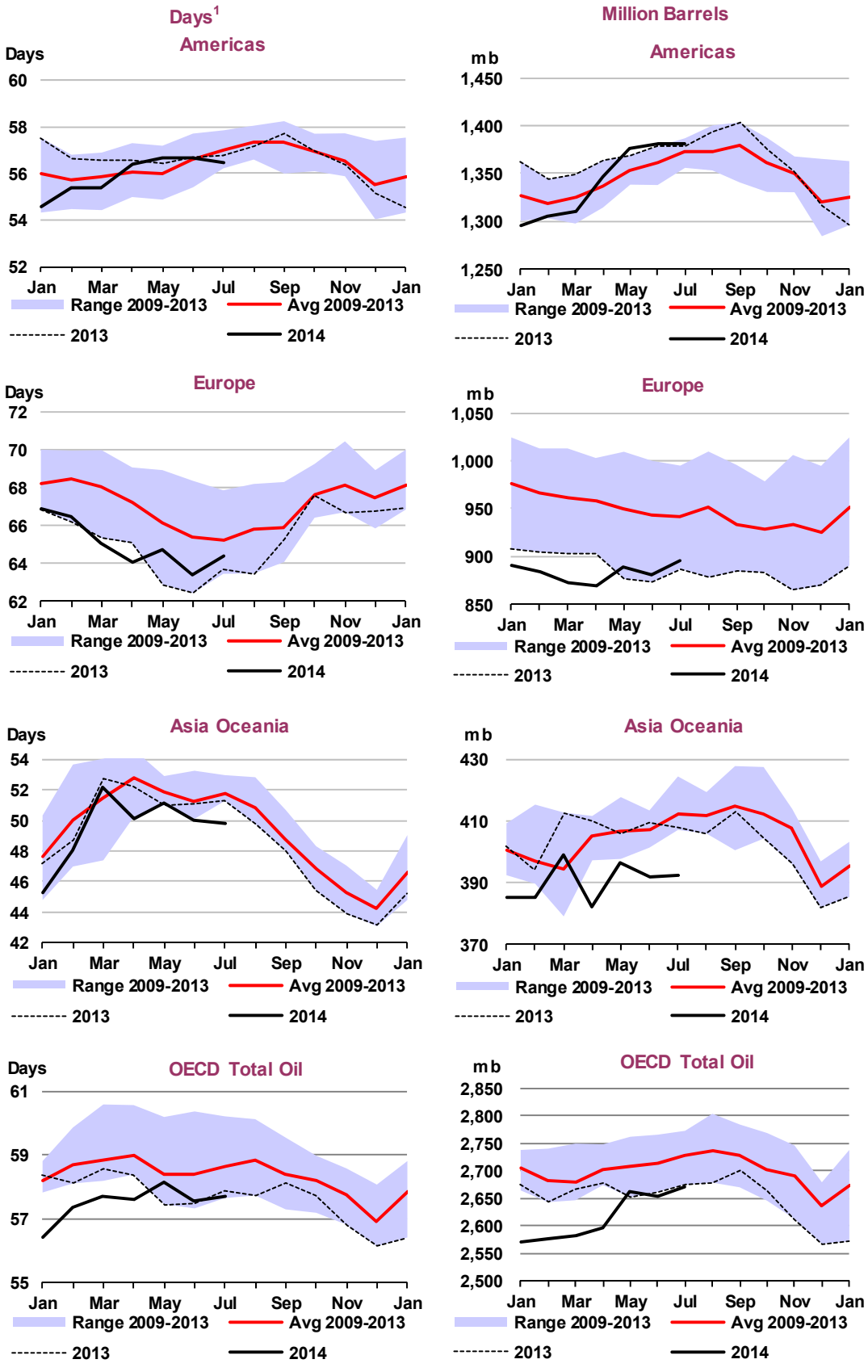
This map is without prejudice to the states or sovereignty over any territory, the delimitation of international frontiers and boundaries, and to the name of any territory, city or area

This development does not signal the end of the expansion of storage capacity, rather the beginning of a new phase. In early 2014, the Iranian administration announced that it had doubled the budget for energy storage infrastructure projects. In the short term, the Iranian administration plans to commission a further ten storage facilities by end-2015 which will have a combined capacity of 7 mb. Although exact details are scarce, sites earmarked include Omidiyeh and Gurreh. Looking into the medium term, Iran is planning to diversify its crude exports away from Kharg by building a new crude and gas export hub on Jask Island, outside the Straits of Hormuz in the Sea of Oman. Although currently in the planning stage, the $2.5 billion project will reportedly include an extensive tank farm with a capacity of approximately 20 mb while a 2 200 km pipeline will transport crude to the terminal. If approved rapidly, the administration claims the terminal could be completed by the end of the decade.

On the products side, the Iranian administration has reportedly expanded the storage capacity of refined products across the country in recent years to improve the supply and distribution chain. This has involved the construction of facilities at Arak, Kerman, Bojnourd, Qom, Semnan and Gorgan. According to semi-official Fars News Agency, further construction is taking place at Mahshahr, Birjand, Malayer, Shiraz and Orumiyeah, which are scheduled to be completed in 1H15.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

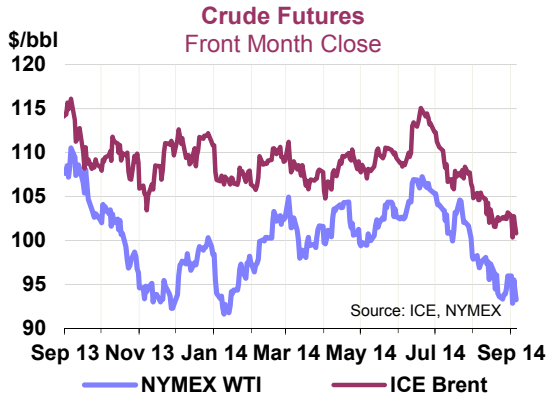
Summary

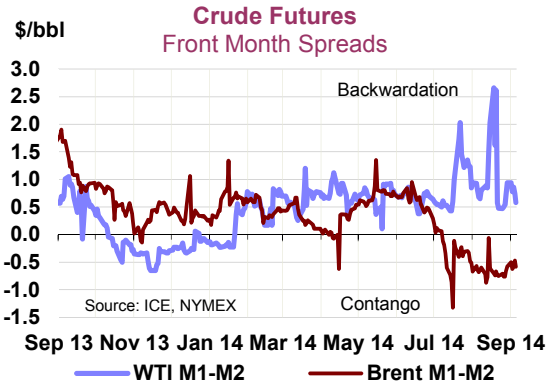
- **Oil prices fell sharply in August, weighed down by plentiful crude supply and further indications of slow global economic growth.** Exports from Libya are recovering despite ongoing violence, while Islamist militants that swept through northern Iraq have yet to trigger a major outage in OPEC's second biggest producer. ICE Brent futures tumbled below $100/bbl on 8 September for the first time in over a year and were last trading at $98/bbl. NYMEX WTI was around $91.40/bbl.

- **Rising Libyan exports, an overhang of West African barrels - resulting from slower US imports - and sluggish demand from refiners in Europe and Asia took their toll on spot crude prices, deflating global benchmarks.** WTI showed the biggest month-on-month (m-o-m) loss due in part to unplanned refinery outages that forced a temporary slowdown in run rates while US output surged.

- **Large hedge funds slashed their long positions in crude oil futures** in both ICE Brent and NYMEX WTI, reaching lows unseen since July 2012. Long exposure has collapsed from all-times high in July as Iraqi turmoil did not curb supply and push up prices as expected.

- **Clean product tankers rates for the Aframax Middle East Gulf – Japan route rose further in August after having surged in late July**, reaching $33.19/mt, a level unseen in one year. Monthly product loadings reached their highest since August 2010, amidst still subdued Japanese refinery runs and growing Saudi throughputs.

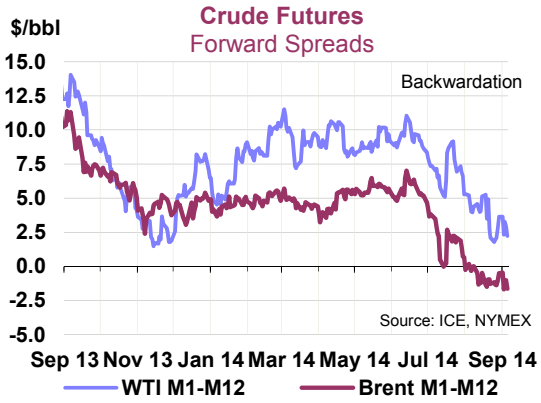


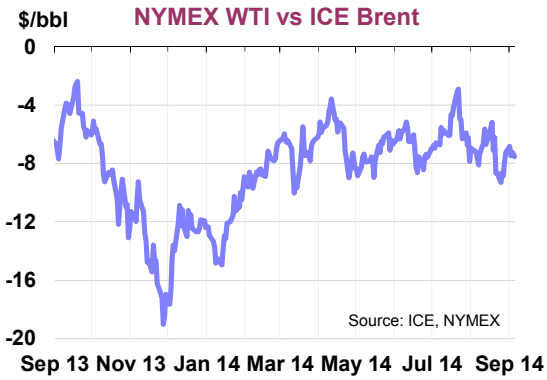


Market Overview

Oil prices tumbled for a second consecutive month in August as rising exports from Libya and booming US production deepened the overhang in crude markets and overshadowed any lingering worries of potential output disruptions in Iraq, OPEC's second biggest producer. Further signals of slow global economic growth and a robust US dollar added to the pressure. A strong US dollar makes oil more expensive for buyers using other currencies. ICE Brent futures were down $4.79/bbl to $103.40/bbl while NYMEX WTI fell harder, losing $6.31/bbl to average $96.08/bbl in August. Abundant supply combined with weak economic growth has knocked ICE Brent from a mid-June high above $115/bbl to below $100/bbl on 8 September. Brent was last trading at $98/bbl, while NYMEX WTI was at $91.40/bbl.

The sharper decline on WTI widened the front-month spread with ICE Brent in August to an average $7.32/bbl versus $5.80/bbl in July. The m-o-m decline on US crude was exacerbated by unplanned refinery outages that cut run rates and by the steep backwardation – where prompt oil trades at a premium to future deliveries - that existed when the front-month contract expired.





While WTI remains in backwardation – the WTI M1-M2 spread averaged $1.05/bbl in August - the reverse structure, contango, is in place for European and Middle Eastern benchmarks that are sagging due to oversupply. Nigerian oil accounts for a big portion of the overhang: US purchases of light, sweet crude from the West African producer – which topped 1 mb/d a decade ago – have all but stopped as domestic output surges. Much of that excess has been shifted to Asia thanks to favourable trade economics, with China purchasing near record volumes of September loading-crude from Nigeria.

North Sea Brent remained stuck in contango, where prompt oil trades at a discount to later months, for a second straight month in August. The Brent M1-M2 spread deepened to -$0.66/bbl versus -$0.32/bbl in July, while the average August Brent M1-M12 spread sank to -$0.78/bbl versus $2.06/bbl in July. The contango structure in Brent and Dubai has prompted traders and oil majors to deliver oil into storage in South Africa at the Saldanha Bay storage terminal (see box '*Does the return of contango signal an uptick in floating storage?*' in Stocks section).

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

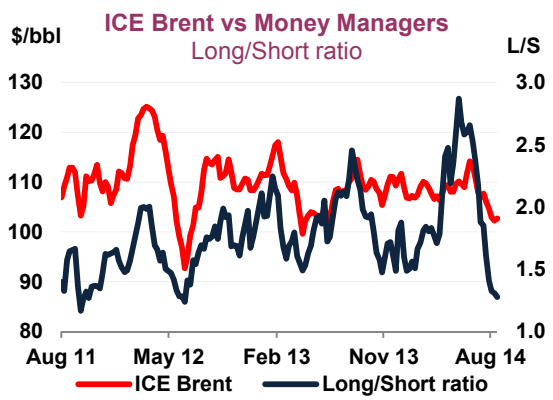
	Jun	Jul	Aug	Aug-Jul Avg Chg	% Chg	Week Commencing: 04 Aug	11 Aug	18 Aug	25 Aug	01 Sep
NYMEX										
Light Sweet Crude Oil	105.15	102.39	96.08	-6.31	-6.6	97.52	97.19	94.91	94.32	94.04
RBOB	127.86	122.23	114.80	-7.42	-6.5	115.13	114.30	113.82	115.87	108.64
No.2 Heating Oil	124.49	121.23	119.78	-1.46	-1.2	120.68	120.07	118.56	119.68	118.84
No.2 Heating Oil ($/mmbtu)	21.96	21.38	21.12	-0.26	-1.2	21.28	21.18	20.91	21.11	20.96
Henry Hub Natural Gas ($/mmbtu)	4.59	4.03	3.90	-0.13	-3.2	3.90	3.89	3.84	3.98	3.84
ICE										
Brent	111.97	108.19	103.40	-4.79	-4.6	105.01	103.50	102.07	102.70	101.71
Gasoil	122.26	119.34	116.66	-2.68	-2.3	117.79	117.48	115.07	115.93	115.33
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-6.82	-5.80	-7.32	-1.52		-7.49	-6.31	-7.16	-8.38	-7.67
NYMEX No.2 Heating Oil - WTI	19.34	18.84	23.70	4.85		23.16	22.88	23.65	25.36	24.80
NYMEX RBOB - WTI	22.71	19.84	18.72	-1.11		17.61	17.11	18.91	21.55	14.60
NYMEX 3-2-1 Crack (RBOB)	21.59	19.51	20.38	0.87		19.46	19.03	20.49	22.82	18.00
NYMEX No.2 - Natural Gas ($/mmbtu)	17.36	17.36	17.23	-0.13		17.38	17.29	17.07	17.12	17.12
ICE Gasoil - ICE Brent	10.29	11.15	13.26	2.11		12.78	13.98	13.00	13.23	13.62

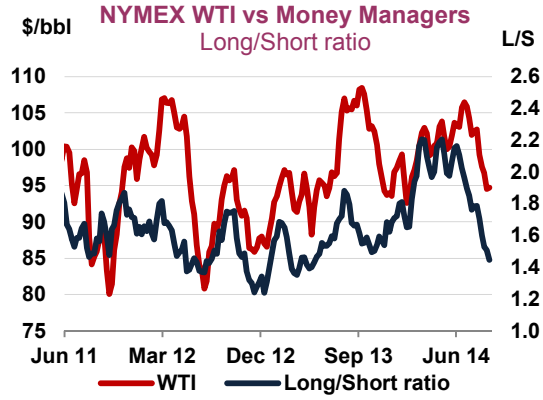
Source: ICE, NYMEX.

Futures Markets

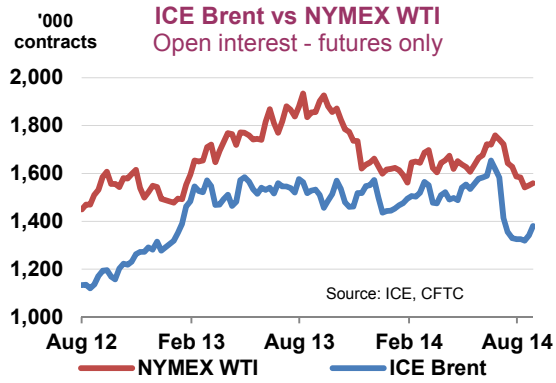
August was another extremely bearish month for hedge funds' positioning on crude oil. After having collapsed from record highs, as Iraqi turmoil did not curb supply and prices fell for two consecutive months, money managers' long positioning further declined to lows unseen since July 2012, when Brent

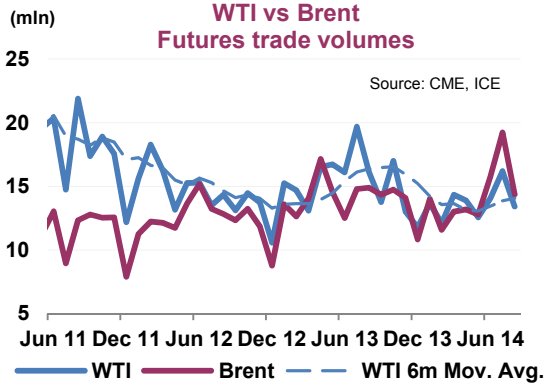
prices slipped below $90/bbl. Hedge funds slashed their long stance in NYMEX WTI as well, on the back of prices retreating to around $95/bbl. The '*long-to-short*' contracts ratio now stands below 1.4, the lowest in 18 months.

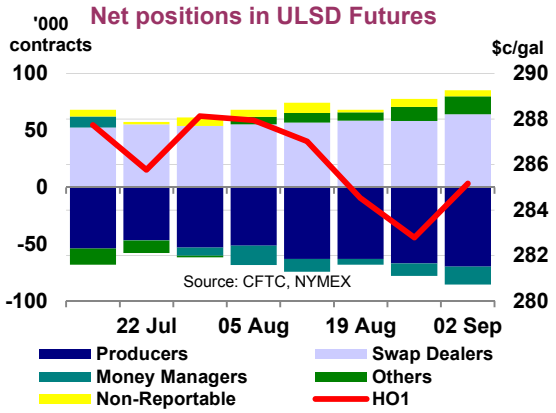


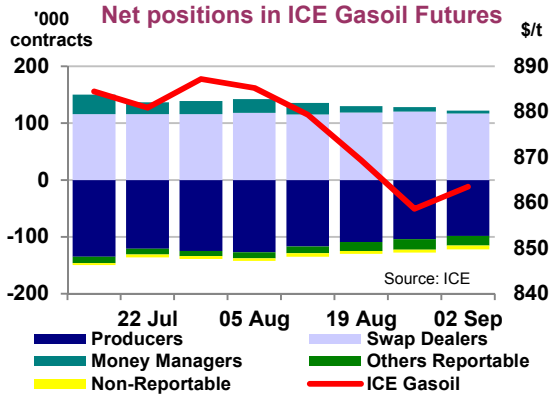


Overall open contracts in the North Sea based benchmark had a modest 3.7% recovery on the month, albeit are now sitting at their lowest since January 2013. Conversely, NYMEX WTI open interest retreated monthly, and stands 16% lower than a year ago. Trading activity came off the historical peak in Brent contracts, down 25% on the month and 3.6% year-on-year. WTI volumes seem to have lost their momentum they got in late 2013 and are back on a downtrend, down about 17% on the year.









On the products side, hedge funds strengthened their short positioning in New York ultra-low sulphur diesel (ULSD, the former heating oil contract) throughout the month, as prices came under pressure from a well-supplied market. Funds also thinned their net long exposure to Rotterdam gasoil futures. As of 2 September, ICE gasoil funds are only 5 000 contracts away from short selling.

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

02 September 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	205.5	235.6	-30.1	*Short*	↑ 1.2	↑ 20.4
Swap Dealers' Positions	267.6	562.2	-294.6	*Short*	↑ 14.8	↑ 57.3
Money Managers' Positions	589.9	407.7	182.2	*Long*	↓ -13.5	↓ -83.3
Others' Positions	415.6	295.2	120.4	*Long*	↓ -1.6	↑ 21.1
Non-Reportable Positions	80.7	58.6	22.1	*Long*	↓ -0.8	↓ -15.6
Open Interest			**1559.4**		↑ 9.1	↓ -69.6

Source: CFTC

Positions on ICE Brent Crude Futures

Thousand Contracts

02 September 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	461.9	734.3	-272.4	*Short*	↓ -6.6	↑ 36.4
Swap Dealers' Positions	463.3	203.5	259.8	*Long*	↑ 10.3	↑ 38.4
Money Managers' Positions	303.2	237.3	65.9	*Long*	↓ -2.5	↓ -64.3
Others' Positions	121.4	168.5	-47.1	*Short*	↓ -0.7	↑ 2.4
Non-Reportable Positions	30.2	36.4	-6.2	*Short*	↓ -0.5	↓ -12.9
Open Interest			**1380.0**		↑ 40.1	↑ 49.8

Source: ICE

Financial Regulation

The US Federal Reserve board met on 3 September, easing proposed collateral requirements for swaps between banks, manufacturers and other firms.

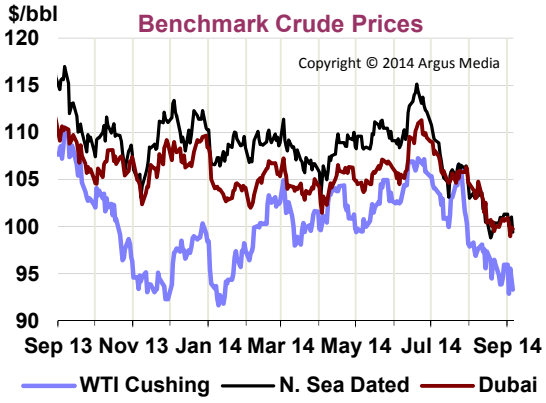
On August 19, the US Commodity Futures Trading Commission (CFTC) issued limited two weeks no-action relief regarding documentation of confirmation of uncleared swap transactions. The agency is also preparing rules for position limits and is currently working on addressing energy firms' concerns that rules might harm their hedging activity. The rule is expected to be finalised towards the end of the year.

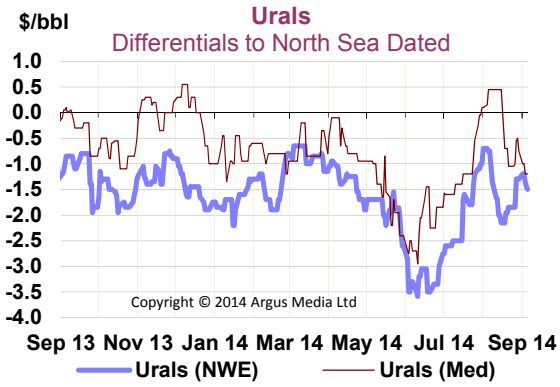
The European Securities and Markets Authority (ESMA) is poised to submit draft regulatory technical standards (RTS) on the swaps clearing obligation on 18 September, under the framework of the European Market Infrastructure Regulation (EMIR).

Spot Crude Oil Prices

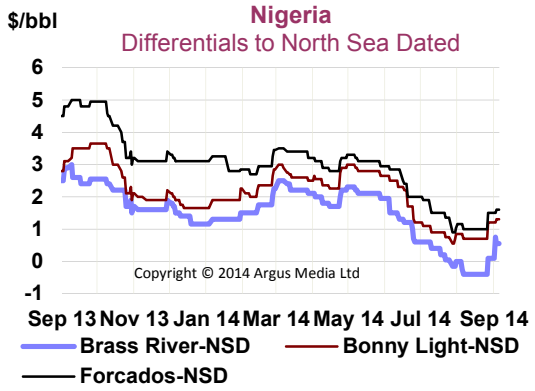
Spot crude oil prices slumped in August, pressured by rising Libyan exports, excess West African crude – resulting from steadily lower US imports - and sluggish demand from refiners in Europe and Asia. The weight of the surplus barrels pushed North Sea Dated Brent below $100/bbl for the first time in more than a year in mid-August. It recovered slightly to average $101.56/bbl for the month, down $5.07 versus July. Middle East Dubai was more robust, shedding $4.36/bbl to average $101.43/bbl. WTI lost the most, falling $6.55/bbl to $96.38/bbl. Urals, supported by stronger fuel oil margins, held up best – losing $4.09/bbl to average $101.43/bbl.

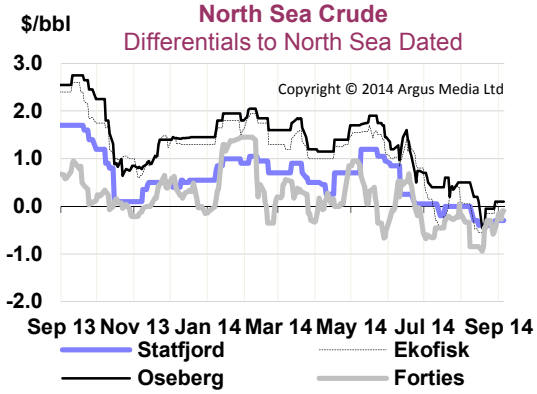
As West African grades struggled to find homes, the premium for Nigerian grades shrank versus Dated Brent. North Africa also added to the surplus, with an improvement in Libyan output lifting exports to 550 kb/d in August – more than double July volumes (see *Supply*).



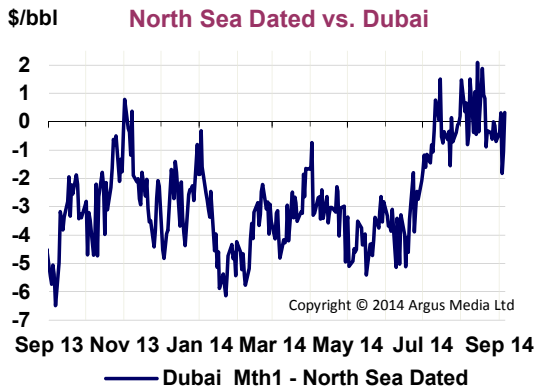


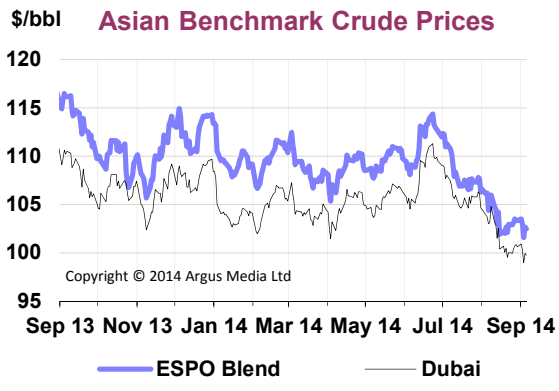
Higher shipments of about 570 kb/d are expected this month. The extra barrels weighed on the market for Caspian light sweet CPC blend and pushed North Sea Oseberg and Ekofisk during August to the lowest values versus Dated Brent in over seven years.





Higher volumes from Libya, Iraq, the North Sea and Russia are expected to arrive in September as refiners in the US and Europe start maintenance work that will temper demand (see Refining). Larger shipments of sour Russian Urals are expected as domestic refinery maintenance gets underway and rising volumes of KRG crude arrive at the Turkish Mediterranean port of Ceyhan. About 170 kb/d of KRG crude loaded in August and flows through the Kurdistan Regional Government pipeline to Turkey are now running at roughly 200 kb/d. Exports of Basra Light from Iraq's Gulf terminal, depressed in August due partly to bad weather and loading glitches, are expected to rise. With maintenance finished, loadings from the UK North Sea are also set to increase (see Supply).





The narrow gap between North Sea Brent and sour Dubai has meanwhile created favourable trade economics that allowed Dated Brent-linked crudes to move east – shifting much of the Atlantic Basin overhang to Asia. The arrival of the West African barrels into Asia, however, has pressured differentials for Middle East and Russian grades such as ESPO and Sokol to multi-year lows. Spot Dubai barrels fell briefly below $100/bbl for the first time in a more than a year.

Declining crude inventories in the US trading hub Cushing, Oklahoma, helped lock in the backwardation of WTI. But the landlocked US benchmark appears to be responding more to regional fundamentals such as the prospect of excess supply from new inbound pipeline capacity coming online later this year. Inland crudes moved at deep discounts, with spot WTI traded at Midland, Texas, falling to more than $15/bbl below Cushing prices before recovering towards the end of August (see *Supply*). Rising domestic supply also kept a lid on LLS premiums to WTI.

Spot Crude Oil Prices and Differentials

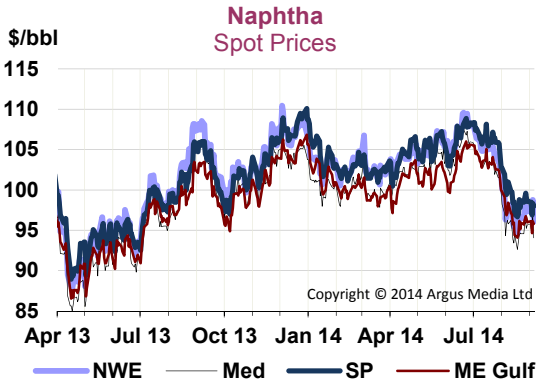
(monthly and weekly averages, $/bbl)

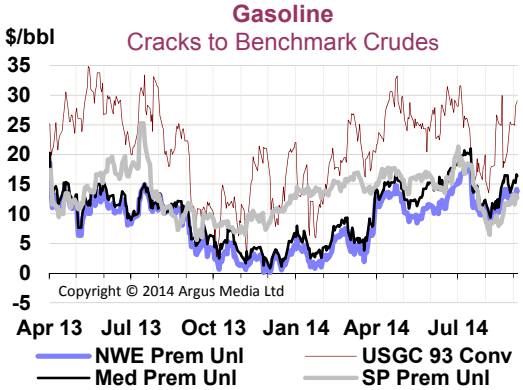
	Jun	Jul	Aug	Aug-Jul		Week Commencing:				
				Avg Chg	%	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep
Crudes										
North Sea Dated	111.67	106.63	101.56	-5.07	-4.8	103.46	101.72	99.66	101.00	100.51
Brent (Asia) Mth 1	112.22	107.99	102.80	-5.19	-4.8	104.91	103.14	101.13	101.54	101.55
WTI (Cushing) Mth 1	105.24	102.92	96.38	-6.55	-6.4	97.52	97.19	95.88	94.61	94.04
Urals (Mediterranean)	109.50	105.51	101.43	-4.09	-3.9	103.85	102.17	98.82	100.30	99.39
Dubai	108.06	106.12	101.76	-4.36	-4.1	103.71	102.11	100.16	100.50	99.98
Tapis (Dated)	108.86	103.61	98.80	-4.80	-4.6	100.86	99.08	96.96	97.97	97.61
Differential to North Sea Dated										
WTI (Cushing)	-6.43	-3.71	-5.19	-1.48		-5.94	-4.53	-3.79	-6.38	-6.47
Urals (Mediterranean)	-2.16	-1.12	-0.14	0.98		0.39	0.45	-0.84	-0.70	-1.12
Dubai	-3.60	-0.51	0.20	0.71		0.25	0.39	0.49	-0.50	-0.53
Tapis (Dated)	-2.80	-3.02	-2.76	0.26		-2.60	-2.64	-2.70	-3.02	-2.90
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	0.41	-0.54	-0.78	-0.24		-0.84	-0.74	-0.76	-0.78	-0.56
Forward WTI Cushing Mth1-Mth2	0.65	1.28	1.28	0.00		0.78	1.23	2.34	0.83	0.74
Forward Dubai Mth1-Mth2	0.53	0.51	-0.24	-0.75		0.01	-0.09	-0.38	-0.61	-0.64

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Spot Product Prices

Spot product prices weakened across the board in August although while prices at the posted steep declines, outpacing weakening crude prices, declines in middle distillates prices were relatively moderate. Consequently, gasoline and naphtha cracks generally weakened while those for middle distillates firmed.





Spot Product Prices

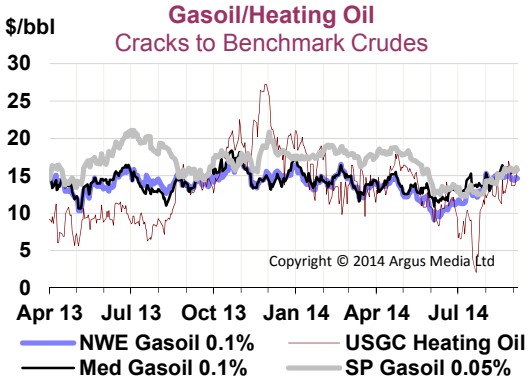
(monthly and weekly averages, $/bbl)

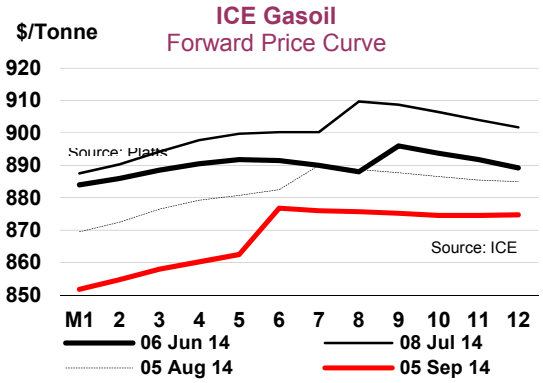
	Jun	Jul	Aug	Aug-Jul		Week Commencing:					Jun	Jul	Aug	Chg
				Chg	%	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep				
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	123.87	120.46	112.83	-7.63	-6.3	112.83	112.34	112.82	113.24	113.90	12.21	13.84	11.27	-2.56
Naphtha	107.02	105.13	97.15	-7.98	-7.6	97.82	96.63	95.93	97.70	97.58	-4.65	-1.50	-4.41	-2.92
Jet/Kerosene	122.80	121.42	118.59	-2.82	-2.3	120.08	119.21	116.87	117.56	116.70	11.14	14.79	17.03	2.25
ULSD 10ppm	123.80	121.37	118.78	-2.59	-2.1	119.89	119.15	117.31	118.29	117.21	12.13	14.74	17.22	2.47
Gasoil 0.1%	122.14	119.14	116.36	-2.78	-2.3	117.50	116.77	114.82	115.87	115.13	10.48	12.51	14.80	2.29
LSFO 1%	99.46	94.20	89.58	-4.62	-4.9	90.05	88.84	88.67	90.60	89.40	-12.21	-12.43	-11.98	0.45
HSFO 3.5%	90.99	88.38	86.61	-1.77	-2.0	87.02	86.39	85.84	87.20	85.62	-20.67	-18.25	-14.95	3.30
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	125.25	121.83	114.15	-7.69	-6.3	114.14	113.68	114.14	114.55	115.25	15.75	16.32	12.72	-3.60
Naphtha	104.91	103.09	95.17	-7.92	-7.7	95.85	94.66	93.97	95.67	95.52	-4.59	-2.43	-6.26	-3.83
Jet Aviation fuel	121.71	120.38	117.65	-2.73	-2.3	119.15	118.26	115.94	116.57	115.63	12.20	14.86	16.22	1.36
ULSD 10ppm	123.44	121.81	118.82	-2.99	-2.5	120.12	119.28	117.07	118.21	117.05	13.93	16.30	17.39	1.09
Gasoil 0.1%	121.78	119.28	116.49	-2.79	-2.3	117.54	116.96	114.98	115.99	115.23	12.27	13.77	15.07	1.30
LSFO 1%	100.76	95.47	91.20	-4.27	-4.5	91.52	90.39	90.36	92.47	91.11	-8.74	-10.05	-10.23	-0.18
HSFO 3.5%	90.33	87.57	86.03	-1.54	-1.8	86.36	85.76	85.29	86.77	85.16	-19.18	-17.94	-15.40	2.55
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	135.54	127.80	121.27	-6.53	-5.1	117.80	125.45	121.34	121.31	124.94	27.33	21.31	21.16	-0.15
Unleaded	123.87	119.70	115.60	-4.10	-3.4	115.10	116.32	116.16	115.19	113.18	15.67	13.21	15.49	2.28
Jet/Kerosene	120.96	118.48	119.43	0.95	0.8	119.22	119.52	118.42	120.75	119.10	12.75	11.99	19.31	7.33
ULSD 10ppm	122.59	119.40	118.48	-0.92	-0.8	119.37	118.73	117.31	118.46	117.43	14.38	12.91	18.37	5.46
Heating Oil	119.02	114.40	113.75	-0.65	-0.6	114.96	114.50	112.22	113.28	112.03	10.81	7.91	13.64	5.73
No. 6 3%*	93.10	89.05	87.79	-1.26	-1.4	88.23	87.47	87.32	88.10	88.53	-15.11	-17.43	-12.32	5.11
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	123.72	121.96	111.35	-10.60	-8.7	111.53	111.03	110.11	112.38	112.61	15.66	15.84	9.60	-6.24
Naphtha	106.29	106.37	99.15	-7.22	-6.8	100.48	98.67	97.79	98.96	98.05	-1.77	0.25	-2.61	-2.86
Jet/Kerosene	120.83	118.81	116.71	-2.10	-1.8	117.92	116.78	115.72	116.04	115.94	12.76	12.69	14.95	2.26
Gasoil 0.05%	121.25	118.97	116.73	-2.24	-1.9	117.99	116.62	115.58	116.33	115.79	13.19	12.85	14.98	2.12
LSWR Cracked	110.49	106.18	104.60	-1.58	-1.5	106.50	105.10	103.34	102.90	102.50	2.42	0.06	2.84	2.78
HSFO 180 CST	97.36	94.75	93.61	-1.14	-1.2	94.52	92.94	92.97	93.73	93.12	-10.71	-11.37	-8.15	3.22
HSFO 380 CST 4%	95.92	94.13	92.60	-1.53	-1.6	93.31	92.21	92.16	92.47	91.97	-12.14	-11.99	-9.15	2.84

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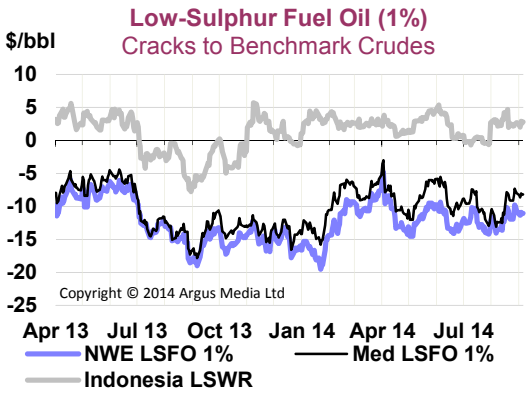
Naphtha cracks fell across the board as spot prices continued on their downward trajectory during early August with spot prices weakening more than crude prices. Spot prices slipped below year-earlier levels amid weak petrochemical demand as LPG, especially in Europe, remains a cheaper feedstock. Prices finally bottomed out mid-month as buyers entered the market. However, crude prices continued to slide which saw cracks rebound in late-month so that by early-September, despite remaining embedded in negative territory, they remained above year-ago levels across all markets. In Europe, some strength was also garnered as demand from gasoline blenders picked up while in Asia healthy supply, notably from the Middle East, India and Malaysia capped gains.

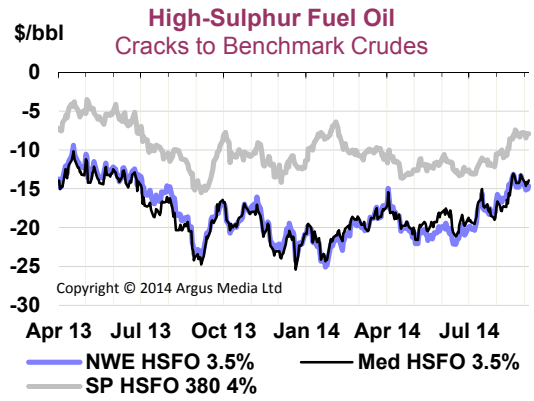
Gasoline spot prices retreated across all markets in August on a monthly average basis as plentiful supply weighed heavy. Losses outstripped crude price falls and consequently gasoline cracks retreated in Europe and Asia. In Europe cracks were hit early-month by underwhelming domestic demand and a lack of interest from West African buyers while the arbitrage window to ship product from Europe across the Atlantic remained shut. However, cracks changed course from mid-August onwards as a number of unscheduled US refinery outages reopened the transatlantic arbitrage. In Asia, prices remained under pressure from high inventories in Singapore while regional demand also remained low. In the US the picture was better where the crack for unleaded improved by $2.28/bbl on average over the month after the aforementioned refinery outages buttressed spot prices while US crudes weakened against other global benchmarks.





European gasoil futures remained in contango throughout August as prompt month prices were pressured lower by anaemic regional demand, plentiful arrivals from the US and Russia and Northwest European stock builds while the back end of the futures curve remained firm in anticipation of higher winter demand and increased shipping demand with forthcoming new bunker fuel regulations. Despite this, gasoil cracks rose on a monthly average basis as regional crude price losses outstripped those of spot prices. In Singapore, gasoil spot prices were somewhat buttressed by low on-shore inventories while supply from Asian refiners remained constrained. However, the crack versus Dubai strengthened less than for Northwest European refiners as the grade strengthened against Brent. US diesel cracks continued to rebound from July's nadir as LLS weakened against other global benchmarks. Spot prices also received some strength from abundant opportunities to ship product to Europe and Latin America and stock draws on the Gulf Coast (PADD 3).





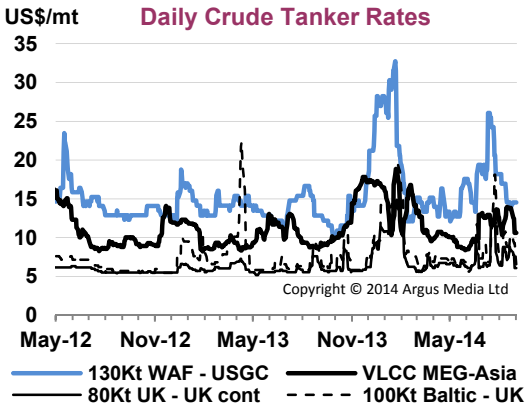
At the bottom of the barrel, fuel oil cracks in the US and Singapore posted month-on-month gains while in Europe HSFO outperformed LSFO. Spot prices weakened across the board as demand remained thin amid plentiful supply. In Singapore low demand from Japan and from the shipping sector pressured prompt prices lower. This has reportedly led a number of traders to charter tankers to store product in the region amid anticipation of higher demand going forward. In Europe, LSFO spot prices slipped by $4.40/bbl on a monthly average basis compared to a more moderate $1.70/bbl for HSFO after the latter was supported by bunker demand and an open arbitrage to ship product to Asia while high regional supply pressured the former lower.

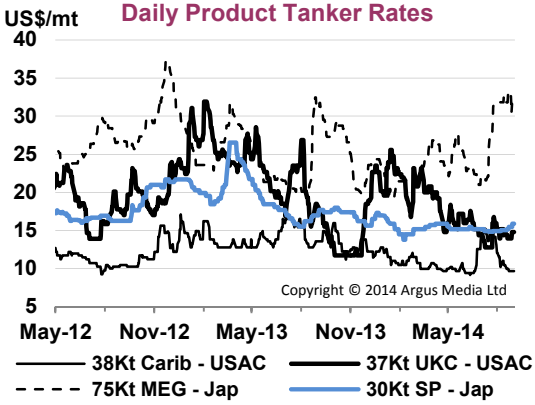
Freight

Rates for crude carriers had a volatile month, albeit settling around prior month's levels. Very large crude carriers (VLCC) tankers activity picked up in the second and third week of August, as solid demand and weather delays lifted the Middle East Gulf–Asia benchmark rate to near $14/mt, its highest since

February, before it eased to around $10.50/mt on lower loadings at end-August.
The Suezmax West Africa-US benchmark route softened throughout the month, as loadings from the region sat at their lowest since February. Vessels coming from the east are expected in early September, putting further pressure on prices.

In the North Sea, the Aframax rate seesawed between $6/mt and $10/mt, closing the month on a subdued note as cargoes got covered. Aframax rates in the Baltic had similar ups and downs, amidst a very active second week of August, finally settling around $6/mt.





Product tankers also had a mixed month. The Aframax Middle East Gulf – Japan route grew further after having surged in late July, surpassing October 2013 highs and reaching $33.19/mt, a level unseen in one year. Monthly loadings reached their highest since August 2010, on still subdued Japanese refinery runs and growing Saudi throughputs.

The 38 Kt Caribbean – US Atlantic Coast route reverted to June levels, hovering around $10/mt, after that the gasoline arbitrage window that prompted July's gains had closed. Rates for 30 Kt Singapore - Japan remained subdued as the region has still plenty of prompt ships available.

REFINING

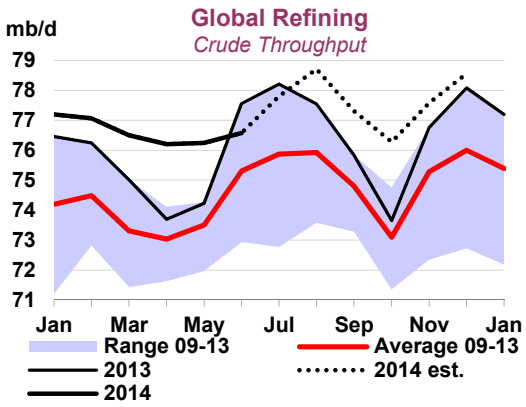
Summary

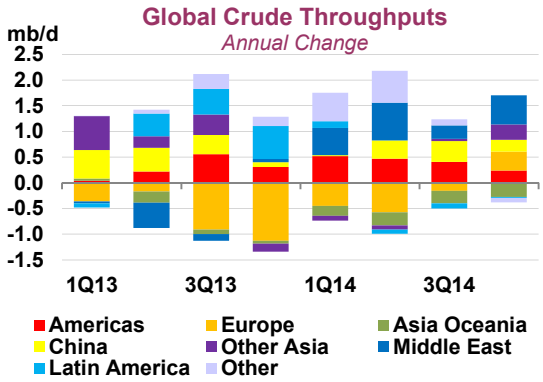
- **Global refinery crude demand rose by more than 2 mb/d over July and August to peak at 78.7 mb/d** before seasonal maintenance likely curbed activity again from September. Surging OECD throughputs in July were offset by a drop in non-OECD runs, while both OECD and non-OECD runs moved higher in August.

- **Global crude runs projections for 2H14 are largely unchanged since last month's *Report*, averaging 77.9 mb/d in 3Q14 and 77.5 mb/d in 4Q14.** Annual gains look set to average 0.7 mb/d for 3Q14, rising to 1.3 mb/d in 4Q14. New capacity in the Middle East, an expected rebound in Chinese runs and a more positive outlook for European refiners in 4Q14, compared with exceptionally steep contractions in regional runs at the tail end of 2013, support growth at end-year.

- **OECD crude throughputs surged by 2.1 mb/d in July, to average 37.6 mb/d,** narrowing the year-on-year deficit to 330 kb/d, from more than 2 mb/d in June. Refinery runs rose in all OECD regions in line with expectations. Preliminary data suggest OECD throughputs rose slightly in August to 37.7 mb/d.

- **Refinery margins rebounded in August as benchmark crude prices weakened across the board** while the ability to produce more of the most profitable products determined refiners' fortunes versus their regional rivals. Simple refiners in Europe benefitted from buoyant HSFO cracks while more complex refiners in Singapore took advantage of their high middle distillate yields.





Global Refinery Overview

After posting its first year-on-year (y-o-y) deficit in eight months in June, global refinery activity recovered over July and August, rising by an estimated 2.1 mb/d to hit a likely peak for the year of 78.7 mb/d in August. In July, a dip in non-OECD runs stemmed the increase, with both China and India reporting sharply lower runs from a month earlier. Unplanned outages and maintenance curbed runs in India and Vietnam, respectively, while Chinese refinery activity plunged by almost 0.5 mb/d from record high June rates, taking non-OECD Asian throughputs (including China) 150 kb/d below year-earlier levels. Also Russian refinery runs eased in July following a fire at Rosneft's Achinsk plant. Surging Saudi Arabian throughputs provided some offset, as Satorp's Jubail refinery pushed rates higher.

In contrast, July OECD throughput increased by more than 2 mb/d, with gains more or less evenly spread across the three regions. OECD throughputs had fallen counter-seasonally in June, following planned and unplanned outages in the US and Pacific, while weak margins likely caused European refiners to curb runs beyond scheduled maintenance. As the slump in refinery activity caused product markets to tighten

and left the Atlantic Basin with ample crude supplies, refinery margins improved. Refiners took advantage of the higher returns where possible, underpinning the seasonal gains. Despite the sharp increase from June, both OECD and global refinery runs stood below year earlier levels.

Global Refinery Crude Throughput[1]

(million barrels per day)

	May 14	Jun 14	**2Q2014**	Jul 14	Aug 14	Sep 14	**3Q2014**	Oct 14	Nov 14	Dec 14	**4Q2014**
Americas	18.8	18.9	**18.9**	19.6	19.5	19.0	**19.4**	18.4	18.8	19.0	**18.8**
Europe	11.2	10.8	**11.1**	11.6	11.7	11.4	**11.5**	11.0	11.1	11.5	**11.2**
Asia Oceania	6.0	5.8	**6.1**	6.5	6.5	6.3	**6.4**	6.1	6.5	6.7	**6.4**
Total OECD	36.1	35.6	**36.1**	37.6	37.7	36.7	**37.3**	35.5	36.5	37.2	**36.4**
FSU	7.1	7.3	**7.0**	7.1	7.2	6.7	**7.0**	6.6	7.0	6.9	**6.8**
Non-OECD Europe	0.5	0.4	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**
China	9.5	10.2	**9.8**	9.7	9.9	10.0	**9.9**	10.0	10.0	10.1	**10.0**
Other Asia	9.6	9.6	**9.6**	9.7	10.0	10.0	**9.9**	10.0	9.9	10.1	**10.0**
Latin America	4.7	4.9	**4.8**	4.8	4.9	4.8	**4.8**	4.8	4.8	4.8	**4.8**
Middle East	6.5	6.3	**6.3**	6.4	6.4	6.5	**6.4**	6.7	6.7	6.8	**6.7**
Africa	2.3	2.4	**2.3**	2.1	2.1	2.1	**2.1**	2.2	2.1	2.1	**2.1**
Total Non-OECD	40.2	41.0	**40.3**	40.2	41.0	40.6	**40.6**	40.7	41.1	41.3	**41.1**
Total	76.2	76.6	**76.3**	77.8	78.7	77.3	**77.9**	76.3	77.6	78.6	**77.5**

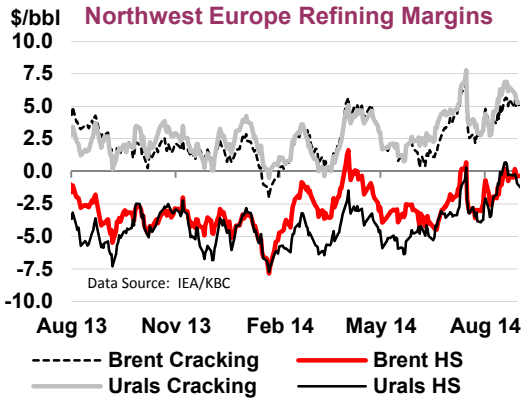
1 Preliminary and estimated runs based on capacity, know n outages, economic run cuts and global demand forecast

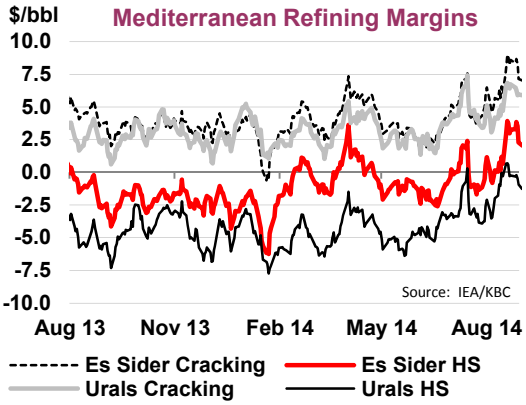
In August, an expected recovery in non-OECD refinery activity drove global runs higher, while OECD throughputs were largely unchanged. Global runs were nevertheless on track to resume annual gains, after a two-month hiatus. In all, global runs are forecast to rise by 0.7 mb/d in 3Q14 and a steeper 1.3 mb/d in 4Q14 y-o-y, though the latter gain is inflated by a very low base at the end of 2013. Gains will be particularly steep in the Middle East, where Saudi Arabia is on track to start up its second greenfield 400 kb/d refinery in less than a year, with Yasref's Yanbu refinery reportedly having started test runs in early September. By end-year, the 300 kb/d Paradip refinery in India and the 400 kb/d Ruwais refinery in the UAE are also set to be completed.

Refinery Margins

Refinery margins rebounded across surveyed markets in August as benchmark crude prices weakened across the board, although widening crude price differentials had a significant impact on refiners' fortunes. As US crudes softened against other global benchmarks, refiners there saw their margins rise by $3.90/bbl on average compared with increases of $1.10/bbl and $0.80/bbl for refiners in Europe and Singapore, respectively. Producing more of the most profitable products also helped simple refiners in Europe, who took advantage of buoyant HSFO cracks, and more complex refiners in Singapore, who benefitted from high middle distillates yields, outperform their regional competitors.

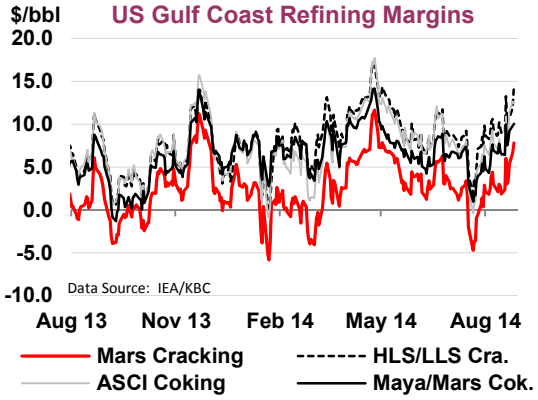
After arresting their steep declines in the first week of August, European margins rapidly increased so that by early-September they were once again approaching their recent highs to stand well above year-ago levels. The catalysts for this were weakening feedstock prices, while product prices, notably in the middle of the barrel, remained relatively firm. On a monthly average basis, refiners running Russian Urals saw their margins rise more than those processing Brent as Urals weakened against Brent. In a rare move, simple refiners in Northwest Europe posted steeper rises than more complex ones due to their high fuel oil yields, which saw margins boosted by surging HSFO cracks. Margins for simple refiners in Northwest Europe briefly entered positive territory in late August.

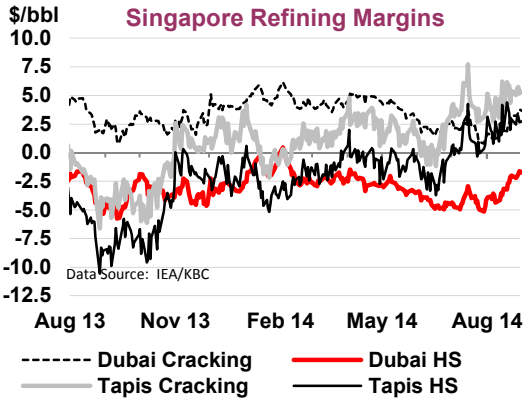




Margins for US refiners rose by $3.90/bbl on average in August, well above those posted in other surveyed markets, after US benchmark crudes weakened against other global grades. Refiners in the Midcontinent saw their margins rise by $4.80/bbl on average after Midcontinent grades such as WTI and Bakken softened against seaborne grades used on the Gulf Coast. This followed reduced regional crude demand in the wake of several refinery outages in the Midcontinent, notably at CVR's 115 kb/d Kansas, Tennessee plant and BP's 410 kb/d Whiting, Indiana refinery. These supply outages also supported spot product prices relative to the Gulf Coast, which further improved refiners' margins.

On the Gulf Coast, crude prices were supported by the mid-month closure of the LOOP terminal in response to a possible oil spill, which reportedly blocked crude imports into the region as well as disrupting seaborne crude shipments from West Texas. Product prices also decreased at a steeper rate as product supply remained plentiful amid record-high regional refinery runs.





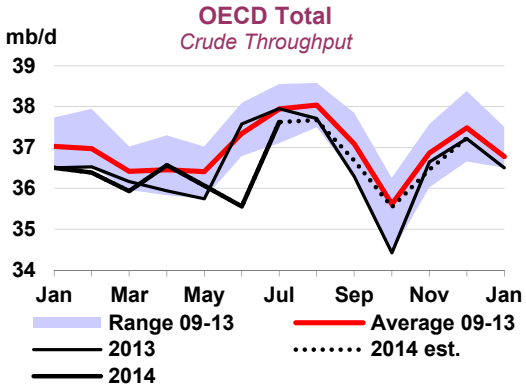
In Singapore the choice of feedstock had a larger impact on refiner's fortunes than elsewhere. Those running light, sweet Tapis saw their margins improve by $1.10/bbl on average over the month while those refining sour Dubai posted gains of only $0.60/bbl on average after Tapis weakened against Dubai amid a glut of light, sweet crudes in Asia. Complex refiners also saw margins rise by more than simple refiners due to their increased yields of the more profitable products in middle of the barrel.

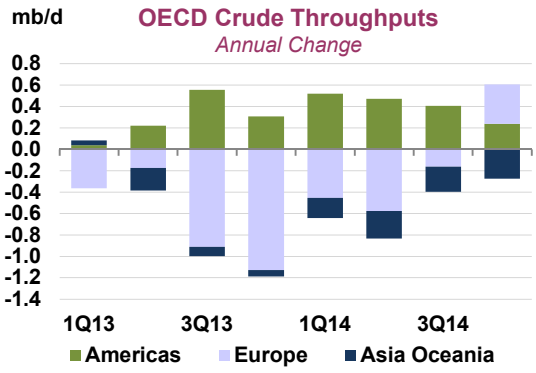
The table on IEA/KBC Global Indicator Refining Margins is available as Table 15 in the full tables section on the OMR website. See http://www.oilmarketreport.org/

OECD Refinery Throughput

OECD refinery crude throughputs surged by more than 2 mb/d in July, to 37.6 mb/d on average. Refinery runs rose in all regions, curbing the y-o-y deficit of total OECD throughputs to 330 kb/d from over 2 mb/d a month earlier. OECD throughputs declined counter seasonally in June, on a number of planned and

unplanned outages, compounded by weak margins and discretionary run cuts. In July, however, North American refinery runs resumed annual growth of some 400 kb/d, while OECD Europe and Asia Oceania contracted by 570 kb/d and 160 kb/d, respectively.





Preliminary data for August indicate that OECD runs moved slightly higher from July levels and remained at seasonally high rates around 37.7 mb/d. In particular, improved margins look to have boosted European runs to their highest in a year. While OECD throughputs are set to fall steeply through October on seasonal maintenance, the outages are expected to be less important than last year. In fact, on a quarterly basis, in 4Q14, OECD refinery runs could post their first annual increase since 4Q12.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

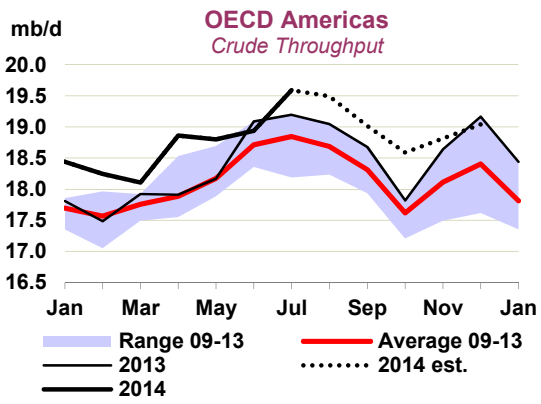
							Change from		Utilisation rate[1]	
	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	*Jun 14*	*Jul 13*	Jul 14	Jul 13
US[2]	15.12	15.13	15.87	15.94	15.82	16.51	0.70	0.47	92.3%	89.5%
Canada	1.87	1.63	1.56	1.54	1.73	1.73	-0.01	0.02	94.1%	88.5%
Chile	0.17	0.17	0.18	0.18	0.17	0.18	0.00	-0.01	77.2%	79.4%
Mexico	1.08	1.18	1.25	1.13	1.22	1.18	-0.04	-0.09	71.3%	76.9%
OECD Americas	**18.25**	**18.11**	**18.86**	**18.80**	**18.94**	**19.59**	**0.65**	**0.40**	**90.7%**	**88.3%**
France	1.07	1.04	1.08	1.01	1.05	1.17	0.12	-0.11	83.5%	91.3%
Germany	1.90	1.81	1.95	1.80	1.63	1.80	0.16	-0.13	88.9%	95.1%
Italy	1.17	1.05	1.08	1.17	1.19	1.24	0.05	-0.17	66.7%	73.8%
Netherlands	1.04	1.00	1.01	0.98	0.90	0.99	0.09	0.01	77.1%	76.7%
Spain	1.13	1.15	1.13	1.25	1.23	1.17	-0.06	-0.04	77.0%	79.9%
United Kingdom	1.10	1.19	1.17	1.14	1.05	1.13	0.08	-0.16	72.1%	82.5%
Other OECD Europe	3.83	3.73	3.85	3.89	3.76	4.07	0.31	0.04	81.7%	80.9%
OECD Europe	**11.25**	**10.98**	**11.26**	**11.25**	**10.81**	**11.57**	**0.75**	**-0.57**	**79.0%**	**82.6%**
Japan	3.46	3.38	3.16	2.80	2.52	3.00	0.48	-0.22	74.1%	71.6%
South Korea	2.47	2.55	2.35	2.41	2.43	2.59	0.16	0.12	80.9%	80.8%
Other Asia Oceania	0.97	0.93	0.93	0.80	0.86	0.88	0.01	-0.06	27.6%	76.9%
OECD Asia Oceania	**6.90**	**6.85**	**6.44**	**6.02**	**5.81**	**6.46**	**0.65**	**-0.16**	**76.4%**	**75.6%**
OECD Total	**36.39**	**35.94**	**36.56**	**36.07**	**35.56**	**37.62**	**2.06**	**-0.33**	**84.1%**	**84.0%**

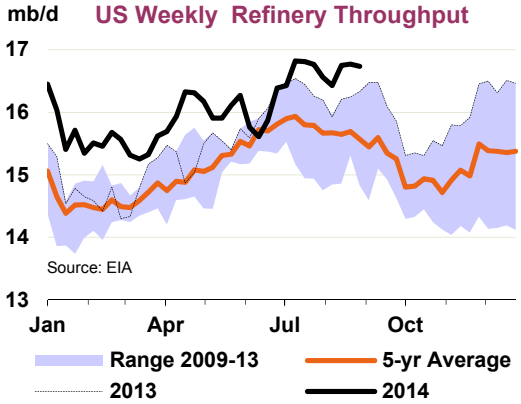
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

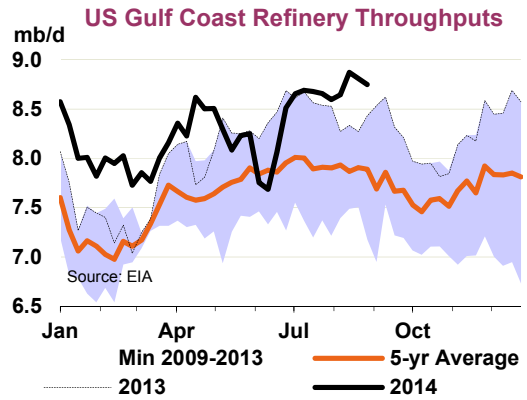
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

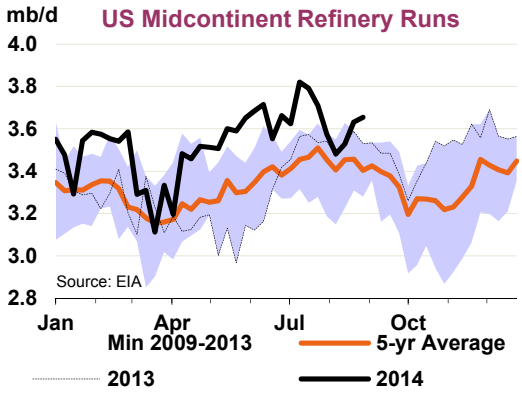
Refinery throughputs in the OECD Americas surged 650 kb/d in July, to 19.6 mb/d, after outages curtailed regional runs a month earlier. US refiners accounted for all of the gain. Gulf Coast refiners, in particular, raised their crude oil intake by 550 kb/d, to an average 8.6 mb/d for the month, an all-time high. Midcontinent runs were also at record highs of more than 3.7 mb/d, taking total US throughputs to 16.5 mb/d, 470 kb/d above the year–earlier levels.





US throughputs remained generally high in August, around 16.4 mb/d. US Gulf Coast runs reached yet another monthly high, of 8.7 mb/d, or almost 96% utilisation. Significantly improved Gulf Coast refinery margins since the last week of July supported maximum throughput rates. While margins also improved in the Midcontinent, a fire at CVR's 115 kb/d Kansas City refinery in late July forced the plant to shut for most of August. Operations at BP's 413 kb/d Whiting refinery in Indiana were only minimally affected by a blaze on 27 August. The fire, which was reportedly confined to a hydrotreater for gasoline producing FCC, caused a spike in wholesale gasoline prices in the Chicago area.





US Refiners Adjust to Changing Feedstocks

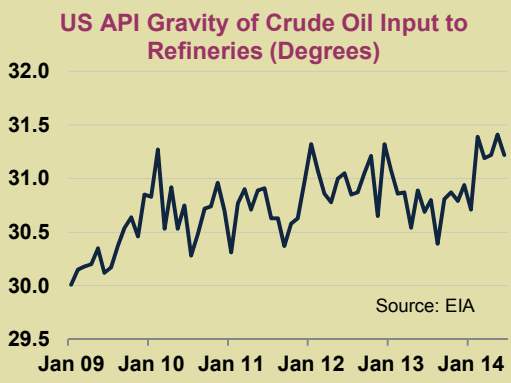
As US light tight oil (LTO) production continues to surge, refiners are investing to absorb the increasingly lighter API gravity feedstocks, and the impact on refinery yields is starting to be felt. As outlined in the *2014 Medium-Term Oil Market Report (MTOMR)*, surging US NGL and LTO oil production, and increased intake of light refinery feedstocks, has the potential to significantly raise the production of light distillates (naphtha and gasoline), as well as LPGs. Indeed, in the most recent data for which a full refinery balance is available, US gasoline yields, here calculated as the share of total gasoline production of total inputs, rose to almost 53%, more than 2 percentage points higher than both the previous year and the five-year average. As domestic demand for gasoline is expected to resume its structural decline due to improved vehicle fuel efficiency and increased biofuel supplies, the US gasoline balance will continue its transformation.

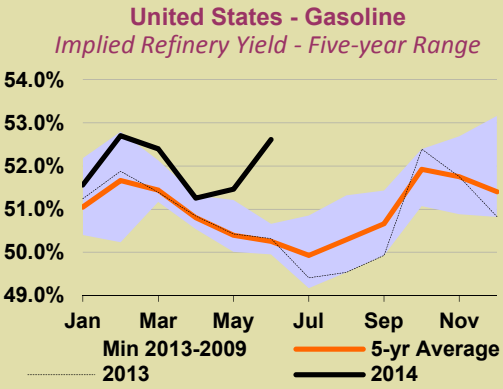
US crude oil production continues to exceed expectations, rising 3.2 mb/d over the last five years, to average 8.5 mb/d in August 2014. In particular, production of Eagle Ford LTO, the fastest growing shale play at

US Refiners Adjust to Changing Feedstocks *(continued)*

present, is expected to reach 1.5 mb/d by end-2014 and 1.7 mb/d a year later. Expectations for future growth already exceed those published in our last medium term outlook (see *Eagle Ford Booming* in OMR dated 11 July 2014), which saw total US production rising to 13.1 mb/d in 2019, from 10.3 mb/d in 2013 on average.

As a result of LTO's increased share of US crude oil output and the US refining markets, the weighted average API gravity of crude oil input into US refineries has increased from around 30.0 degrees in 2009 to 31.2 degrees on average in the first six months of this year according to the US EIA data. This comes even as volumes of Canadian oil sands headed to the US market increase almost as rapidly. Canadian oil sands, or diluted bitumen blends, typically have an API gravity in the range of 19 to 22 degrees, compared with a range of 42 to 58 for Eagle Ford liquids for example. Canadian oil production, including synthetics, condensate, NGLs and conventional crude, is expected to increase to 5.2 mb/d in 2019, from 4.2 mb/d currently, and 3.2 mb/d in 2009. US imports of Canadian crude oil and refinery feedstocks had already surpassed 3.0 mb/d this summer. This is an increase of more than 30% in five years.





To deal with the increasingly bifurcated feedstock slate, of very heavy Canadian grades and light US crude and condensates, refiners are investing in new units, expanding or tweaking existing equipment to accommodate these new realities. As the majority of US existing refineries were mostly designed to process discounted heavy crudes, the focus for refiners has shifted to absorb the increasing light crude and condensate volumes, discounted compared with similar imported crudes.

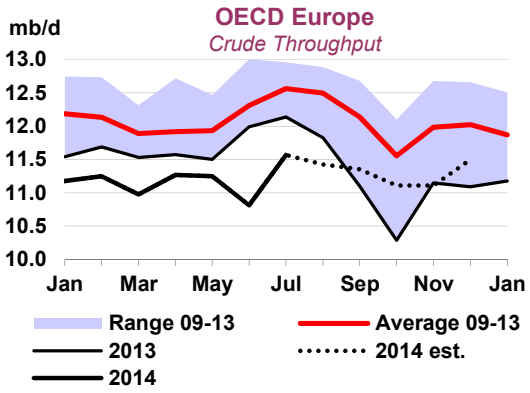
Several large US refiners, including Valero and Marathon, have announced plans to increase light crude oil processing capacity. This involves adding equipment such as simple hydroskimmers, or topping units, and pre-flash towers, which extract some naphtha from the oil before it is processed in a crude distillation unit (CDU). Valero plans to add simple topping units at its Houston and Corpus Christi refineries on the Gulf Coast to process Eagle Ford crude with an API up to 50. It is also planning to expand CDU capacity by 25 kb/d at its McKee refinery to absorb higher Permian crude production. Marathon is building condensate splitters at its Canton and Cattletsburg refineries in the Midcontinent to process Utica Shale crude. Delek is adding pre-flash towers at its Tyler and El Dorado plants, while Calumet, Flint Hills and Tesoro are investing to increase capacity to process domestic crudes. Kinder Morgan, Magellan and Martin Midstream are building dedicated condensate splitters on the Gulf Coast. In all, more than 600 kb/d of new light tight oil and condensate processing capacity could be added in the next few years. Light product outputs are on track to rise further.

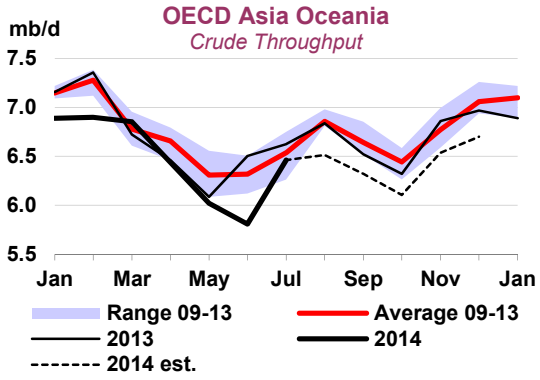
US net gasoline imports have already declined from over 900 kb/d in 2005 to 100 kb/d so far in 2014, with the US actually having been a net exporter in certain months. In coming years, as the feedstock slate continues to change and processing capacity keeps adjusting, US light distillate exports will reach increasingly far-flung markets. The OECD Americas could be left with a surplus of naphtha and gasoline of around 1.3 mb/d by 2019. The need to find a market outlet for this surging output of light distillates may be the greatest constraint on the refining industry's capacity to absorb new supplies and to meet demand for products that the market really needs, such as middle distillates.

For regional OECD refinery yields, please see Table 16 in the full set of OMR tables, available on our website http://www.oilmarketreport.org/

European refinery runs recovered in July, rising by a slightly steeper-than-expected 750 kb/d from June levels. If confirmed by final monthly statistics, regional runs of 11.6 mb/d were at their highest level since August 2013. Preliminary data from Euroilstocks indicate regional refiners increased runs further in August, due to improved profitability. Benchmark refining margins, both on the Mediterranean and in Northwest Europe, improved markedly since early June, on ample crude supplies and tightening product markets resulting from the weak refinery activity. Simple margins even turned positive at the end of August on higher HSFO cracks, even as refiners were preparing for another round of maintenance cuts.

Amongst others, Shell was planning maintenance on several units of its Pernis refinery in the Netherlands and on parts of its Godorf plant in Germany for most of September. Ireland's sole refinery, the 75 kb/d Whitegate plant, was expected to be fully shut for most of September due to maintenance, and Statoil's Mongstad refinery in Norway was planning to undertake partial turnarounds in September. Despite a brief shutdown of Total's La Mede refinery (148 kb/d) in July, French refinery runs rose by more than 110 kb/d month-on-month (m-o-m), to 1 170 kb/d on average, the highest level in almost a year. The company's 220 kb/d Donges refinery shut on 1 September for about a week. In the UK, Essar shut a 148 kb/d crude unit at its Stanlow refinery for about a week at the end of July. Essar announced it would mothball the plant's smallest crude unit, which has a nameplate capacity of 50 kb/d, by October.





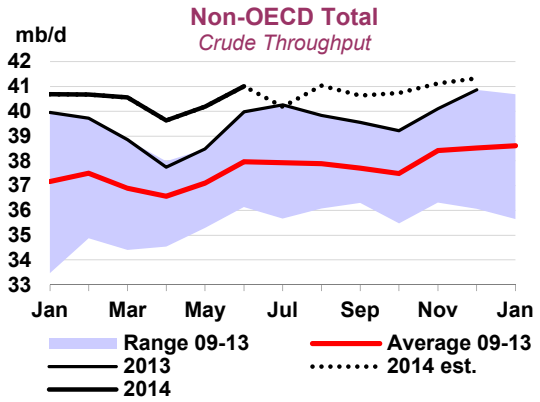
Refinery throughputs in the OECD Asia Oceania also rebounded in July, by 650 kb/d from June, to average 6.46 mb/d. Refinery activity in both Japan and Korea picked up after maintenance following exceptionally weak runs in June. Japanese refiners lifted runs by a steep 480 kb/d, from 25-year lows hit in June. Based on preliminary data from the Petroleum Association of Japan, we estimate that Japanese crude runs rose by a further 110 kb/d in August, to 3.1 mb/d (adjusting for NGL intake included in weekly data). August is the low season for maintenance in Japan, with autumn turnarounds already curbing runs from September.

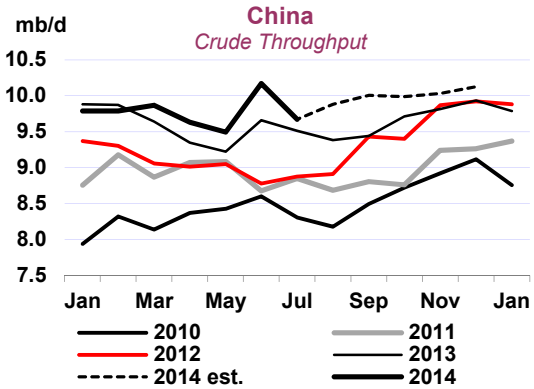
South Korean crude runs rose to an eight-month high of 2.6 mb/d in July, 160 kb/d higher than a month earlier. Oil product exports saw even stronger gains, averaging 1.2 mb/d, as refiners also drew down inventories. Gasoil exports rose 33% y-o-y, to an average of 445 kb/d, while gasoline exports rose 31% to 171 kb/d on average. In Australia, Caltex will start shutting its 135 kb/d Kurnell plant in October. The company had announced in 2012 that it would convert the refinery site into an oil import terminal, leaving the Sydney area without an operating refinery. Australian throughputs averaged 540 kb/d in July, up from 510 kb/d in June and 450 kb/d in May, when two of the country's refineries were undertaking maintenance.

Non-OECD Refinery Throughput

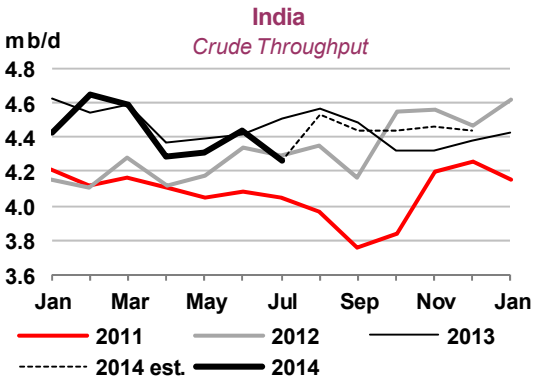
Non-OECD refinery crude demand eased in July, on lower throughputs in China and India, in particular. After posting record high rates in June, Chinese refinery runs plunged almost 500 kb/d m-o-m. Unscheduled outages in India and Russia, also contributed to the m-o-m decline, which totalled some 830 kb/d. Preliminary indications for August suggest throughputs recovered, though maintenance should

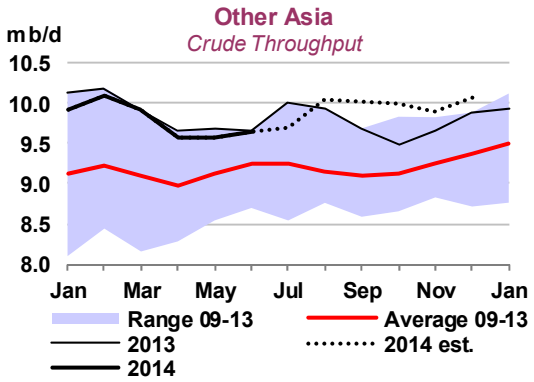
again curb runs from September onwards. New refinery capacity in the Middle East and Asia will further lift runs in 4Q14 and early next year. In all, non-OECD crude demand is set to expand by 730 kb/d in 3Q14 and 1.0 mb/d in 4Q14, to reach 41.1 mb/d in 4Q14, following annual growth of some 1.3 mb/d over the first six months of the year.





After processing a record 10.2 mb/d of crude in June, Chinese refiners scaled back runs sharply in July, to 9.67 mb/d on average. Maintenance at PetroChina's 260 kb/d Lanzhou refinery from end-June and Sinopec's Yangzi and Shanghai Petrochem refineries contributed to the decline. Weak domestic demand, in particular for gasoil, has also been putting a damper on Chinese refinery activity. Apparent demand, calculated as refinery output plus net product imports and stock change, contracted in July, due to a sharp drop in product imports. This latter plunged by 33.1% y-o-y, the steepest decline on record. Refinery throughputs, meanwhile, were up 2% compared with the same month a year earlier. Industry surveys suggest refiners raised runs again in August, as some refiners restarted after maintenance.



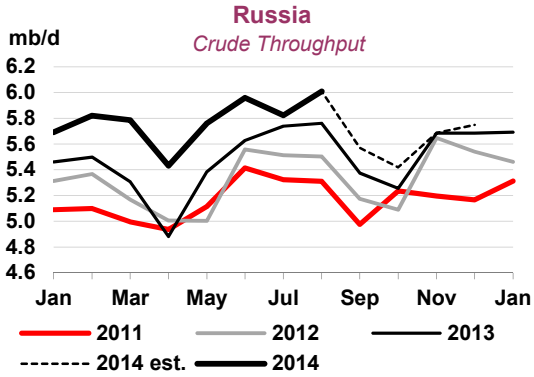


In India, refinery throughputs also fell in July by 170 kb/d, on unscheduled outages. Following a fire and subsequent closure of HMEL's Bathinda refinery, Indian refinery runs slipped below year-earlier levels in July, to average 4.3 mb/d. The 180 kb/d plant in northern India processed only 13 kb/d in July, compared with 200 kb/d on average over the previous six months. The fire at the plant's vacuum gasoil unit in mid-June led the company to advance planned maintenance and shut the refinery. An unplanned outage at Chennai's Manali refinery also reduced throughputs. Higher throughputs from IOC's Panipat and Koyali refineries as they completed maintenance provided a partial offset.

Vietnam's sole refinery, the Dung Quat plant, was shut in June and through mid-July for scheduled turnarounds. In Taiwan, Formosa restarted a 180 kb/d crude unit in June, after a 45-day shutdown, with an 84 kb/d RFCC restarted in July after a three-month shutdown.

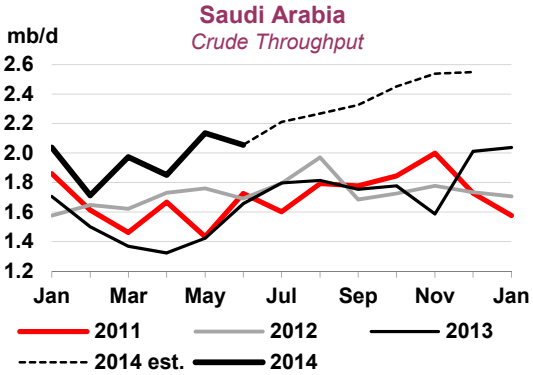
Russian refinery throughputs surged to a new record high in August, hitting the 6.0 mb/d mark for the first time. Throughputs were 200 kb/d higher than a month earlier and 250 kb/d above the same month in

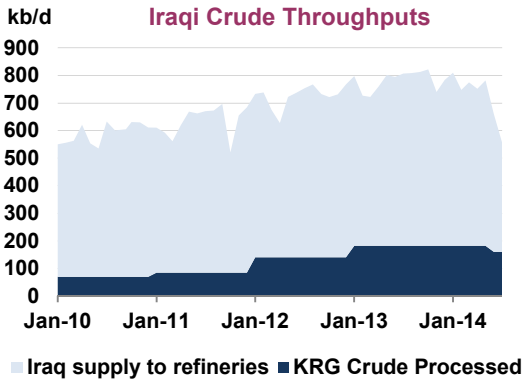
2013. Russian refinery runs had fallen back slightly in July, following a deadly fire, which shut Rosneft's Achinsk refinery from mid-June until early September. The plant normally processes around 160 kb/d of crude. Rosneft was expected to lift production at its recently expanded Tupase refinery on the Black Sea in September, to its 240 kb/d nameplate capacity, after receiving clearance to use a new crude pipeline. After completing an expansion last year, which nearly tripled its capacity, the plant has been running at low utilisation rates. The plant processed an average 165 kb/d in the first seven months of this year, compared with 90 kb/d over the same period in 2013.



In Ukraine, fuel suppliers have reportedly increased oil product imports from the Baltic Sea, through the Lithuanian port of Klapeida and then by rail, as product shipments from Russia and Belarus have dwindled. Ukrainian refinery runs slipped to only 54 kb/d in June, as most of the country's refineries stand idle. Only the 363 kb/d Kremenchug plant, running significantly below capacity and the smaller Shebelinsky condensate refinery seem to be operating. In June, domestic supplies of gasoline and diesel only met 22% and 12% of domestic demand, with the remainder imported from neighbouring countries. Ukraine normally sources 20% of its gasoline imports and 60% of its diesel imports from Belarus, though maintenance at the latter's Naftan and Mozyr plants over August and September led Ukraine to seek supplies from further afield.

In the Middle East, Saudi Arabian refinery runs averaged 2 055 kb/d in June according to JODI data, 80 kb/d less than in May and 100 kb/d below our expectations. Saudi throughputs were nevertheless 400 kb/d higher than a year earlier and set to rise further in coming months as the new Yanbu Aramco Sinopec Refining Co (Yasref) refinery starts up. News agencies reported that the 400 kb/d Yanbu refinery started trial runs in early September. The plant, located on the Red Sea, is reportedly processing Arab Light crude in the test period, before eventually shifting to Arab Heavy from the nearby Manifa oil field. The timing of the test runs is in line with earlier company statements suggesting that first commercial shipments of refined products would occur by November.





Iraqi crude processing is estimated to have fallen to 560 kb/d in July, with just under 400 kb/d processed at the main refineries. The 330 kb/d Baiji refinery, still under militant control, remains closed with no prospects of reopening in the near future. According to KRG Natural Resources Minister, Ashti Hawrami, it will take at least a year to repair the plant after it was damaged in an attack by ISIS militants in June. Crude processed at refineries and simple topping units in Kurdistan, currently estimated at 160 kb/d, is not included in official Iraqi Ministry data. While the latest KRG Ministry data only includes data up until January 2014, current throughputs at the three main KRG refineries – Tawke (DNO), Kalak (Kar Group) and Bazian (Bezan Pet) – are estimated at just above 100 kb/d. Another 60 kb/d of crude is estimated to be sold to local buyers for processing in small topping plants for domestic consumption.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.8	23.9	24.3	24.3	24.1	23.9	23.7	24.4	24.5	24.1	23.9	23.9	24.3	24.5	24.2
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.6	13.0	13.4	13.9	13.6	13.5	13.1	13.5	13.8	13.4	13.4
Asia Oceania[3]	8.1	8.5	8.9	7.8	8.0	8.6	8.3	8.8	7.7	7.8	8.4	8.2	8.6	7.5	7.8	8.3	8.1
Total OECD	46.4	45.9	45.9	45.5	46.3	46.5	46.1	45.7	44.7	46.1	46.6	45.8	45.7	44.9	45.9	46.2	45.7
NON-OECD DEMAND																	
FSU	4.5	4.6	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.1	5.0	4.9
Europe	0.7	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	9.4	9.8	9.8	10.0	10.1	10.2	10.1	10.1	10.3	10.3	10.5	10.3	10.4	10.6	10.7	10.9	10.6
Other Asia	11.2	11.6	11.9	11.9	11.6	12.0	11.9	12.2	12.2	11.9	12.4	12.2	12.6	12.6	12.3	12.8	12.6
Americas	6.2	6.4	6.4	6.6	6.8	6.8	6.6	6.6	6.8	6.9	6.9	6.8	6.7	6.9	7.0	7.0	6.9
Middle East	7.5	7.7	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.9	8.1	7.9	8.4	8.8	8.2	8.3
Africa	3.6	3.8	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	4.0	4.1	4.1	4.1	4.2	4.1
Total Non-OECD	43.1	44.6	44.6	45.6	46.2	46.2	45.7	45.8	46.9	47.2	47.3	46.8	47.1	48.0	48.7	48.8	48.1
Total Demand[4]	**89.5**	**90.5**	**90.5**	**91.1**	**92.5**	**92.7**	**91.7**	**91.6**	**91.6**	**93.3**	**93.9**	**92.6**	**92.8**	**93.0**	**94.6**	**95.0**	**93.8**
OECD SUPPLY																	
Americas[1,7]	14.6	15.8	16.8	16.7	17.4	17.9	17.2	18.2	18.7	18.6	19.0	18.6	19.4	19.4	19.5	20.0	19.6
Europe[2]	3.8	3.5	3.4	3.4	3.2	3.4	3.3	3.5	3.3	3.1	3.3	3.3	3.3	3.2	3.1	3.3	3.2
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.6
Total OECD	19.0	19.9	20.6	20.6	21.1	21.7	21.0	22.1	22.4	22.2	22.8	22.4	23.3	23.2	23.2	23.9	23.4
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.8	13.8	13.8	14.1	13.9	14.0	13.8	13.8	13.9	13.9	13.9	13.8	13.7	13.7	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.2	4.3	4.3
Other Asia[5]	3.7	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5
Americas[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.3	4.4	4.3	4.4	4.5	4.6	4.6	4.5
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.4	2.3	2.3	2.3	2.3
Total Non-OECD	29.9	29.5	29.5	29.4	29.2	29.9	29.5	29.8	29.6	29.4	29.6	29.6	29.9	29.8	29.7	29.8	29.8
Processing gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.5	2.1	2.1	1.8	2.2	2.6	2.2	2.2
Total Non-OPEC[5]	52.9	53.3	53.8	54.2	54.9	55.9	54.7	55.8	56.4	56.3	56.8	56.3	57.2	57.4	57.7	58.1	57.6
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.1								
NGLs	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.3	6.4	6.5	6.4	6.7	6.7	6.7	6.7	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	36.9	36.1	36.7	36.3	36.4								
Total Supply[9]	**88.6**	**90.9**	**90.5**	**91.4**	**91.8**	**92.0**	**91.4**	**36.3**	**36.4**								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	0.0	0.4	-1.5	-0.2	0.2	0.8								
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0	0.0								
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2	0.7								
Floating storage/Oil in transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3	-0.3								
Miscellaneous to balance[10]	-0.5	0.2	-0.4	0.4	-1.3	0.5	-0.2	0.1	0.8								
Total Stock Ch. & Misc	**-0.8**	**0.3**	**0.0**	**0.2**	**-0.7**	**-0.7**	**-0.3**	**0.5**	**1.2**								
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.7	31.0	30.5	30.7	31.3	30.5	30.8	29.5	28.9	30.5	30.6	29.9	28.9	28.9	30.2	30.1	29.6

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	0.1	0.1	0.1	-	0.1	-	-	0.1	-	-	0.1	-	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Asia Oceania	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-0.1	-
Total OECD	-	-	0.1	0.1	0.1	-	0.1	-	-0.1	0.1	-0.1	-	-	-0.1	-	-0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.1	-	-0.1	-0.1	-	-0.1	-	-0.1	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	0.1	-	-0.2	-0.1	-	-0.1	-0.1	-0.2	-0.2	-0.1
Total Demand	**-**	**-**	**0.1**	**0.1**	**0.1**	**-**	**0.1**	**0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	0.2	0.1	-	0.1	0.3	0.2	0.2	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.2	0.1	-	0.1	0.2	0.2	0.1	0.1	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1
Americas	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	0.2	0.1	-	0.1	0.2	0.2	0.1	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-								
Total Supply	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-0.2								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-0.1								
Floating storage/Oil in transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-	-0.1	-0.1	-	-0.1	-0.1	0.5								
Total Stock Ch. & Misc	**-**	**-**	**-**	**-**	**-0.1**	**-**	**-0.1**	**-0.1**	**0.4**								
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	0.1	-	0.1	0.1	-0.3	-0.2	-0.2	-0.2	-0.3	-0.4	-0.2	-0.3	-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

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.60	23.79	23.85	24.31	24.34	24.08	23.86	23.66	24.38	24.52	24.11	23.94	23.92	24.31	24.50	24.17
Europe[2]	13.80	13.21	13.83	13.99	13.55	13.65	13.02	13.42	13.91	13.65	13.50	13.10	13.47	13.80	13.41	13.44
Asia Oceania[3]	8.52	8.86	7.83	8.02	8.61	8.33	8.85	7.65	7.84	8.43	8.19	8.65	7.54	7.82	8.31	8.08
Total OECD	45.92	45.87	45.52	46.32	46.50	46.05	45.73	44.74	46.12	46.60	45.80	45.69	44.93	45.92	46.22	45.69
Asia	21.41	21.77	21.93	21.72	22.29	21.93	22.33	22.47	22.25	22.96	22.50	23.04	23.17	23.00	23.65	23.21
Middle East	7.75	7.53	7.92	8.38	7.71	7.89	7.78	8.22	8.55	7.88	8.11	7.95	8.36	8.82	8.21	8.34
Americas	6.42	6.37	6.60	6.76	6.76	6.62	6.58	6.77	6.88	6.89	6.78	6.71	6.89	7.04	7.03	6.92
FSU	4.61	4.46	4.63	4.91	4.93	4.73	4.59	4.78	4.96	4.87	4.80	4.62	4.82	5.05	4.98	4.87
Africa	3.78	3.89	3.90	3.74	3.83	3.84	3.92	3.97	3.90	4.03	3.96	4.10	4.13	4.08	4.23	4.13
Europe	0.65	0.62	0.65	0.66	0.68	0.65	0.65	0.66	0.66	0.68	0.66	0.66	0.67	0.67	0.69	0.67
Total Non-OECD	44.61	44.62	45.62	46.17	46.20	45.66	45.85	46.88	47.20	47.30	46.81	47.07	48.03	48.67	48.79	48.14
World	**90.54**	**90.49**	**91.14**	**92.49**	**92.70**	**91.71**	**91.58**	**91.62**	**93.33**	**93.90**	**92.61**	**92.75**	**92.96**	**94.59**	**95.00**	**93.84**
of which: US50	18.52	18.64	18.72	19.21	19.26	18.96	18.84	18.70	19.24	19.33	19.03	18.91	18.92	19.22	19.36	19.11
Europe 5*	8.36	8.05	8.33	8.31	8.10	8.20	7.89	7.94	8.22	8.12	8.04	7.89	7.98	8.11	7.92	7.98
China	9.80	9.82	10.04	10.14	10.25	10.06	10.10	10.26	10.32	10.55	10.31	10.39	10.58	10.70	10.89	10.64
Japan	4.69	5.05	4.08	4.28	4.72	4.53	5.02	3.87	4.01	4.50	4.35	4.75	3.80	3.99	4.37	4.23
India	3.75	3.87	3.85	3.55	3.81	3.77	3.93	3.93	3.65	3.93	3.86	4.04	4.07	3.79	4.01	3.97
Russia	3.40	3.33	3.43	3.69	3.61	3.52	3.46	3.57	3.71	3.53	3.57	3.46	3.58	3.79	3.65	3.62
Brazil	2.97	2.96	3.06	3.15	3.19	3.09	3.08	3.14	3.19	3.23	3.16	3.12	3.19	3.27	3.29	3.22
Saudi Arabia	2.97	2.75	3.08	3.34	2.86	3.01	2.84	3.28	3.44	2.90	3.11	2.91	3.29	3.56	3.07	3.21
Canada	2.35	2.45	2.40	2.43	2.42	2.42	2.41	2.38	2.45	2.44	2.42	2.36	2.34	2.43	2.42	2.39
Korea	2.32	2.33	2.29	2.27	2.40	2.32	2.36	2.32	2.33	2.42	2.36	2.41	2.25	2.33	2.42	2.35
Mexico	2.09	2.05	2.08	2.03	2.02	2.04	1.95	1.97	2.04	2.08	2.01	1.99	2.02	2.00	2.06	2.02
Iran	1.79	1.79	1.80	1.80	1.79	1.79	1.84	1.83	1.83	1.84	1.83	1.88	1.89	1.88	1.88	1.88
Total	**63.02**	**63.09**	**63.17**	**64.19**	**64.43**	**63.73**	**63.72**	**63.18**	**64.42**	**64.85**	**64.05**	**64.12**	**63.91**	**65.06**	**65.34**	**64.61**
% of World	69.6%	69.7%	69.3%	69.4%	69.5%	69.5%	69.6%	69.0%	69.0%	69.1%	69.2%	69.1%	68.7%	68.8%	68.8%	68.9%
Annual Change (% per annum)																
Americas[1]	-1.7	2.0	1.3	2.5	2.3	2.0	0.3	-0.8	0.3	0.7	0.1	0.3	1.1	-0.3	-0.1	0.3
Europe[2]	-3.2	-3.9	-0.2	0.8	-1.2	-1.1	-1.5	-3.0	-0.6	0.7	-1.1	0.6	0.4	-0.8	-1.8	-0.4
Asia Oceania[3]	4.6	-2.7	-2.1	-2.8	-1.5	-2.3	-0.2	-2.3	-2.3	-2.0	-1.7	-2.2	-1.5	-0.2	-1.4	-1.4
Total OECD	-1.06	-0.69	0.24	1.01	0.57	0.28	-0.30	-1.71	-0.42	0.21	-0.55	-0.09	0.41	-0.43	-0.81	-0.24
Asia	4.0	3.4	3.3	2.4	0.6	2.4	2.6	2.5	2.5	3.0	2.6	3.2	3.1	3.3	3.0	3.2
Middle East	3.7	4.7	2.1	1.0	-0.4	1.8	3.4	3.7	2.1	2.2	2.8	2.1	1.7	3.1	4.2	2.8
Americas	3.3	2.9	3.5	3.5	2.6	3.1	3.4	2.6	1.8	1.8	2.4	2.0	1.7	2.3	2.1	2.0
FSU	1.4	0.7	1.8	3.6	4.3	2.7	3.0	3.3	0.9	-1.3	1.4	0.5	0.7	2.0	2.2	1.4
Africa	5.5	3.8	3.8	0.2	-1.0	1.7	0.7	1.9	4.1	5.3	3.0	4.5	4.1	4.7	4.8	4.5
Europe	-3.4	-4.4	-0.7	2.7	4.4	0.5	5.3	1.4	0.0	0.3	1.7	1.7	2.5	2.3	1.7	2.0
Total Non-OECD	3.58	3.20	2.94	2.25	1.04	2.34	2.75	2.75	2.24	2.38	2.53	2.65	2.47	3.10	3.13	2.84
World	**1.2**	**1.2**	**1.6**	**1.6**	**0.8**	**1.3**	**1.2**	**0.5**	**0.9**	**1.3**	**1.0**	**1.3**	**1.5**	**1.4**	**1.2**	**1.3**
Annual Change (mb/d)																
Americas[1]	-0.40	0.46	0.30	0.59	0.56	0.48	0.07	-0.19	0.07	0.18	0.03	0.08	0.26	-0.07	-0.02	0.06
Europe[2]	-0.46	-0.54	-0.02	0.11	-0.17	-0.15	-0.19	-0.41	-0.08	0.09	-0.15	0.08	0.05	-0.11	-0.24	-0.06
Asia Oceania[3]	0.37	-0.24	-0.17	-0.23	-0.13	-0.19	-0.02	-0.18	-0.18	-0.17	-0.14	-0.20	-0.12	-0.02	-0.12	-0.11
Total OECD	-0.49	-0.32	0.11	0.47	0.26	0.13	-0.14	-0.78	-0.19	0.10	-0.25	-0.04	0.19	-0.20	-0.38	-0.11
Asia	0.82	0.72	0.70	0.51	0.14	0.52	0.56	0.55	0.54	0.67	0.58	0.71	0.69	0.74	0.69	0.71
Middle East	0.28	0.34	0.16	0.08	-0.03	0.14	0.26	0.30	0.18	0.17	0.22	0.17	0.14	0.27	0.33	0.23
Americas	0.21	0.18	0.22	0.23	0.17	0.20	0.21	0.17	0.12	0.12	0.16	0.13	0.12	0.16	0.15	0.14
FSU	0.07	0.03	0.08	0.17	0.20	0.12	0.14	0.15	0.04	-0.06	0.07	0.02	0.03	0.10	0.11	0.07
Africa	0.20	0.14	0.14	0.01	-0.04	0.06	0.03	0.07	0.15	0.20	0.12	0.18	0.16	0.18	0.19	0.18
Europe	-0.02	-0.03	0.00	0.02	0.03	0.00	0.03	0.01	0.00	0.00	0.01	0.01	0.02	0.02	0.01	0.01
Total Non-OECD	1.54	1.38	1.30	1.01	0.47	1.04	1.23	1.25	1.03	1.10	1.15	1.22	1.16	1.46	1.48	1.33
World	**1.05**	**1.06**	**1.41**	**1.48**	**0.74**	**1.18**	**1.09**	**0.48**	**0.84**	**1.20**	**0.90**	**1.17**	**1.35**	**1.26**	**1.10**	**1.22**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	-0.02	0.05	0.06	0.12	-0.01	0.06	0.00	0.00	0.13	0.01	0.04	0.08	0.03	0.08	0.07	0.06
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.10	-0.02	-0.10	-0.05	-0.09	-0.11	-0.05	-0.07	-0.08
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	0.03	0.00	0.04	0.02	-0.02	-0.05	-0.01
Total OECD	-0.02	0.05	0.06	0.12	-0.01	0.06	0.00	-0.09	0.06	-0.06	-0.02	0.03	-0.06	0.01	-0.06	-0.02
Asia	0.01	0.00	0.04	0.03	0.03	0.03	0.11	-0.01	-0.15	-0.06	-0.03	-0.10	-0.07	-0.09	-0.11	-0.09
Middle East	0.00	-0.01	-0.01	-0.02	-0.01	-0.01	-0.01	0.02	-0.05	-0.02	-0.01	-0.03	-0.03	-0.05	-0.04	-0.04
Americas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	0.00	-0.01	0.00	-0.01	-0.01	-0.01	-0.01
FSU	0.00	0.02	0.00	0.00	0.01	0.01	0.00	0.01	0.05	0.01	0.02	0.02	0.03	0.02	0.02	0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.02	-0.01	-0.01	-0.03	-0.02	-0.03	-0.02	-0.02
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	-0.01	0.00	-0.01
Total Non-OECD	0.00	0.01	0.03	0.02	0.03	0.02	0.12	-0.03	-0.18	-0.08	-0.05	-0.14	-0.10	-0.16	-0.16	-0.14
World	**-0.02**	**0.07**	**0.09**	**0.14**	**0.02**	**0.08**	**0.12**	**-0.12**	**-0.12**	**-0.14**	**-0.07**	**-0.11**	**-0.16**	**-0.15**	**-0.22**	**-0.16**
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.02	0.12	0.11	0.15	0.01	0.10	0.05	-0.22	-0.26	-0.16	-0.15	-0.23	-0.04	-0.03	-0.08	-0.10

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14 [2]	Latest month vs. May 14	Latest month vs. Jun 13
Americas[3]											
LPG and ethane	3.11	3.34	3.09	3.62	3.54	2.89	3.01	2.75	2.90	0.16	0.02
Naphtha	0.34	0.38	0.39	0.37	0.37	0.34	0.33	0.36	0.34	-0.02	-0.08
Motor gasoline	10.38	10.55	10.81	10.54	10.21	10.72	10.65	10.75	10.77	0.03	-0.03
Jet and kerosene	1.62	1.66	1.74	1.66	1.63	1.69	1.65	1.64	1.78	0.14	0.11
Gasoil/diesel oil	4.98	5.08	4.91	5.20	5.44	5.14	5.12	5.17	5.12	-0.05	0.20
Residual fuel oil	0.78	0.69	0.78	0.57	0.54	0.56	0.57	0.54	0.58	0.04	-0.16
Other products	2.40	2.37	2.60	2.37	2.14	2.32	2.26	2.33	2.38	0.05	-0.16
Total	**23.60**	**24.08**	**24.31**	**24.34**	**23.86**	**23.66**	**23.59**	**23.53**	**23.87**	**0.34**	**-0.10**
Europe[4]											
LPG and ethane	0.94	1.03	1.03	0.97	1.01	1.09	1.11	1.09	1.06	-0.04	0.00
Naphtha	1.21	1.19	1.22	1.15	1.31	1.21	1.21	1.19	1.21	0.02	0.04
Motor gasoline	2.01	1.95	2.08	1.92	1.81	1.97	1.96	1.95	2.00	0.05	-0.02
Jet and kerosene	1.21	1.21	1.32	1.19	1.12	1.24	1.21	1.24	1.28	0.04	0.02
Gasoil/diesel oil	5.95	5.96	5.96	6.12	5.73	5.77	5.87	5.66	5.78	0.12	-0.08
Residual fuel oil	1.11	1.00	0.98	0.95	0.96	0.90	0.94	0.88	0.89	0.00	-0.09
Other products	1.38	1.29	1.39	1.26	1.09	1.25	1.22	1.23	1.31	0.08	-0.08
Total	**13.80**	**13.65**	**13.99**	**13.55**	**13.02**	**13.42**	**13.52**	**13.23**	**13.52**	**0.30**	**-0.23**
Asia Oceania[5]											
LPG and ethane	0.89	0.85	0.79	0.85	0.88	0.82	0.81	0.83	0.83	0.00	0.06
Naphtha	1.80	1.84	1.83	1.93	1.97	1.74	1.83	1.77	1.63	-0.14	-0.10
Motor gasoline	1.63	1.61	1.68	1.60	1.54	1.51	1.47	1.52	1.53	0.02	-0.04
Jet and kerosene	0.89	0.89	0.70	1.01	1.13	0.71	0.75	0.67	0.70	0.03	0.07
Gasoil/diesel oil	1.76	1.76	1.71	1.84	1.82	1.72	1.71	1.73	1.74	0.01	0.05
Residual fuel oil	0.90	0.76	0.72	0.74	0.83	0.63	0.68	0.60	0.60	0.00	-0.07
Other products	0.67	0.62	0.58	0.63	0.67	0.53	0.56	0.48	0.54	0.06	-0.02
Total	**8.52**	**8.33**	**8.02**	**8.61**	**8.85**	**7.65**	**7.81**	**7.60**	**7.56**	**-0.03**	**-0.07**
OECD											
LPG and ethane	4.93	5.22	4.91	5.45	5.43	4.79	4.93	4.67	4.78	0.12	0.08
Naphtha	3.35	3.41	3.44	3.45	3.65	3.29	3.37	3.31	3.18	-0.13	-0.14
Motor gasoline	14.01	14.11	14.58	14.06	13.56	14.20	14.09	14.21	14.31	0.10	-0.10
Jet and kerosene	3.72	3.77	3.76	3.87	3.88	3.64	3.61	3.55	3.76	0.21	0.19
Gasoil/diesel oil	12.69	12.81	12.58	13.16	12.99	12.63	12.70	12.56	12.64	0.08	0.16
Residual fuel oil	2.78	2.45	2.48	2.25	2.33	2.09	2.19	2.02	2.06	0.04	-0.32
Other products	4.44	4.29	4.57	4.26	3.89	4.10	4.04	4.04	4.23	0.18	-0.27
Total	**45.92**	**46.05**	**46.32**	**46.50**	**45.73**	**44.74**	**44.93**	**44.35**	**44.96**	**0.61**	**-0.40**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14 [2]	Latest month vs. May 14	Latest month vs. Jun 13
United States[3]											
LPG and ethane	2.26	2.44	2.25	2.71	2.64	2.03	2.15	1.91	2.05	0.14	0.00
Naphtha	0.24	0.27	0.28	0.26	0.24	0.21	0.20	0.21	0.20	-0.01	-0.08
Motor gasoline	8.69	8.84	9.07	8.84	8.53	9.00	8.96	9.00	9.03	0.03	-0.04
Jet and kerosene	1.41	1.44	1.50	1.44	1.41	1.47	1.45	1.41	1.56	0.15	0.11
Gasoil/diesel oil	3.74	3.83	3.68	3.94	4.17	3.92	3.96	3.93	3.88	-0.05	0.22
Residual fuel oil	0.37	0.32	0.38	0.27	0.24	0.25	0.27	0.22	0.26	0.04	-0.03
Other products	1.82	1.82	2.06	1.80	1.62	1.82	1.76	1.84	1.85	0.01	-0.14
Total	**18.52**	**18.96**	**19.21**	**19.26**	**18.84**	**18.70**	**18.74**	**18.52**	**18.84**	**0.31**	**0.03**
Japan											
LPG and ethane	0.53	0.50	0.44	0.50	0.56	0.47	0.47	0.48	0.46	-0.03	0.05
Naphtha	0.72	0.77	0.76	0.82	0.81	0.65	0.74	0.64	0.57	-0.08	-0.12
Motor gasoline	0.98	0.96	1.03	0.96	0.92	0.88	0.84	0.88	0.91	0.02	-0.03
Jet and kerosene	0.55	0.54	0.37	0.64	0.77	0.37	0.41	0.35	0.37	0.02	0.06
Diesel	0.42	0.42	0.43	0.45	0.44	0.41	0.40	0.40	0.42	0.01	0.01
Other gasoil	0.40	0.40	0.36	0.42	0.46	0.35	0.36	0.35	0.35	0.00	0.01
Residual fuel oil	0.55	0.45	0.43	0.44	0.52	0.35	0.40	0.32	0.33	0.01	-0.04
Other products	0.55	0.49	0.47	0.49	0.54	0.40	0.45	0.36	0.38	0.02	-0.03
Total	**4.69**	**4.53**	**4.28**	**4.72**	**5.02**	**3.87**	**4.06**	**3.79**	**3.77**	**-0.01**	**-0.09**
Germany											
LPG and ethane	0.10	0.11	0.11	0.10	0.09	0.10	0.10	0.11	0.10	-0.01	-0.01
Naphtha	0.38	0.40	0.38	0.39	0.43	0.41	0.42	0.40	0.41	0.01	0.03
Motor gasoline	0.43	0.43	0.45	0.42	0.41	0.43	0.43	0.44	0.44	0.00	-0.01
Jet and kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.19	0.19	0.20	0.01	-0.01
Diesel	0.67	0.68	0.73	0.69	0.68	0.71	0.73	0.72	0.69	-0.02	-0.01
Other gasoil	0.40	0.41	0.36	0.40	0.38	0.31	0.35	0.30	0.28	-0.02	-0.16
Residual fuel oil	0.13	0.13	0.12	0.12	0.12	0.10	0.12	0.10	0.08	-0.02	-0.04
Other products	0.08	0.07	0.09	0.07	0.05	0.06	0.06	0.06	0.06	0.00	-0.03
Total	**2.39**	**2.40**	**2.44**	**2.37**	**2.33**	**2.32**	**2.39**	**2.31**	**2.26**	**-0.06**	**-0.23**
Italy											
LPG and ethane	0.10	0.11	0.09	0.11	0.10	0.09	0.09	0.09	0.09	0.00	0.00
Naphtha	0.08	0.08	0.07	0.06	0.07	0.06	0.07	0.06	0.06	0.00	-0.03
Motor gasoline	0.22	0.21	0.23	0.22	0.20	0.21	0.21	0.21	0.20	-0.01	0.00
Jet and kerosene	0.09	0.09	0.11	0.09	0.08	0.10	0.09	0.10	0.10	-0.01	0.00
Diesel	0.47	0.45	0.45	0.45	0.44	0.48	0.49	0.45	0.51	0.05	0.05
Other gasoil	0.10	0.11	0.11	0.12	0.08	0.06	0.05	0.08	0.05	-0.03	-0.06
Residual fuel oil	0.11	0.08	0.08	0.08	0.07	0.06	0.06	0.06	0.07	0.00	-0.01
Other products	0.21	0.19	0.20	0.20	0.15	0.15	0.13	0.17	0.15	-0.03	-0.02
Total	**1.37**	**1.32**	**1.35**	**1.33**	**1.20**	**1.21**	**1.19**	**1.23**	**1.21**	**-0.02**	**-0.07**
France											
LPG and ethane	0.11	0.11	0.08	0.11	0.12	0.09	0.09	0.08	0.08	0.00	0.00
Naphtha	0.14	0.15	0.16	0.11	0.17	0.16	0.16	0.16	0.17	0.00	-0.01
Motor gasoline	0.18	0.17	0.19	0.17	0.16	0.18	0.19	0.17	0.19	0.01	0.01
Jet and kerosene	0.15	0.15	0.16	0.15	0.14	0.15	0.15	0.15	0.16	0.01	0.00
Diesel	0.69	0.69	0.71	0.70	0.66	0.70	0.72	0.66	0.72	0.05	0.03
Other gasoil	0.27	0.29	0.26	0.29	0.28	0.21	0.24	0.18	0.22	0.04	0.00
Residual fuel oil	0.07	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.04	0.00	-0.02
Other products	0.15	0.15	0.16	0.13	0.11	0.14	0.15	0.13	0.16	0.03	-0.02
Total	**1.77**	**1.77**	**1.79**	**1.71**	**1.69**	**1.69**	**1.74**	**1.59**	**1.73**	**0.15**	**-0.02**
United Kingdom											
LPG and ethane	0.11	0.11	0.11	0.09	0.12	0.13	0.13	0.13	0.12	-0.01	-0.04
Naphtha	0.03	0.03	0.03	0.02	0.02	0.02	0.03	0.02	0.02	0.00	0.00
Motor gasoline	0.32	0.31	0.31	0.30	0.29	0.31	0.31	0.30	0.32	0.02	-0.01
Jet and kerosene	0.31	0.31	0.32	0.33	0.32	0.30	0.30	0.31	0.29	-0.02	0.00
Diesel	0.45	0.46	0.46	0.48	0.45	0.49	0.50	0.47	0.50	0.03	0.01
Other gasoil	0.13	0.12	0.13	0.11	0.11	0.12	0.12	0.11	0.12	0.00	0.00
Residual fuel oil	0.05	0.04	0.04	0.04	0.03	0.03	0.04	0.03	0.03	0.00	-0.01
Other products	0.14	0.13	0.13	0.12	0.12	0.14	0.14	0.13	0.14	0.02	0.00
Total	**1.53**	**1.51**	**1.52**	**1.48**	**1.47**	**1.53**	**1.56**	**1.49**	**1.54**	**0.05**	**-0.05**
Canada											
LPG and ethane	0.40	0.45	0.40	0.46	0.44	0.42	0.44	0.40	0.42	0.02	0.03
Naphtha	0.09	0.09	0.09	0.08	0.09	0.10	0.09	0.11	0.09	-0.01	-0.01
Motor gasoline	0.79	0.82	0.86	0.80	0.81	0.85	0.82	0.86	0.89	0.03	0.03
Jet and kerosene	0.10	0.10	0.12	0.10	0.10	0.09	0.09	0.10	0.09	-0.01	0.00
Diesel	0.30	0.29	0.29	0.27	0.29	0.29	0.27	0.29	0.30	0.01	0.00
Other gasoil	0.27	0.31	0.30	0.34	0.34	0.29	0.27	0.30	0.30	0.00	0.02
Residual fuel oil	0.06	0.06	0.05	0.05	0.07	0.05	0.05	0.05	0.05	0.00	0.00
Other products	0.33	0.32	0.31	0.33	0.28	0.28	0.26	0.27	0.31	0.04	0.00
Total	**2.35**	**2.42**	**2.43**	**2.42**	**2.41**	**2.38**	**2.29**	**2.38**	**2.46**	**0.08**	**0.07**

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)

	2013	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	Jun 14	Jul 14	Aug 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.46	9.48				9.52	9.75	9.42
Iran	2.68			2.81	2.84				2.80	2.76	2.80
Iraq	3.08			3.29	3.32				3.26	3.15	3.10
UAE	2.76			2.73	2.74				2.83	2.83	2.85
Kuwait	2.55			2.53	2.56				2.52	2.54	2.59
Neutral Zone	0.52			0.52	0.47				0.52	0.52	0.52
Qatar	0.73			0.72	0.71				0.73	0.73	0.73
Angola	1.72			1.57	1.63				1.65	1.68	1.71
Nigeria	1.95			1.93	1.91				1.91	1.90	1.89
Libya	0.90			0.37	0.23				0.24	0.42	0.53
Algeria	1.15			1.07	1.14				1.14	1.14	1.14
Ecuador	0.52			0.55	0.55				0.56	0.56	0.56
Venezuela	2.50			2.45	2.48				2.48	2.48	2.48
Total Crude Oil	30.46			29.99	30.06				30.13	30.44	30.31
Total NGLs[1]	6.26	6.39	6.68	6.31	6.34	6.45	6.46	6.66	6.34	6.45	6.45
Total OPEC	**36.72**			**36.31**	**36.40**				**36.47**	**36.88**	**36.75**
NON-OPEC[2]											
OECD											
Americas[6]	17.20	18.61	19.60	18.15	18.68	18.60	19.03	19.43	18.90	18.58	18.70
United States[b]	10.32	11.67	12.63	11.04	11.72	11.77	12.15	12.39	11.92	11.75	11.81
Mexico	2.89	2.79	2.68	2.87	2.85	2.74	2.69	2.73	2.81	2.74	2.78
Canada	3.97	4.14	4.28	4.23	4.10	4.07	4.17	4.30	4.17	4.08	4.11
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.32	3.28	3.22	3.50	3.25	3.08	3.29	3.31	3.12	3.29	2.86
UK	0.89	0.87	0.89	0.98	0.91	0.71	0.88	0.92	0.83	0.80	0.58
Norway	1.85	1.85	1.80	1.95	1.79	1.80	1.84	1.84	1.78	1.93	1.72
Others	0.59	0.56	0.53	0.57	0.55	0.57	0.57	0.55	0.51	0.56	0.56
Asia Oceania[8]	0.48	0.51	0.56	0.49	0.49	0.53	0.53	0.54	0.52	0.53	0.54
Australia	0.40	0.43	0.47	0.41	0.41	0.45	0.44	0.45	0.45	0.45	0.45
Others	0.08	0.08	0.09	0.08	0.08	0.08	0.09	0.09	0.08	0.08	0.08
Total OECD	**21.00**	**22.40**	**23.38**	**22.14**	**22.42**	**22.21**	**22.85**	**23.28**	**22.55**	**22.40**	**22.10**
NON-OECD											
Former USSR	13.88	13.88	13.78	14.00	13.84	13.80	13.89	13.93	13.77	13.72	13.80
Russia	10.88	10.92	10.87	10.98	10.93	10.86	10.93	10.97	10.93	10.76	10.89
Others	3.00	2.96	2.91	3.02	2.91	2.94	2.95	2.95	2.84	2.96	2.91
Asia	7.67	7.61	7.74	7.70	7.66	7.51	7.59	7.70	7.77	7.52	7.44
China	4.18	4.21	4.27	4.23	4.23	4.16	4.20	4.25	4.30	4.13	4.17
Malaysia	0.64	0.64	0.67	0.66	0.66	0.59	0.64	0.66	0.67	0.64	0.49
India	0.88	0.87	0.87	0.88	0.87	0.87	0.87	0.87	0.89	0.87	0.87
Indonesia	0.87	0.82	0.79	0.84	0.84	0.82	0.80	0.79	0.83	0.82	0.82
Others	1.10	1.07	1.15	1.08	1.06	1.07	1.08	1.12	1.08	1.06	1.08
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	4.17	4.31	4.53	4.22	4.28	4.35	4.38	4.45	4.39	4.36	4.34
Brazil[5]	2.12	2.30	2.39	2.18	2.29	2.36	2.36	2.35	2.35	2.37	2.35
Argentina	0.63	0.61	0.61	0.63	0.62	0.60	0.60	0.60	0.62	0.60	0.61
Colombia	1.01	0.99	1.11	1.00	0.97	0.97	1.00	1.08	1.01	0.97	0.97
Others	0.42	0.41	0.42	0.41	0.42	0.42	0.41	0.41	0.41	0.42	0.41
Middle East[3]	1.35	1.32	1.28	1.35	1.32	1.30	1.30	1.29	1.35	1.30	1.31
Oman	0.95	0.95	0.94	0.96	0.95	0.95	0.94	0.95	0.97	0.95	0.95
Syria	0.06	0.03	0.03	0.03	0.03	0.04	0.04	0.03	0.03	0.03	0.04
Yemen	0.15	0.15	0.11	0.17	0.15	0.13	0.13	0.12	0.16	0.12	0.13
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.30	2.34	2.35	2.38	2.33	2.32	2.33	2.37	2.34	2.33	2.31
Egypt	0.73	0.70	0.68	0.72	0.70	0.69	0.68	0.68	0.70	0.69	0.69
Gabon	0.24	0.24	0.23	0.24	0.24	0.23	0.24	0.23	0.24	0.24	0.22
Others	1.33	1.41	1.43	1.42	1.39	1.40	1.42	1.45	1.40	1.40	1.40
Total Non-OECD	**29.51**	**29.60**	**29.80**	**29.78**	**29.58**	**29.43**	**29.63**	**29.88**	**29.75**	**29.37**	**29.33**
Processing gains[4]	2.18	2.21	2.22	2.21	2.19	2.24	2.22	2.22	2.19	2.24	2.24
Global Biofuels[5]	2.00	2.12	2.20	1.66	2.21	2.47	2.14	1.79	2.43	2.41	2.49
TOTAL NON-OPEC	**54.70**	**56.34**	**57.60**	**55.79**	**56.39**	**56.34**	**56.83**	**57.17**	**56.92**	**56.43**	**56.17**
TOTAL SUPPLY	**91.42**			**92.10**	**92.79**				**93.40**	**93.31**	**92.92**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Mar2014	Apr2014	May2014	Jun2014	Jul2014*	Jul2011	Jul2012	Jul2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	522.7	533.4	538.5	531.5	515.4	488.5	510.3	508.4	0.03	-0.25	0.25	0.10
Motor Gasoline	259.3	253.1	252.4	252.6	251.6	249.1	244.5	257.8	-0.07	0.08	-0.02	-0.07
Middle Distillate	185.6	193.0	194.6	191.4	193.1	230.9	198.9	198.9	0.12	-0.10	-0.13	0.06
Residual Fuel Oil	43.9	44.9	47.8	44.8	43.0	46.4	45.5	46.3	-0.03	0.03	-0.02	0.01
Total Products[3]	637.8	653.9	674.2	684.5	702.2	703.7	692.2	706.4	0.18	-0.47	-0.35	0.51
Total[4]	1310.6	1346.1	1376.7	1381.3	1381.5	1356.0	1371.7	1379.2	0.27	-0.95	-0.05	0.78
OECD Europe												
Crude	310.8	310.2	319.5	319.2	326.2	312.5	314.0	312.5	0.07	-0.05	0.04	0.09
Motor Gasoline	92.1	87.5	86.3	83.4	83.1	93.2	92.7	88.8	0.01	-0.02	0.04	-0.10
Middle Distillate	249.1	251.5	252.9	250.2	257.1	273.0	261.0	255.5	0.15	-0.09	-0.03	0.01
Residual Fuel Oil	61.1	64.3	71.3	68.2	68.1	77.8	78.0	77.1	-0.05	-0.06	-0.06	0.08
Total Products[3]	492.9	494.6	503.1	494.1	501.9	550.6	539.9	515.3	0.02	-0.16	-0.05	0.01
Total[4]	872.9	869.4	889.1	881.7	896.3	930.6	921.6	887.3	0.12	-0.17	0.04	0.10
OECD Asia Oceania												
Crude	169.6	156.6	160.8	164.2	156.9	165.3	176.3	160.6	-0.12	-0.14	0.27	-0.06
Motor Gasoline	25.5	26.4	25.6	24.8	24.2	25.4	27.3	27.6	-0.03	-0.01	0.01	-0.01
Middle Distillate	56.2	56.6	59.0	54.2	58.1	67.2	64.6	65.9	0.10	-0.03	-0.13	-0.02
Residual Fuel Oil	21.0	21.4	22.5	20.9	23.0	21.2	20.9	21.1	0.00	-0.01	0.02	0.00
Total Products[3]	160.9	157.8	164.7	157.5	165.4	177.6	173.1	174.6	0.17	-0.14	-0.10	-0.04
Total[4]	398.9	382.1	396.3	391.8	392.5	414.3	424.4	407.9	0.04	-0.34	0.19	-0.08
Total OECD												
Crude	1003.0	1000.1	1018.9	1014.9	998.6	966.3	1000.6	981.5	-0.02	-0.43	0.57	0.13
Motor Gasoline	376.9	367.0	364.2	360.8	358.9	367.7	364.4	374.1	-0.08	0.05	0.04	-0.18
Middle Distillate	490.9	501.0	506.4	495.8	508.3	571.2	524.6	520.2	0.37	-0.21	-0.29	0.05
Residual Fuel Oil	125.9	130.6	141.6	133.9	134.0	145.5	144.4	144.5	-0.08	-0.03	-0.06	0.09
Total Products[3]	1291.6	1306.3	1341.9	1336.1	1369.5	1432.0	1405.1	1396.2	0.37	-0.77	-0.50	0.49
Total[4]	2582.4	2597.6	2662.1	2654.8	2670.3	2701.0	2717.7	2674.5	0.44	-1.46	0.18	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			
	Mar2014	Apr2014	May2014	Jun2014	Jul2014*	Jul2011	Jul2012	Jul2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	695.9	693.3	691.0	691.0	691.0	718.2	696.0	696.0	0.00	0.00	0.00	-0.05
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	203.3	205.5	207.2	207.8	207.4	183.4	194.2	205.7	-0.02	0.01	-0.03	0.05
Products	263.3	260.7	262.0	259.0	259.6	240.9	233.7	261.4	0.04	-0.03	0.03	-0.05
OECD Asia Oceania												
Crude	387.8	387.8	387.7	387.6	387.6	389.1	393.4	384.9	-0.01	0.02	0.01	0.00
Products	30.5	30.5	30.5	31.0	31.0	18.5	20.0	23.1	0.06	0.02	0.00	0.00
Total OECD												
Crude	1287.1	1286.5	1285.9	1286.5	1286.0	1290.8	1283.6	1286.6	-0.04	0.03	-0.01	-0.01
Products	294.8	292.2	293.6	291.0	291.6	259.4	254.7	285.5	0.09	-0.01	0.04	-0.04
Total[4]	1585.8	1582.6	1583.5	1581.3	1581.5	1551.6	1539.5	1576.4	0.05	0.02	0.02	-0.05

* 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 2013		End September 2013		End December 2013		End March 2014		End June 2014 [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
OECD Americas										
Canada	174.1	71	182.9	75	170.0	70	174.2	73	178.6	-
Chile	9.3	28	11.2	35	9.8	30	9.5	30	10.6	-
Mexico	50.0	25	50.0	25	48.7	25	47.6	24	47.3	-
United States[4]	1819.9	95	1834.4	95	1762.4	94	1754.0	94	1814.7	-
Total[4]	2075.4	85	2100.6	86	2013.0	84	2007.5	85	2073.3	85
OECD Asia Oceania										
Australia	39.7	37	36.6	33	36.8	34	36.8	34	36.2	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	587.9	137	590.7	125	575.3	115	585.8	151	584.0	-
Korea	182.3	80	190.7	80	177.8	75	186.5	80	180.3	-
New Zealand	8.8	61	8.2	52	9.2	57	8.1	54	9.9	-
Total	818.7	102	826.3	96	799.1	90	817.3	107	810.4	103
OECD Europe[5]										
Austria	21.2	76	20.6	79	21.6	91	22.3	81	20.8	-
Belgium	37.0	59	39.4	66	41.0	66	42.5	70	43.7	-
Czech Republic	18.5	96	20.3	103	20.0	110	19.3	95	18.9	-
Denmark	22.1	136	21.3	138	23.7	157	19.6	126	23.1	-
Estonia	1.5	48	1.4	47	1.6	55	1.7	54	1.7	-
Finland	38.2	190	41.0	206	39.0	211	37.9	194	39.0	-
France	165.5	92	166.1	97	167.5	99	167.2	99	168.1	-
Germany	288.4	118	286.9	121	289.9	124	289.2	125	291.7	-
Greece	26.6	86	26.7	95	25.6	101	24.9	92	25.6	-
Hungary	15.6	112	15.9	113	15.6	123	15.2	110	15.6	-
Ireland	10.4	75	10.7	76	10.0	70	11.0	80	9.6	-
Italy	125.7	93	130.8	99	125.1	104	121.7	100	121.1	-
Luxembourg	0.6	11	0.7	11	0.7	13	0.7	12	0.8	-
Netherlands	123.1	122	120.7	122	115.5	121	122.5	119	130.4	-
Norway	24.2	107	27.9	121	28.7	123	28.6	121	29.4	-
Poland	61.0	109	61.9	118	60.4	129	60.2	119	58.5	-
Portugal	21.7	84	22.1	89	23.1	105	23.8	98	22.5	-
Slovak Republic	8.6	108	8.3	104	8.8	127	9.6	136	8.8	-
Slovenia	5.2	110	5.3	106	5.4	119	4.9	104	4.8	-
Spain	117.1	96	120.3	99	111.6	93	117.4	99	118.2	-
Sweden	27.6	90	25.8	94	28.2	104	27.5	90	26.3	-
Switzerland	36.7	144	37.2	129	35.9	165	36.4	159	36.2	-
Turkey	63.9	82	63.2	87	62.3	98	62.7	87	62.5	-
United Kingdom	83.9	55	81.8	55	77.9	53	76.6	51	75.2	-
Total	1344.1	96	1356.4	100	1339.3	103	1343.4	100	1352.4	97
Total OECD	**4238.2**	**91**	**4283.3**	**92**	**4151.3**	**91**	**4168.1**	**93**	**4236.1**	**92**
DAYS OF IEA Net Imports[6]	**-**	**160**	**-**	**161**	**-**	**157**	**-**	**158**	**-**	**170**

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 2014 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]		
2Q2011	4250	1565	2685	91	33	57
3Q2011	4199	1529	2670	90	33	57
4Q2011	4142	1536	2606	90	33	56
1Q2012	4194	1536	2657	92	34	59
2Q2012	4227	1539	2688	92	34	59
3Q2012	4272	1542	2730	92	33	59
4Q2012	4211	1547	2664	92	34	58
1Q2013	4247	1581	2665	93	35	59
2Q2013	4238	1577	2661	91	34	57
3Q2013	4283	1582	2701	92	34	58
4Q2013	4151	1584	2567	91	35	56
1Q2014	4168	1586	2582	93	35	58
2Q2014	4236	1581	2655	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 2Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

											Year Earlier	
	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14	Jun 13	change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.85	0.76	0.79	0.75	0.82	0.66	0.77	0.62	0.15
Europe	0.83	0.85	0.79	0.86	0.77	0.73	0.87	0.89	0.96	0.75	1.05	-0.29
Asia Oceania	1.24	1.26	1.21	1.16	1.25	1.27	1.17	1.15	1.33	1.01	1.11	-0.09
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.47	0.44	0.40	0.49	0.40	0.30	0.42	-0.12
Europe	0.02	0.05	0.01	0.02	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.00
Asia Oceania	0.40	0.45	0.43	0.43	0.45	0.45	0.40	0.41	0.40	0.39	0.43	-0.03
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.40	0.31	0.37	0.33	0.19	0.39	0.40	0.27	0.13
Europe	0.11	0.26	0.25	0.34	0.22	0.29	0.50	0.33	0.57	0.60	0.26	0.34
Asia Oceania	0.34	0.33	0.31	0.30	0.24	0.28	0.20	0.26	0.14	0.21	0.33	-0.12
Kuwait Blend												
Americas	0.08	0.22	0.28	0.30	0.30	0.33	0.29	0.31	0.23	0.32	0.14	0.18
Europe	0.08	0.09	0.10	0.12	0.07	0.07	0.12	0.14	0.09	0.12	0.18	-0.06
Asia Oceania	0.57	0.65	0.64	0.63	0.65	0.71	0.56	0.46	0.63	0.58	0.64	-0.06
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.06	0.05	0.10	0.06	0.07	0.05	0.06	0.11	-0.04
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.04	0.03	0.00	0.04	0.05	0.05	0.03	-	-
Asia Oceania	0.51	0.33	0.30	0.31	0.24	0.33	0.26	0.19	0.25	0.33	0.27	0.07
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.61	0.62	0.62	0.62	0.57	0.70	0.60	0.68	-0.07
Europe	0.05	0.08	0.07	0.10	0.04	0.08	0.08	0.08	0.08	0.07	0.05	0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.70	0.79	0.64	0.66	0.62	0.72	0.62	0.70	-0.08
Europe	0.12	0.14	0.14	0.14	0.13	0.15	0.13	0.17	0.09	0.13	0.19	-0.06
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.53	1.56	1.67	1.64	1.86	1.49	1.44	0.05
Europe	-	-	-	-	-	0.00	0.01	-	-	0.02	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.02	0.01	0.02	-	-	-	-	0.02	-
Europe	0.64	0.55	0.47	0.52	0.46	0.53	0.58	0.68	0.66	0.39	0.48	-0.09
Asia Oceania	0.02	0.07	0.06	0.02	0.05	0.16	0.07	0.13	-	0.07	-	-
Russian Urals												
Americas	0.01	0.00	0.00	-	-	-	-	-	-	-	0.02	-
Europe	1.69	1.86	1.79	1.64	1.76	1.74	1.68	1.48	1.71	1.87	1.68	0.19
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.09	0.05	0.02	-	-	-	-	0.07	-
Europe	0.62	0.53	0.59	0.59	0.57	0.60	0.71	0.71	0.70	0.71	0.51	0.20
Asia Oceania	-	-	0.00	-	-	0.02	0.01	0.04	-	-	0.03	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.42	0.22	0.23	0.13	0.04	0.24	0.12	0.77	-0.65
Asia Oceania	0.01	0.04	0.03	0.02	0.02	-	0.02	0.05	0.02	-	0.01	-
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.01	-	0.01	-	-	-	-	0.21	-
Europe	0.45	0.58	0.53	0.46	0.57	0.58	0.51	0.63	0.39	0.52	0.45	0.07
Asia Oceania	0.05	0.04	0.03	0.03	0.02	0.03	0.04	0.05	0.03	0.03	0.04	0.00

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14	Year Earlier Jun 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5130	5509	4670	4385	4507	4650	4294	4583	5486	-16%
Europe	8988	9346	8921	9112	8399	8201	8480	8328	8855	8243	8983	-8%
Asia Oceania	6609	6761	6553	6465	6519	6954	5932	5779	6045	5968	6186	-4%
Total OECD	22468	22208	20604	21086	19588	19541	18918	18757	19194	18794	20655	-9%
LPG												
Americas	30	20	17	4	14	19	9	12	8	7	4	54%
Europe	318	287	382	361	412	386	410	379	451	397	355	12%
Asia Oceania	568	620	546	524	517	544	532	489	555	549	572	-4%
Total OECD	916	927	945	890	942	949	950	880	1015	953	932	2%
Naphtha												
Americas	42	20	17	16	11	28	23	20	30	18	16	12%
Europe	298	381	313	305	323	342	360	327	371	382	325	18%
Asia Oceania	884	900	927	866	949	1040	891	797	1021	852	962	-11%
Total OECD	1224	1301	1257	1187	1284	1410	1274	1143	1423	1252	1303	-4%
Gasoline[3]												
Americas	762	730	659	637	583	550	745	713	854	665	731	-9%
Europe	222	212	106	121	92	152	124	142	84	147	111	32%
Asia Oceania	95	86	83	73	72	89	98	87	119	86	69	26%
Total OECD	1079	1028	848	831	747	791	966	942	1057	898	910	-1%
Jet & Kerosene												
Americas	77	73	81	93	99	81	114	140	103	100	73	36%
Europe	397	398	446	509	512	384	454	449	462	451	446	1%
Asia Oceania	58	62	74	53	82	57	50	50	60	40	63	-37%
Total OECD	532	533	602	655	693	521	618	639	625	590	582	1%
Gasoil/Diesel												
Americas	72	59	58	46	21	200	44	88	39	5	72	-92%
Europe	1044	984	1120	1170	1278	1095	1097	1208	985	1103	976	13%
Asia Oceania	147	185	162	137	170	152	222	208	239	218	176	24%
Total OECD	1263	1227	1340	1352	1468	1447	1363	1503	1263	1327	1224	8%
Heavy Fuel Oil												
Americas	268	206	165	193	155	162	102	98	83	127	130	-3%
Europe	537	521	552	613	539	595	648	735	666	543	554	-2%
Asia Oceania	153	224	242	221	290	304	205	251	188	175	198	-11%
Total OECD	958	951	959	1027	985	1061	955	1084	937	845	882	-4%
Other Products												
Americas	871	813	812	902	746	619	726	772	765	639	811	-21%
Europe	700	636	792	764	800	755	797	790	725	877	801	9%
Asia Oceania	366	356	385	404	382	461	353	413	339	308	333	-7%
Total OECD	1937	1805	1989	2070	1928	1835	1876	1976	1828	1825	1945	-6%
Total Products												
Americas	2122	1921	1810	1891	1629	1659	1763	1842	1883	1561	1838	-15%
Europe	3516	3419	3710	3843	3955	3708	3889	4029	3745	3900	3569	9%
Asia Oceania	2271	2432	2420	2279	2463	2646	2350	2295	2520	2230	2373	-6%
Total OECD	7909	7773	7940	8013	8048	8013	8003	8166	8148	7690	7779	-1%
Total Oil												
Americas	8993	8022	6940	7400	6300	6044	6270	6493	6177	6143	7323	-16%
Europe	12504	12765	12631	12955	12354	11909	12369	12357	12600	12143	12552	-3%
Asia Oceania	8880	9194	8973	8744	8982	9600	8282	8074	8565	8198	8559	-4%
Total OECD	30377	29981	28544	29099	27635	27554	26921	26924	27342	26484	28434	-7%

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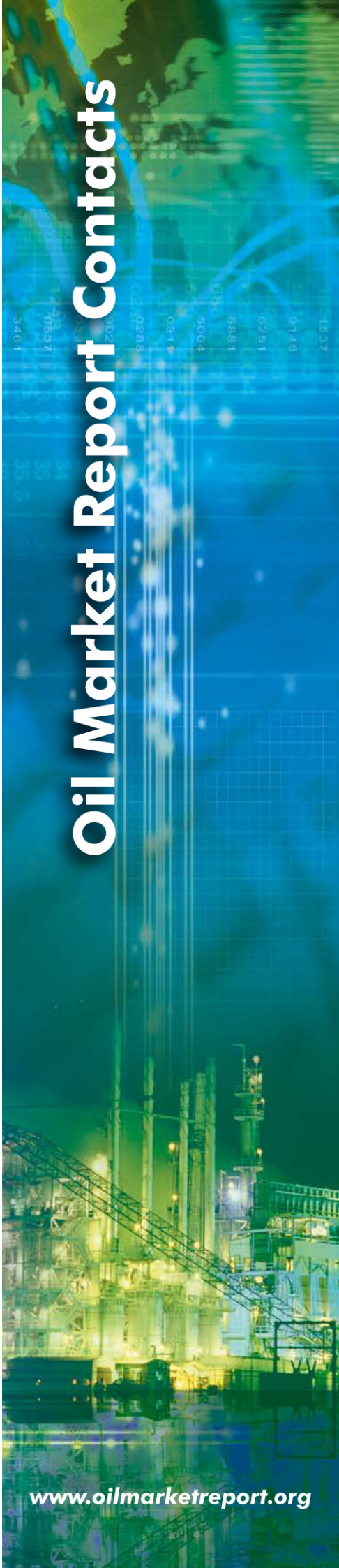
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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2014), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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Next Issue: 14 October 2014





International Energy Agency

14 October 2014

HIGHLIGHTS

- **Oil fell for a third month straight in September with Brent breaking through $90/bbl in October**, on abundant supply, slowing demand growth and a strong US dollar. Brent prices have fallen by over 20% since June, when turmoil in Iraq lifted prices to $116/bbl, and were last at a near four-year low of $88.70/bbl. NYMEX WTI was at $85.20/bbl.

- **The forecast of global oil demand for 2014 has been revised 0.2 mb/d lower since last month's Report, to 92.4 mb/d,** on reduced expectations of economic growth and the weak recent trend. Annual demand growth is now projected at 0.7 mb/d in 2014, rising tentatively to 1.1 mb/d in 2015, as the macroeconomic backdrop improves.

- **Global supply rose by almost 910 kb/d in September to 93.8 mb/d,** on higher OPEC and non-OPEC output. Compared with a year earlier, total supply stood 2.8 mb/d higher, as OPEC supply swung back to growth and amplified robust non-OPEC supply gains of 2.1 mb/d. Non-OPEC supply growth is expected to average 1.3 mb/d 2015.

- **OPEC crude oil output surged to a 13-month high in September, led by Libya's continued recovery and higher Iraqi flows.** Production rose 415 kb/d from August to 30.66 mb/d. A weaker demand outlook cut the 'call on OPEC crude and stock change' by 200 kb/d for 2015 to 29.3 mb/d. The 'call' declines seasonally by 1.5 mb/d from 4Q14 to 1Q15.

- **Global refinery crude demand hit new highs in August, near 79 mb/d, with OECD runs leading the uptick.** The onset of seasonal plant maintenance sees runs fall through October, taking global crude runs to 77.5 mb/d in 4Q14 from 78.1 mb/d in 3Q14, with year-on-year growth rising over the same period to 1.4 mb/d from 0.9 mb/d.

- **OECD commercial total oil inventories built by 37.7 mb over August, to 2 698 mb,** narrowing the five-year-average deficit to 38.1 mb, from 67.1 mb one month earlier. Preliminary data indicate that inventories rose counter-seasonally by 14.0 mb over September, led by a steep 11.7 mb build in middle distillates.

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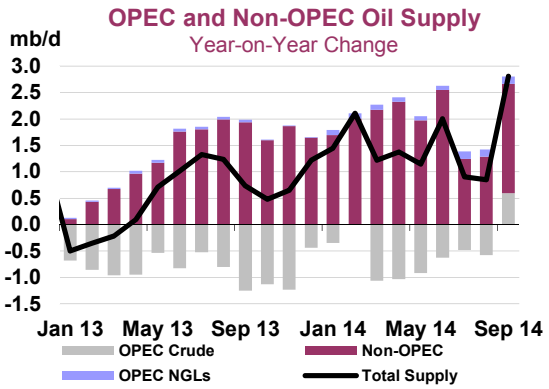
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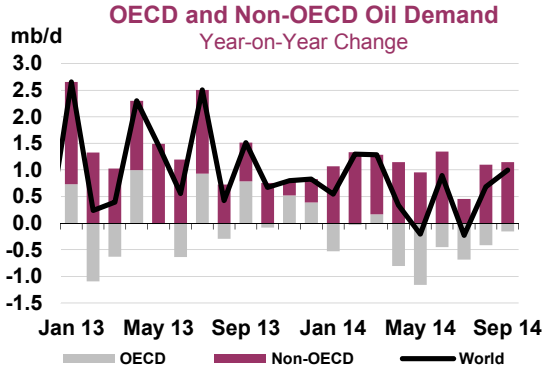
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THE OIL SELLOFF IN PERSPECTIVE

Steep oil price drops since June – with Brent down to near four-year lows – are casting doubt on the sustainability of current high supply growth rates. A Saudi official recently suggested that the high cost of shale oil might put a floor under prices around $90/barrel. At the same time, the selloff is putting a spotlight on weaker-than-expected demand as a leading factor behind the drops. This may go some way to explain why concerns about the sustainability of non-OPEC supply growth has not kept speculators from turning bearish: non-commercial participants in the ICE futures market swung for the first time to net short Brent positions. In fact, recent price drops appear both supply and demand driven. On both counts, it may be hazardous to extrapolate from recent developments.

While the abrupt slowdown in demand growth in 2Q14 has come as a surprise, supply growth looms larger as a factor behind the recent easing of market balances and OECD stock builds. It jumped to a staggering 2.8 mb/d in September year-on-year, as OPEC output swung back to growth for the first time in about two years, compounding the impact of a 2.1-mb/d surge in non-OPEC. But September may turn out to be a high-water mark for supply, for reasons unrelated to prices. Annual growth in non-OPEC supply is forecast to slow in 4Q14 compared to 3Q14 on expected dips in the FSU and China. As to OPEC growth, it is led by Libya and Iraq, where political risk remains exceptionally high.





Nevertheless, further oil price drops would likely be needed for supply to take a hit – or for demand growth to get a lift. Close analysis of light, tight oil supply suggests that most of it remains profitable at $80/barrel Brent. While it has been noted that many producer countries face a high "fiscal breakeven" price, this is a misnomer. High budget needs might lead them to dig into reserves if oil revenues fall short without necessarily making low-cost oil production uneconomical. They might, under the right circumstances, fuel support for lower output targets, but producers, having recently ramped up, are not signalling an imminent cut. For those whose currency is not pegged to the US dollar, recent price drops have been partly offset by swings in foreign exchange rates: thus Russia's nominal export revenues in roubles inched up lately even as they plunged in dollar terms.

Demand growth, on the other hand, may have touched bottom. While economic forecasts have been trimmed, with the IMF lowering its outlook for the third time this year, the latter is sticking to its view of a continuing economic recovery – albeit a slower and more "brittle" one than anticipated. Projections of oil demand growth for 2014-15 have been reduced, but growth is still expected to gain momentum. Recent data suggest that may already have started to happen, thanks in part to narrowing OECD losses. Record-high refinery throughputs in August and improved margins worldwide suggest demand is perhaps not as dismal as it might appear.

Sweeping changes in trade flows are exacerbating perception of demand weakness. With North American refiners increasingly sourcing feedstock locally and those in Europe downsizing, exporters must compete in the same finite Asian markets. Having long paid a price 'premium', Asian importers enjoy newfound buying power. Producers that have relied on long-term contracts, pricing formulae and strict destination clauses may soon find out that this rigid pricing system no longer works in their favour. These shifting flows could be more transformative in the longer run than temporary market rebalancing.

DEMAND

Summary

- **The forecast of global oil demand for 2014 has been revised downwards by 0.2 mb/d** from last month's *Report*, to 92.4 mb/d. Annual demand growth for the year is now projected at 0.7 mb/d, 250 kb/d less than previously forecast, in line with reduced expectations of economic growth. For 2014 as a whole, contractions in OECD Europe and OECD Asia Oceania partly offset average growth of 1.0 mb/d for non-OECD economies.

- **The demand estimate for 2Q14 has been revised down by 100 kb/d since last month's *Report*, to 91.5 mb/d.** Annual demand growth for the quarter is now assessed at 335 kb/d, a low of more than four and a half years. Demand growth was particularly weak in OECD Europe, OECD Asia Oceania and China. The estimate for 3Q14 has also been reduced, by 350 kb/d, with particularly sharp corrections applied to the estimates of Japan, Mexico and France. Despite these downwards adjustments, global oil demand is projected to increase seasonally for 3Q14 to 93.0 mb/d, up by 480 kb/d on the year.

- **Demand growth is forecast to pick up momentum in 4Q14, albeit modestly in line with the global economy.** Specific economic concerns regarding Europe, China and Russia act as a drag on the forecast, removing 0.4 mb/d from the 4Q14 estimate compared to last month's *Report*, but year-on-year (y-o-y) growth still accelerates to 765 kb/d for 4Q14. Sharply lower oil prices, since 2Q14, provide some support to global oil demand, but overall the weak economic environment should prove dominant.

- **Global oil demand is forecast to expand by 1.1 mb/d in 2015, to 93.5 mb/d,** as the macroeconomic backdrop improves. Non-OECD economies lead the projected upside momentum, rising by 1.2 mb/d. OECD oil use, meanwhile, is projected to contract by 0.1 mb/d. Notable reductions to both the European and Chinese demand estimates curb the overall forecast uptick.

Global Oil Demand (2013-2015)

(million barrels per day)

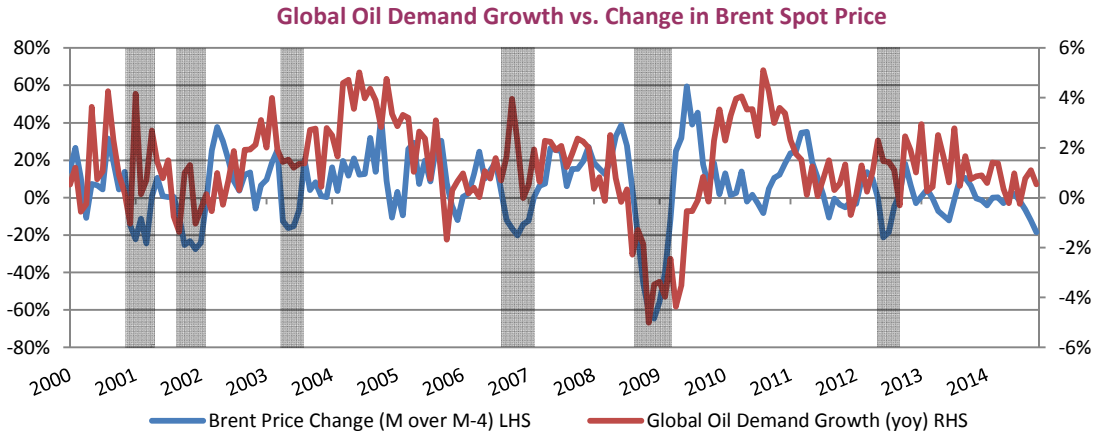
	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Americas	30.2	30.5	31.1	31.1	30.7	30.4	30.4	31.2	31.3	30.8	30.6	30.8	31.3	31.5	31.0
Asia/Pacific	30.7	29.8	29.7	30.9	30.3	31.1	30.1	29.9	31.3	30.6	31.6	30.6	30.6	31.8	31.1
Europe	13.8	14.5	14.7	14.2	14.3	13.7	14.1	14.5	14.2	14.1	13.7	14.1	14.4	14.1	14.1
FSU	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.0	5.0	4.8
Middle East	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.5	7.9	8.1	7.9	8.4	8.8	8.2	8.3
World	**90.5**	**91.2**	**92.5**	**92.7**	**91.7**	**91.6**	**91.5**	**93.0**	**93.5**	**92.4**	**92.6**	**92.7**	**94.2**	**94.6**	**93.5**
Annual Chg (%)	1.2	1.6	1.6	0.8	1.3	1.1	0.4	0.5	0.8	0.7	1.1	1.3	1.3	1.2	1.2
Annual Chg (mb/d)	1.1	1.4	1.5	0.8	1.2	1.0	0.3	0.5	0.8	0.7	1.0	1.2	1.2	1.1	1.1
Changes from last OMR (mb/d)	0.05	0.04	0.01	0.04	0.03	-0.01	-0.10	-0.35	-0.39	-0.21	-0.19	-0.26	-0.41	-0.36	-0.30

Global Overview

New data for August, coupled with reduced expectations of macroeconomic growth, have cut the estimate of 3Q14 demand to 93.0 mb/d, 350 kb/d less than forecast in last month's *Report.* Annual growth for the quarter is projected to inch up to 480 kb/d (or 0.5%), from 335 kb/d in 2Q14, when it sunk to a near four-and-a-half-year low. An actual contraction in global gasoil demand, coupled with sharp decelerations in LPG and naphtha, were the main factors behind 2Q14 weakness. The forecast of a modestly larger gain in 3Q14 than in 2Q14 is supported by gasoil swinging back to growth, while projected gains in LPG and the 'other products' category accelerate.

The International Monetary Fund (IMF) cut its forecast of economic growth for 2014 and 2015 for the third time this year, in its October *World Economic Outlook*. Global GDP growth forecasts have been reduced to 3.3% for 2014 (versus July's 3.4% estimate) and 3.8% (versus 4.0%) for 2015, led by revisions for Europe, China, Brazil and Russia. In light of this, the forecast of global oil demand for 4Q14 has been cut to 93.5 mb/d. Momentum is still expected to accelerate in 2015, both economically and in oil-demand terms, but at a reduced rate, with global oil demand growth of 1.1 mb/d now foreseen in 2015 compared to the previous +1.2 mb/d forecast.

Recent price declines have sparked speculation about their potentially supportive impact on demand. The price elasticity of oil demand tends to be asymmetric in nature: oil demand falls on high prices more easily than it expands on lower prices. Looking at the last five incidences of crude oil price declines of 15% or more over a four-month period (as occurred, at the time of going to press, June-through-October), only in one case (in 2006) was a noticeable uptick in demand seen. The immediate impact tends to be weakening demand reducing oil prices, as opposed to lower prices triggering additional deliveries, which is very much lagged. The dramatic price decline of late 2008/early 2009, for example, was not followed by a noticeable uptick in global oil demand growth until 2H09, many months after prices had started to rebound. Oil price changes will naturally affect demand differently depending on whether they are themselves supply- or demand-driven. The price drop in 2008 was overwhelmingly demand led, whereas recent declines appear to have been largely in response to rising supply. Nevertheless, recent price movements are not expected to significantly lift demand in the short term, especially since crude price drops are not fully carried through to retail product prices.



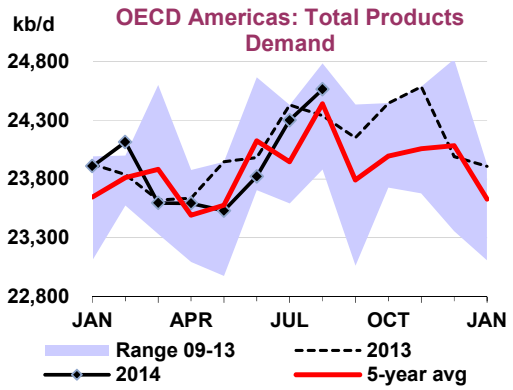
Empirical evidence suggests that macroeconomic factors (such as income gains) have a greater impact on demand than oil prices. Our demand model therefore gives macroeconomic factors a higher weighting than crude oil price assumptions, which do not directly feed-through to retail product prices, as taxes and subsidies blunt the impact of crude price changes, and are deemed to play a less significant role than economic growth in terms of influencing demand. These two exogenous variables are however, inter-related: lower prices, for most countries, reduce the cost of doing business and support economic growth, the converse being true for net oil exporters. At this point, all we can conclude with any clarity is that lower prices offer a cushion of sorts against an otherwise vulnerable macroeconomic backdrop.

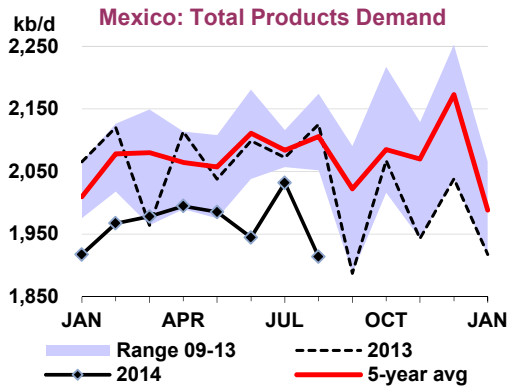
OECD

The latest oil demand data show OECD deliveries contracted by 0.9% y-o-y in August, a relative improvement on July's 1.5% decline and close to the near -1% average decline rate that has taken hold this year. Demand for gasoline, non-road gasoil and residual fuel oil posted the steepest declines, as both OECD Asia Oceania and Europe saw sharp declines in gasoline deliveries while all OECD regions generally endured falling trends for non-road gasoil and residual fuel oil.

Americas

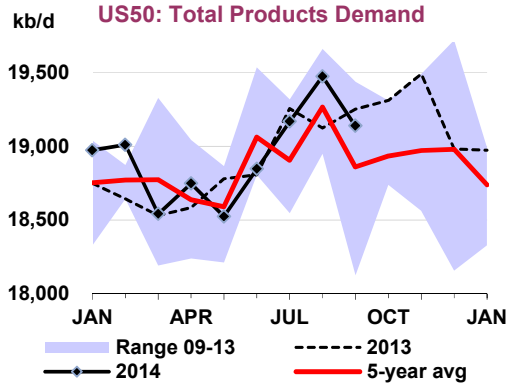
Bucking the overall OECD demand trend in August, deliveries in the OECD Americas rose by 0.9% y-o-y to 24.6 mb/d, preliminary estimates suggest. Strong, industrially driven gains in diesel and the petrochemical sector offset steep declines in **Mexican** deliveries of residual fuel oil on the back of additional power-sector use of natural gas.

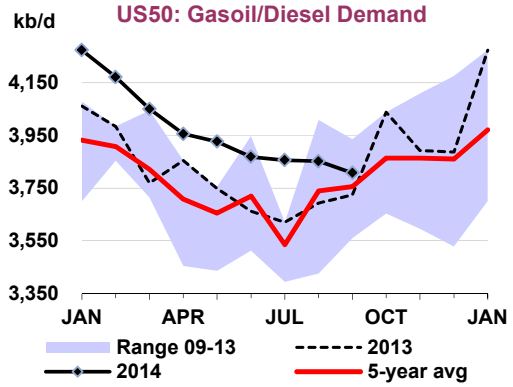




Preliminary estimates of **US** demand have been revised upwards by 15 kb/d for August and 60 kb/d for September compared to last month's *Report*. Demand in August is estimated to have risen to around 19.5 mb/d, up 1.8% or 350 kb/d y-o-y, before falling seasonally to 19.1 mb/d in September. Uncertainty surrounding the US budget process, in the latter stages of 2013, inflated the y-o-y comparisons. Middle distillates accounted for the bulk of the revisions, compared to last month's *Report*, as US diesel demand has now demonstrated a clearly rising y-o-y trend for over a year.

Overall, US demand growth is expected to fall from 0.3% in 3Q14 to 0.2% in 4Q14, reflecting the effect of the unusually cold winter weather which boosted US gasoil demand in 4Q13. Roughly 35 kb/d has been trimmed from the 4Q14 outlook, since last month's *Report*, as the IMF cut its US growth outlook. Momentum then modestly gathers pace in 2015, supported by the predicted macroeconomic uptick.



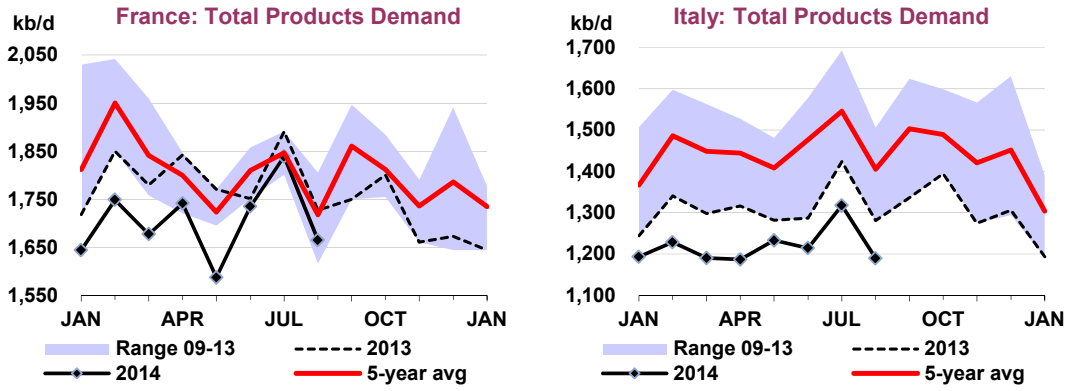


Europe

The European oil demand forecast has been pared back sharply in recent months to reflect the now noticeably reduced macroeconomic outlook. Whereas back in July the IMF was predicting a +1.1% expansion in euro zone economic activity for 2014, accelerating to 1.5% in 2015, a more modest 0.8% increase is now envisaged in 2014, accelerating to 1.3% in 2015. The German, French and Italian economic outlooks were amongst the most heavily reduced, hence the downside bias in the adjustments made to our oil demand forecasts for those countries. European demand averaged about 13.4 mb/d in

2Q14, rising to 13.8 mb/d in 3Q14. Although both estimates are down on the year earlier, the forecast 3Q14 drop, at -1.2%, is considerably less than that seen in 2Q14, -3.0% y-o-y, as 2Q14 was likely a low-point for euro zone macroeconomic activity.

The majority of the big European economies were revised down in August, with estimates for France and Italy curbed by 50 kb/d and 45 kb/d, respectively. Much weaker gasoil demand underlies the now reduced **French** estimate of 1.7 mb/d in August, 3.6% down y-o-y. Compressing French gasoil demand, total industrial output fell by 1.4% y-o-y in July, a sixth consecutive month without growth. Coupled with now notably weaker expectations for the French economy in both 2014 (+0.4% according to the IMF's October report, versus the 0.7% forecast published in July) and 2015 (+1.0%, 1.4% previously), the demand outlook for 2014 as a whole has been pared back to 1.7 mb/d in 2014, down 3.9% on the year earlier (previously -2.9%). A further decline of 1.8% is then forecast for 2015, previously -1.5%. Similarly sharp declines are projected in **Italian** gasoil demand.



OECD Demand based on Adjusted Preliminary Submissions - August 2014

(million barrels per day)

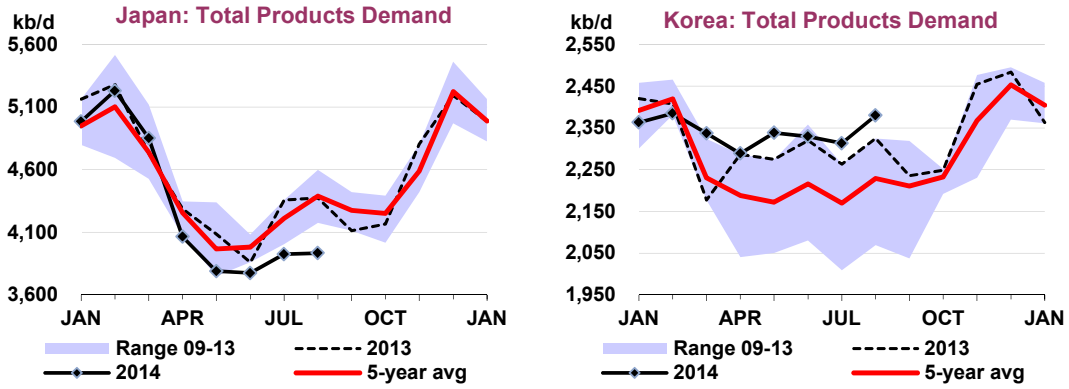
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.83**	**-0.3**	**1.80**	**0.6**	**4.59**	**4.9**	**0.54**	**-4.2**	**0.61**	**-30.5**	**6.19**	**5.45**	**24.56**	**0.9**
US50	9.10	-0.3	1.54	0.8	3.71	6.1	0.14	-27.2	0.29	-28.2	4.69	7.23	19.47	1.8
Canada	0.87	2.6	0.13	-4.0	0.29	0.0	0.33	10.9	0.05	3.7	0.83	4.21	2.51	3.5
Mexico	0.73	-4.3	0.07	3.6	0.37	-0.8	0.04	-5.9	0.16	-48.1	0.54	-5.22	1.91	-10.0
OECD Europe	**2.02**	**-4.0**	**1.33**	**1.2**	**4.40**	**-0.3**	**1.30**	**-7.4**	**0.90**	**-8.0**	**3.61**	**-0.61**	**13.57**	**-2.1**
Germany	0.43	-3.5	0.19	-8.4	0.68	-5.9	0.31	-11.1	0.13	5.5	0.61	3.83	2.33	-3.5
United Kingdom	0.31	-3.2	0.31	1.1	0.48	2.7	0.13	2.4	0.03	-19.9	0.25	-2.20	1.51	-0.3
France	0.18	-5.4	0.17	1.2	0.64	-3.7	0.22	-7.2	0.05	-18.2	0.41	-0.30	1.66	-3.6
Italy	0.22	-5.7	0.11	3.9	0.40	-4.6	0.09	-15.3	0.06	-23.7	0.31	-8.30	1.19	-7.1
Spain	0.12	-5.2	0.13	1.1	0.44	1.5	0.12	-3.9	0.15	-12.3	0.23	-0.68	1.19	-2.1
OECD Asia & Oceania	**1.68**	**-5.2**	**0.68**	**-3.5**	**1.25**	**-1.2**	**0.42**	**-5.3**	**0.57**	**-23.5**	**3.21**	**-0.44**	**7.81**	**-4.3**
Japan	1.02	-6.9	0.34	-9.2	0.40	-3.5	0.30	-10.4	0.34	-23.1	1.53	-10.47	3.93	-10.1
Korea	0.21	-4.1	0.15	3.8	0.32	-9.1	0.10	13.4	0.18	-30.6	1.42	12.51	2.38	2.4
Australia	0.33	-1.8	0.14	1.7	0.43	4.4	0.00	0.0	0.03	7.0	0.18	0.97	1.10	1.7
OECD Total	**14.54**	**-1.4**	**3.81**	**0.0**	**10.24**	**1.9**	**2.26**	**-6.3**	**2.09**	**-20.0**	**13.02**	**2.23**	**45.94**	**-0.9**

* Including US territories

Asia Oceania

The Asian demand picture remains very much one of falling oil demand, down sharply on account of the declines seen in **Japan** recently. At an estimated 7.7 mb/d in 3Q14, the OECD Asia Oceania estimate is down by 3.6% on the year earlier, with big drops in the residual fuel oil and 'other products' categories leading the way, chiefly on account of additional Japanese power-sector switching out of oil and into cheaper alternatives such as coal.

Japan is forecast to see roughly 4.2 mb/d of oil products delivered in 2015, 2.8% less than in 2014, with particularly sharp declines envisaged in those fuels that are used to generate power, such as residual fuel oil and 'other products' (includes direct crude burn). Although in 2014 these categories also saw sharp declines, the downside momentum is forecast to continue in 2015 as the power sector likely sees additional substitution over to nuclear. Japan's Nuclear Regulation Authority (NRA) granted permission on 10 September for production to resume at Kyushu Electric's two nuclear reactors at its Sendai power plant. With a combined capacity of 1.78 gigawatts, the two reactors account for roughly one-twentieth of current Japanese nuclear capacity, and these two are likely to be the first of the 48 closed reactors to return to operation. A late-4Q14/early-1Q15 start date looks likely pending local and state authorisation.



Korean deliveries in August roughly matched our month earlier projections, at 2.4 mb/d. Not only was this a six-month high but it was also nearly 55 kb/d (or 2.4%) up on the year earlier. Particularly sharp gains reported in naphtha as previously alluded to cracker closures reversed and two new condensate splitters opened.

Non-OECD

The latest global macroeconomic slowdown has noticeably curbed non-OECD oil demand, which is still growing but at a lessened trajectory. From a macroeconomic perspective, not only are potential non-OECD export flows to European countries dented by the recent economic malaise but also many non-OECD economies are themselves at the centre of the slowdown, as sluggish macroeconomic growth occurs in China, Brazil and Russia. Total non-OECD demand, at around 47.1 mb/d in 3Q14, is up 1.9% on the year earlier, a near halving on the previous five-year trend.

Non-OECD: Demand by Product

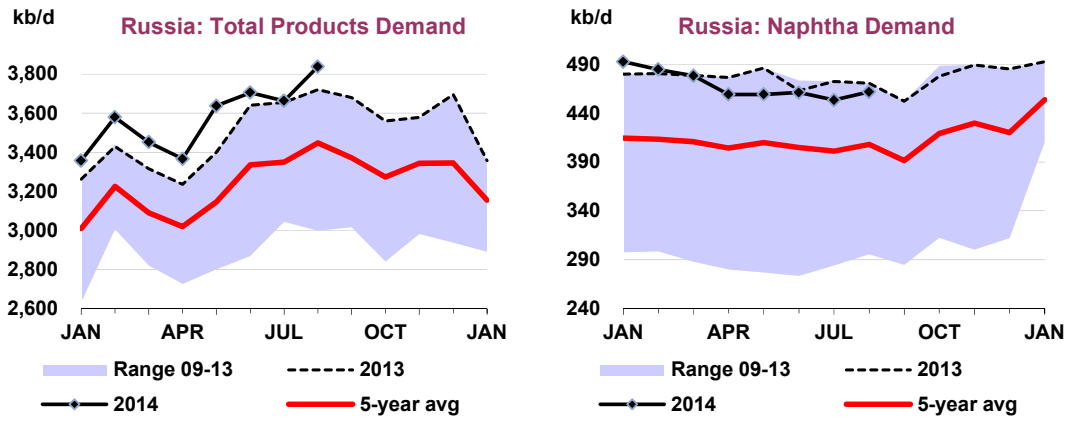
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
LPG & Ethane	5,119	5,128	5,116	207	136	4.2	2.7
Naphtha	3,254	3,103	3,126	65	57	2.2	1.9
Motor Gasoline	9,450	9,638	9,792	367	323	4.0	3.4
Jet Fuel & Kerosene	2,905	2,892	2,946	133	96	4.8	3.4
Gas/Diesel Oil	13,652	14,287	14,149	80	87	0.6	0.6
Residual Fuel Oil	5,420	5,456	5,360	39	33	0.7	0.6
Other Products	6,036	6,298	6,583	253	165	4.2	2.6
Total Products	**45,836**	**46,802**	**47,073**	**1,145**	**898**	**2.5**	**1.9**

Looking forward, an acceleration is foreseen in 2015, up 2.6% to 47.9 mb/d, as petrochemical and transport sector demand are projected to reaccelerate once again. We do not however envisage a return to the heady earlier growth heights, as many of the economies in the region, but most notably China,

now appear to have settled back onto less industrially-driven and hence, less energy intensive futures. The economies of Asia, Africa and the Middle East are forecast to lead this mildly accelerating growth momentum in 2015, more than offsetting slower growth in sanctions-hit Russia. The recent softening in oil prices, if it continues, could change the demand mix: as lower oil prices potentially dampen Middle Eastern and former Soviet Union coffers, reducing prospective oil demand, but have the opposite effect on net consuming regions such as Asia.

Latest estimates suggest that, despite the recent build-up in sanctions, **Russian** demand clambered up to an all-time high of 3.8 mb/d in August. Not only was this 115 kb/d (or 3.2%) up on the year earlier but it was also 55 kb/d above our prior projection. Strong gains in gasoline, jet/kerosene and residual fuel oil offset absolute declines in gasoil and naphtha. In contrast to the first eight months of the year, momentum should slow hereafter as underlying forecasts of macroeconomic momentum dim. The IMF's October outlook cites GDP growth of around 0.2% in 2014, which after the Federal State Statistical Service reported y-o-y gains of 0.9% in 1Q14 and 0.8% in 2Q14 implies a notable 2H14 slowdown. We are most pessimistic on gasoil demand going forward, as overall Russian exports are likely to be particularly harshly hit, curbing the potential industrial requirement. Overall, an expansion of around 1.6% is foreseen for total Russian oil deliveries, to 3.6 mb/d in 2014, a level that is forecast to be roughly maintained as our 2015 outlook has now been curtailed as both lower oil prices and sanctions dent Russian per capita income.



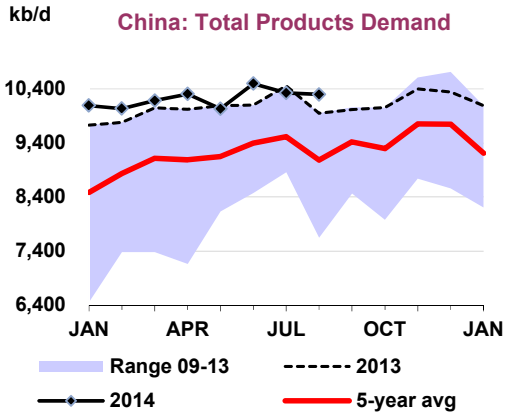
Preliminary estimates of **Chinese** demand, at 10.3 mb/d in August, exceeded prior expectations (+95 kb/d over the month earlier assessment), as strong y-o-y gains were seen in two of the key underlying contributors to apparent demand, i.e. refinery output and net import numbers. Gasoline and fuel oil led August's upside, as strong gains more than offset continued declines in gasoil. Rising by 345 kb/d (or 3.5%) on the year earlier, the higher than expected August estimate was still not enough to break the generally weak underlying trend and we maintain our 3Q14 demand forecast at roughly 10.3 mb/d, up 2.0% on the year earlier, making that five quarters of relatively weak demand growth.

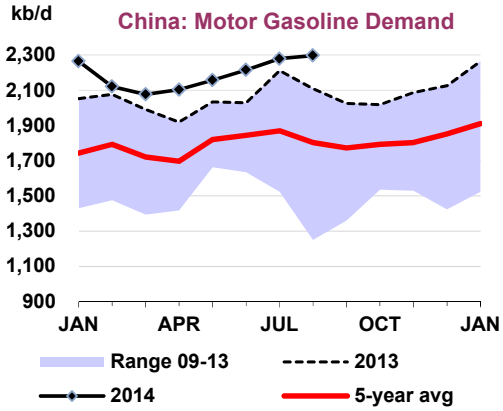
China: Demand by Product

(thousand barrels per day)

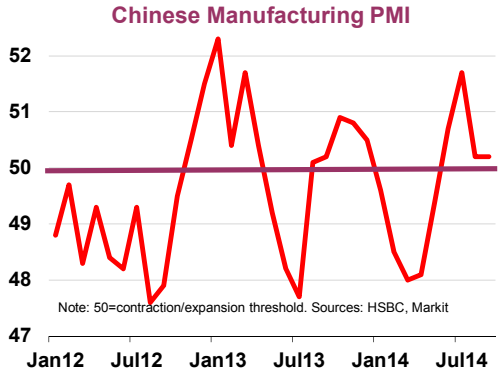
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	789	832	899	43	66	5.5	8.0
Naphtha	1,129	1,164	1,198	35	34	3.1	2.9
Motor Gasoline	2,057	2,195	2,326	138	131	6.7	6.0
Jet Fuel & Kerosene	448	493	511	45	18	10.1	3.6
Gas/Diesel Oil	3,373	3,340	3,361	-33	21	-1.0	0.6
Residual Fuel Oil	423	372	362	-51	-10	-12.1	-2.7
Other Products	1,867	1,918	1,934	52	16	2.8	0.8
Total Products	**10,086**	**10,315**	**10,591**	**229**	**276**	**2.3**	**2.7**

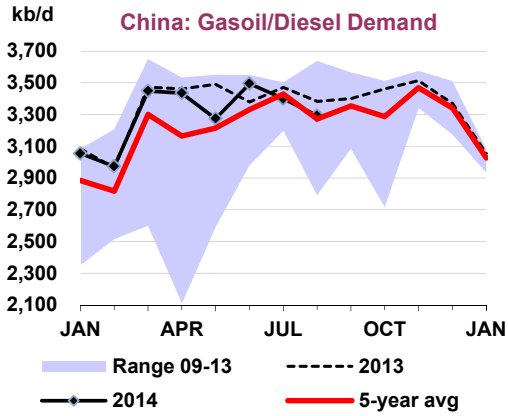
Escalating macroeconomic worries curtail 4Q14 forecast. Having risen by an estimated 7.4% in 1Q14 and 7.5% in 2Q14, the Chinese economic outlook has since darkened. Business confidence gauges such as HSBC's Manufacturing Purchasing Managers' Index (PMI) fell back towards neutrality in August and September, having risen to a 16-month high in July. Industrial output growth meanwhile eased to a near six-year low and fixed asset investment growth tested three-year lows. Furthermore, power output, an oft-quoted barometer of underlying economic conditions fell in August, the first time such a y-o-y reversal has occurred in four years. Gasoil takes the brunt of the forecast 4Q14 hit, down 0.7% y-o-y, as projections of subdued construction activity continue to depress usage.





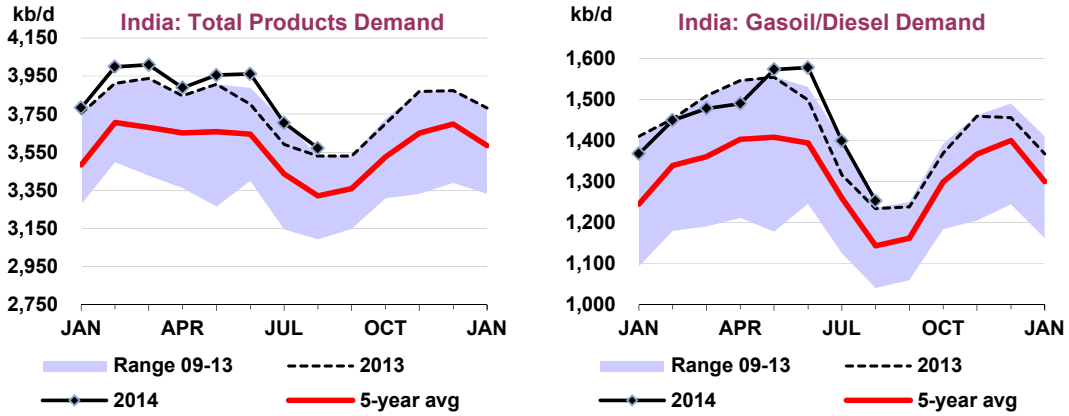
Providing some compensatory 2H14 support, however, government-controlled retail prices, for both diesel and gasoline, were cut in August and September, while car sales rose by 8.5% y-o-y in August. Additionally and despite growing concerns regarding the Chinese economy, it still created 9.7 million new jobs in the first 8 months of 2014, 100 000 more than the same period in 2013. Furthermore, digging into the worrisome August power numbers deeper, it becomes apparent that a y-o-y correction is no great surprise given the record heatwaves, and hence heightened power demand, that hit many Chinese cities in August 2013.





Overall, the downwardly revised 4Q14 Chinese oil demand estimate curbs the growth forecast for 2014, to 2.3% versus the previous 2.4% projection. Expectations of weaker, albeit still rising, economic growth have similarly trimmed the 2015 forecast, by 50 kb/d over last month's *Report*, to 10.6 mb/d. Reports that Sinopec has cancelled plans for a 40 kb/d ethylene cracker at its soon to be upgraded Yangzi refinery marginally dent the Chinese LPG demand outlook. The cracker, which was initially announced in 2011, has been cancelled as Sinopec's petrochemical unit has recently started to lose money. The move follows reports that Sinopec also put on hold plans to build another 40 kb/d ethylene cracker in Shanghai, following the closure of an old cracker at the facility in line with the government mandate to cease operations at small-scale units.

Heavy rains, which curbed the agricultural diesel use, contributed heavily to the relatively low **Indian** oil demand estimate for August at 3.6 mb/d. Not only was this 30 kb/d below last month's *Report* but it also underwrote the sharp month-on-month (m-o-m) decline in total Indian deliveries. Further downside pressure on diesel built as the near-two year policy of curbing diesel subsidies saw domestic prices in India draw closer to international prices (see *Indian Diesel Pricing Reform*). In light of lower-than-anticipated August demand, we have curbed the projected 2014 average to 3.9 mb/d, equivalent to a gain of 2.2% on the year. Tracking into 2015, momentum should accelerate to around 3%, taking average deliveries up to 4.0 mb/d, as the underlying macroeconomic backdrop also picks up speed. The IMF, in its October *World Economic Outlook*, cited that it expects Indian GDP growth in excess of 6% in 2015, well up on the 5.6% gain foreseen for 2014.



Indian Diesel Pricing Reform

In January 2013, the Indian government decided to raise diesel prices. The plan was to gradually add 0.5 Rupees (Rs) per month until domestic Indian diesel prices reached par with wholesale prices at the refinery-gate. This decision was driven by the fact that at the end of 2012, the difference between the refinery gate price for diesel and its retail price, the so-called under-recovery, stood at over 10 Rs/litre in Delhi (equivalent to 10 US cents, 31 December 2012). The total bill for these under-recoveries reached $1.6 billion in the fiscal year 2012-13, ending 31 March 2012, with diesel accounting for 57% of the total cost. Fuel prices vary throughout India due to the taxes and duties levied by the individual states, but Delhi prices are usually used when reporting changes in pricing policy.

Full liberalisation of diesel prices has long been considered politically challenging since diesel is used for a large number of economic activities beyond transport and impacts inflation. A sharp increase in diesel prices would have trickle-down effects on end-user prices, especially for food items, since diesel is used extensively for freight transport.

By May 2013, the under-recovery had come down to 3 Rs/litre, before rebounding again to over 10 Rs/litre in October 2013. This bounce was due to an unfortunate combination of a sharply depreciating exchange rate and the upward movement of international oil prices. Measured in rupees per barrel, the Indian crude oil basket price increased by almost 20% between January 2013 and September 2013, then traded at all-time highs through the rest of the year. This put the government in a difficult situation; despite regular monthly price increases, there was no visible improvement in the financial position of the oil marketing companies for their sale of diesel. Yet, consumers felt the pinch in their pocket as they were subject to 13 price raises during 2013 compared to four increases in 2012.

The Indian government has largely continued its policy of regularly increasing diesel prices, except for a brief period from 1 April to 12 May during which voting took place for the general elections. Under-recoveries then stood at 5.71 Rs/litre. In the fiscal year 2013-14, to 31 March 2014, the total cost of these under-recoveries had fallen to $1.4 billion, with diesel subsidies taking a 45% share of the bill.

The new government that was voted into power in May 2014 continued with the policy of gradually curbing diesel subsidies. On 1 July, the under-recovery stood at 3.4 Rs/litre; more or less the same as in May 2013. This year, however, the government benefited from the combination of falling international oil prices and a

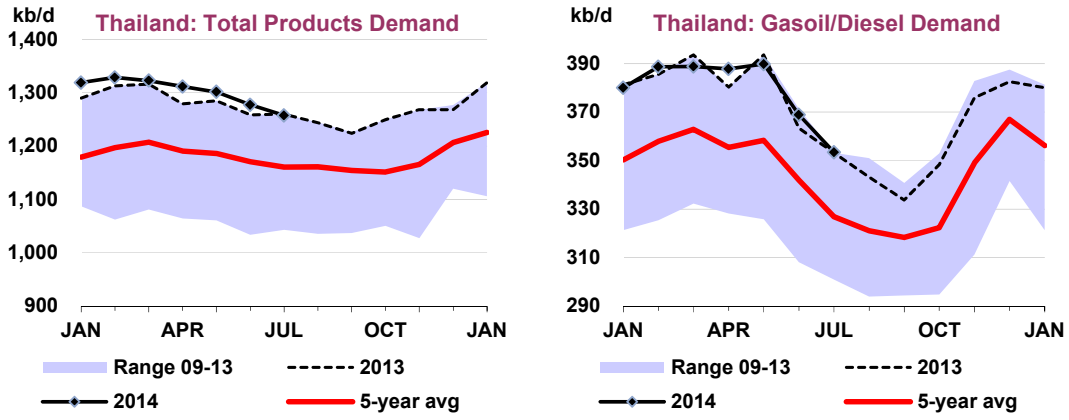
Indian Diesel Pricing Reform (continued)

more stable exchange rate vis-à-vis the US Dollar. Under-recoveries dropped to 1.33 Rs/litre on 1 August, moved back up to 1.78 Rs/litre on 15 August and almost reached parity on 1 September at 0.08 Rs/litre. On 1 October, under-recoveries on diesel were eliminated. In fact, for the first time diesel prices in Delhi are 1.9 Rs/litre higher than based on wholesale prices. The next price revision is expected for 15 October and it will be interesting to watch if retail prices for diesel will be reduced in line with wholesale prices.

By now, the Indian public has become accustomed to the regular increase in diesel and gasoline prices after they were liberalised in June 2010. Price changes have been implemented throughout the country without any protests. Adjusting retail diesel and gasoline prices regularly, either up or down, also reflects the maturation of the Indian economy/consumer and could become the guiding principle for other fuel prices.

If the government maintains its commitment to let gasoline and diesel prices fluctuate with international prices even under adverse conditions, this could potentially reawaken the interest of private companies towards entering the retail market. In the medium-term, this might even impact on the re-positioning of some of the export-oriented Indian refineries to supply the domestic market. Projections for the fiscal year 2014-15, to 31 March 2015, foresee the total under-recovery bill falling to $1.2 billion, with diesel accounting for around 31% of the total.

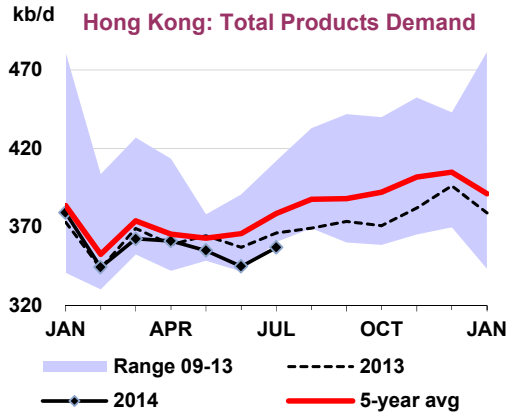
Total oil deliveries in **Thailand** fell on a y-o-y basis in July, the first dip in seven months, as a sharp contraction in industrial output suppressed demand for gasoil/diesel, residual fuel oil and 'other products', while ongoing political disruptions dampen jet/kerosene demand. Industrial production, as tracked by the Office of Industrial Economics, fell by 5.2% y-o-y in July, keeping the average 2014 demand forecast suppressed. A modest acceleration is then foreseen in 2015, up by 2.4% on the year earlier, as the worst of the recent economic slowdown is then widely expected to have passed. Having contracted in 1Q14 (-0.5% y-o-y) GDP growth returned in 2Q14 (+0.4%), with a further acceleration then foreseen in 2015.

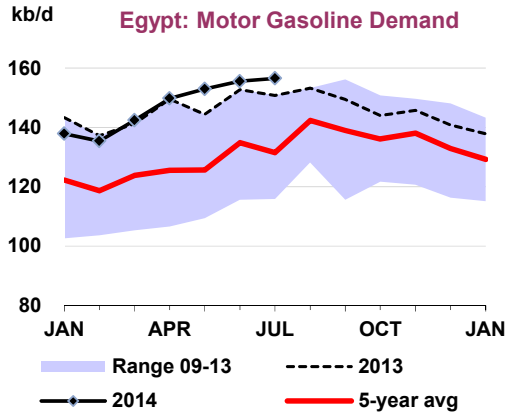


At approximately 355 kb/d in July, **Hong Kong** oil demand edged down by 2.5% y-o-y, with notable weaknesses in the residual fuel oil. Lower fuel oil use reflected the subdued level of East Asian trade flows, which dent bunker fuel demand, as weaker economic conditions in China spread across the region and specifically lowered import flows into Hong Kong, which the Census and Statistics Department reported down 2.6% m-o-m in August. Forecasts for the 2H14, running into 2015, have been curbed somewhat to reflect not just this recent data weakness but also the additional downside risks to the economic outlook as political protests break out across Hong Kong.

Initial fears that **Egyptian** efforts to reduce energy price subsidies might struggle to hold (see *OMR* dated 11 July 2014), were somewhat exaggerated. Headlines such as "*the hour of suffering has struck*", carried in the popular *Al-Masry al-Youm* newspaper captured the sentiment of the day, but consumption has since remained remarkably resilient. The near-doubling of retail pump prices held firm, as it generally became accepted that some short-term pain was required to help fix Egypt's woes. The central problem is that a near-12% deficit, 2013-14, took foreign currency reserves down to critical lows, making

purchases of many essential goods and services impossible. As higher retail gasoline prices coincided with relatively muted economic growth, Egyptian gasoline demand is forecast to see sub -2% growth in 2014. It will likely not be until 2015 that stronger gains ensue, and then the trajectory will be heavily dependent upon the strength of the anticipated economic recovery. On a related point, President Abdul Fattah al-Sisi has highlighted the development of nuclear power as a key aim of his administration, potentially curbing the trajectory of future oil use. The potential impact of such moves is, however, many years into the future.





The recent demand data for two of the biggest African consumers, Nigeria and South Africa, came out little changed on the year earlier as weak demand for industrial fuels restrains momentum. Weaker-than-previously foreseen April-July data curbed both 2Q14 and 3Q14 African estimates and accordingly dampened projected deliveries across 2014 as a whole. Momentum is forecast to accelerate in 2015, but the recent weakness has marginally curtailed the forecast uptick, as sentiment dims slightly. Furthermore, the IEA remains vigilant as to the possible risks that the Ebola virus might have on oil. Over four thousand people have already died from the disease, with Guinea, Sierra Leone and Liberia particularly heavily hit. The African forecast might have to be curtailed if Ebola dampens economic activity severely, particularly if trade/travel plans are reduced by restrictions on movements.

Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
Africa	3,928	3,967	3,851	77	111	2.0	3.0
Asia	22,300	22,438	22,207	477	486	2.2	2.2
FSU	4,592	4,781	4,964	152	51	3.3	1.0
Latin America	6,576	6,753	6,886	156	126	2.4	1.9
Middle East	7,792	8,207	8,491	276	107	3.5	1.3
Non-OECD Europe	648	657	673	8	16	1.2	2.4
Total Products	**45,836**	**46,802**	**47,073**	**1,145**	**898**	**2.5**	**1.9**

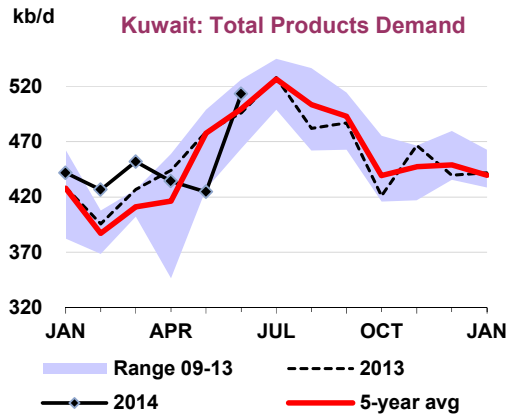
The **Colombian** forecast has been curtailed to reflect Venezuelan efforts to tighten its borders in an effort to stop the illegal smuggling of heavily subsidised petrol from Venezuela to Colombia. At 330 kb/d in 2014, the Colombian demand forecast has been trimmed since last month's *Report*, with a growth forecast of 2.2% now being carried compared to the previous 2.9% prediction. Momentum is still forecast to accelerate in 2015, up by 2.5% to 340 kb/d, but even this trend has been curbed as the previously assumed flow of incredibly cheap Venezuela products likely dries up somewhat.

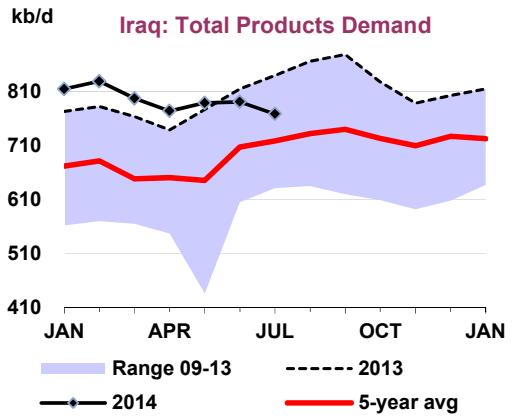
Middle East: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	1,352	1,382	1,413	30	31	2.2	2.3
Naphtha	88	90	118	2	28	2.3	30.9
Motor Gasoline	1,449	1,481	1,526	32	45	2.2	3.0
Jet Fuel & Kerosene	453	472	485	19	13	4.2	2.8
Gas/Diesel Oil	2,173	2,186	2,246	13	60	0.6	2.8
Residual Fuel Oil	1,485	1,522	1,559	37	37	2.5	2.4
Other Products	895	958	965	63	7	7.1	0.8
Total Products	**7,896**	**8,091**	**8,312**	**195**	**221**	**2.5**	**2.7**

Major construction plans across the **Middle East** continue to support the forecast for ongoing gains in Middle Eastern oil demand. For example, in Kuwait the cabinet has approved a new five-year development plan, due to commence in 2015, which includes ambitions to construct a one billion Kuwaiti Dinar (KD) metro system (equating to a capital investment of approximately $3.5 billion), some power and refinery projects, a KD8 billion ($28.2 billion) rail expansion, a new airport terminal and various other plans. Although the full extent of such plans is unlikely to materialise given recent history, with *Middle East Economic Survey* citing that only two-thirds of the previous budget was spent, even partial realisation of these projects would likely support robust gains in industrial fuel use, notably gasoil in the additional construction. In strong contrast, however, continued fighting in **Iraq** continues to dampen the Iraqi demand forecast, lowering both the 2H14 and 2015 forecasts as an end to the conflict likely sits outside our short-term forecasting horizon.





SUPPLY

Summary

- **Global supply rose by almost 910 kb/d in September to 93.8 mb/d.** Compared with one year ago, total supply was 2.8 mb/d higher on the back of increased non-OPEC supply, which accounted for 2.1 mb/d of this growth.

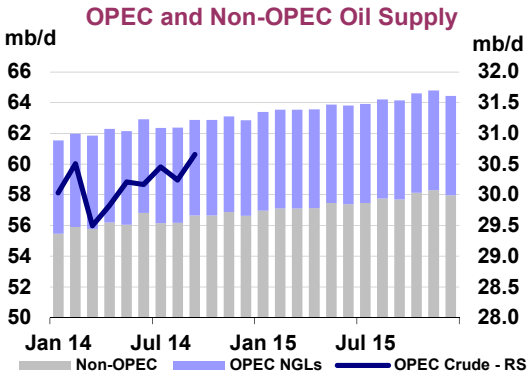
- **Total US liquids production continues to exceed Russian and Saudi Arabian oil supplies.** However, the US still produces less crude oil than both of those countries. We estimate that total US total liquids output will be above 12.0 mb/d next month and will remain above that threshold through December 2015.

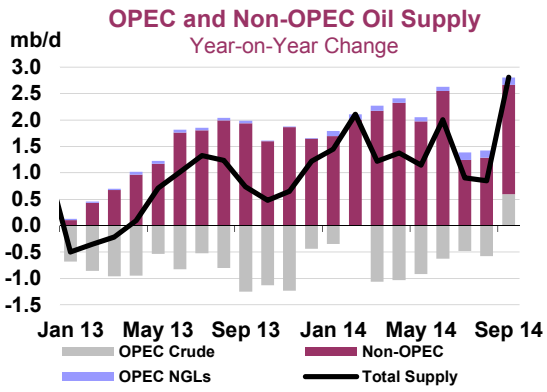
- **Total OPEC supply in September posted the highest year-on-year increase in nearly two years – thanks mainly to Libya's comeback.** OPEC crude production in September rose 600 kb/d y-o-y (year-on-year) after contracting an average 760 kb/d over the previous 12 months.

- **OPEC crude output surged to a 13-month high in September, led by Libya's continued recovery and higher Iraqi flows. Production rose 415 kb/d from August to 30.66 mb/d.** Downward revisions to global demand cut the 'call on OPEC crude and stock change' by 200 kb/d for 2015 to 29.3 mb/d. The latest data also indicate the 'call' on OPEC declines seasonally by 1.5 mb/d between 4Q14 and 1Q15.

- **Oil's drop below $90/bbl has raised concern in OPEC, which is due to meet at the end of November. Kuwait has said a supply cut is unlikely and top exporter Saudi Arabia is signalling it may be willing to tolerate a period of lower prices.** Saudi supply edged up by 50 kb/d in September to 9.73 mb/d and in early October, Riyadh cut formula prices to the Asian market for a fourth month running.

- **September non-OPEC supply increased by 495 kb/d month-on-month to 56.7 mb/d** as many producers ramped up following seasonal maintenance. The US and UK were the largest contributors to the rebound as both saw significant volumes return following a heavy upkeep in August.





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

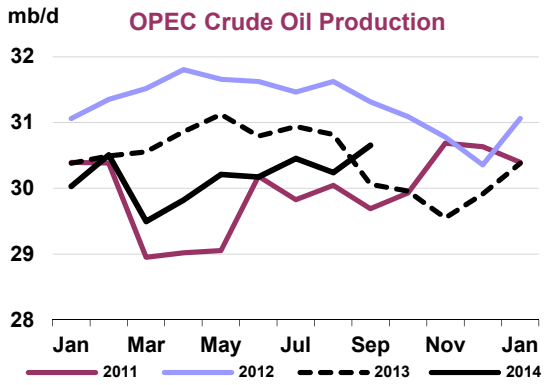
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific 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 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 approximately -200 kb/d to -400 kb/d for non-OPEC as a whole.

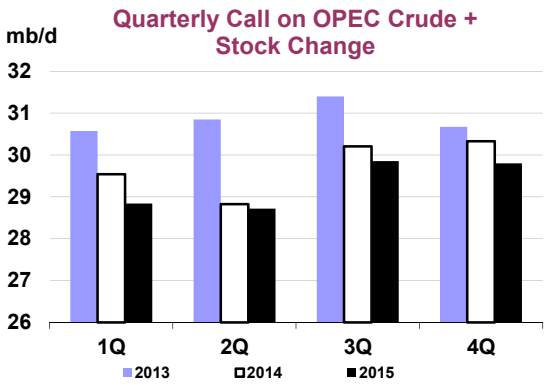
OPEC Crude Oil Supply

OPEC crude supply rose by 415 kb/d in September to 30.66 mb/d – a 13-month high – led by increases from Libya and Iraq. Libya's recovery helped boost total OPEC supply in September to the biggest y-o-y rise in nearly two years. OPEC's crude output in September rose 600 kb/d y-o-y after contracting an average 760 kb/d over the previous 12 months.

Despite growing instability, Libyan output rose for a third month, with the country's oil fields pumping 780 kb/d in September, up 250 kb/d versus the previous month. Flows were holding above 800 kb/d in early October. A rebound in Iraq's southern oil exports pushed supply towards the higher levels pumped in May before Islamist forces swept through the north of the country.

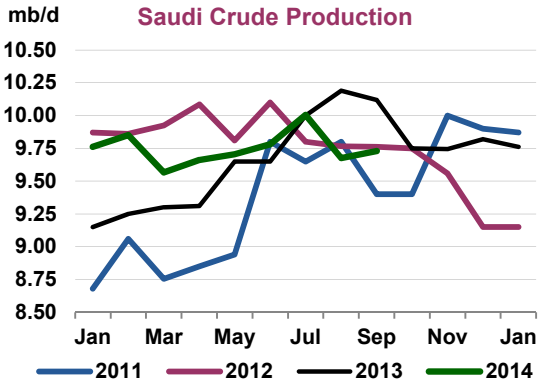
Supply from Saudi Arabia, OPEC's top producer, edged up 50 kb/d in September after a 330 kb/d drop in August. Brent's tumble below $90/bbl – its lowest level in nearly four years - has some in OPEC hinting at the need for output restraint. Kuwait has said a reduction is unlikely and Saudi Arabia is indicating it may be prepared to accept a period of lower prices. A senior Saudi adviser suggested a floor for Brent at around $90/bbl, due to the high cost of developing unconventional oil. The group is due to meet on 27 November to set policy for the first half of 2015.

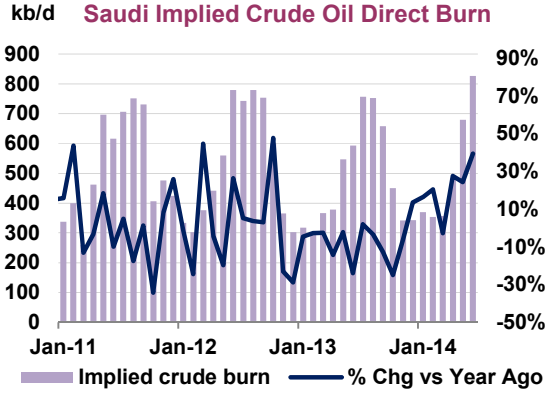




Downward adjustments to our global demand forecast have cut the 'call' on OPEC by 300 kb/d in 4Q14 and for full year 2015 by 200 kb/d to 29.3 mb/d. Latest data indicate the 'call' at 28.8 mb/d in 1Q15 versus 30.3 mb/d in 4Q14. OPEC's 'effective' spare capacity was estimated at 3.05 mb/d in September compared with 3.07 mb/d in August, with Saudi Arabia holding nearly 90% of the surplus.

Output from **Saudi Arabia** edged up to 9.73 mb/d in September after a drop of 330 kb/d in August. Flows may ease in October due to slower seasonal demand for domestic crude burn. During July, Riyadh used 900 kb/d in power plants at home. In 4Q13, domestic crude burn dropped to an average 380 kb/d versus 720 kb/d in 3Q13.





There was no let-up in Saudi supply to global customers in September, according to tanker tracking data, with a modest pick up in shipments versus August. Riyadh appeared determined to defend its market share in the increasingly competitive Asian market – cutting its formula prices for a fourth consecutive month. State oil company Saudi Aramco reduced its benchmark Arab Light selling price for November loadings by $1.00/bbl versus October to a discount of $1.05/bbl to the Oman/Dubai average (see *Prices*).

OPEC Crude Production

(million barrels per day)

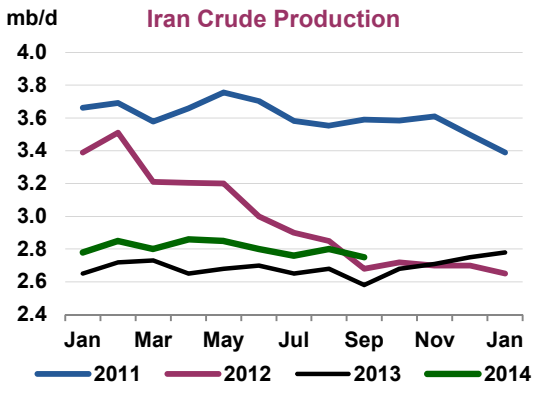
	Jul 2014 Supply	Aug 2014 Supply	Sep 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Sep 2014 Supply	Jan-Sep Average
Algeria	1.16	1.15	1.13	1.17	0.04	1.12
Angola	1.73	1.71	1.72	1.80	0.08	1.64
Ecuador	0.56	0.56	0.56	0.57	0.01	0.55
Iran	2.76	2.80	2.75	2.90	0.15	2.81
Iraq	3.15	3.11	3.31	3.40	0.09	3.27
Kuwait[2]	2.80	2.85	2.87	2.85	-0.02	2.81
Libya	0.42	0.53	0.78	0.85	0.07	0.39
Nigeria	1.85	1.84	1.85	2.00	0.15	1.90
Qatar	0.73	0.73	0.71	0.73	0.02	0.72
Saudi Arabia[2]	10.01	9.68	9.73	12.40	2.67	9.75
UAE	2.83	2.82	2.78	2.90	0.12	2.76
Venezuela[3]	2.48	2.48	2.48	2.60	0.12	2.47
Total OPEC	**30.46**	**30.24**	**30.66**	**34.17**	**3.51**	***30.07***
(excluding Iraq, Nigeria, Libya and Iran)					**3.05**	

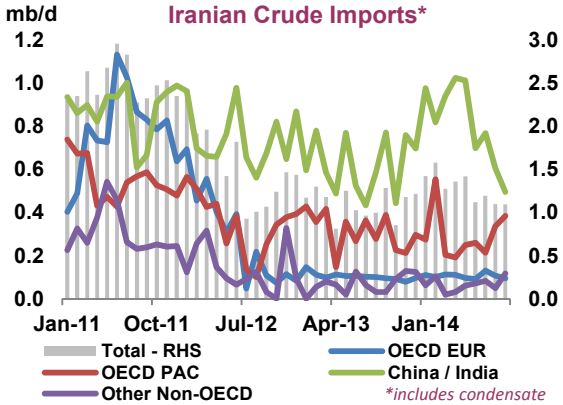
1 Capacity levels can be reached within 30 days and sustained for 90 days.

2 Includes half of Neutral Zone production.

3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in September.

Iran's crude production eased by 50 kb/d to 2.75 mb/d in September based on continuing reports of slower liftings to Asia. This suggests that the region's imports of Iranian crude during October could edge down from the slightly lower levels seen during August and September.





Preliminary figures show deliveries of Iranian crude to regular buyers in Asia fell below the nominal 1 mb/d limit set by Western powers under an interim deal to curb Iran's nuclear programme during both August and September. Total deliveries including condensate - ultra-light oil from Iran's South Pars gas project – held steady in September at roughly 1.1 mb/d versus August. But after stripping out condensate, imports of Iranian crude averaged 950 kb/d in September – up slightly on August deliveries of 890 kb/d. These figures are subject to revision.

Although purchases of Iranian crude tailed off in August and September, deliveries during the first nine months of 2014 – at 1.1 mb/d - were about 70 kb/d higher than the same period a year ago. Shipments of condensate averaged about 190 kb/d from January through September this year, up around 100 kb/d on the first nine months of 2013.

Top buyer China appears to have curbed imports again in September, according to initial data, with deliveries slipping to 290 kb/d versus 330 kb/d in August– sharply down on April's record 800 kb/d.

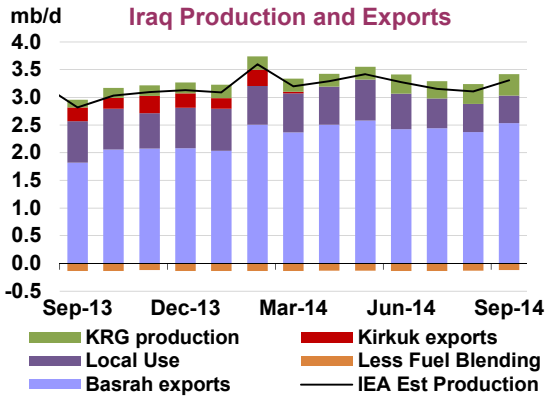
Iran's second biggest customer, India, took in 200 kb/d in September versus 270 kb/d in August. Japan raised its purchases by 50 kb/d to 250 kb/d, while deliveries into the UAE, which presumably are for re-export, rose by 65 kb/d to 85 kb/d. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.

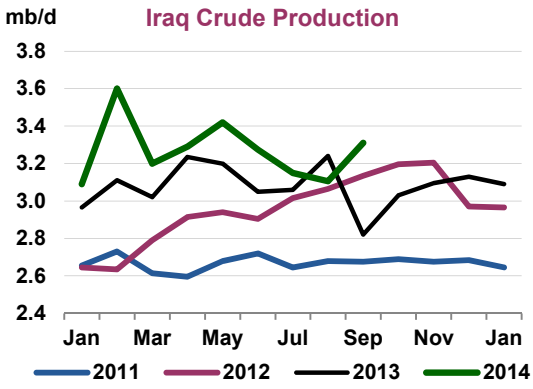
Upon receipt of complete OECD data, it appears that Italy imported about 20 kb/d of Iranian crude in July – the first delivery since the import of 100 kb/d in June 2012.

Diplomats from the US, Iran and the European Union are meanwhile due to start talks on 14 October in Vienna that are aimed at speeding efforts to secure a deal to end a decade-long dispute over Tehran's nuclear programme by a 24 November deadline. Iranian and Western diplomats say significant gaps remain over the scope of Iran's permissible uranium enrichment activity.

Total production from **Iraq**, including volumes from the Kurdistan Regional Government (KRG), rose to 3.31 mb/d – close to the 3.42 mb/d pumped in May before Islamist forces began their advance through the north of the country. Much of the 205 kb/d increase in September was due to a rebound in Basra Light exports from Iraq's giant southern oil fields, which lie far from the insurgency.

Bad weather, loading glitches and scheduling delays had restricted Basra Light shipments from Iraq's southern Gulf terminal to around 2.4 mb/d throughout the summer. But at 2.53 mb/d, September Basra Light shipments were just shy of record rates of 2.58 mb/d achieved in May. In theory, Baghdad should be able to surpass that level. With the help of international oil companies, Iraq has installed production capacity of more than 3 mb/d in the south. But logistical bottlenecks ranging from storage tanks to pumps are likely to limit export potential to around 2.7 mb/d in the near term.



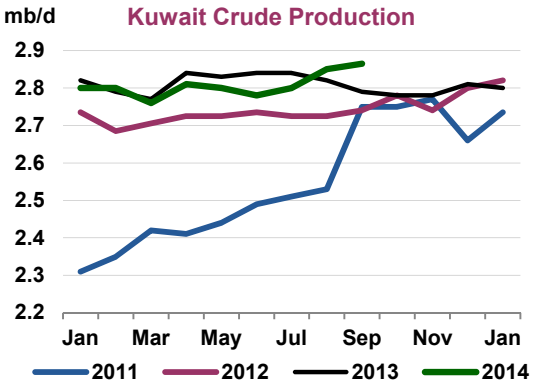


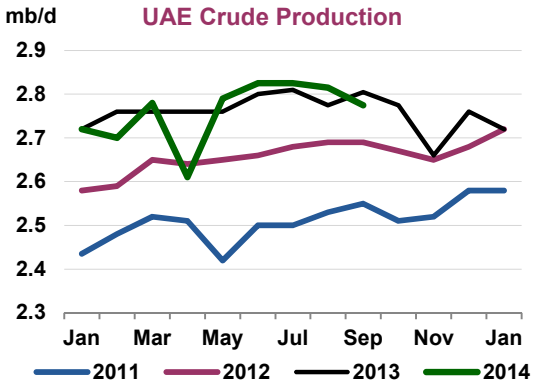
While the oil hub of Basra remains insulated from Islamic State militants for now, the insurgents' violent campaign has taken a toll on production in northern Iraq. The jihadists have turned the refinery at Baiji, Iraq's largest facility, into a battleground – forcing it off line and sharply reducing output by closing the major domestic outlet for crude from the giant Kirkuk field and its satellites. Additionally, exports of some 250 kb/d of northern Kirkuk crude have been shut in since early March after repeated sabotage by militants of the Baghdad-controlled Iraq-Turkey pipeline.

The launch of Western-led air strikes in August has, however, set back the Islamic State's smuggling operation for now (see *Islamist Oil Operations Set Back in Iraq and Syria*). And with the threat of militant attacks from neighbouring territory receding, international oil companies are sending back expatriate staff to the KRG region. Oil production had continued as normal even as the militants pushed towards the northern region in August. Output in September rose to about 380 kb/d versus around 360 kb/d in August. Shipments along the KRG's pipeline to Turkey rose to an average 180 kb/d in September versus 120 kb/d in August.

Shipments may climb higher this month as some additional oil is being pumped from Iraq's Kirkuk field and nearby Bai Hassan – now effectively controlled by the KRG and linked by a spur to the KRG pipeline. Around 20 tankers of Kurdish crude have loaded from Turkey's Mediterranean port of Ceyhan since the end of May, but the KRG is still finding it difficult to place its barrels, as Baghdad continues to contest the legality of the exports and warns off buyers. Iraq's central government says it has the sole right to market Iraqi crude.

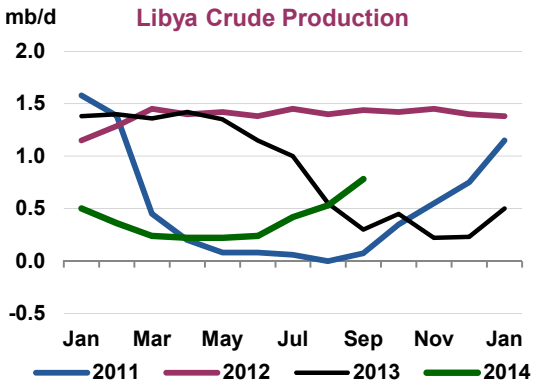
Qatar's output eased marginally to 710 kb/d in September, while production from the **UAE** slipped 40 kb/d to 2.78 mb/d. A recovery in output from the Neutral Zone shared between Kuwait and Saudi Arabia helped push up **Kuwaiti** supply to 2.87 mb/d in September. Production in the Neutral Zone had sunk towards 350 kb/d in August, but bounced back to 400 kb/d in September.





Libya's production recovery continues apace even as the country descends further into chaos**.** Output climbed 250 kb/d from August to reach 780 kb/d – the highest monthly level since July 2013 - even as rival armed factions battle for control over the North African producer. Big gains have been made since the end, in early July, of a year-long oil port blockade by rebels seeking more regional autonomy. Production surged briefly to 925 kb/d in late September - an impressive level compared to June's average 240 kb/d – and was holding above 800 kb/d in early October.

With only minor disruptions to oil operations since the rebound began, buyers of Libyan crude have grown more confident in the reliability of supply. Exports rose to 600 kb/d in September – up about 100 kb/d on August – and were running at roughly 770 kb/d in early October. Expectations are that shipments to world markets will go higher, provided ports stay open, as production of 1 mb/d is within sight. Libya's National Oil Corp. had targeted output of 1 mb/d for early October. The country's oil fields were producing 1.4 mb/d in early 2013 before protests and civil unrest caused output to sink below 200 kb/d.



There are, however, nagging doubts over the sustainability of Libya's recovery because the country's political situation remains extremely unstable. Highlighting the fragility of the North African producer's comeback, output slipped back below 900 kb/d in early October due to a protest at the Sirte oil company by local residents demanding jobs. And in mid-September, the El Sharara oil field in the southwest of the country was closed for nearly a week after fierce fighting near Tripoli led NOC to close the Zawiya export terminal and refinery, which are both linked to El Sharara, Libya's biggest oil field.

In **Algeria**, OPEC's other North African producer, flows eased to 1.13 mb/d in September. Despite Algiers' best efforts to attract new exploration spending, international oil companies signed up for just four of 31 exploration licenses offered in its fourth licensing round at the end of September. Companies had shown scant interest in the previous three rounds.

Angolan crude output inched up 10 kb/d on August to 1.72 mb/d as flows from Total's 160 kb/d deepwater Cravo, Lirio, Orquidea and Violeta (CLOV) project closed in on peak capacity in September. Crude production from **Nigeria,** which had suffered from sporadic loading disruptions, bumped up 10 kb/d from August to 1.85 mb/d. Both of these countries have significant absolute amounts of offshore crude oil output that has high production costs (see *A Glance at Breakeven Prices and World Oil Production*).

Supply from **Venezuela** and **Ecuador** remained steady in September at a respective 2.48 mb/d and 560 kb/d.

Islamist Oil Operations Set Back in Iraq and Syria

A Western-led air campaign over Iraq and Syria has for now weakened the Islamic State's oil network and cut back a vital source of fuel and funding for its offensive. A lightning sweep across northern Iraq this summer left the radical al-Qaeda offshoot in control of nearly 70 kb/d of oil output, mostly in Iraq.

But US-led sorties over northern Iraq, which began in early August, and Syria – which started in late September - are frustrating the jihadists' ability to operate oil fields and refineries and disrupting a smuggling operation that had raked in daily revenue estimated at between $1 million and $3 million.

Sunni militants are now thought to control about 20 kb/d of production, with most of that going into black market trade, according to the latest estimates from Western and Iraqi officials. In addition to the air raids, the Kurdistan Regional Government (KRG) and Turkey are cracking down on smuggling, further constricting the militants' revenues. Smuggling from Iraqi oil fields, which may have risen to a peak of close to 30 kb/d, was at the time of writing estimated at less than 10 kb/d, say Western and Iraqi officials.

Much of that black market oil is moving into small refineries in the area, they say. The radical militants also reportedly stole as much as 3 million barrels of oil this summer by draining down pipelines, storage tanks and pumping stations in northern Iraq.

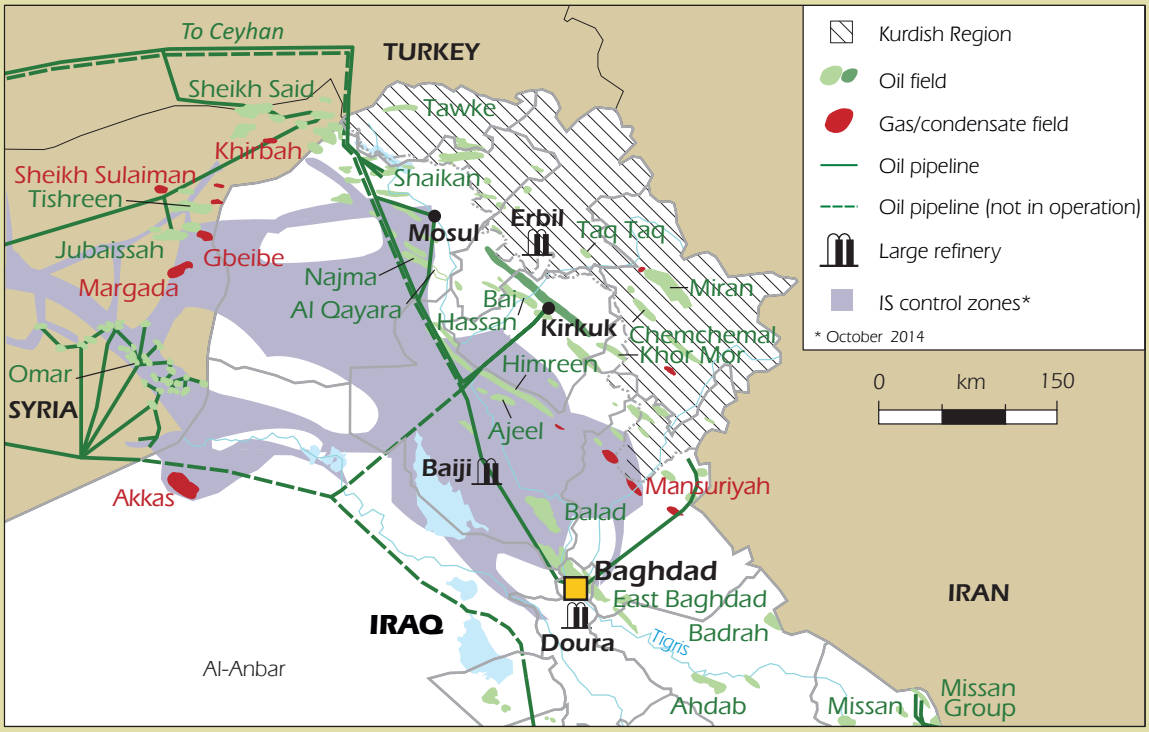
At its peak, most of the oil smuggled from Iraq was loaded from Ajeel – the Islamic State's prime asset - on tanker trucks and routed towards the northern Kurdistan region. Militants had been filling up about 120 tanker trucks a day – or close to 20 kb/d – from the field that lies 30 km from Tikrit, say Iraqi oil industry sources.

But the contraband operation was slowed to about 10 kb/d after Baghdad bombed Ajeel in early August, damaging the control room. Recent evidence suggests that only 10 trucks a day, or less than 2 kb/d have been loading.

The Islamist militants have also lost the Ain Zalah and Batma oil fields - captured during a push in August towards Kurdistan - after re-armed Kurdish Peshmerga and Iraqi forces reclaimed them. And the West's aerial bombing appears to have halted the jihadists' march towards Bai Hassan, one of the core producing fields in northern Iraq.

Despite these setbacks, Islamic State is believed to remain in control of the Iraqi oil fields of Qayara, Najma, Balad and Himreen – which between them pump about 10 kb/d. Operations, however, are being affected by continuous air strikes.

Islamist Oil Operations Set Back in Iraq and Syria (continued)



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

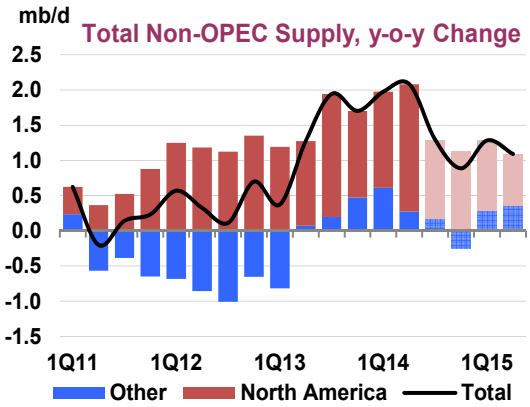
In Syria, the militants continue to control the Deir Az-Zour oil region, which includes the Omar field, Syria's largest. Latest estimates indicate that Islamic State-controlled output has fallen to less than 10 kb/d as a result of air strikes. A far more damaging loss was the destruction of dozens of "teapot" refineries by US, Saudi and Emirati airstrikes which has affected the militants' ability to fuel their vehicles and derive revenue from sales of diesel and gasoline.

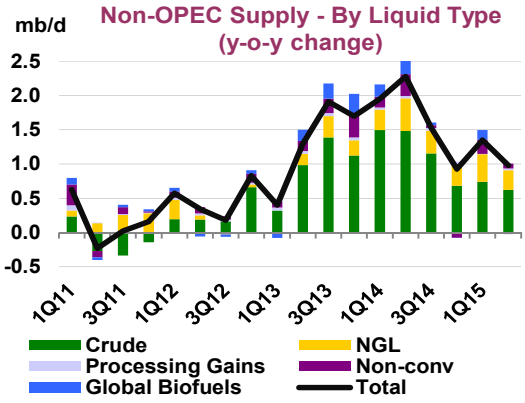
With their oil assets diminished, the militants are determined to gain access to additional sources of fuel and revenue. To that end, they are intensifying attacks on Iraq's largest refinery in Baiji, where elite Iraqi forces are standing guard. The 270 kb/d facility has been offline since the militants' early June offensive. Similarly, in Syria where much of the militants' refining capacity has been destroyed, the country's two refineries near Banias and Homs that remain under the Assad government's control may be targeted in the near future.

Non-OPEC Overview

Non-OPEC supply rose by 495 kb/d in September to 56.7 mb/d mainly due to the return of production following maintenance-related outages that spanned North America, the North Sea and the FSU. The US and UK were the largest contributors to the production rebound as both saw significant volumes return following heavy upkeep in August. In addition, the output of LTO rose apace in North Dakota and Texas. Russia also posted an increase of about 120 kb/d month-on-month (m-o-m), as Gazprom's condensate production recovered from seasonal declines in July and August and PSA operators boosted their output. Kazakhstan's oil supply also rose by about 55 kb/d during the month as the Tengiz field returned to normal operations following maintenance in August. Brazil continued its remarkable growth in supply that prevailed this summer at about 60 kb/d m-o-m following a brief respite in July.

Escalating violence in many areas continues to affect oil output, although the outages due to unrest increased only marginally. In Colombia, where two contractors who were working on the Caño Limón pipeline were killed, production was estimated at 990 kb/d, slightly lower compared with the August output. Violence in non-OPEC Middle East countries continues unabated, with new IS gains in Syria and the Houthi takeover of Sanaa.



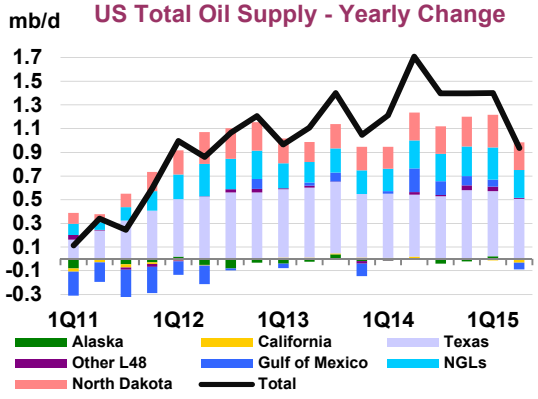


Recent oil price declines have triggered speculation about potential shut-ins in some of the higher-cost production areas, notably US light, tight oil (LTO) plays. An analysis of production costs and breakeven prices reveals that only a small percentage of current production in the US is at risk should Brent prices drop to around $80 per barrel for an extended period of time. LTO nevertheless requires new drilling to an unparalleled degree in order to maintain production growth (see *A Glance at Breakeven Prices and World Oil Production*). In fact, a relatively small percentage of total global production has breakeven prices above $80 per barrel (nominal Brent), including conventional, unconventional and deep offshore. But it's not just the price that may affect drilling and production rates: cash flow constraints may trigger drilling cuts in the US, where companies are reported to have been outspending their cash flow.

OECD

North America

US – September preliminary, Alaska actual, other states estimated: US crude oil production rose to 8.8 mb/d in September, an increase of about 215 kb/d m-o-m. Roughly half of the increase in crude oil output is due to the return of Alaska's production, which was curtailed by Prudhoe Bay maintenance the previous month. Alaska's crude oil production recovered to nearly 500 kb/d in September. LTO continues to bolster US production, rising an impressive 90 kb/d on the month. We expect that the Bakken LTO from North Dakota will average 1.1 mb/d in 4Q14, an increase of roughly 250 kb/d y-o-y. This forecast includes a winter-weather risk factor. Operational efficiencies from multi-well pad drilling are boosting Bakken output in the final quarter of the year as more than 70% of wells drilled in the formation are of the multi-well pad variety.



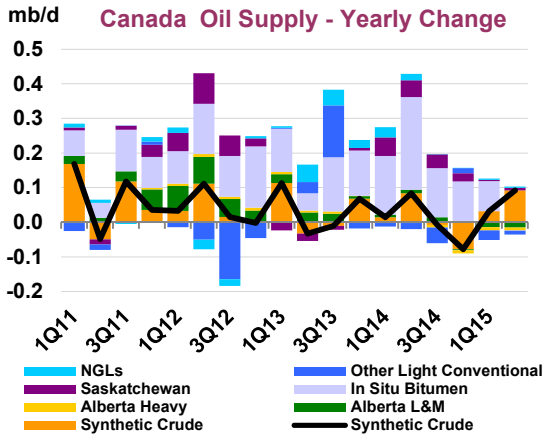
The Eagle Ford shale play in Texas is expected to produce 1.7 mb/d of LTO in 4Q14, nearly 500 kb/d higher than last year. This level of production will necessitate offsetting the steep natural declines at the formation by continuing to drill more wells and employing new recovery techniques. According to the US Energy Information Administration, horizontal drilling, hydraulic fracturing and the increased use of proppant (sand, ceramics or other material designed to keep a hydraulic fracture open) have increased initial production rates at the shale play, but are followed by a steeper drop in production in 2014 compared with previous years.

Gulf of Mexico (GOM) production averaged 1.3 mb/d in September, roughly unchanged m-o-m and we expect that production in the GOM will average at this level through the end of the forecast period. Natural declines are being offset by new projects, the latest of which started production in mid-September. Shell reported the start of new production at the Cardamom field offshore Louisiana, which is expected to peak at 50 kb/d. The Tubular Bells project, operated by Hess, also commenced production. Other new production expected to come online include Chevron's Jack-St. Malo project and Anadarko's Lucius among other developments.

Natural gas liquids (NGL) production, despite a slight seasonal decline to 2.9 mb/d in September, continues to grow apace and is about 230 kb/d higher than one year ago. We expect NGL production to average 2.9 mb/d in 2014 and 3.2 mb/d in 2015. NGL output has propelled the US to the top spot among the world's crude plus condensate plus NGLs producers. Total liquids output (excluding biofuels and processing gain) for September is estimated at almost 12.0 mb/d and the US continues to exceed Russia's and Saudi Arabia's production of total liquids. However, the US still produces less crude oil than both of those countries. We estimate that US total liquids production will be above 12.0 mb/d next month and remain above that threshold through December 2015.

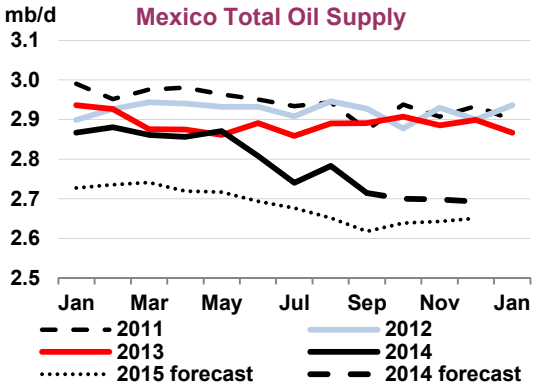
The continued rise in production across the US and in the Lower 48 states in particular, has led to the first Alaskan crude oil export in ten years. A cargo of Alaskan North Slope crude, which is exempt from oil export restrictions, was sent to South Korea as traditional takers of this crude on the US West Coast are now supplied by Lower 48 and Canada's production. Meanwhile, the US Department of Commerce has approved 163 crude oil export licences so far in FY2014, including 74 licences for Canada. Most of these were re-export licences, allowing only crude oil of foreign origin to be shipped out. Other countries that were granted re-export licences include UK (12), South Korea (8), China (5), Germany (5) and Spain (5) among others.

Canada – September estimated: Canada's total liquids production averaged almost 4.0 mb/d in September, about 100 kb/d lower than the previous month, mainly because of lower synthetic crude output. Production of crude oil and condensate, including bitumen, averaged slightly higher during the month at 2.5 mb/d. The lower September production figure was due to maintenance that affected numerous projects during the month. The Foster Creek project was undergoing maintenance for two weeks during the month, which took out roughly 55 kb/d of production. Conoco's Surmont project is also undergoing a five-week turnaround, affecting another 30 kb/d of production during the month. Furthermore, the upgrader at the Horizon Oil Sands project in Fort McMurray in Alberta continued to undergo maintenance for most of the month while the Long Lake upgrader was also offline. Finally, the Hibernia crude oil platform (offshore Newfoundland) was offline for two days. Increases in Canada's LTO and bitumen were not enough to offset all these maintenance-related declines.



Overall production for 2014 is expected to average 4.1 mb/d in 2014 and 4.3 mb/d in 2015. The y-o-y increase will be boosted by additional in-situ capacity, including steam-assisted gravity drainage (SAGD) projects. Foster Creek Phase F was completed in September and will add roughly 30 kb/d of oil sands production by the end of the forecast period. We expect Phase F to produce 5 kb/d in 4Q14. Meanwhile Devon Canada has filed a request with the Alberta Energy Regulator to construct and operate a SAGD project in the Cold Lake oil sands area. The company's Jackfish Phase 3 has been completed and we estimate that production from this phase will average about 5 kb/d in 4Q14 but will ramp up to 35 kb/d by the end of the forecast period.

Mexico – August actual, September preliminary: Mexico's production in August posted a slight increase compared with the month prior although preliminary data show that declines during September more than offset the August gains. Final August data show that Mexico's crude oil production averaged 2.4 mb/d, rising roughly 30 kb/d on the month. The overall increase was boosted by rising m-o-m production at the Cantarell field as well as the Ku-Maloob-Zaap fields. Despite this uptick in production, these legacy fields will continue to see declining y-o-y output with even newer fields such as Ligero now in decline.



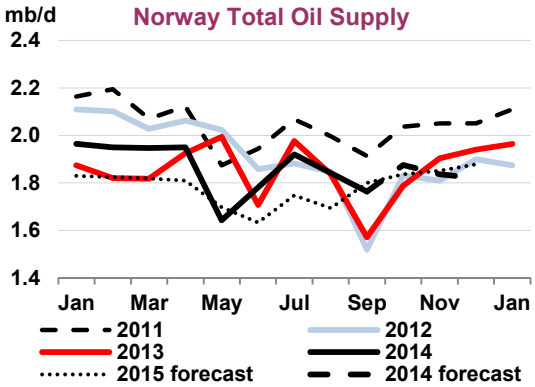
With production actuals already in for three quarters of this year, Mexico's crude oil output is expected to average 2.4 mb/d in 2014, while NGLs are expected to stay roughly flat at 350 kb/d. However, our crude oil projection is still higher than the new Pemex crude oil forecast of 2.35 mb/d. Our forecast is not adjusted for the recently revealed volume of water that may have been included in Pemex' production figures as Pemex has not yet reported revised historical data. According to CNH, the Mexican regulatory agency, water content could have been as high as 160 kb/d in the first six months of this year. The new 2014 Pemex production forecast does not seem commensurate with the first three quarters of data, unless there are revisions.

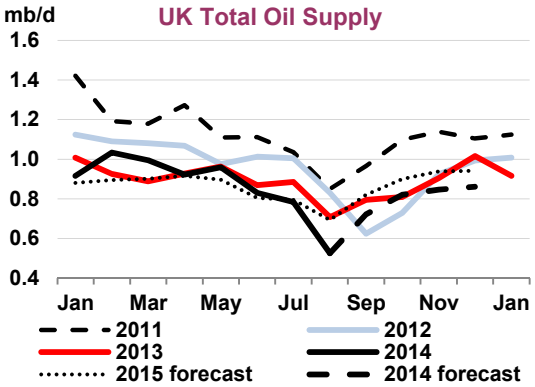
Mexico's government offered additional details on the opening of the upstream sector (see *'Mexico Energy Sector Reform Moves into Higher Gear'* in the September 2014 *Report*) in late September, announcing that it will invite bids for 169 fields of which 60 are already producing in addition to seeking joint ventures for Pemex. The areas available for bidding include shale plays, shallow and deepwater projects and will be offered in staggered bids starting in November.

North Sea

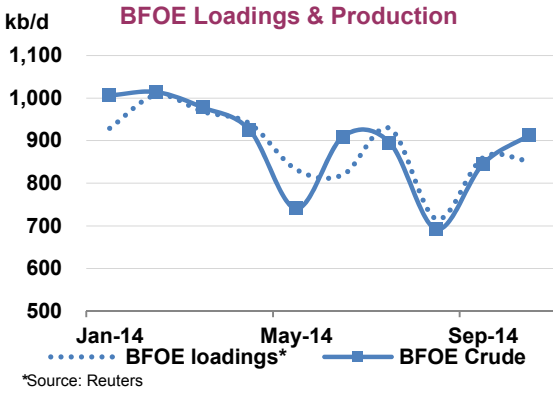
September estimates indicate that North Sea production has partly recovered from the August low as a number of maintenance projects came to a close. August production averaged 2.5 mb/d, the lowest monthly production in a year, while September rebounded to 2.7 mb/d with all of the North Sea producers indicating rising production compared with the previous month.

Norway – July actual, August preliminary: Production in August fell less than expected by about 80 kb/d to 1.8 mb/d mainly due to maintenance at Troll, Fram and Sklud fields. The Troll C platform outage lasted seven days. Norway's total liquids production is expected to average 1.9 mb/d in 2014, approximately flat compared with a year ago. Statoil began production from the Fram H-North (reserves of 10 mboe) and Svalin C (reserves of 30 mboe) fields in the North Sea in mid-September, which were developed under the company's fast-track field development program, which refers to standardised development for marginal fields.





UK – July actual, August preliminary: Oil output in August slumped to a record low of 525 kb/d due to an extended Forties outage and production problems at the Buzzard field. Estimates indicate that UK's production recovered somewhat during September, rising to about 720 kb/d. Buzzard outages continued into September but by the last week of the month the field was largely back online.



BFOE loadings are scheduled at 852 kb/d, slightly lower than the September revised loadings of 860 kb/d. Brent and Ekofisk volumes are expected to be lower than in September, with Brent loading at below 100 kb/d for the month. Although much of the production issues related to Buzzard have been resolved, we expect that BFOE production volumes will average about 910 kb/d in October, 70 kb/d higher m-o-m.

A Glance at Breakeven Prices and World Oil Production

With the recent decline of benchmark crude oil prices, the issue of high-cost production facing curtailment is again in the news. Has the outlook for prices changed of late such that new projects may not go forward, or might some current production be shut off if prices continue to decline, or reach a new equilibrium below the average of about $110/bbl for Brent in the period of 2011 through 2H14? Of course, new project decisions are made on the basis of expected rate of return over the life of the project, with oil prices but one (albeit a very important one) of many factors. Hence, producer companies must forecast, either implicitly or explicitly, oil prices in these decisions.

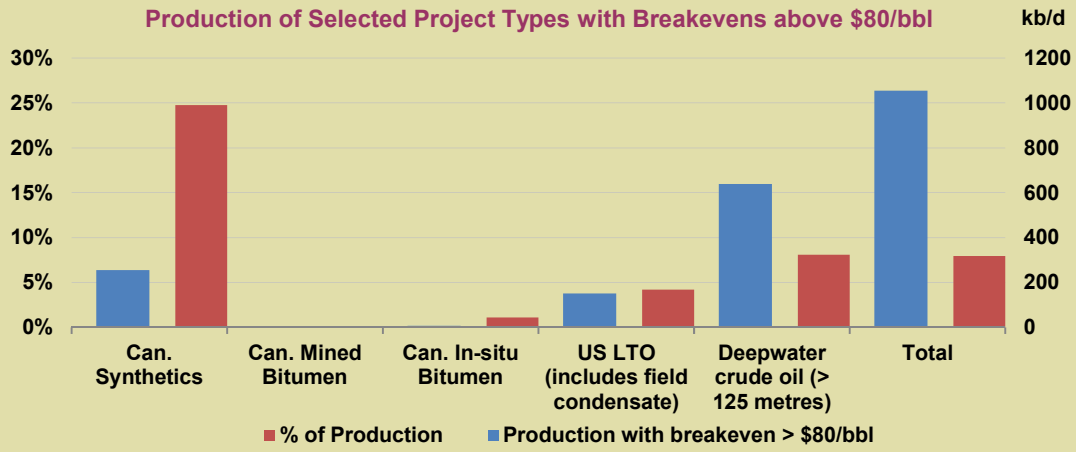
The IEA does not forecast short-term or medium-term oil prices, but we do look at current price levels to see whether there are any implications for production; to determine if any production types and locations would require a relatively high oil prices in order to sustain a positive rate of return. The price point at which net return turns positive (a positive net present value for the asset in question) is known as the breakeven price. Of course, for projects already in operation, considerations are more complicated. Development costs may already be paid for, such that marginal costs are the key consideration. In addition, there is the time factor: how long can a project sustain unprofitability before a decision is made to shut it off. This is also affected by expectations of future prices – in other words, whether prices are expected to rebound sufficiently within a feasible time in order to restore profitability.

Deepwater, oil sands, and oil from North American shale plays (light, tight oil) are widely considered to be those types of crude oil production most sensitive to lower prices. In other words, these projects have a higher "hurdle-rate" price. In 2008-09, when prices collapsed due to the global recession, capital expenditures on Canadian oil sands, for example, fell from $21 billion in 2008 to $14 billion in 2009, a 33% decline (Statistics Canada). With benchmark Brent at slightly below $90/bbl, and acknowledging that many crude grades receive a lower price because of quality issues and/or being stranded in North America because of infrastructure and regulatory issues, how much of these types of production needs an average price in excess $80/bbl (nominal Brent in a given time interval) in order to break even?

In utilising Rystad Energy data, one can see that in terms of production with breakevens exceeding $80/bbl, Canadian synthetics projects have the highest percentage of production of the types examined here (about 25%) that would fall into a negative net present value if there were to be an extended period of prices below that level. Canadian mined bitumen, of which there is currently only one project (Kearl 1), has a breakeven below $80/bbl. Canadian in-situ projects have an average lower than that mined bitumen, with the exception of a very small amount of current output that has a breakeven above $80/bbl. Regardless of the type of oil sands project, production costs are quite predictable, as the amount of wells on an in-situ steam-assisted gravity drainage (SAGD) project or the shovels of mined oil sands needed to generate the desired output level is quite constant. For SAGD projects, the intention is to maintain investment levels to fully take advantage of capacity of the steam plants; for synthetics projects the capacity of the upgrading units is the approximate desired plateau production level. The lack of decline over the lifetime of these projects and their predictable output has made them attractive investments despite higher costs. Still, new projects will

A Glance at Breakeven Prices and World Oil Production (continued)

have to make a careful forecast of oil prices, taking into account the findings of the Canadian Energy Research Institute: new mined bitumen projects will require $100/bbl to breakeven, whereas new SAGD projects will need $85/bbl. Canadian oil sands investment bank Peter & Co., however, has estimated that the breakeven on new SAGD bitumen projects is $75/bbl. Some planned projects with high costs have been cancelled or postponed of late, such as Statoil's Corner project. Producers must also be concerned about transport, as there is very limited access to markets beyond North America with current infrastructure.



Source: IEA analysis of Rystad Energy data

Synthetics projects would presumably require an even higher price, but there are no new synthetics projects under construction or planned, and only one new mined bitumen project planned, as Canadian producers have shifted into in-situ bitumen projects. Costs on these do vary significantly, with some current projects having breakeven prices slightly below $60/bbl at the low end. Interestingly, breakeven prices on the four Venezuelan upgrading projects (which take ultra-heavy crude, not just bitumen, for upgrading into synthetics) are lower than most Canadian oil sands projects.

As discussed in *Medium-Term Oil Market Report 2014*, a relatively small amount of US LTO production faces a breakeven price of higher than $80/bbl – just slightly more than 4% for this year. Technological and organisational improvements that have enabled faster drilling rates, greater drilling density, and higher new-well production have all been important to maintaining production in the face of increasingly-steep decline curves (such that there is almost none of the plateau period associated with conventional oil fields). These steep decline curves mean that production can fall quickly in the absence of new drilling. In other words, because LTO wells go into decline within a few months of coming online, no currently-producing wells need to be turned off in order for a decline to be observed in fairly short order. When drilling was impeded due to weather conditions on the Bakken shale play in the winter of 2013-14, oil production declined and then struggled to rise back up to the previous level for several months. Weather can halt drilling no matter the price level, of course, whereas lower price levels (or lower expected price levels) will affect new drilling more selectively. Likewise, companies' hedging strategies will affect their sensitivity to price changes. Nevertheless, little current LTO production with a breakeven above $80/bbl does not indicate future short-term production prospects the same way as for other types of crude oil production because of the need for new drilling. The producing companies will have to examine whether the new wells need higher prices to break even, and there is a range of speculation whether even $10/bbl lower prices in the future would significantly affect drilling rates, and hence, growth rates.

Deepwater production is more "conventional" than the previously-discussed items in terms of its production profile and response to price changes, though it too tends to be higher cost, and observed decline rates are faster than conventional onshore production. Higher costs come from the challenging operating environment – average exploration capex, capex, and opex costs for onshore conventional were about $20/bbl in 2013, whereas deepwater (>125 metres) had corresponding costs of about $56/bbl. Higher costs translate into higher breakeven prices on average. Operating companies tend to design projects to extract

A Glance at Breakeven Prices and World Oil Production (continued)

the oil from deepwater fields at higher rates because of financial factors arising from higher costs and longer lead times from discovery to the start of commercial production, such that there is a need to repay investments as quickly as possible. These higher initial production rates tend to lead to more rapid declines. This has important implications when considering the lifetime return of the project.

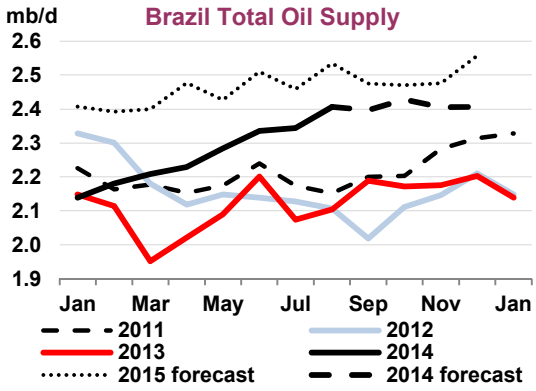
As noted, some 8% of deepwater crude oil production is adjudged to require a breakeven of $80/bbl or higher. For ultra-deepwater alone (>1500 metres), the results are, perhaps surprisingly, that very little of current output from those depths, less than 1%, requires such a breakeven price. Over 80% of ultra-deepwater production is offshore Brazil and in the US GOM, where greater cost discipline has occurred on these cutting- edge projects, and relatively few have reached the latter stages of decline. Places where significant production with breakevens above$80/bbl include deepwater offshore Angola, Brazil, Norway, and the UK.

Overall, about 8% of these types of production requires Brent above $80/bbl to breakeven, totalling some 1.05 mb/d. This is about 1.1% of global liquids production. It must be pointed out, however, that there is sprinkling of high-breakeven crude oil projects throughout the world, though some of these are due in part to high government take. Places as diverse as onshore China (some 135 kb/d), Indonesia (onshore and shallow-water, some 150 kb/d), offshore shallow-water Malaysia (some 85 kb/d), Nigeria (onshore and shallow offshore, some 200 kb/d), conventional onshore US (some 80 kb/d), shallow-water UK (some 75 kb/d), and onshore conventional Russia (some 160 kb/d) have significant amounts of high-breakeven production. All told, roughly 2.6 mb/d of world crude oil production comes from projects with a breakeven price in excess of $80/bbl.

Non-OECD

Latin America

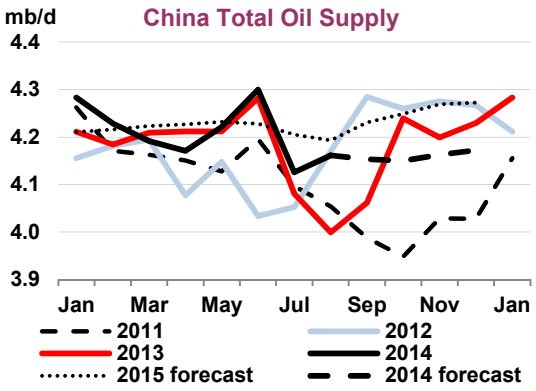
Brazil – August actual: Following a brief slowdown in Brazil's production growth in July, August crude oil production rose by about 60 kb/d to above 2.3 mb/d. As was the case in recent months, production was boosted by increases in Roncador and Lula output, with newly installed facilities providing continued growth support. Eleven new wells were connected during the month and production rose as Roncador P-55 and P-58 on the Parque das Baleias complex increased output, along with an increase in output at the Cidade de Paraty FPSO. Pre-salt production averaged a record-high of 533 kb/d. These increases were enough to offset maintenance related outages during the month, which averaged roughly 30 kb/d. Brazil's crude oil production is expected to average 2.2 mb/d in 2014 and rise to 2.4 mb/d in 2015. Chevron plans on resuming its drilling operations at the Frade field near the end of our forecast period. This would be the first time that Chevron has drilled at the field since the March 2012 drilling accident that resulted in oil seepage and subsequent suspension of Chevron's activities at the field.



Brazil's National Petroleum Agency (ANP) announced that it expects to publish new rules on oil field development by the end of this year. The new rules will address royalty payments and define what constitutes an oilfield, among other issues. The oilfield definition in particular is important, as this will determine the amount of royalties and taxes a developer will have to pay. Separate oil fields that produce from the same reservoir trigger a special tax and royalty rate. ANP and Petrobras were embroiled in a dispute over the Lula, Cernambi and Parque des Baleias projects and whether these fields should be delineated into multiple areas. Petrobras, the most indebted publicly-traded company in the world, is particularly sensitive to higher taxes and royalties as the company could be liable for more than $20 billion in payments to various layers of government over the life of the development should Lula remain defined as one field.

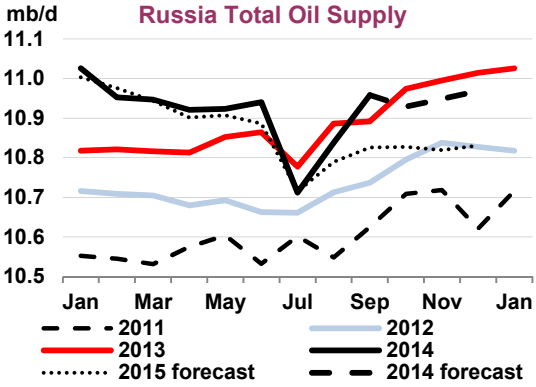
Asia

China – August actual: China's oil output inched up by less than 35 kb/d on the month to 4.1 mb/d, with production continuing to hover at low levels. Nearly all of China's production is crude oil, though the crude oil figure includes roughly 90 kb/d of field condensate. The increase in August was not sufficient to offset a mysterious 175-kb/d decline in July. Production at China's largest oil fields, Daqing and Changqing, was roughly unchanged compared with last month, but offshore oil production saw an increase of roughly 30 kb/d since July. Meanwhile, CNOOC announced that its Wenchang 13-6 oil field became operational in late August/early September. The field is located in the South China Sea and has a total of 12 wells. Five wells have commenced production during the initial start-up. China's oil production is expected to remain flat y-o-y at 4.2 mb/d in 2014.



Former Soviet Union

Russia – August actual, September preliminary: Russia's September total liquids production averaged more than 10.9 mb/d, roughly 120 kb/d higher m-o-m and the highest since January. The rebound in production occurred amid a continuing decrease in maintenance projects. However, average 3Q14 production was roughly 20 kb/d lower than 3Q13, the first time such a y-o-y decline has occurred since 4Q08. We expect that 4Q14 will also see a fall in production compared with one year prior, although we still expect total 2014 output to be higher than 2013.



The latest round of sanctions by the US and EU, announced in mid-September, target a number of Russian companies and prohibit US and EU companies from exporting goods, services or technology in support of exploration or production of Russia's deepwater, Arctic offshore or shale projects. The Russian companies targeted by the technology sanctions include Gazprom, Lukoil and Rosneft among others, while Gazprom Neft, Rosneft, Novatek and Transneft were targeted by sanctions related to financing and equipment for deepwater, Arctic and shale oil projects. The new measures also include a ban on international financing over 30 days to Russia's energy companies. Following the implementation of new sanctions, Total announced that it is postponing its joint venture with Lukoil for tight oil development in Western Siberia due to the sanctions. ExxonMobil also suspended its participation in a joint venture with Rosneft after drilling the University well in Kara Sea and hitting first oil. ExxonMobil is also suspending joint work with Rosneft in the Bazhenov oil shale play.

Although western companies were quick to align their operations in Russia with US and EU sanctions, some oilfield service companies are finding ways to remain active in what is a very profitable and attractive environment for many of them. These "workarounds" include registering a Russia-based subsidiary or affiliate or replacing all US and EU workers with Russians. In one such manoeuvre, a service company reportedly withdrew all of its US and EU employees and replaced them with Russian nationals, continuing its work with Rosneft, Lukoil and Gazprom Neft.

Russia's short-term production is not likely to sustain an immediate impact from the latest sanctions but they may severely hamper Russia's ability to revitalise its oil sector and offset declines in legacy fields and ensure oil production growth past the forecast period. Total liquids production in 2015 is projected

to average 10.9 mb/d, a decline y-o-y due to underlying trends that are made more difficult to overcome in the current environment.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	3Q2013	4Q2013	1Q2014	2Q2014	Jun 14	Jul 14	Aug 14	Latest month vs. Jul 14	Latest month vs. Aug 13
Crude											
Black Sea	1.81	1.78	1.75	1.78	1.74	1.65	1.56	1.61	1.47	-0.14	-0.23
Baltic	1.67	1.57	1.44	1.58	1.33	1.46	1.31	1.30	1.29	-0.01	-0.03
Arctic/FarEast	0.65	0.80	0.81	0.82	0.88	1.18	1.20	1.17	1.19	0.02	0.41
BTC	0.66	0.64	0.65	0.61	0.58	0.59	0.64	0.74	0.68	-0.07	-0.02
Crude Seaborne	**4.79**	**4.80**	**4.65**	**4.79**	**4.53**	**4.88**	**4.72**	**4.82**	**4.63**	**-0.19**	**0.13**
Druzhba Pipeline	1.08	1.03	1.06	1.05	1.01	1.00	0.93	0.98	1.00	0.02	-0.04
Other Routes	0.52	0.56	0.56	0.60	0.71	0.38	0.38	0.44	0.35	-0.08	-0.19
Total Crude Exports	**6.39**	**6.39**	**6.27**	**6.44**	**6.26**	**6.26**	**6.03**	**6.24**	**5.85**	**-0.39**	**-0.24**
Of Which: Transneft[1]	4.22	4.07	3.98	4.07	3.95	4.02	3.78	3.80	3.75	-0.06	-0.03
Products											
Fuel oil[2]	1.72	1.62	1.68	1.44	1.63	1.75	1.71	1.70	1.51	-0.19	-0.16
Gasoil	0.79	0.84	0.81	0.73	1.04	1.00	1.03	0.91	0.84	-0.08	0.03
Other Products	0.44	0.50	0.53	0.53	0.64	0.61	0.59	0.53	0.56	0.03	0.01
Total Product	**2.95**	**2.97**	**3.02**	**2.70**	**3.31**	**3.37**	**3.33**	**3.14**	**2.90**	**-0.24**	**-0.12**
Total Exports	**9.34**	**9.36**	**9.29**	**9.14**	**9.56**	**9.63**	**9.36**	**9.38**	**8.75**	**-0.63**	**-0.35**
Imports	0.09	0.08	0.10	0.09	0.07	0.07	0.07	0.08	0.08	0.00	-0.03
Net Exports	**9.25**	**9.29**	**9.20**	**9.05**	**9.49**	**9.56**	**9.29**	**9.30**	**8.67**	**-0.63**	**-0.32**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

FSU net exports plunged to 8.7 mb/d in August, their lowest level since November 2008. The 630 kb/d monthly drop was led by crude exports which fell to 5.9 mb/d (-390 kb/d m-o-m) after shipments from outside Russia were curtailed. The largest monthly decreases were noted on the BTC pipeline which dropped to 680 kb/d (-70 kb/d). Flows through the Kenkiyak – Alashankou pipeline dropped by 80 kb/d to 210 kb/d, although this was due to a fall in Kazakh volumes rather than Russian transit shipments which remained at close to 140 kb/d. Meanwhile, CPC volumes fell by 40 kb/d to 860 kb/d but remain comfortably above year ago levels. Russian exports remained seasonally low, as high domestic demand for crude from Russian refiners (Russian refinery throughputs breached 6.0 mb/d for the first time in August) reduced the volumes available to be delivered abroad (see *Refining*).

Despite record-high Russian refinery throughputs, refined product exports dropped by 240 kb/d m-o-m to 2.9 mb/d in August. Nonetheless, both gasoil and light distillates exports remained above year-earlier levels while fuel oil shipments are now below year-ago levels. This follows the commissioning of a number of new desulphurisation units at a number of Russian refineries aimed at increasing the production of high value motor fuels compliant with western environmental legislation.

Export infrastructure is currently catching up with the increased production of these fuels and consequently Baltic ports are currently undergoing a rebalancing of product shipments. Following the conversion of Primorsk to a 'ULSD only' terminal the beginning of 2014, Russian diesel exports are being exported via the terminal at the expense of other terminals. However, a number of non-Russian terminals have plans in place to respond to the extra volumes of high quality fuel and to win business back from Russian ports. Notably, the Latvian port of Ventspils, which saw gasoil shipments drop by 25% y-o-y over the summer, is converting a product pipeline supplying the port to take ULSD. Upon the project's completion in 2015, the terminal should become more competitive, especially during mid-winter when Russian Baltic ports typically ice over. Nonetheless, these terminals will face an uphill task as gasoil shipments via Primorsk are likely to maintain their impressive growth over the next couple of years. Reports suggest that one of the BPS-1 crude pipelines feeding the post could be switched to carry ULSD, which could see exports hitting 470 kb/d in 2016 from the 210 kb/d currently delivered.

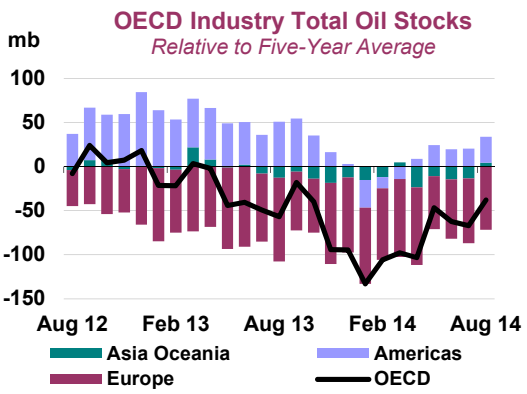
OECD STOCKS

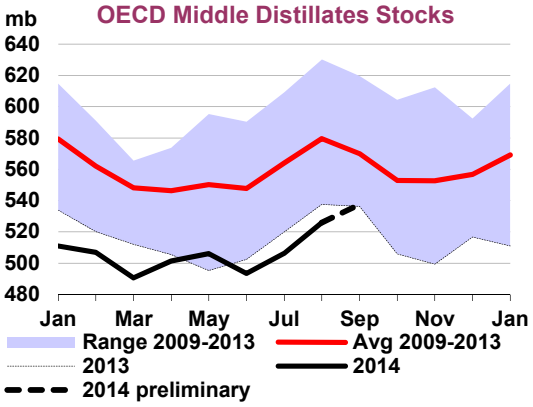
Summary

- **OECD commercial total oil inventories surged by 37.7 mb over August, to 2 698 mb**. The deficit of inventories versus five-year-average levels narrowed to 38.1 mb at end-August from 67.1 mb one month earlier. The deficit is now at its narrowest since September 2013.

- **Commercial inventories of refined products covered 30.5 days of forward demand at end-August**, 0.9 days above end-July after stocks of 'other products' and middle distillates built by a combined 41.3 mb. Crude oil stocks declined by 9.7 mb, in line with seasonal trends.

- **Preliminary data indicate that inventories rose counter-seasonally by 14.0 mb over September** after middle distillates built by a steep 11.7 mb.





OECD Inventory Position at End-August and Revisions to Preliminary Data

OECD commercial inventories continued to rebuild in August, surging by 37.7 mb to 2 698 mb at end-month. While inventories continue to lag average levels, at end-August the deficit shrank to 38.1 mb, its narrowest since September 2013 and a significant decrease from 67.1 mb at end-July.

Preliminary Industry Stock Change in August 2014 and Second Quarter 2014

	August 2014 (preliminary) *(million barrels)*				August 2014 (preliminary) *(million barrels per day)*				Second Quarter 2014 *(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-4.6**	**-7.8**	**2.8**	**-9.7**	**-0.15**	**-0.25**	**0.09**	**-0.31**	**0.08**	**0.06**	**-0.05**	**0.08**
Gasoline	-2.8	4.4	-1.3	0.3	-0.09	0.14	-0.04	0.01	-0.07	-0.09	-0.01	-0.18
Middle Distillates	1.5	8.6	9.5	19.6	0.05	0.28	0.31	0.63	0.06	-0.01	-0.02	0.03
Residual Fuel Oil	2.0	0.5	1.2	3.6	0.06	0.02	0.04	0.12	0.01	0.08	0.00	0.09
Other Products	14.8	3.3	3.6	21.7	0.48	0.11	0.12	0.70	0.51	0.02	-0.01	0.52
Total Products	**15.5**	**16.8**	**13.0**	**45.2**	**0.50**	**0.54**	**0.42**	**1.46**	**0.51**	**-0.01**	**-0.04**	**0.47**
Other Oils[1]	-1.0	1.9	1.2	2.1	-0.03	0.06	0.04	0.07	0.19	-0.01	0.02	0.20
Total Oil	**9.8**	**10.9**	**17.0**	**37.6**	**0.32**	**0.35**	**0.55**	**1.21**	**0.78**	**0.04**	**-0.07**	**0.75**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Surging refined products holdings (+45.2 mb) pushed total stocks higher as OECD refinery runs continued on their upward trajectory, posting a 600 kb/d month-on-month rise in August. 'Other products' and middle distillates led the build. As with July, 'other products' inventories continued to increase at a faster clip than in 2013 and by end-August stood at a record level of close to 390 mb. Despite the steep monthly rise, the restocking of middle distillates remains underwhelming with only 9 mb added since end-2013. At end-August, middle distillates remained 11.6 mb and 53.8 mb below a year-ago and the five-year average, respectively. By end-month, refined products covered 30.5 days of forward demand, 0.9 days above end-July.

The increased refinery activity saw crude oil stocks drawn down by nearly 10 mb. In Europe stocks dropped (-7.8 mb) from their previously lofty levels while in OECD Americas they retreated by 4.6 mb as, despite a minor monthly decrease, runs there remained 300 kb/d above year-ago levels. Some offset was provided by OECD Asia Oceania (+2.8 mb) where Japanese and Korean crude imports posted month-on-month gains, outpacing rising runs.

Following the receipt of more complete data, July OECD total oil stocks are now seen 10.3 mb lower than published in last month's *Report*. The downward revision was centred on OECD Europe after downward adjustments to Germany (-11.8 mb), the Netherlands (-7.7 mb), Italy (-3.9 mb) and the UK (-3.1 mb). Therefore the region's 14.6 mb July stock build published in last month's *Report* is now seen as a steep 7.8 mb draw. Some offset was provided by 11.3 mb and 6.0 mb upward adjustments to OECD Americas and OECD Asia Oceania, respectively. Taking into account the additional 4.5 mb downwards revision to June data, the July OECD inventory build has been tempered to 9.7 mb, shallower than the 15.5 mb presented in last month's *Report*.

Revisions versus 11 September 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Jun-14	Jul-14	Jun-14	Jul-14	Jun-14	Jul-14	Jun-14	Jul-14
Crude Oil	**-1.7**	**4.4**	**-3.2**	**-18.2**	**1.1**	**6.2**	**-3.9**	**-7.5**
Gasoline	0.0	-1.2	0.0	-1.2	-0.4	-1.0	-0.4	-3.4
Middle Distillates	0.0	1.3	-1.9	-3.9	-0.4	0.5	-2.4	-2.1
Residual Fuel Oil	0.0	1.5	0.0	-1.2	0.1	0.0	0.1	0.3
Other Products	0.0	-3.2	0.0	-0.4	0.0	0.4	0.0	-3.1
Total Products	**0.0**	**-1.6**	**-1.9**	**-6.7**	**-0.7**	**-0.1**	**-2.6**	**-8.4**
Other Oils[1]	1.9	8.4	0.0	-2.6	0.0	-0.1	2.0	5.7
Total Oil	**0.2**	**11.3**	**-5.2**	**-27.5**	**0.4**	**6.0**	**-4.5**	**-10.3**

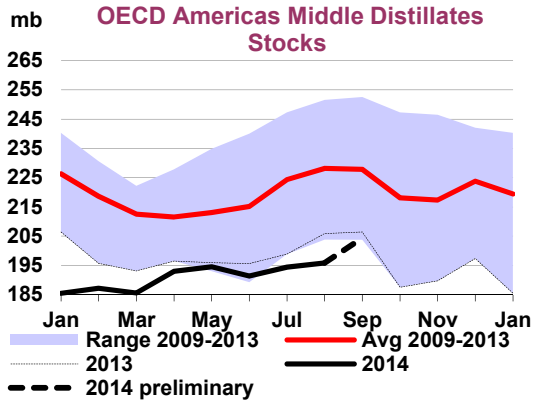
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

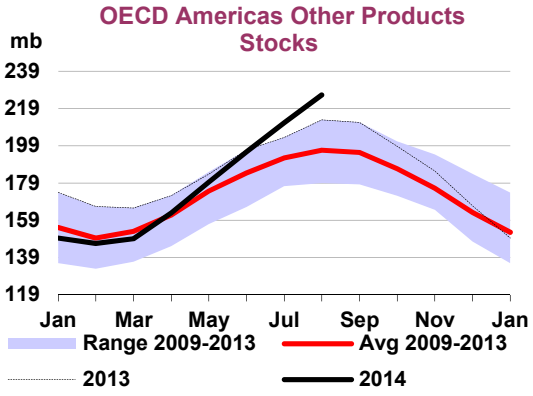
Preliminary data indicate that inventories rose by 14.0 mb over September. Since this was in sharp contrast to the 8.8 mb five-year average draw, the deficit of stocks to average levels more than halved to 15.4 mb, its smallest since April 2013. Refined products (+11.9 mb) led stocks higher, with almost all of the build accounted for by middle distillates (+11.7 mb) which increased counter-seasonally. Since this continued recent builds, the deficit of middle distillates to average levels now stands at 32 mb, its slimmest in 12 months. Crude oil stocks remained stable, inching up by 0.2 mb over the month. The bulk of the build in total oil was centred on the OECD Americas (+11.7 mb) while stocks in OECD Europe and OECD Asia Oceania inched up by 1.7 mb and 0.7 mb, respectively. If these data are confirmed by subsequent, more complete data, 3Q14 OECD inventories will have risen by 61.4 mb (670 kb/d) thereby bringing the total build since the turn of the year to 145 mb.

Recent OECD Industry Stock Changes

OECD Americas

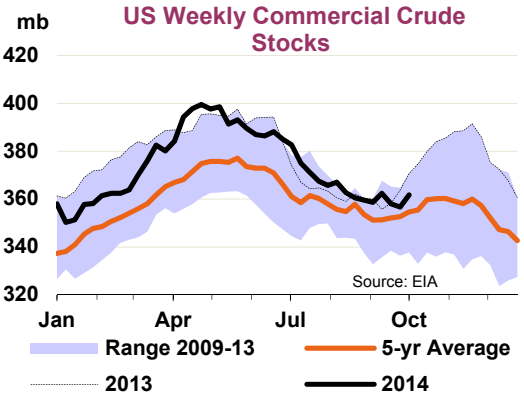
Commercial oil inventories in OECD Americas continued their upward trajectory, adding 9.8 mb in August. Persistently high refinery activity saw crude oil, NGLs and other feedstocks draw by a combined 5.7 mb which was more than offset by a 15.5 mb build in refined products. Despite regional crude oil holdings being drawn by 23 mb since their recent May peak, they still remain 4 mb and 22 mb above last year and five-year average, respectively, amid high domestic production. Refined products covered 29.4 days at end-August, 0.7 days above end-July.

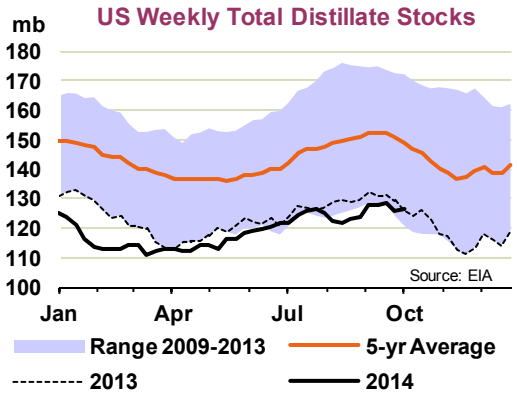




The bulk of the 15.5 mb increase in refined products came from 'other products' (+14.8 mb), the majority of which are processed at NGL processing plants which fall outside the refining system. The seasonal replenishment of LPG and ethane inventories continues to exceed the levels posted in previous years amid healthy year-on-year NGL production growth in the US. At end-August, regional 'other products' holdings stood at a record 226 mb, 23 mb above twelve months earlier.

Stripping out the 'other products' category, refined product stocks only added 0.6 mb in August. This likely reflects in part high levels of product exports. Indeed, preliminary weekly trade data from the US Energy Information Administration (EIA) suggest that exports of refined products (net of propane) hit 3.1 mb/d in August, 300 kb/d above a year-ago, the same yearly increase seen in refinery output.



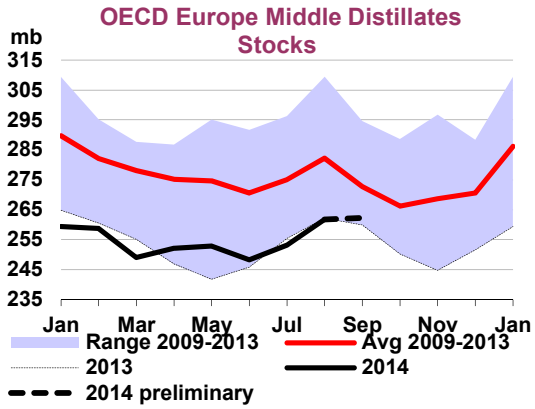


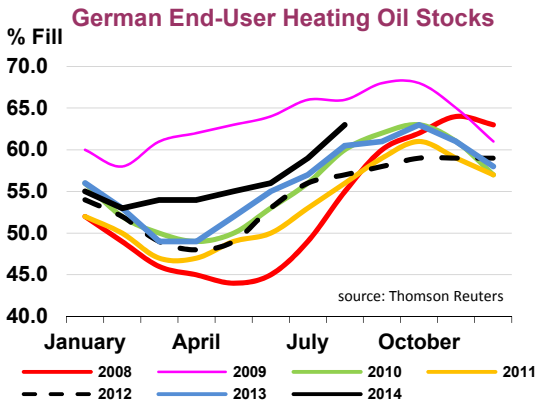
Preliminary weekly data from the EIA indicate that commercial total oil inventories rose by 11.7 mb in September, nearly twice the 5.9 mb five-year average build for the month. Refined products (+10.8 mb) led total stocks higher. In contrast to previous months, the build was not concentrated in 'other products', stocks of which gained only 3.5 mb m-o-m. Middle distillates holdings climbed by 8.5 mb, considerably steeper than the 0.3 mb five-year average build. This saw US middle distillate holdings move above year-ago levels for the first time in 2014 while the deficit versus seasonal levels narrowed to 24.1 mb at end-September from 31 mb one month earlier. Crude oil stocks remained stable (-0.1 mb m-o-m) after a draw in PADD 3 was counter-balanced by builds in PADDs 2 and 5.

OECD Europe

OECD European oil stocks posted a 10.9 mb increase in August as a steep 16.7 mb rise in refined products more-than-offset a 7.8 mb fall in crude oil. A 500 kb/d hike in refinery runs drew crude stocks as refiners took advantage of margins reaching their highest level in 18 months. All refined product categories posted builds to leave refined product cover at 36.8 days, 1.2 days above end-July.

With the contango in the ICE gasoil contract steepening over August, stockholders added to their inventories with middle distillates posting their second consecutive monthly build (+8.6 mb) to sit at 262 mb by month-end, level with a year earlier but 20 mb below the five-year average. With prompt gasoil prices sitting at their lowest levels since 2012, German residential consumers continued to restock, with tank fill reaching 63% of capacity (+4% m-o-m), its highest level for the time of year since 2009. Meanwhile, motor gasoline inventories built counter-seasonally (+4.4 mb) amid reports of low transatlantic exports while 'other products' and fuel oil increased by 3.3 mb and 0.5 mb, respectively.

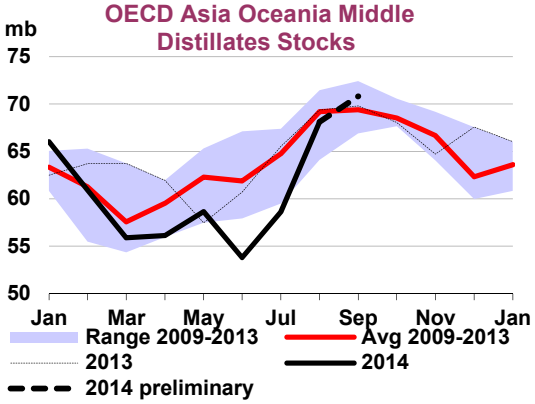


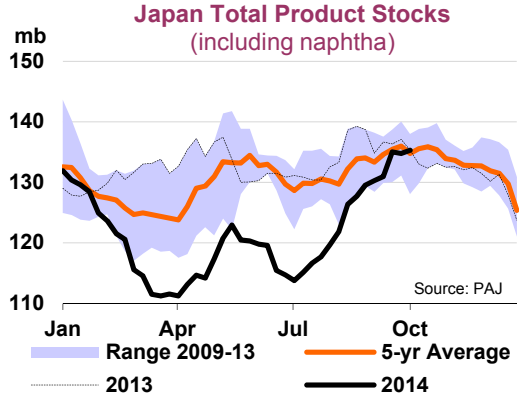


Preliminary data from Euroilstocks indicate that European inventories rose counter-seasonally by 1.7 mb during September after crude stocks posted a 4.2 mb build as regional runs dropped by 260 kb/d. Refined products drew by 2.6 mb, led by fuel oil which fell by 3.6 mb amid reports of an open arbitrage to ship product to Asia. Middle distillates (+0.5 mb) edged up counter-seasonally with the contango in European gasoil markets deepening over the month. By end-September, the deficit of middle distillates to average levels had narrowed to 10.4 mb, the smallest for two years.

OECD Asia Oceania

Inventories in OECD Asia Oceania climbed by a steep 17 mb in the wake of a 13 mb surge in refined product inventories. Regional crude oil stocks posted a surprise 2.8 mb build despite increases in Japanese and Korean throughputs. On the product side, middle distillate inventories posted the most eye-catching build (+9.5 mb), steeper than the 4.5 mb five-year average build. This saw middle distillate stocks surge back into the seasonal range to stand slightly below last year and the five-year average. Both fuel oil (+1.2 mb) and 'other products' (+3.6 mb) posted builds while motor gasoline dropped seasonally by 1.3 mb. All told, refined product cover increased by 1 day on the month to 22.4 days at end-August.

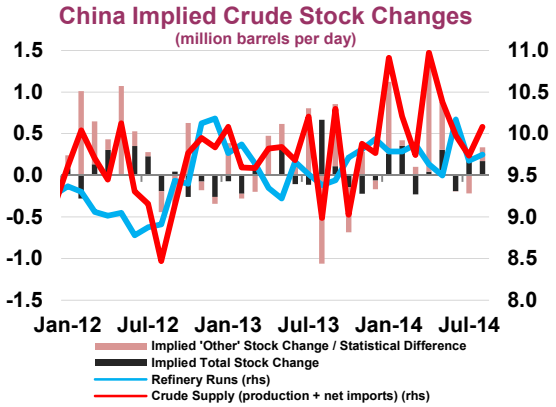


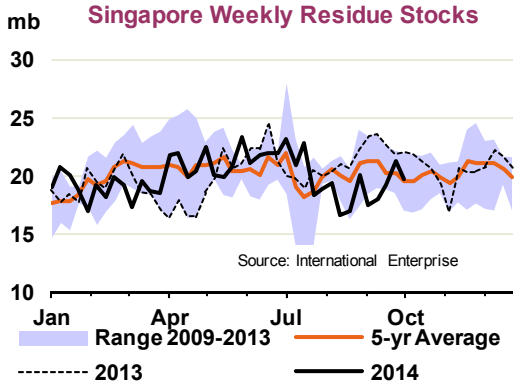


According to preliminary weekly data from the Petroleum Association of Japan (PAJ), Japanese commercial oil inventories inched up by 0.7 mb during September after a 3.0 mb drop in combined stocks of crude oil, NGLs and feedstocks was more-than-offset by a 3.7 mb rise in refined products. Middle distillates continued their recent builds, adding 2.7 mb, considerably steeper than the 0.4 mb five-year average build. By end month, the deficit of Japanese middle distillate inventories versus average levels had more than halved to 1.5 mb from 3.8 mb at end-August.

Recent Developments in Singapore and China Stocks

Monthly percentage stock change data from *China Oil, Gas and Petrochemicals* (*China OGP*) suggest that commercial crude inventories rose by an equivalent 5.3 mb in August after crude supply (production plus imports) outpaced refinery throughputs for a second consecutive month. China may also have added to its strategic crude petroleum reserve over August; the reported commercial stock build is only approximately half of the 10.4 mb total build suggested by the 'gap' between crude supply and refinery runs. Commercial refined product stocks fell by 10.1 mb over the month, led lower by an 8.1 mb plunge in gasoil holdings as the country returned to being a net exporter amid lacklustre domestic demand.





According to weekly data from *International Enterprise*, on-land refined product inventories in Singapore grew by 1.1 mb in September to stand level with a year earlier. A 1.2 mb build in residual fuel oil stocks drove the increase after the arbitrage to draw in product from the Atlantic Basin remained wide. By end-month, residual fuel holdings sat level with the seasonal average but 2.3 mb below a year-earlier. In contrast, stocks of light distillates dropped by 0.3 mb after a number of unscheduled outages in non-OECD Asia curtailed gasoline supplies while reportedly, less naphtha was imported from Europe.

Singapore Oil Storage Bursting at the Seams

Singapore has remained at the forefront of Asian oil trading and storage for the last twenty years, utilising its location at the mouth of the Strait of Malacca, the slim channel between Indonesia and Malaysia, which serves as the main route for oil tankers voyaging between the Middle East and East Asia.

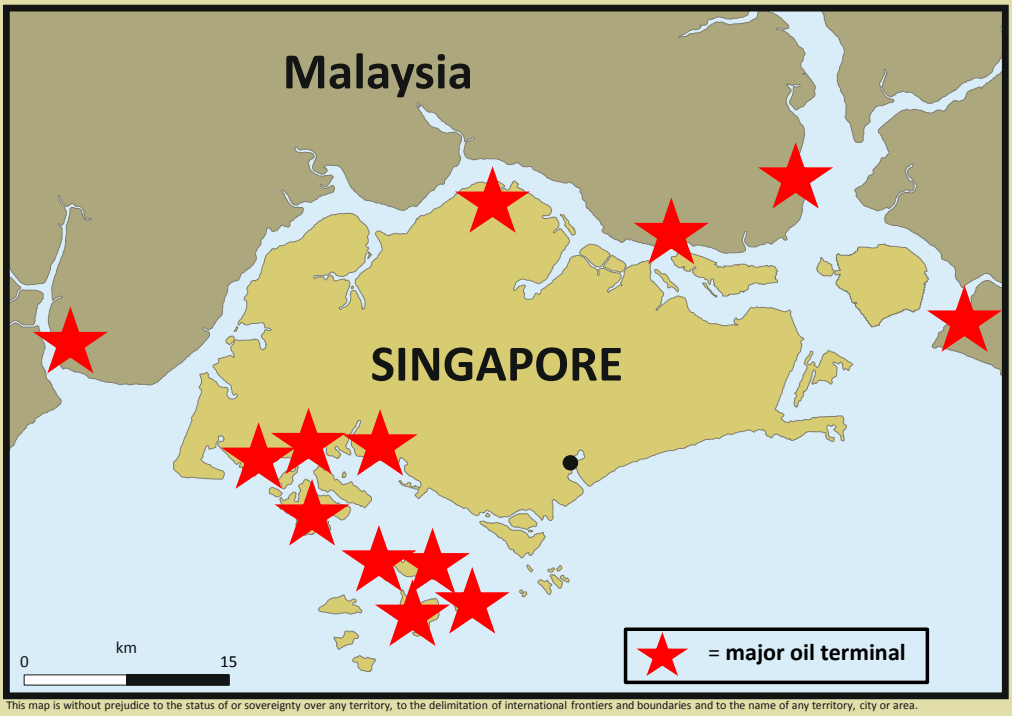
Storage capacity within the republic is now thought to be in the region of 73 mb, a vast increase on ten years ago, and there are plans to increase the terminal further in view of the demand growth expected from Asia over the medium term. Indeed, according to the *Medium-Term Oil Market Report 2014*, 3.6 mb/d of demand growth can be expected from non-OECD Asia over 2014-19, almost all of which will be facilitated by imports of crude or products to the region from elsewhere. However, current and future expansions in Singapore storage are beset by difficulties, notably the scarcity of land, which has seen costs soar. Additionally, recent government legislation has reportedly sought to prohibit the allocation of land to new oil terminals while prioritising the construction of high-value assets such as petrochemical facilities.

Last month, Singapore inaugurated one of its most ambitious ventures, the first phase of the Jurong Rock caverns underground storage project. Located on Jurong Island and composed of five rock caverns capable of holding approximately 9.2 mb of oil, the $700 million project sits underground which has helped to

Singapore Oil Storage Bursting at the Seams (continued)

alleviate the space shortage above ground. In the 3 mb first phase, two caverns have been completed which are being leased to petrochemicals producer Jurong Aromatics Corporation. The additional three caverns will likely be completed in 2016.

Due to constraints in Singapore, some oil storage has moved beyond the boundaries of Singapore and into neighbouring Malaysia and Indonesia. Their governments have actively encouraged the construction of oil terminals to draw business away from Singapore so that between the two they now have the capacity to store 50 mb.



Malaysia's main push to capture business from Singapore is centred on the bordering Johor region in the south of the country where the administration has offered tax incentives to encourage investment. Notably, the planned Pengerang project will include a complex of refineries, petrochemical plants and oil terminals capable of taking VLCCs. Meanwhile, it is also expanding the Tanjung Bin storage facility by 1.4 mb to 7.2 mb in 2015 while Tanjung Langsat will eventually become home to tanks capable of holding 5.1 mb.

Indonesia is pushing ahead with a number of projects in the north of the country. A 16 mb terminal is being developed on Batam Island. This has successfully encouraged Chinese investment, which the Indonesian administration hope will be a catalyst to helping to promote business in the future. Additionally, Phase 1 of the Karimun facility is due to be completed in 2H15. Current reports suggest that, when completed, the terminal will have an initial capacity of 4.8 mb with plans already in place to add a further 3.1 mb in a second phase. However, one constraint on such developments in Indonesia is the high domestic fossil fuel subsidies. Reports suggest that a number of companies have scaled back investment in the country due to the lack of profitability in supplying fuel to the inland market.

Although a number of Malaysian ports have been included under Platts' FOB Singapore refined product price assessments since 2001, the reporting agency is now planning to move to reporting prices on a FOB Straits basis beginning 1 July 2015 to 'increase market liquidity'. The methodology would be much the same as in Northern Europe where ARA (Amsterdam and Antwerp) ports are included in Rotterdam assessments. Although the new assessment will initially only include ports in Singapore and Malaysia, Indonesian ports will likely be included later.

PRICES

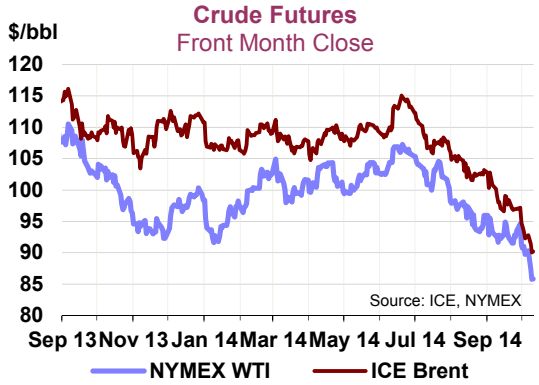
Summary

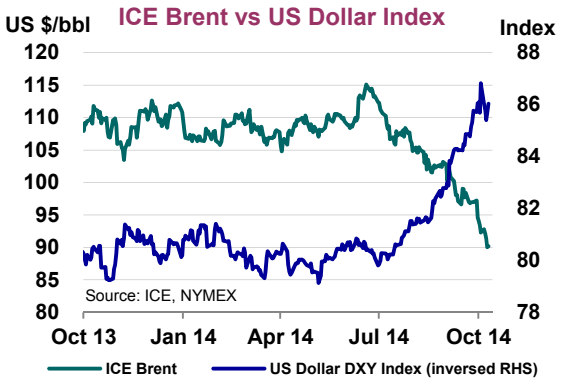
- **Oil prices fell for a third month straight in September and sank below $90/bbl in October, pressured by abundant supply, faltering demand and a strong US dollar.** Brent prices have fallen by more than 20% since June, when they soared near $116/bbl after Islamist forces swept through northern Iraq. ICE Brent was last at a near four-year low of $88.70/bbl. NYMEX WTI was at $85.20/bbl.

- **Higher exports from Libya and Iraq combined with booming US output to weigh on spot markets and depress global benchmarks.** Growing competition in the core Asian market prompted top OPEC producer Saudi Arabia to make sharp cuts to monthly formula prices for a fourth month in a row. The UAE, Iran and Iraq followed Saudi's lead and cut official selling prices (OSPs).

- **As Brent tumbled, hedge funds continued to slash net length in ICE Brent futures, with their position shifting from all-time highs to historic lows in less than four months.** Hedge funds' net length on NYMEX WTI rebounded and showed signs of strength.

- **Spot product prices weakened to some of the lowest levels seen in several years in September**. However, a notable exception was super unleaded gasoline in the US Gulf, which strengthened in the wake of local supply outages. Cracks were mixed, with those at the top and bottom of the barrel faring better than those in the middle.





Market Overview

Plentiful supply and forecasts for lower economic growth that signalled weaker demand for oil knocked Brent below $90/bbl in early October. The International Monetary Fund on 7 October cut its global GDP forecast for the third time in 2014, citing weaker growth in Brazil, Japan and core euro zone countries; Germany, France and Italy. A rallying US dollar also weighed. A strong dollar makes oil more expensive for buyers using other currencies. Ongoing conflicts in the Middle East, North Africa and Ukraine have so far failed to stem oil's third straight month of losses. Exports from Libya are on the rise despite spiralling violence and shipments from Iraq's southern terminals – far from the Islamist insurgency in the north of the country – also increased. Non-OPEC supply is also rising now that summer maintenance has ended and year-on-year gains continue in the US and Brazil (see *Supply*).

Swelling supplies and faltering economic growth pushed ICE Brent futures down $4.83/bbl to an average $98.57/bbl in September, while NYMEX WTI lost $3.05/bbl to average $93.03/bbl. A move by top OPEC producer Saudi Arabia in early October to cut monthly OSPs for Asia appeared to signal determination to defend its market share in a weak market and pushed prices lower. Iran, Iraq and the

UAE followed with their own sharp cuts. ICE Brent was last at a near four-year low of $88.40. NYMEX WTI was at $85.20/bbl.

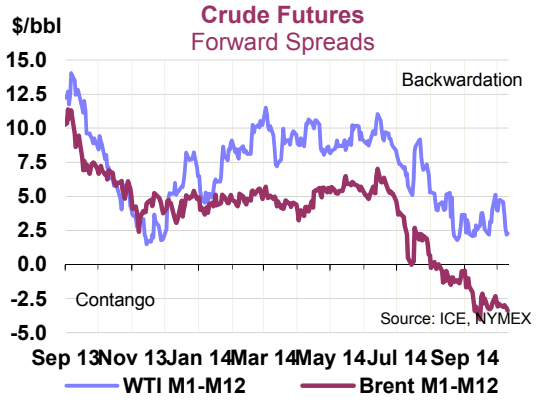
Prompt Month Oil Futures Prices

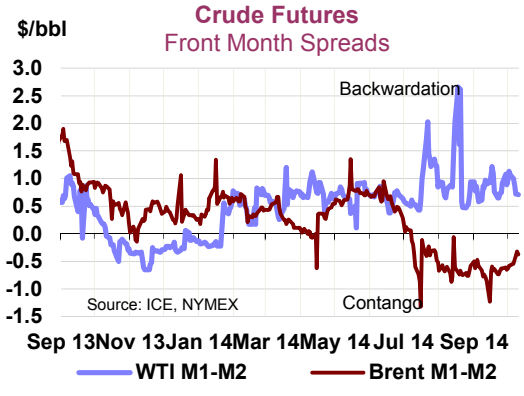
(monthly and weekly averages, $/bbl)

	Jul	Aug	Sep	Sep-Aug Avg Chg	% Chg	Week Commencing: 08 Sep	15 Sep	22 Sep	29 Sep	06 Oct
NYMEX										
Light Sweet Crude Oil	102.39	96.08	93.03	-3.05	-3.3	92.44	93.54	92.39	91.44	87.62
RBOB	122.23	114.80	108.80	-6.01	-5.5	106.51	107.78	111.36	105.17	97.71
No.2 Heating Oil	121.23	119.78	115.29	-4.49	-3.9	116.35	114.83	113.03	111.39	108.37
No.2 Heating Oil ($/mmbtu)	21.38	21.12	20.33	-0.79	-3.9	20.52	20.25	19.93	19.65	19.11
Henry Hub Natural Gas ($/mmbtu)	4.03	3.90	3.92	0.02	0.6	3.90	3.94	3.91	4.05	3.88
ICE										
Brent	108.19	103.40	98.57	-4.83	-4.9	98.52	98.15	96.95	94.35	91.31
Gasoil	119.34	116.66	111.73	-4.93	-4.4	112.44	111.36	108.99	107.19	103.56
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-5.80	-7.32	-5.54	1.78		-6.08	-4.61	-4.56	-2.91	-3.69
NYMEX No.2 Heating Oil - WTI	18.84	23.70	22.26	-1.44		23.91	21.29	20.64	19.95	20.75
NYMEX RBOB - WTI	19.84	18.72	15.77	-2.96		14.07	14.24	18.97	13.73	10.09
NYMEX 3-2-1 Crack (RBOB)	19.51	20.38	17.93	-2.45		17.35	16.59	19.53	15.81	13.64
NYMEX No.2 - Natural Gas ($/mmbtu)	17.36	17.23	16.41	-0.81		16.62	16.31	16.03	15.59	15.23
ICE Gasoil - ICE Brent	11.15	13.26	13.16	-0.10		13.92	13.21	12.04	12.84	12.25

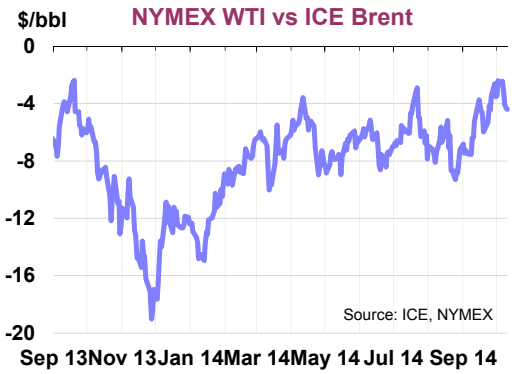
Source: ICE, NYMEX.

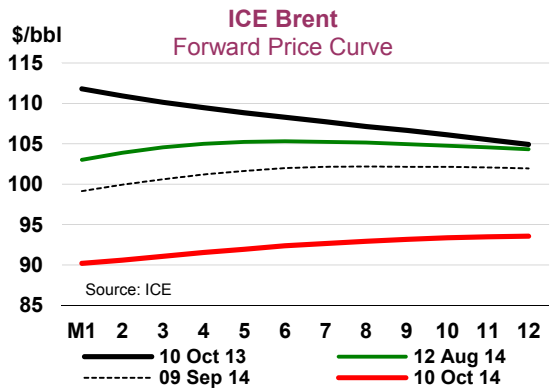
With supply overtaking demand, European and Middle Eastern benchmarks during September remained in contango, where prompt oil is cheaper than barrels for future delivery. But by early October, Dubai flipped into backwardation, where prompt oil is more expensive than later months, after China reportedly bought big volumes of Middle East crude. The ICE Brent M1-M2 spread was steady on August at -$0.68/bbl. Farther out, the average Brent M1-M12 widened in September to -$2.50/bbl versus -$0.78/bbl in August. NYMEX WTI, however, remains in backwardation with the M1-M2 spread averaging $0.85/bbl in September. Record refinery runs and a later start to seasonal maintenance supported the US benchmark.





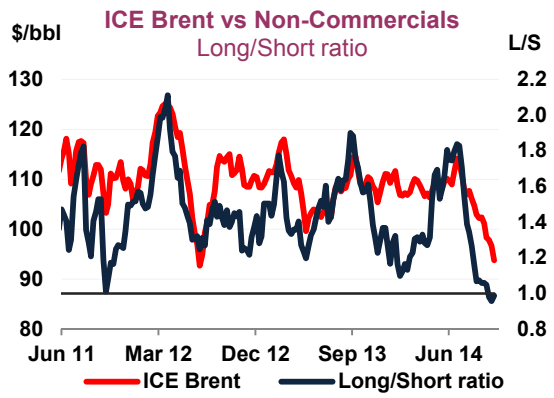
Steeper declines on ICE Brent narrowed the front-month spread with NYMEX WTI in September to an average $5.54/bbl versus $7.32/bbl in August. The spread shrank in early October, narrowing to less than $3.00/bbl. Brent's weakness relative to Middle East Dubai is expected to continue to pull Dated Brent-linked crudes from West Africa and the North Sea into Asia.

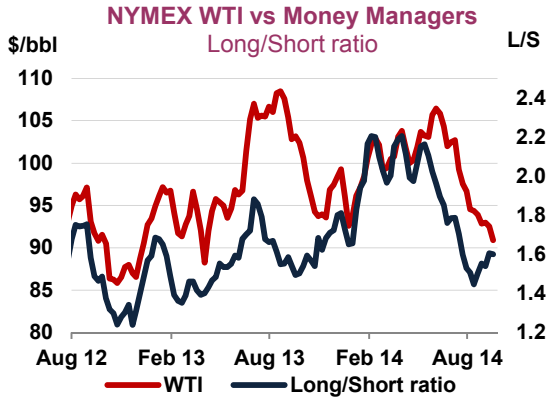




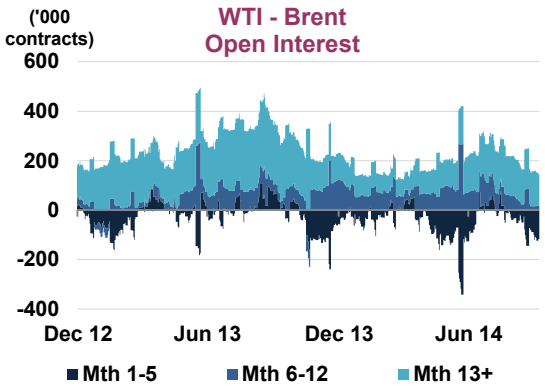
Futures Markets

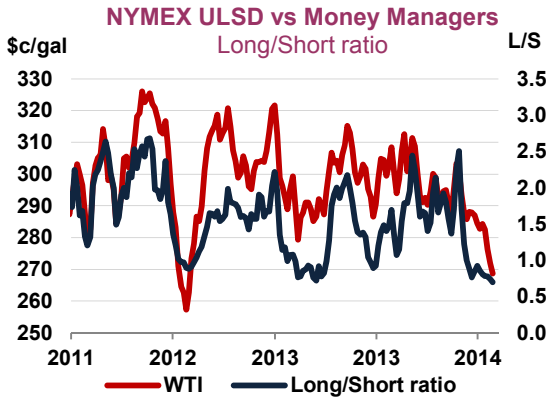
As Brent tumbled, hedge funds continued to slash net length in ICE Brent futures, with their position shifting from all-time highs to historic lows in less than four months. When factoring in other non-commercial traders, the combined position turned net short for the first time since reporting started in 2011. Hedge funds' net length in NYMEX WTI rebounded and showed signs of strength.





Open interest was down markedly on the year for both contracts, with NYMEX WTI contracting by 20% and ICE Brent by a more modest 4.4%. Global trading volumes were up year-on-year for both benchmarks, 12.7% for WTI and 7.2% for Brent.





On the products side, net length on RBOB gasoline futures was reduced as prices declined following the end of driving season. Hedge funds continued to sell off New York Harbour ultra-low sulphur diesel futures through September to their strongest net short stance to date as prices trended lower.

Positions on ICE Brent Crude Futures

Thousand Contracts

07 October 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	456.5	746.0	-289.5	*Short*	↓ -19.3	↓ -17.1
Swap Dealers' Positions	504.7	196.8	307.9	*Long*	↑ 16.5	↑ 48.1
Money Managers' Positions	305.9	262.0	43.9	*Long*	↑ 6.6	↓ -22.0
Others' Positions	121.9	170.5	-48.6	*Short*	↑ 4.2	↓ -1.5
Non-Reportable Positions	46.7	60.5	-13.8	*Short*	↓ -8.0	↓ -7.6
Open Interest			**1435.7**		↓ -11.7	↑ 55.7

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures

Thousand Contracts

07 October 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	204.8	259.1	-54.3	*Short*	↓ -10.4	↓ -24.3
Swap Dealers' Positions	273.6	533.1	-259.6	*Short*	↑ 10.7	↑ 35.0
Money Managers' Positions	533.0	333.0	200.0	*Long*	↓ -8.0	↑ 17.8
Others' Positions	406.1	312.3	93.7	*Long*	↑ 5.7	↓ -26.6
Non-Reportable Positions	86.4	66.2	20.2	*Long*	↑ 2.0	↓ -1.9
Open Interest			**1503.8**		↑ 17.9	↓ -55.6

Source: CFTC

Financial Regulation

US banking regulators finalised rules on margin requirements for uncleared swaps. The rules would determine how much collateral is to be posted for swaps traded between firms as opposed to those executed through a clearinghouse.

US Commodity Futures Trading Commission (CFTC) also approved revised margin rules for uncleared swaps, largely following those of banking regulators on 17 September. The modified rules include exceptions for government-owned gas and power utilities that use swaps to hedge price risks.

The government agency is currently seeking comment on its cross-border applications to non-US banks and overseas units of US firms. The proposed rules will be phased in between 2015 and 2019.

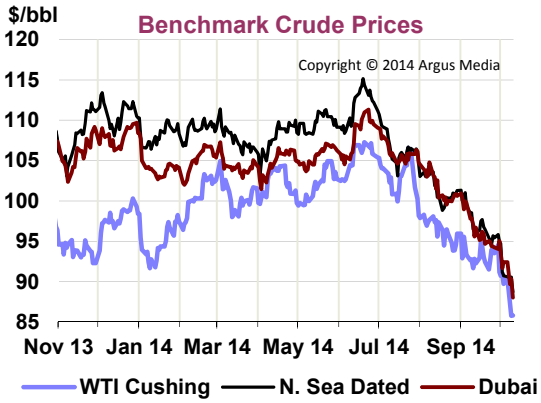
The European Securities and Markets Authority (ESMA) published a consultation paper on future guidelines concerning the definition of derivatives its Markets in Financial Instruments Directive (MiFID) on 29 September. The regulator is aiming to address the issue of differing interpretations of the definition of derivatives across the member states.

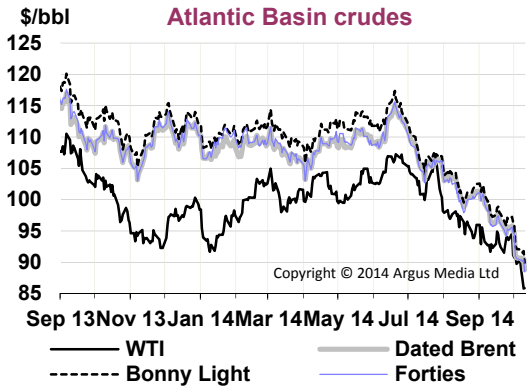
The CFTC could finalise its rule on speculative position limits before the end of the year. The rule, one of the most controversial pieces of the Dodd-Frank financial reform, is being re-proposed after being overruled in court in September 2012, on the grounds of non-proven necessity.

Spot Crude Oil Prices

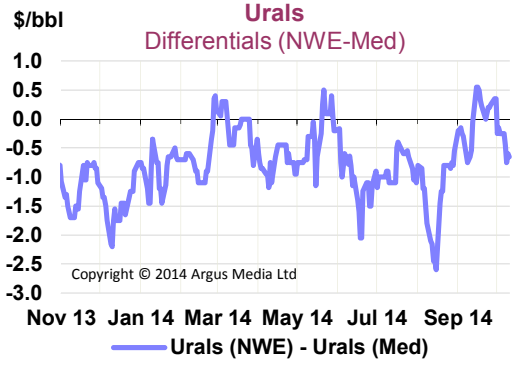
Spot crude oil prices weakened further in September, pushed lower by rising exports from OPEC members Libya and Iraq, softening demand in Europe and Asia and robust US production that has cut demand for West African barrels. North Sea Dated Brent slumped $4.27/bbl to average $97.29/bbl in

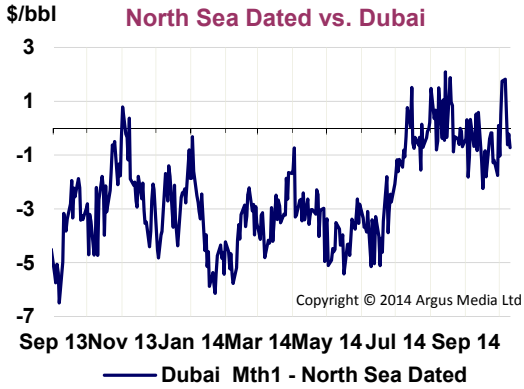
September, while WTI was more resilient – shedding $3.17/bbl to average $93.21/bbl. Sour Russian Urals took the biggest hit, losing $5.78/bbl to average $95.65/bbl. Middle East Dubai posted a decline of $5.21/bbl versus August to average $96.55/bbl.





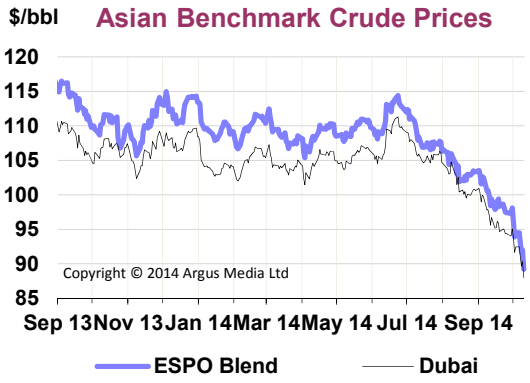
Libya's production comeback continued to stoke competition for light sweet supplies and pressure North Sea and West African grades. Output from the North African OPEC member was holding above 800 kb/d in October – versus just 240 kb/d in June - even as the country unravels. Europe's sour crude market was also amply supplied, with UK Forties seeking an outlet in Asia for the first time since early July. Russian Urals met tepid interest, with discounts to Dated Brent sinking to an average $1.64/bbl in September versus $0.14/bbl in August. Higher shipments from Iraq in September saw more Basrah Light offered into Europe, adding to already ample supply. Kuwait, meanwhile, is leasing storage at the Egyptian Mediterranean port of Sidi Kerir as it targets Europe.

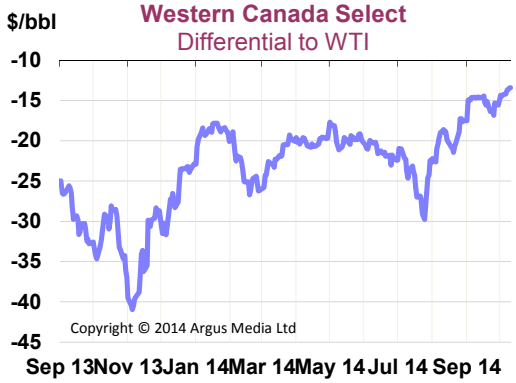




The relentless rise in US oil production has meanwhile cut the country's import requirements: not a single barrel of Nigerian crude was delivered to the US in July. Much of the excess West African crude is moving into Asia and Brent's continuing decline is making for favourable trade. More than 2.0 mb/d of West African crude was scheduled to load for Asia in September versus around 1.9 mb/d in August. China reportedly took record amounts of Atlantic basin crude in September trading. It also lifted big quantities of Russia's light, sweet ESPO Blend. Russia shipped record flows of more than 600 kb/d of ESPO from Kozmino in September, with similar levels expected this month. And, as Brent skidded below $90/bbl in early October, Beijing reportedly stepped in to buy more than 8 million barrels of Middle East crude.

Well aware of the growing rivalry in Asia – which includes barrels from Colombia, Mexico, Ecuador and Alaska - Opec's top producer Saudi Arabia cut its monthly prices in early October in an apparent bid to stay competitive. The Saudi reduction followed a sharper cut in formula prices to Asia last month. Abu Dhabi, Iran and Iraq followed with their own big reductions.





In the US, declining crude stockpiles in the trading hub in Cushing, Oklahoma and robust refinery run rates, helped lock in backwardation – where prompt oil trades at a premium to future deliveries. WTI's relative strength versus North Sea Dated Brent shrank to nearly $2.00/bbl. The US west coast is saturated with crude – prompting the first US export of Alaskan crude in a decade. Rising supplies of domestic output in the lower 48 states and Canada, enabled by increased rail connections, are flooding the US West Coast, where Alaskan crude typically finds a home. Demand meanwhile increased for Western Canadian heavy crude – shrinking its discount to benchmark WTI - as Canadian midstream firm Enbridge prepared to begin filling its 600 kb/d Flanagan South pipeline system in November that will enable additional Canadian volumes to travel from Illinois to Cushing.

Spot Crude Oil Prices and Differentials

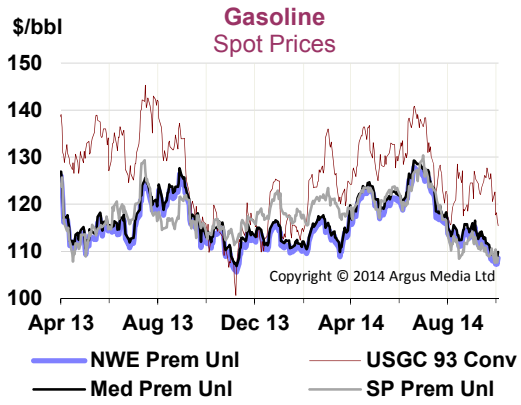
(monthly and weekly averages, $/bbl)

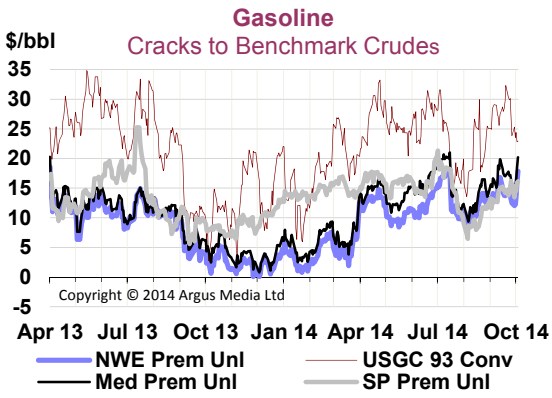
	Jul	Aug	Sep	Sep-Aug Avg Chg	%	Week Commencing: 08 Sep	15 Sep	22 Sep	29 Sep	06 Oct
Crudes										
North Sea Dated	106.63	101.56	97.29	-4.27	-4.2	97.21	96.95	95.24	93.46	90.17
Brent (Asia) Mth 1	107.99	102.80	98.16	-4.64	-4.5	98.78	97.11	96.06	94.37	90.85
WTI (Cushing) Mth 1	102.92	96.38	93.21	-3.17	-3.3	92.44	93.54	93.11	91.44	87.62
Urals (Mediterranean)	105.51	101.43	95.65	-5.78	-5.7	95.91	94.97	93.24	91.98	89.13
Dubai	106.12	101.76	96.55	-5.21	-5.1	97.00	95.43	94.59	93.37	89.77
Tapis (Dated)	103.61	98.80	94.52	-4.28	-4.3	94.31	94.05	92.70	91.16	87.76
Differential to North Sea Dated										
WTI (Cushing)	-3.71	-5.19	-4.08	1.11		-4.77	-3.41	-2.13	-2.02	-2.55
Urals (Mediterranean)	-1.12	-0.14	-1.64	-1.50		-1.30	-1.98	-2.00	-1.48	-1.04
Dubai	-0.51	0.20	-0.74	-0.93		-0.21	-1.52	-0.65	-0.09	-0.40
Tapis (Dated)	-3.02	-2.76	-2.76	0.00		-2.90	-2.90	-2.54	-2.30	-2.41
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	-0.54	-0.78	-0.66	0.12		-0.75	-0.59	-0.75	-0.51	-0.47
Forward WTI Cushing Mth1-Mth2	1.28	1.28	0.92	-0.36		0.83	1.01	1.03	1.03	0.80
Forward Dubai Mth1-Mth2	0.51	-0.24	-0.81	-0.57		-0.77	-0.88	-0.97	-0.41	0.34

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Spot Product Prices

Spot product prices weakened to some of the lowest levels seen in several years in September. However, a notable exception was super unleaded gasoline in the US Gulf which strengthened in the wake of a number of localised supply outages. Cracks were mixed; those at the top and bottom of the barrel were boosted by falling product prices being outpaced by crude prices declines while middle distillate prices weakened at a faster clip than crude prices. On a region by region basis, cracks in the Mediterranean and Singapore posted steeper gains than elsewhere following sharp declines in Urals and Dubai compared to other benchmark grades.





The only product which saw prompt prices increase over September was super unleaded gasoline in the US Gulf Coast. This market was hit by a number of localised outages at gasoline refining units which tightened supply. Accordingly, inventories drew and gasoline prices rose which combined with weakening crude prices to drive cracks upwards by $6.68/bbl on average over the month. Some spill over was felt in European markets where the higher US prices re-opened the transatlantic arbitrage window. Consequently, exports increased and prices at Rotterdam and in the Mediterranean softened by a comparatively weak $1.50/bbl with gasoline cracks in both markets posting steeper gains than for other products.

Spot Product Prices

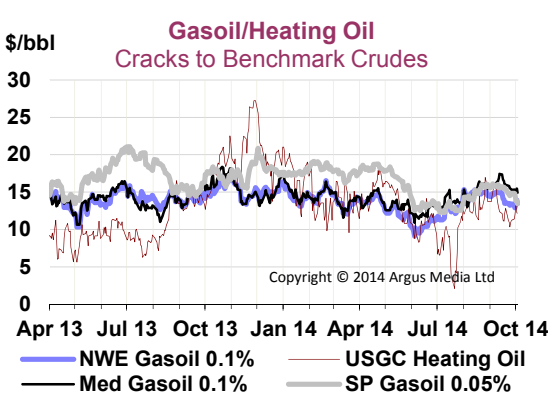
(monthly and weekly averages, $/bbl)

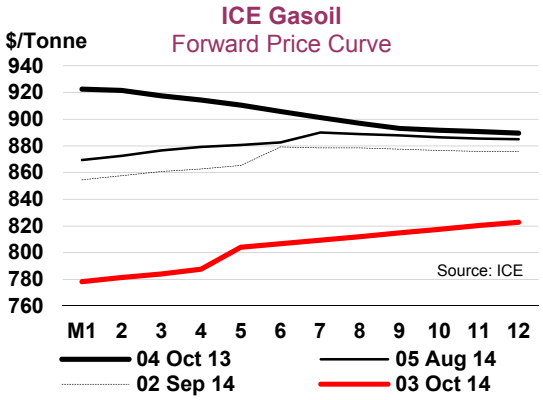
	Jul	Aug	Sep	Sep-Aug Chg	Sep-Aug %	Week Commencing: 08 Sep	15 Sep	22 Sep	29 Sep	06 Oct	Jul	Aug	Sep	Chg
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	120.46	112.83	111.13	-1.70	-1.5	112.18	111.06	108.80	107.80	105.49	13.84	11.27	13.84	2.57
Naphtha	105.13	97.15	94.52	-2.63	-2.7	94.32	94.73	92.56	89.30	83.16	-1.50	-4.41	-2.77	1.64
Jet/Kerosene	121.42	118.59	113.34	-5.25	-4.4	113.86	112.62	111.10	109.55	105.93	14.79	17.03	16.05	-0.98
ULSD 10ppm	121.37	118.78	113.88	-4.89	-4.1	114.54	113.55	111.24	109.77	105.85	14.74	17.22	16.60	-0.62
Gasoil 0.1%	119.14	116.36	111.44	-4.92	-4.2	112.23	110.96	108.62	106.90	103.22	12.51	14.80	14.16	-0.65
LSFO 1%	94.20	89.58	87.27	-2.31	-2.6	86.99	86.42	86.47	85.26	79.89	-12.43	-11.98	-10.02	1.96
HSFO 3.5%	88.38	86.61	83.86	-2.76	-3.2	83.88	83.06	83.06	82.42	77.11	-18.25	-14.95	-13.43	1.52
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	121.83	114.15	112.44	-1.71	-1.5	113.49	112.38	110.09	109.09	106.75	16.32	12.72	16.79	4.07
Naphtha	103.09	95.17	92.43	-2.74	-2.9	92.30	92.70	90.37	87.11	80.98	-2.43	-6.26	-3.22	3.04
Jet Aviation fuel	120.38	117.65	112.27	-5.38	-4.6	112.88	111.61	109.93	108.38	104.80	14.86	16.22	16.62	0.40
ULSD 10ppm	121.81	118.82	114.05	-4.76	-4.0	114.24	114.08	111.77	110.24	106.17	16.30	17.39	18.40	1.01
Gasoil 0.1%	119.28	116.49	111.71	-4.78	-4.1	112.56	111.45	108.84	107.17	103.41	13.77	15.07	16.06	1.00
LSFO 1%	95.47	91.20	88.58	-2.61	-2.9	88.45	87.66	87.51	86.13	80.88	-10.05	-10.23	-7.07	3.16
HSFO 3.5%	87.57	86.03	83.33	-2.70	-3.1	83.37	82.46	82.54	81.87	76.68	-17.94	-15.40	-12.32	3.08
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	127.80	121.27	124.14	2.86	2.4	123.04	126.05	124.28	118.14	116.59	21.31	21.16	27.85	6.68
Unleaded	119.70	115.60	109.71	-5.89	-5.1	106.99	108.70	110.61	106.53	95.87	13.21	15.49	13.42	-2.07
Jet/Kerosene	118.48	119.43	114.56	-4.87	-4.1	115.83	113.68	111.81	109.95	105.85	11.99	19.31	18.27	-1.05
ULSD 10ppm	119.40	118.48	113.73	-4.75	-4.0	114.67	113.12	111.51	110.30	107.68	12.91	18.37	17.43	-0.93
Heating Oil	114.40	113.75	108.92	-4.82	-4.2	109.39	108.54	106.95	106.57	103.55	7.91	13.64	12.63	-1.00
No. 6 3%*	89.05	87.79	85.90	-1.89	-2.2	85.84	85.47	84.98	82.12	77.16	-17.43	-12.32	-10.39	1.93
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	121.96	111.35	110.62	-0.73	-0.7	110.82	110.11	109.62	108.46	104.96	15.84	9.60	14.07	4.47
Naphtha	106.37	99.15	94.77	-4.38	-4.4	95.29	94.14	92.76	90.34	83.98	0.25	-2.61	-1.78	0.83
Jet/Kerosene	118.81	116.71	112.50	-4.21	-3.6	113.34	111.20	110.23	108.61	103.91	12.69	14.95	15.95	0.99
Gasoil 0.05%	118.97	116.73	111.97	-4.77	-4.1	112.79	110.98	109.34	107.54	102.93	12.85	14.98	15.42	0.44
LSWR Cracked	106.18	104.60	100.55	-4.05	-3.9	101.31	99.64	99.33	98.00	87.38	0.06	2.84	4.00	1.15
HSFO 180 CST	94.75	93.61	90.97	-2.64	-2.8	91.75	89.94	89.71	88.27	82.85	-11.37	-8.15	-5.58	2.57
HSFO 380 CST 4%	94.13	92.60	89.94	-2.66	-2.9	90.86	89.04	88.62	87.11	81.96	-11.99	-9.15	-6.61	2.54

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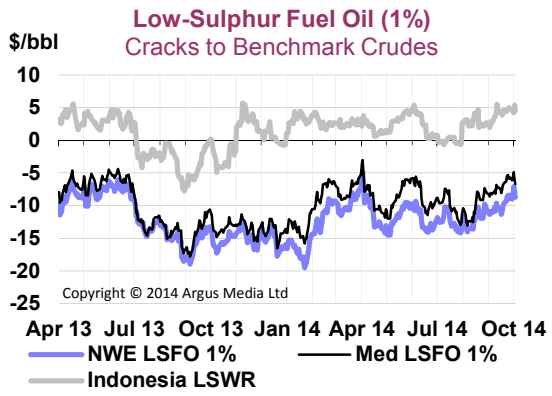
Middle distillate spot prices posted the sharpest losses amid ample supplies across all markets. Aviation fuels were especially hard hit. In Northern Europe, jet cracks steadily weakened as imports remained high and amid lacklustre demand while the arbitrage to send product across the Atlantic remained shut. In the Mediterranean, despite spot prices posting sharper losses than in Northern Europe, the effect of sharply declining Urals kept cracks above a month earlier. A similar picture was noted in Singapore as jet kerosene cracks gained $1.00/bbl on a monthly average basis in the wake of sharply weakening Dubai, and more-than-offsetting a decline in spot prices amid ample supply.

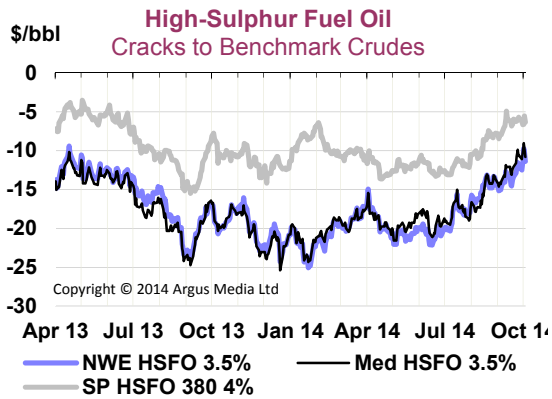
The oversupply in European gasoil markets pressured prompt prices to their lowest levels since late-2010 during September. This saw the contango versus later months steepen considerably. By early-October, the discount of the prompt month versus months three and twelve stood at $0.77/bbl and $6.0/bbl, respectively. These levels are sufficient to cover land-based storage costs ahead of an expected uptick in distillate demand ahead of the January 2015 introduction of more stringent environmental controls on marine bunker fuel which will result in the increased use of marine gasoil in Northern European waters.





At the bottom of the barrel, fuel oil prices weakened across surveyed markets amid low demand and ample supply. However, these losses were outstripped by benchmark crude price losses which resulted in all cracks firming. In Europe, HSFO spot prices declined by similar amounts in Northern and Southern Europe. Nonetheless, European cracks rose to their highest levels in 18 months in tandem with falling crude prices. On a monthly average basis, Mediterranean refiners saw cracks increase by a larger increment than those in Northern Europe after Russian Urals posted sharper declines than ICE Brent. In Singapore, LSFO prices were pressured lower by high stocks as bunkering demand remained underwhelming while cracks consolidated their position in positive territory.

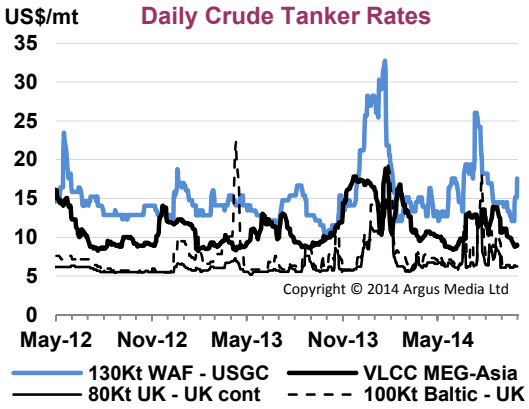


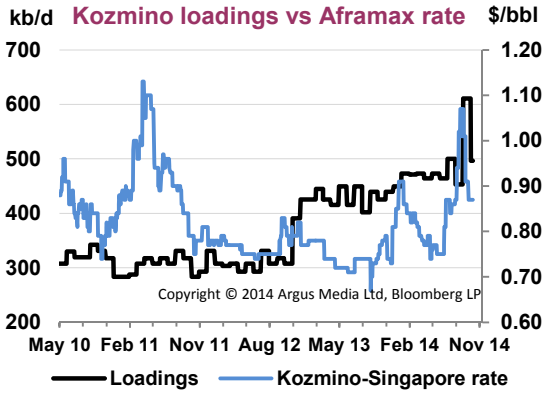


Freight

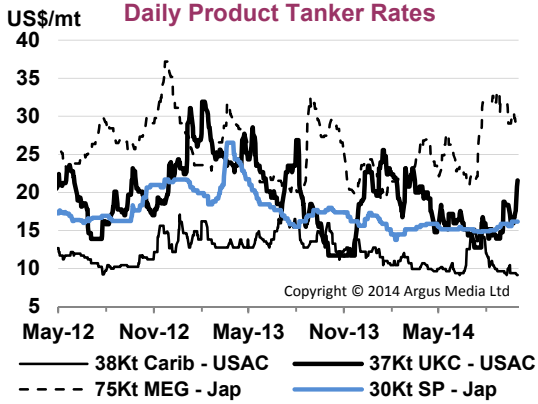
Surveyed crude rates were generally subdued in September except for trading Suezmaxes on voyages out of West Africa. The benchmark Suezmax rate West Africa – US Gulf Coast remained on a low note throughout most of September, inching towards $12/mt and then overtaking the $15/mt mark at the end of the month as the vessel list thinned. Very Large Crude Carriers (VLCC) rates for the Middle East Gulf towards Asia gradually inched down, touching below $10/mt, towards end-September, the lowest since June, on lower eastwards spot VLCC loadings.

Despite the deepening of Brent contango and of reports suggesting otherwise, data suggests that global floating storage has not increased in significantly in the past few months, and its stored volumes keep to be led by Iranian tankers.





Aframaxes in Northern Europe had an extremely flat month, with rates stagnating around $6/mt for both the Baltic – UK route and the North Sea – UK continent route, as activity remained insufficient to lift rates. In East Asia, record high ESPO loadings of 600 kb/d in September, due mostly to higher imports into China, lifted Aframax rates from Kozmino to Singapore to the highest in more than three years.



On product tanker rates, the 75Kt Middle East Gulf – Japan route inched below the $30/mt mark in September although vessel availability remains tight. The 37Kt UK Coast – US Atlantic rate seesawed between $15/mt and 20/mt for most of the month and then settled around $22/mt in early October as a cross-Atlantic gasoline arbitrage opportunity to ship gasoline westwards opened (See '*Product Prices*').

REFINING

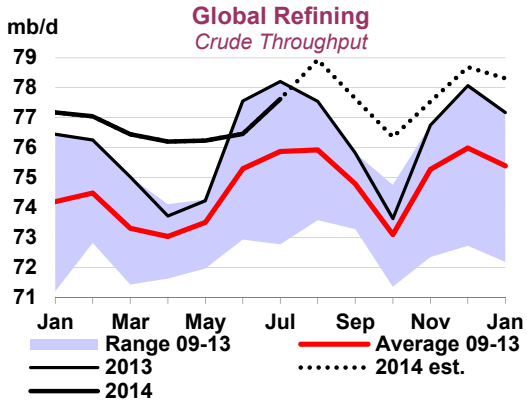
Summary

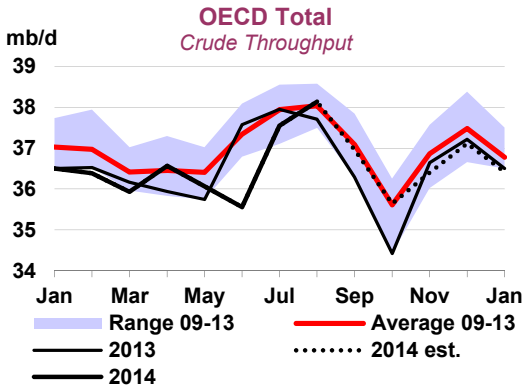
- **Global refinery crude demand hit new highs in August, near 79 mb/d, with OECD runs leading the uptick**. Despite the onset of seasonal plant maintenance through October, a lighter turnaround schedule than in recent years and healthy margins will likely support runs through year-end. Global crude runs are set to dip to 77.5 mb/d in 4Q14 from 78.1 mb/d in 3Q14, with year-on-year (y-o-y) growth rising over the same period to 1.4 mb/d from 0.9 mb/d.

- **Refinery margins extended their upward trend in September and into October, as crude price declines outpaced those of products.** US refinery outages lifted gasoline cracks not just in the Americas, but also in Europe and Singapore. Particularly strong gains in European margins, which reached their highest level since end-2012, underpinned a recovery in regional runs in August, a sharp departure from the previous months.

- **OECD refinery crude runs rose another 0.6 mb/d in August, after having surged by 2 mb/d a month earlier.** At 38.1 mb/d, total OECD throughputs were 430 kb/d above the previous year, with annual gains in North America, and to a lesser degree Europe, dampened by structural declines in Japan.

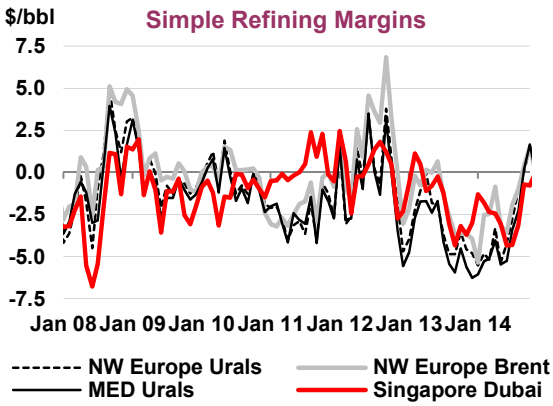
- **New refinery capacity in the Middle East looks set to raise regional product exports by close to 1 mb/d in coming months.** Satorp's 400 kb/d Jubail refinery, which started crude processing in mid-2013, reportedly reached full capacity in August. A month later, Aramco's second 400 kb/d JV refinery, in Yanbu, started trial runs, while in the UAE, Adnoc is on track to complete its 420 kb/d Ruwais expansion before year-end. Regional demand growth, estimated around 0.2 mb/d in both 2014 and 2015, will leave significant volumes of oil products looking for export markets outside the region.

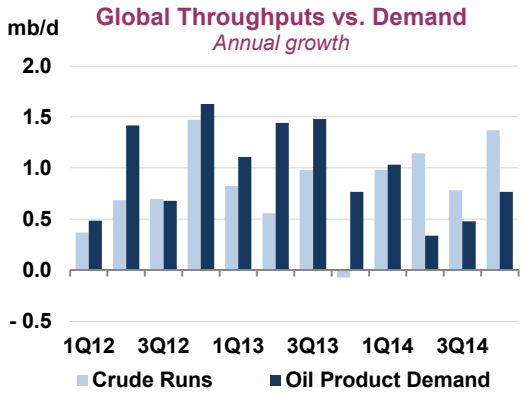




Global Refining Activity Bounces Back from June Lows

Global refinery crude demand likely hit an all-time high of nearly 79 mb/d in August, led by a dramatic resurgence of refining activity in the OECD. Improved refinery profitability since June underpinned a steep rebound in OECD throughputs, after a counter seasonal decline in June, when a combination of weak margins, seasonal maintenance and permanent plant closures had undercut runs in OECD Europe and Asia, while a string of unscheduled outages had caused US refiners to miss their seasonal uptick. The resulting dip in crude demand, compounding the impact of robust supply, left the Atlantic Basin awash with crude, pushing benchmark prices sharply lower, even as product markets tightened. As a result, European refinery margins bounced back to highs unseen since 2012, triggering a strong recovery in regional throughputs. OECD refinery crude intake surged by 2.6 mb/d over July and August, as European refinery runs climbed above year-earlier levels for the first time in almost two years, while runs in the US and South Korea reached all-time highs in July and August, respectively.





Weaker-than-expected non-OECD runs partly offset the strength in OECD refining activity and may go some way towards explaining it. Preliminary data suggest non-OECD refinery throughputs fell below the year prior in July, with exceptionally weak Asian runs. A string of planned and unplanned outages in Vietnam, Thailand, India and elsewhere cut non-OECD Asian refinery runs to 9.4 mb/d in July, excluding China, almost 0.6 mb/d below a year earlier.

Steep declines in crude prices over September and early October supported refinery margins at relatively lofty levels, even as end-user demand declined after the summer driving season ended. Global crude runs are expected to hit a seasonal low point this month, at 76.4 mb/d, as autumn maintenance gathers pace. Lower crude demand is contributing to further weakness in crude prices, while reducing capacity at a time when refiners start to prepare for the winter heating season. Oil product demand rises seasonally to a quarterly high of 93.5 mb/d in 4Q14, compared with 93 mb/d in 3Q14 and only 91.5 mb/d in 1H14.

Global Refinery Crude Throughput[1]

(million barrels per day)

	Jun 14	**2Q2014**	Jul 14	Aug 14	Sep 14	**3Q2014**	Oct 14	Nov 14	Dec 14	**4Q2014**	Jan 15
Americas	18.9	**18.9**	19.6	19.5	18.9	**19.3**	18.5	18.7	19.1	**18.8**	18.4
Europe	10.8	**11.1**	11.5	12.0	11.7	**11.7**	11.0	11.2	11.4	**11.2**	11.3
Asia Oceania	5.8	**6.1**	6.5	6.7	6.4	**6.5**	6.1	6.5	6.6	**6.4**	6.6
Total OECD	35.6	**36.1**	37.6	38.1	37.0	**37.6**	35.6	36.4	37.1	**36.4**	36.4
FSU	7.3	**7.0**	7.1	7.2	6.9	**7.1**	6.7	7.0	7.0	**6.9**	7.2
Non-OECD Europe	0.4	**0.5**	0.5	0.5	0.5	**0.5**	0.5	0.5	0.5	**0.5**	0.5
China	10.2	**9.8**	9.7	9.7	10.0	**9.8**	10.0	10.0	10.1	**10.1**	10.1
Other Asia	9.5	**9.6**	9.4	9.8	10.0	**9.7**	10.0	9.9	10.1	**10.0**	10.0
Latin America	4.9	**4.8**	4.7	4.8	4.8	**4.8**	4.8	4.9	4.9	**4.8**	5.0
Middle East	6.3	**6.3**	6.4	6.4	6.4	**6.4**	6.7	6.7	6.8	**6.7**	6.9
Africa	2.3	**2.3**	2.2	2.2	2.2	**2.2**	2.2	2.2	2.2	**2.2**	2.3
Total Non-OECD	40.9	**40.2**	40.1	40.8	40.7	**40.5**	40.7	41.1	41.6	**41.1**	41.9
Total	76.5	**76.3**	77.6	78.9	77.6	**78.1**	76.4	77.5	78.7	**77.5**	78.3

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

The start-up of new refinery capacity in the Middle East and China, new condensate splitters in South Korea and Singapore, and the return of non-OECD Asian refiners from scheduled and unscheduled outages is expected to support throughputs this fall. Margins and activity levels in the OECD are, on the other hand, expected to come under pressure again from increased competition for product markets. European and Asian refiners will therefore likely be forced to scale back runs again, at least as maintenance shutdowns ease through October and into November. Overall, our estimates for global

refinery throughputs are largely unchanged since last month's report, averaging 78.1 mb/d in 3Q14 and 77.5 mb/d in 4Q14. Annual gains are set to rise to 1.4 mb/d in 4Q14, from 0.9 mb/d in 3Q14, led by the Middle East and non-OECD Asia (including China). OECD throughputs are also seen up year-on-year in 2H14, with growth in the US augmented by annual gains in Europe, from a low-2013 base.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change		Average for week ending:			
	Jun 14	Jul 14	Aug 14	Sep 14	Sep 14-Aug 14	12 Sep	19 Sep	26 Sep	03 Oct	10 Oct
NW Europe										
Brent (Cracking)	1.75	3.96	4.55	5.86	1.31	6.59	5.92	5.73	6.19	6.29
Urals (Cracking)	3.18	4.53	5.28	6.42	1.14	7.31	6.32	6.59	6.78	6.76
Brent (Hydroskimming)	-3.56	-1.94	-1.02	0.38	1.39	0.85	0.27	0.58	1.04	0.58
Urals (Hydroskimming)	-4.20	-2.79	-1.07	0.05	1.12	0.74	-0.21	0.60	0.93	0.31
Mediterranean										
Es Sider (Cracking)	2.80	5.20	6.85	8.11	1.26	8.37	8.20	8.56	9.03	7.97
Urals (Cracking)	2.65	4.74	5.22	7.37	2.14	7.42	7.83	7.92	7.89	6.92
Es Sider (Hydroskimming)	-1.68	-0.02	1.60	3.18	1.58	3.32	3.12	3.85	4.35	2.98
Urals (Hydroskimming)	-5.25	-3.41	-2.31	0.20	2.51	0.16	0.48	1.11	1.27	-0.09
US Gulf Coast										
50/50 HLS/LLS (Cracking)	8.83	6.94	10.49	10.63	0.14	9.59	9.83	11.41	9.64	6.94
Mars (Cracking)	3.73	0.51	3.99	4.59	0.60	3.54	3.81	5.35	3.28	0.77
ASCI (Cracking)	3.93	0.40	3.92	4.72	0.80	3.67	3.98	5.41	3.34	0.73
50/50 HLS/LLS (Coking)	10.56	8.46	12.44	12.41	-0.03	11.32	11.62	13.20	11.31	8.35
50/50 Maya/Mars (Coking)	6.40	4.98	7.34	7.24	-0.10	6.21	6.86	8.09	6.70	4.64
ASCI (Coking)	8.70	5.39	8.83	9.01	0.18	7.92	8.24	9.72	7.95	5.64
US Midcon										
WTI (Cracking)	16.05	9.88	15.31	16.84	1.52	19.73	14.38	15.04	13.41	13.77
30/70 WCS/Bakken (Cracking)	20.62	17.66	21.67	20.36	-1.31	22.67	18.13	19.44	16.34	16.23
Bakken (Cracking)	23.23	19.81	24.70	24.11	-0.58	26.82	21.77	22.88	19.96	20.73
WTI (Coking)	18.27	11.62	17.57	19.13	1.56	22.22	16.58	17.19	15.46	15.83
30/70 WCS/Bakken (Coking)	23.72	20.70	24.79	23.35	-1.44	25.85	21.00	22.32	19.47	19.92
Bakken (Coking)	23.95	20.28	25.42	24.88	-0.54	27.68	22.49	23.60	20.62	21.40
Singapore										
Dubai (Hydroskimming)	-4.34	-4.30	-3.13	-0.72	2.41	-0.49	-0.41	-0.30	-0.73	-1.95
Tapis (Hydroskimming)	-1.97	0.96	2.54	3.41	0.87	4.07	2.88	3.80	4.08	1.91
Dubai (Hydrocracking)	2.06	2.14	2.23	4.50	2.27	4.63	4.86	4.77	4.35	3.43
Tapis (Hydrocracking)	0.64	4.14	4.68	5.81	1.12	6.42	5.33	6.10	6.35	5.58

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

OECD Refinery Throughput

After posting a sharp 2 mb/d increase in July, **OECD** refinery crude throughputs extended their gains in August, rising 0.6 mb/d month-on-month (m-o-m), to 38.1 mb/d. The bulk of the increase came from Europe, where an unexpected recovery in refinery margins lifted runs to their highest levels in almost two years. US runs fell back slightly, in line with seasonal norms, though sustained substantial y-o-y gains. Record high throughput rates in South Korea, following the completion of maintenance and the start-up of two new condensate splitters over July and August, offset structural declines in Japan. In all, OECD refinery crude intake stood 430 kb/d above a year earlier in August. Preliminary data show seasonal maintenance curbing OECD runs by 1.2 mb/d in September, to 37 mb/d, slightly above earlier

expectations. As plant maintenance intensifies, runs are expected to be cut further in October, though improved margins should see the OECD retain strong gains over 2013, when activity was exceptionally weak.

Refinery Crude Throughput and Utilisation in OECD Countries
(million barrels per day)

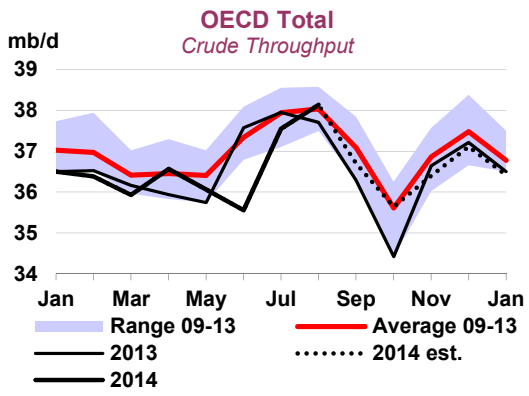
	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Change from Jul 14	Change from Aug 13	Utilisation rate[1] Aug 14	Utilisation rate[1] Aug 13
US[2]	15.13	15.87	15.94	15.82	16.53	16.40	-0.14	0.60	91.6%	88.1%
Canada	1.63	1.56	1.54	1.73	1.73	1.75	0.02	-0.08	95.5%	95.4%
Chile	0.17	0.18	0.18	0.17	0.17	0.18	0.01	0.00	77.3%	76.9%
Mexico	1.18	1.25	1.13	1.22	1.18	1.15	-0.03	-0.09	69.8%	75.5%
OECD Americas	**18.11**	**18.86**	**18.80**	**18.94**	**19.60**	**19.47**	**-0.13**	**0.43**	**90.1%**	**87.7%**
France	1.04	1.08	1.01	1.05	1.16	1.22	0.05	0.01	86.9%	86.5%
Germany	1.81	1.95	1.80	1.63	1.80	1.99	0.20	0.12	98.6%	92.8%
Italy	1.05	1.08	1.17	1.19	1.25	1.32	0.07	-0.02	70.9%	69.7%
Netherlands	1.00	1.01	0.98	0.90	0.95	1.00	0.05	-0.01	77.5%	78.5%
Spain	1.15	1.13	1.25	1.23	1.17	1.27	0.10	0.13	83.5%	74.8%
United Kingdom	1.19	1.17	1.14	1.05	1.13	1.14	0.00	-0.19	72.4%	84.2%
Other OECD Europe	3.73	3.85	3.89	3.76	4.04	4.04	0.00	0.10	79.0%	79.1%
OECD Europe	**10.98**	**11.26**	**11.25**	**10.81**	**11.50**	**11.97**	**0.47**	**0.14**	**81.8%**	**80.5%**
Japan	3.38	3.16	2.80	2.52	2.96	3.13	0.17	-0.27	77.3%	75.5%
South Korea	2.55	2.35	2.41	2.43	2.59	2.70	0.11	0.23	84.5%	81.0%
Other Asia Oceania	0.93	0.93	0.80	0.86	0.90	0.88	-0.03	-0.10	28.1%	80.0%
OECD Asia Oceania	**6.85**	**6.44**	**6.02**	**5.81**	**6.45**	**6.70**	**0.25**	**-0.14**	**79.2%**	**78.0%**
OECD Total	**35.94**	**36.56**	**36.07**	**35.56**	**37.56**	**38.14**	**0.59**	**0.43**	**85.3%**	**83.5%**

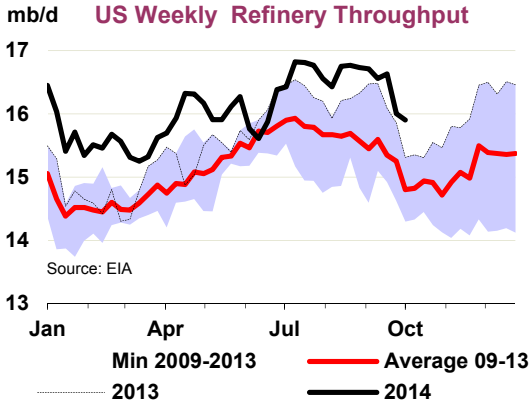
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

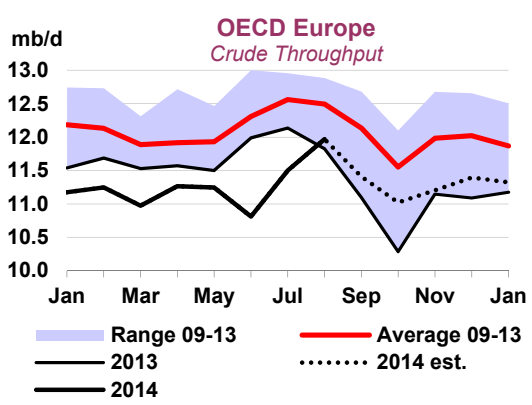
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

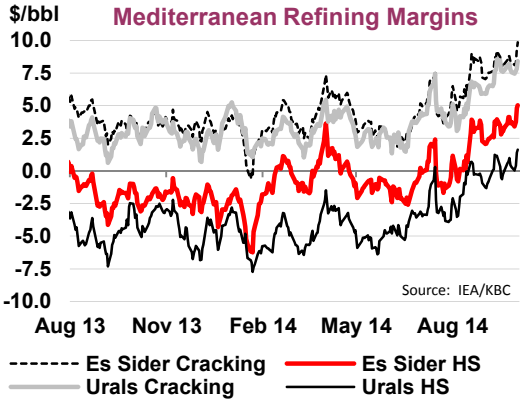
Refinery throughputs in the **OECD Americas** eased slightly in August compared with July's record highs, to 19.5 mb/d. Runs remained 425 kb/d above a year earlier, on higher US throughputs, which so far this year are up nearly 600 kb/d. US throughputs fell sharply by end-September, as maintenance got underway. On a monthly basis, US crude intake fell by 375 kb/d from August, with most of the declines coming from the Gulf Coast. Planned announced shutdowns are lighter this year than last, with some refiners reportedly postponing planned works until 2015, to benefit from currently robust refinery margins. Extensive work should curb runs in Canada, however.



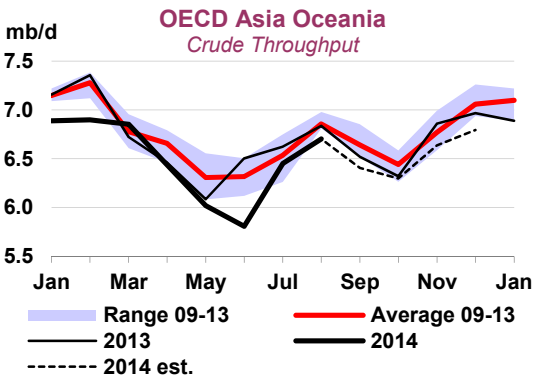


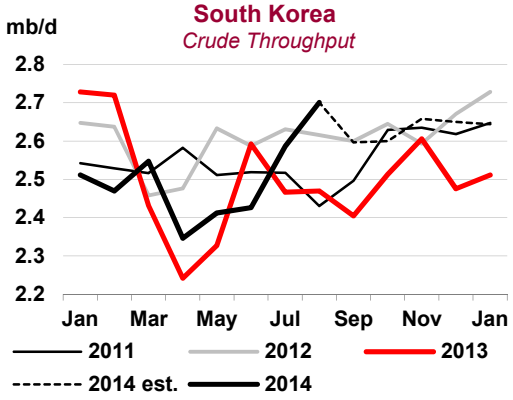
Thanks to greatly improved refinery margins, **European** runs rose above year-earlier levels for the first time in almost two years in August. From an unexpectedly low point in June, OECD European throughput rates surged 1.2 mb/d by August. Preliminary data indicate that regional runs rose to 12 mb/d, some 465 kb/d above July and 140 kb/d higher than a year earlier. German refiners processed 200 kb/d more crude than in July, while Spain and Italy increased runs by 100 kb/d and 70 kb/d, respectively. Ireland's sole refinery also returned from maintenance after completing a full shutdown in July. A sharp recovery in refinery margins, both in Northwest Europe and on the Mediterranean, underpinned the increases, as even simple refinery margins turned positive. Margins improved further into early October, suggesting that the steep declines seen last October will not be repeated this year. As non-OECD refiners ramp up throughputs again however, refiners might again be forced to cut output, in the face of lacklustre regional demand and high product inflows.





In the **OECD Asia Oceania** region, refinery throughputs also rose sharply through August, on higher South Korean refinery intake. Two new condensate splitters with combined capacity of 250 kb/d started up in July in South Korea, lifting the country's crude runs, which includes condensates, to a new record high of 2.7 mb/d in August. The two units are owned by a Samsung/Total joint venture and SK Incheon Petrochem Energy, respectively. SK Innovation reportedly also raised throughputs at its Ulsan refinery, after maintenance was completed. In contrast, Japanese refinery runs fell 270 kb/d versus year-earlier levels. Despite the weak runs, Japanese gasoline exports shot up to record highs as bad weather and high retail prices curbed domestic demand. South Korea's product exports also increased in July and August, as domestic demand remained near year-earlier levels.

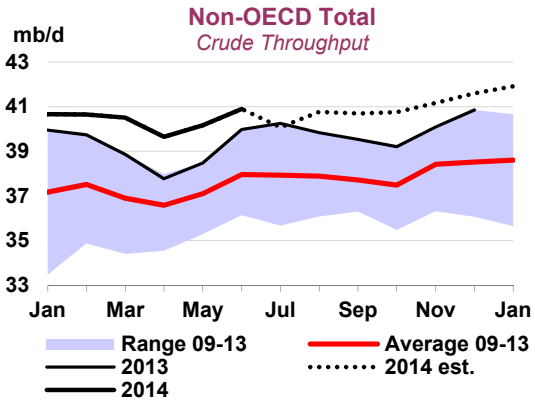


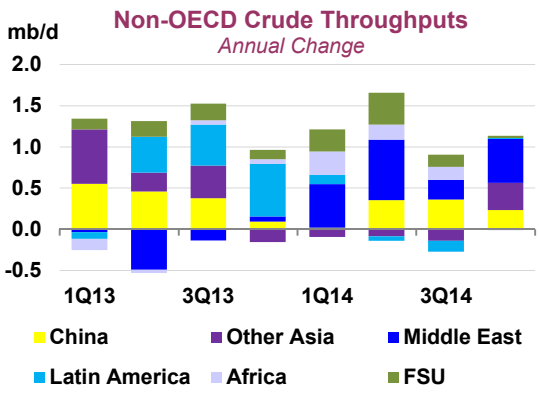


Non-OECD Refinery Throughput

Preliminary estimates indicated that **non-OECD** refinery runs slipped below year-earlier levels for the first time in 15 months in July, following particularly sharp declines in Asia. Non-OECD Asian runs, excluding China, contracted by nearly 0.6 mb/d year-on-year, on extensive outages and signs of weak demand. Increased exports from Japan, Korea and the Middle East could also have contributed to lower

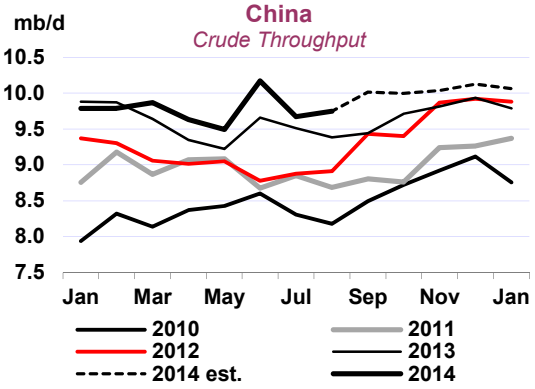
rates. Regional throughputs are on track to decline year-on-year for the fourth quarter in 3Q14, before a recovery is expected in the last quarter of the year. Gains in China, the Middle East and Africa have offset some of the declines, however. Growth in total non-OECD runs is now estimated to have slowed to 0.6 mb/d in 3Q14, from 1.5 mb/d in 2Q14. As offline capacity returns and new capacity continue to ramp up, annual gains are expected to rise to 1.1 mb/d in 4Q14, reaching 41.1 mb/d, from 40.5 mb/d in 3Q14.

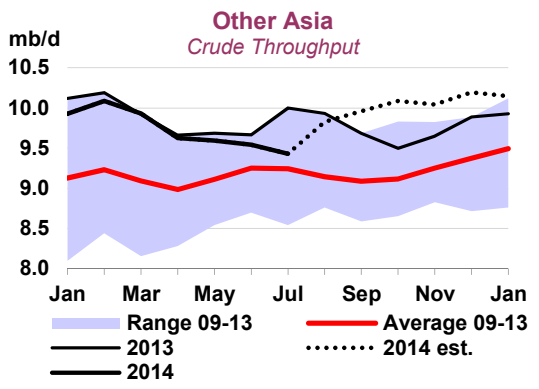




Chinese refinery intake inched slightly higher, to 9.75 mb/d, in August, from 9.67 mb/d in July and 9.4 mb/d a year earlier. Despite a slight uptick in domestic demand, exports of key products surged to 775 kb/d in August, the highest level since December 2009. Throughputs are estimated to have risen in September, to just over 10 mb/d, before falling again in October when several refiners started maintenance. Chinese refinery activity is expected to be propped up by new capacity later in the year. Sinopec commissioned a new 100 kb/d crude unit at its Shijianzhuang refinery in July, and is scheduled to start a 120 kb/d unit at its Yangzi refinery this month. The most recent additions follow almost 500 kb/d of new capacity being completed at the start of the year.

As the demand growth outlook for China continues to deteriorate, companies continue to delay expansion projects. PetroChina most recently announced that it has delayed the expansion of its Huabei refinery, by 200 kb/d, to start up in 2017, two years later than an earlier timeline. Compared with previously ambitious refinery expansions plans, only 100 kb/d of new capacity now looks likely to be brought online in 2015. A more chunky 800 kb/d of new capacity is scheduled for 2016, when Sinopec's 300 kb/d Zhenhai and PetroChina's 200 kb/d Kunming plants will be completed. PetroChina's Huabei will also add 100 kb/d of CDU capacity, while CNOOC is planning to expand its Huizou refinery by 200 kb/d.

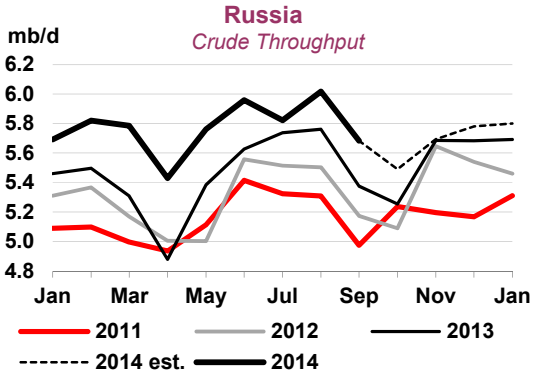




In '**Other Non-OECD Asia**', refinery crude activity fell further in July, the last month for which data are available, to 9.4 mb/d, from 9.5 mb/d in June, and 10 mb/d a year earlier. Indian throughputs averaged only 4.3 mb/d, 245 kb/d less than a year earlier. The shutdown of HPCL's 180 kb/d Bathinda refinery, after a fire in June, was partly to blame. As the refinery remained closed through September, Indian refinery runs remained weak also in August. A deregulation of domestic retail prices, coinciding with

weak domestic and regional demand has led Reliance to increasingly supply the domestic market and has forced state-owned refiners to scale back runs. Indian throughputs are nevertheless expected to rebound towards year-end. The new Paradip refinery is only expected to start crude processing in December, after numerous delays. Elsewhere, Vietnam's sole refinery completed a 40-day full shutdown in August, Thailand's Bangchak and Sriracha plants were shut in June-July, while Indonesia's Cilacap refinery shut for turnarounds in September.

After hitting yet another record high in August, of more than 6 mb/d, the onset of autumn maintenance took **Russian** refinery runs some 335 kb/d lower in September. At 5.7 mb/d, Russian refinery runs were still 310 kb/d above the previous year, as has been the case for most of this year. While announced maintenance schedules suggest planned outages of about 600 kb/d for both September and October, we expect throughputs to decline further in October, in line with seasonal trends. Only in two of the last ten years did Russian refiners raise runs in October.



Middle East Refining Boom to Leave Products Searching for Markets

As global oil demand growth continues to show signs of slowing down, eyes are turning to the Middle East, where several large scale refinery projects are nearing completion. Not only is the steep increase in Middle Eastern refining capacity set to dramatically boost the overall volume of products available for export, but the configuration of the plants, designed to maximise diesel production, seems somewhat at odds with market trends that in recent months have shown stronger demand growth for gasoline and jet fuel than for middle distillates.

As highlighted in our latest *Medium-Term Oil Market Report*, the region is poised to expand its primary refinery capacity by nearly 1.5 mb/d over 2013-15, to 9.3 mb/d. The capacity additions compare with total regional oil product demand growth of 0.6 mb/d over the same period, resulting in a significant increase in the volumes of refined products from the Middle East available for export in the near-term. Our analysis shows regional net product exports could surge to almost 1 mb/d next year, from less than 0.4 mb/d on average in 2013.

Since the start-up of Satorp's 400 kb/d Jubail refinery in September 2013, Saudi Arabian product exports have already shot up. According to JODI data, exports of gasoil/diesel, for instance, averaged 195 kb/d in January-July of this year, more than 100 kb/d higher than the same period in 2013. The Aramco-Total JV plant only reached full capacity in August, according to company officials, so product exports are likely to increase further. Aramco's second JV refinery, the 400 kb/d Yanbu plant, co-owned with China's Sinopec, is currently undergoing test runs, with full rates expected by early 2015. The UAE's new 420 kb/d Ruwais refinery is also expected to reach start-up mode by the end of this year.

These three mega-projects have been long in coming, and since their inception, market conditions have taken an unexpected turn. The current economic and oil-demand picture is quite different from what was envisaged at the time when they got underway in the mid-2000s. Not only was oil demand expected to be higher, but the make-up of the demand barrel has also changed. Since the financial crisis of 2008-09, the economic slowdown has had a more marked impact on distillate demand than on that for other products, such as gasoline. Diesel demand has also been adversely affected by subsidy reductions in key non-OECD markets, such as India, and concerns over local pollution levels and a slowdown in diesel sales in key markets such as France, have also been stemming growth in the not-so-distant 'champion of fuels'.

The new mega-refineries are heavily focused on diesel production. When fully commissioned, the plants should produce almost 0.8 mb/d of ultra low sulphur diesel (ULSD) and jet fuel. According to the companies and market estimates, Jubail has the capacity to produce 235 kb/d of ULSD diesel. The Yanbu refinery will produce some 260 kb/d of ULSD and 90 kb/d of gasoline, while Ruwais will produce an additional 175 kb/d of diesel and 85 kb/d of jet fuel. Regional distillate demand growth, meanwhile, is forecast to grow by less than 0.1 mb/d per annum this year and next.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.8	23.9	24.3	24.3	24.1	23.9	23.6	24.3	24.4	24.1	23.9	23.9	24.3	24.4	24.1
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.7	13.0	13.4	13.8	13.5	13.5	13.1	13.4	13.7	13.4	13.4
Asia Oceania[3]	8.2	8.5	8.9	7.8	8.0	8.6	8.3	8.8	7.7	7.7	8.4	8.2	8.6	7.5	7.8	8.3	8.0
Total OECD	46.4	45.9	45.9	45.5	46.3	46.5	46.1	45.7	44.7	45.9	46.4	45.7	45.7	44.8	45.8	46.1	45.6
NON-OECD DEMAND																	
FSU	4.5	4.6	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.0	5.0	4.8
Europe	0.7	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	9.4	9.8	9.9	10.1	10.1	10.3	10.1	10.1	10.3	10.3	10.5	10.3	10.4	10.6	10.6	10.8	10.6
Other Asia	11.2	11.6	11.9	11.9	11.6	12.0	11.9	12.2	12.2	11.9	12.4	12.1	12.6	12.5	12.2	12.7	12.5
Americas	6.2	6.4	6.4	6.6	6.8	6.8	6.6	6.6	6.8	6.9	6.8	6.8	6.7	6.9	7.0	7.0	6.9
Middle East	7.5	7.7	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.5	7.9	8.1	7.9	8.4	8.8	8.2	8.3
Africa	3.6	3.8	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.9	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Total Non-OECD	43.1	44.6	44.7	45.7	46.2	46.2	45.7	45.8	46.8	47.1	47.1	46.7	46.9	47.9	48.4	48.6	47.9
Total Demand[4]	**89.5**	**90.5**	**90.5**	**91.2**	**92.5**	**92.7**	**91.7**	**91.6**	**91.5**	**93.0**	**93.5**	**92.4**	**92.6**	**92.7**	**94.2**	**94.6**	**93.5**
OECD SUPPLY																	
Americas[1,7]	14.6	15.8	16.8	16.6	17.3	17.8	17.1	18.1	18.6	18.7	19.0	18.6	19.4	19.4	19.6	20.0	19.6
Europe[2]	3.8	3.5	3.4	3.4	3.2	3.4	3.3	3.5	3.2	3.1	3.3	3.3	3.3	3.1	3.0	3.3	3.2
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
Total OECD	18.9	19.8	20.6	20.5	21.0	21.6	20.9	22.1	22.4	22.3	22.8	22.4	23.2	23.1	23.2	23.9	23.3
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.8	13.8	13.8	14.1	13.9	14.0	13.8	13.8	13.8	13.9	13.9	13.8	13.7	13.7	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Other Asia[5]	3.7	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.4	3.3	3.4	3.4	3.4	3.4	3.4	3.5	3.4
Americas[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.4	4.3	4.5	4.6	4.6	4.7	4.6
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Non-OECD	29.9	29.5	29.5	29.4	29.2	29.9	29.5	29.8	29.6	29.4	29.6	29.6	29.8	29.8	29.7	29.8	29.8
Processing gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.4	2.1	2.1	1.8	2.2	2.6	2.2	2.2
Total Non-OPEC[5]	52.8	53.3	53.8	54.1	54.8	55.8	54.6	55.7	56.3	56.3	56.7	56.3	57.1	57.3	57.6	58.1	57.5
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.1	30.4							
NGLs	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.3	6.4	6.5	6.4	6.7	6.7	6.7	6.7	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	36.9	36.1	36.7	36.3	36.4	36.9							
Total Supply[9]	**88.6**	**90.8**	**90.4**	**91.3**	**91.7**	**91.9**	**91.3**	**92.0**	**92.8**	**93.2**							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	0.0	0.4	-1.5	-0.2	0.2	0.7								
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0	0.0								
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2	0.7								
Floating storage/Oil in transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3	-0.3								
Miscellaneous to balance[10]	-0.6	0.1	-0.5	0.3	-1.5	0.3	-0.4	0.0	0.9								
Total Stock Ch. & Misc	**-0.9**	**0.2**	**-0.1**	**0.1**	**-0.8**	**-0.9**	**-0.4**	**0.4**	**1.2**	**0.2**							
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.8	31.1	30.6	30.9	31.4	30.7	30.9	29.5	28.8	30.2	30.3	29.7	28.8	28.7	29.9	29.8	29.3

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.1	-	-0.1	-0.1	-0.1	-0.1
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
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.3	-0.2	-0.2
Total Demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-0.1**	**-0.3**	**-0.4**	**-0.2**	**-0.2**	**-0.3**	**-0.4**	**-0.4**	**-0.3**
OECD SUPPLY																	
Americas	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-	-0.1	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Americas	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Total Non-OPEC	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-0.1	-0.1	-0.1	-0.1	-	-	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-								
Total Supply	**-0.1**	**-0.1**	**-**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-**								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-0.1								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-0.1								
Floating storage/Oil in transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.1								
Total Stock Ch. & Misc	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**0.1**								
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.1	-0.3	-0.3	-0.2	-0.1	-0.2	-0.4	-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

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.60	23.79	23.86	24.31	24.34	24.08	23.87	23.65	24.34	24.44	24.07	23.95	23.88	24.26	24.45	24.14
Europe[2]	13.80	13.21	13.83	13.99	13.56	13.65	13.02	13.41	13.83	13.55	13.46	13.07	13.44	13.75	13.37	13.41
Asia Oceania[3]	8.52	8.86	7.83	8.02	8.61	8.33	8.85	7.65	7.73	8.38	8.15	8.63	7.51	7.78	8.27	8.05
Total OECD	45.92	45.87	45.52	46.32	46.51	46.06	45.73	44.71	45.90	46.36	45.68	45.65	44.83	45.79	46.09	45.59
Asia	21.42	21.80	21.96	21.72	22.30	21.95	22.30	22.44	22.21	22.88	22.46	22.93	23.07	22.84	23.53	23.10
Middle East	7.75	7.53	7.93	8.38	7.73	7.90	7.79	8.21	8.49	7.87	8.09	7.92	8.35	8.79	8.17	8.31
Americas	6.42	6.37	6.60	6.76	6.76	6.62	6.58	6.75	6.89	6.84	6.77	6.70	6.88	7.01	7.00	6.90
FSU	4.61	4.46	4.63	4.91	4.93	4.73	4.59	4.78	4.96	4.87	4.80	4.61	4.79	5.03	4.96	4.85
Africa	3.78	3.89	3.89	3.74	3.83	3.84	3.93	3.97	3.85	4.00	3.94	4.08	4.11	4.04	4.19	4.11
Europe	0.65	0.62	0.65	0.66	0.68	0.65	0.65	0.66	0.67	0.68	0.67	0.66	0.68	0.68	0.69	0.68
Total Non-OECD	44.62	44.67	45.66	46.17	46.23	45.69	45.84	46.80	47.07	47.14	46.72	46.91	47.88	48.39	48.55	47.94
World	**90.55**	**90.54**	**91.18**	**92.50**	**92.74**	**91.75**	**91.57**	**91.52**	**92.98**	**93.51**	**92.40**	**92.56**	**92.71**	**94.18**	**94.64**	**93.53**
of which: US50	18.52	18.64	18.72	19.21	19.26	18.96	18.84	18.70	19.26	19.29	19.03	18.94	18.91	19.21	19.34	19.10
Europe 5*	8.36	8.05	8.33	8.31	8.10	8.20	7.89	7.93	8.14	8.02	8.00	7.86	7.94	8.06	7.88	7.93
China	9.82	9.86	10.07	10.14	10.27	10.09	10.11	10.28	10.34	10.53	10.31	10.36	10.55	10.62	10.83	10.59
Japan	4.69	5.05	4.08	4.28	4.72	4.53	5.02	3.87	3.92	4.45	4.31	4.73	3.77	3.94	4.34	4.19
India	3.75	3.87	3.85	3.55	3.81	3.77	3.93	3.93	3.63	3.91	3.85	4.03	4.06	3.78	4.00	3.97
Russia	3.40	3.33	3.43	3.69	3.61	3.52	3.46	3.57	3.72	3.53	3.57	3.45	3.56	3.76	3.64	3.60
Brazil	2.97	2.96	3.06	3.15	3.19	3.09	3.08	3.14	3.21	3.20	3.16	3.12	3.19	3.26	3.28	3.21
Saudi Arabia	2.97	2.75	3.09	3.34	2.87	3.01	2.85	3.29	3.44	2.92	3.13	2.92	3.32	3.59	3.08	3.23
Canada	2.35	2.45	2.41	2.43	2.42	2.43	2.42	2.35	2.47	2.43	2.42	2.37	2.34	2.43	2.42	2.39
Korea	2.32	2.33	2.29	2.27	2.40	2.32	2.36	2.32	2.33	2.42	2.36	2.41	2.26	2.33	2.41	2.36
Mexico	2.09	2.05	2.08	2.03	2.02	2.04	1.95	1.97	1.97	2.06	1.99	1.97	2.00	1.99	2.04	2.00
Iran	1.79	1.79	1.80	1.80	1.81	1.80	1.85	1.81	1.82	1.83	1.83	1.87	1.87	1.87	1.87	1.87
Total	**63.03**	**63.14**	**63.22**	**64.20**	**64.46**	**63.76**	**63.75**	**63.18**	**64.26**	**64.61**	**63.95**	**64.04**	**63.77**	**64.84**	**65.13**	**64.45**
% of World	69.6%	69.7%	69.3%	69.4%	69.5%	69.5%	69.6%	69.0%	69.1%	69.1%	69.2%	69.2%	68.8%	68.8%	68.8%	68.9%
Annual Change (% per annum)																
Americas[1]	-1.7	2.0	1.3	2.5	2.3	2.0	0.3	-0.9	0.1	0.4	0.0	0.3	1.0	-0.3	0.0	0.3
Europe[2]	-3.2	-3.9	-0.2	0.8	-1.1	-1.1	-1.4	-3.0	-1.2	-0.1	-1.4	0.4	0.2	-0.6	-1.3	-0.4
Asia Oceania[3]	4.5	-2.7	-2.1	-2.8	-1.5	-2.3	-0.2	-2.3	-3.6	-2.6	-2.1	-2.4	-1.9	0.6	-1.3	-1.3
Total OECD	-1.07	-0.69	0.25	1.03	0.59	0.30	-0.29	-1.77	-0.91	-0.31	-0.82	-0.18	0.25	-0.25	-0.59	-0.20
Asia	4.0	3.5	3.4	2.4	0.6	2.5	2.3	2.2	2.2	2.6	2.3	2.8	2.8	2.9	2.8	2.8
Middle East	3.7	4.8	2.2	1.0	-0.2	1.9	3.4	3.5	1.3	1.8	2.5	1.7	1.8	3.5	3.9	2.7
Americas	3.3	2.9	3.5	3.5	2.6	3.1	3.3	2.4	1.9	1.2	2.2	1.9	1.8	1.8	2.3	2.0
FSU	1.4	0.7	1.8	3.6	4.3	2.7	3.0	3.3	1.0	-1.4	1.4	0.3	0.2	1.3	2.0	1.0
Africa	5.5	3.9	3.6	0.1	-1.0	1.6	0.9	2.0	3.0	4.5	2.6	4.0	3.6	4.9	4.7	4.3
Europe	-3.4	-4.4	-0.7	2.7	4.4	0.5	5.3	1.2	2.4	1.0	2.4	2.4	3.5	0.7	1.7	2.0
Total Non-OECD	3.59	3.30	3.00	2.23	1.08	2.39	2.61	2.51	1.95	1.97	2.25	2.35	2.31	2.81	2.99	2.62
World	**1.2**	**1.2**	**1.6**	**1.6**	**0.8**	**1.3**	**1.1**	**0.4**	**0.5**	**0.8**	**0.7**	**1.1**	**1.3**	**1.3**	**1.2**	**1.2**
Annual Change (mb/d)																
Americas[1]	-0.40	0.46	0.30	0.59	0.56	0.48	0.07	-0.21	0.03	0.10	0.00	0.08	0.23	-0.08	0.01	0.06
Europe[2]	-0.46	-0.54	-0.02	0.11	-0.16	-0.15	-0.19	-0.42	-0.16	-0.02	-0.20	0.05	0.02	-0.08	-0.18	-0.05
Asia Oceania[3]	0.37	-0.24	-0.17	-0.23	-0.13	-0.19	-0.02	-0.18	-0.29	-0.22	-0.18	-0.21	-0.14	0.04	-0.11	-0.10
Total OECD	-0.49	-0.32	0.11	0.47	0.27	0.14	-0.14	-0.81	-0.42	-0.15	-0.38	-0.08	0.11	-0.12	-0.27	-0.09
Asia	0.82	0.75	0.72	0.50	0.14	0.53	0.50	0.48	0.49	0.58	0.51	0.63	0.64	0.64	0.65	0.64
Middle East	0.28	0.35	0.17	0.09	-0.02	0.15	0.26	0.28	0.11	0.14	0.20	0.13	0.14	0.30	0.31	0.22
Americas	0.21	0.18	0.22	0.23	0.17	0.20	0.21	0.16	0.13	0.08	0.14	0.12	0.12	0.13	0.16	0.13
FSU	0.07	0.03	0.08	0.17	0.20	0.12	0.14	0.15	0.05	-0.07	0.07	0.02	0.01	0.06	0.10	0.05
Africa	0.20	0.15	0.14	0.00	-0.04	0.06	0.03	0.08	0.11	0.17	0.10	0.16	0.14	0.19	0.19	0.17
Europe	-0.02	-0.03	0.00	0.02	0.03	0.00	0.03	0.01	0.02	0.01	0.02	0.02	0.02	0.00	0.01	0.01
Total Non-OECD	1.55	1.42	1.33	1.01	0.49	1.06	1.17	1.15	0.90	0.91	1.03	1.08	1.08	1.32	1.41	1.22
World	**1.05**	**1.11**	**1.44**	**1.48**	**0.77**	**1.20**	**1.03**	**0.34**	**0.48**	**0.77**	**0.65**	**0.99**	**1.19**	**1.21**	**1.14**	**1.13**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.04	-0.08	-0.03	0.01	-0.04	-0.04	-0.05	-0.03
Europe[2]	0.00	0.00	0.00	0.00	0.01	0.00	0.00	-0.01	-0.07	-0.10	-0.05	-0.03	-0.03	-0.05	-0.04	-0.04
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.11	-0.05	-0.04	-0.02	-0.02	-0.05	-0.04	-0.03
Total OECD	0.00	0.00	0.00	0.00	0.01	0.00	0.00	-0.03	-0.22	-0.23	-0.12	-0.04	-0.10	-0.14	-0.13	-0.10
Asia	0.01	0.04	0.03	0.00	0.01	0.02	-0.03	-0.04	-0.05	-0.08	-0.05	-0.10	-0.09	-0.15	-0.12	-0.12
Middle East	0.00	0.01	0.01	0.01	0.02	0.01	0.01	-0.01	-0.06	-0.01	-0.02	-0.02	0.00	-0.03	-0.04	-0.02
Americas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	-0.04	-0.01	-0.01	-0.01	-0.03	-0.03	-0.02
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	-0.01	-0.02	-0.03	-0.01	-0.02
Africa	0.00	0.00	-0.01	0.00	0.00	0.00	0.01	0.00	-0.05	-0.03	-0.02	-0.01	-0.02	-0.04	-0.03	-0.03
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.01	0.01	0.00	0.00
Total Non-OECD	0.01	0.05	0.04	0.01	0.03	0.03	-0.01	-0.07	-0.13	-0.16	-0.09	-0.15	-0.15	-0.27	-0.23	-0.20
World	**0.01**	**0.05**	**0.04**	**0.01**	**0.04**	**0.03**	**-0.01**	**-0.10**	**-0.35**	**-0.39**	**-0.21**	**-0.19**	**-0.26**	**-0.41**	**-0.36**	**-0.30**
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.04	0.03	0.00	0.03	0.03	-0.06	-0.14	-0.36	-0.43	-0.25	-0.18	-0.16	-0.06	0.03	-0.09

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14 [2]	Latest month vs. Jun 14	Latest month vs. Jul 13
Americas[3]											
LPG and ethane	3.11	3.34	3.09	3.62	3.54	2.86	2.74	2.84	2.89	0.04	-0.28
Naphtha	0.34	0.38	0.39	0.37	0.37	0.34	0.36	0.34	0.37	0.03	-0.03
Motor gasoline	10.38	10.55	10.81	10.55	10.21	10.72	10.75	10.76	11.01	0.25	0.09
Jet and kerosene	1.62	1.66	1.74	1.66	1.63	1.69	1.64	1.78	1.79	0.00	0.01
Gasoil/diesel oil	4.98	5.08	4.91	5.20	5.44	5.14	5.17	5.12	5.12	0.00	0.25
Residual fuel oil	0.78	0.69	0.78	0.57	0.54	0.56	0.54	0.58	0.58	0.00	-0.18
Other products	2.40	2.37	2.60	2.37	2.15	2.33	2.34	2.39	2.54	0.15	0.00
Total	**23.60**	**24.08**	**24.31**	**24.34**	**23.87**	**23.65**	**23.53**	**23.82**	**24.30**	**0.48**	**-0.13**
Europe[4]											
LPG and ethane	0.94	1.04	1.03	0.98	1.01	1.08	1.09	1.06	1.11	0.05	0.06
Naphtha	1.21	1.19	1.22	1.15	1.31	1.20	1.19	1.21	1.19	-0.02	-0.09
Motor gasoline	2.01	1.95	2.08	1.92	1.81	1.97	1.95	2.00	2.05	0.05	-0.09
Jet and kerosene	1.21	1.21	1.32	1.19	1.12	1.24	1.24	1.28	1.37	0.09	0.05
Gasoil/diesel oil	5.95	5.96	5.96	6.12	5.73	5.76	5.64	5.78	6.05	0.27	0.04
Residual fuel oil	1.11	1.00	0.98	0.95	0.96	0.90	0.88	0.88	0.92	0.04	-0.06
Other products	1.38	1.29	1.39	1.26	1.09	1.25	1.23	1.31	1.36	0.05	-0.08
Total	**13.80**	**13.65**	**13.99**	**13.56**	**13.02**	**13.41**	**13.21**	**13.53**	**14.05**	**0.52**	**-0.17**
Asia Oceania[5]											
LPG and ethane	0.89	0.85	0.79	0.85	0.88	0.82	0.83	0.83	0.82	0.00	0.00
Naphtha	1.80	1.84	1.83	1.93	1.97	1.74	1.77	1.63	1.74	0.11	-0.09
Motor gasoline	1.63	1.61	1.68	1.60	1.54	1.51	1.52	1.53	1.55	0.02	-0.13
Jet and kerosene	0.89	0.89	0.70	1.01	1.13	0.71	0.67	0.70	0.67	-0.03	-0.01
Gasoil/diesel oil	1.76	1.76	1.71	1.84	1.82	1.72	1.73	1.74	1.70	-0.04	-0.05
Residual fuel oil	0.90	0.76	0.72	0.74	0.83	0.63	0.60	0.60	0.62	0.02	-0.13
Other products	0.67	0.62	0.58	0.63	0.67	0.53	0.48	0.54	0.61	0.07	0.03
Total	**8.52**	**8.33**	**8.02**	**8.61**	**8.85**	**7.65**	**7.60**	**7.56**	**7.71**	**0.15**	**-0.38**
OECD											
LPG and ethane	4.93	5.23	4.91	5.46	5.43	4.77	4.67	4.72	4.81	0.09	-0.23
Naphtha	3.35	3.41	3.44	3.45	3.65	3.29	3.31	3.18	3.30	0.12	-0.22
Motor gasoline	14.01	14.11	14.58	14.06	13.56	14.20	14.21	14.30	14.61	0.31	-0.12
Jet and kerosene	3.72	3.77	3.76	3.87	3.88	3.64	3.54	3.76	3.82	0.06	0.06
Gasoil/diesel oil	12.68	12.81	12.58	13.16	12.99	12.63	12.54	12.64	12.87	0.23	0.24
Residual fuel oil	2.78	2.45	2.48	2.25	2.33	2.09	2.02	2.06	2.12	0.06	-0.37
Other products	4.44	4.29	4.57	4.26	3.90	4.11	4.05	4.24	4.51	0.27	-0.05
Total	**45.92**	**46.06**	**46.32**	**46.51**	**45.73**	**44.71**	**44.34**	**44.91**	**46.05**	**1.15**	**-0.68**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14 [2]	Latest month vs. Jun 14	Latest month vs. Jul 13
United States[3]											
LPG and ethane	2.26	2.44	2.25	2.71	2.64	2.04	1.91	2.06	2.07	0.01	-0.21
Naphtha	0.24	0.27	0.28	0.26	0.24	0.21	0.21	0.20	0.25	0.04	-0.03
Motor gasoline	8.69	8.84	9.07	8.84	8.53	9.00	9.00	9.03	9.23	0.20	0.08
Jet and kerosene	1.41	1.44	1.50	1.44	1.41	1.47	1.41	1.57	1.56	-0.01	0.01
Gasoil/diesel oil	3.74	3.83	3.68	3.94	4.17	3.92	3.93	3.87	3.86	-0.01	0.24
Residual fuel oil	0.37	0.32	0.38	0.27	0.24	0.25	0.23	0.26	0.23	-0.03	-0.13
Other products	1.82	1.82	2.06	1.80	1.62	1.82	1.84	1.86	1.98	0.12	-0.04
Total	**18.52**	**18.96**	**19.21**	**19.26**	**18.84**	**18.70**	**18.52**	**18.85**	**19.17**	**0.32**	**-0.09**
Japan											
LPG and ethane	0.53	0.50	0.44	0.50	0.56	0.47	0.48	0.46	0.45	0.00	-0.02
Naphtha	0.72	0.77	0.76	0.82	0.81	0.65	0.64	0.57	0.67	0.10	-0.09
Motor gasoline	0.98	0.96	1.03	0.96	0.92	0.88	0.88	0.91	0.91	0.01	-0.12
Jet and kerosene	0.55	0.54	0.37	0.64	0.77	0.37	0.35	0.37	0.34	-0.03	-0.01
Diesel	0.42	0.42	0.43	0.45	0.44	0.41	0.40	0.42	0.42	0.00	-0.03
Other gasoil	0.40	0.40	0.36	0.42	0.46	0.35	0.35	0.35	0.33	-0.02	-0.04
Residual fuel oil	0.55	0.45	0.43	0.44	0.52	0.35	0.32	0.33	0.36	0.03	-0.09
Other products	0.55	0.49	0.47	0.49	0.54	0.40	0.36	0.38	0.45	0.07	-0.03
Total	**4.69**	**4.53**	**4.28**	**4.72**	**5.02**	**3.87**	**3.79**	**3.77**	**3.92**	**0.15**	**-0.43**
Germany											
LPG and ethane	0.10	0.11	0.11	0.10	0.09	0.10	0.11	0.10	0.10	0.00	-0.02
Naphtha	0.38	0.40	0.38	0.39	0.43	0.41	0.40	0.41	0.45	0.04	0.07
Motor gasoline	0.43	0.43	0.45	0.42	0.41	0.43	0.44	0.44	0.47	0.03	0.02
Jet and kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.19	0.20	0.21	0.01	0.02
Diesel	0.67	0.68	0.73	0.69	0.68	0.71	0.72	0.69	0.77	0.08	0.04
Other gasoil	0.40	0.41	0.36	0.40	0.38	0.31	0.30	0.28	0.32	0.04	-0.02
Residual fuel oil	0.13	0.13	0.12	0.12	0.12	0.10	0.10	0.08	0.11	0.03	-0.02
Other products	0.08	0.07	0.09	0.07	0.05	0.06	0.06	0.06	0.06	0.00	-0.04
Total	**2.39**	**2.40**	**2.44**	**2.37**	**2.33**	**2.32**	**2.31**	**2.26**	**2.49**	**0.23**	**0.04**
Italy											
LPG and ethane	0.10	0.11	0.09	0.11	0.10	0.09	0.09	0.09	0.09	0.01	0.00
Naphtha	0.08	0.08	0.07	0.06	0.07	0.06	0.06	0.06	0.06	0.00	-0.03
Motor gasoline	0.22	0.21	0.23	0.22	0.20	0.21	0.21	0.20	0.21	0.01	-0.03
Jet and kerosene	0.09	0.09	0.11	0.09	0.08	0.10	0.10	0.10	0.11	0.02	0.00
Diesel	0.47	0.45	0.45	0.45	0.44	0.48	0.45	0.51	0.55	0.05	0.06
Other gasoil	0.10	0.11	0.11	0.12	0.08	0.06	0.08	0.05	0.05	0.00	-0.05
Residual fuel oil	0.11	0.08	0.08	0.08	0.07	0.06	0.06	0.07	0.07	0.00	-0.02
Other products	0.21	0.19	0.20	0.20	0.15	0.15	0.17	0.15	0.17	0.02	-0.04
Total	**1.37**	**1.32**	**1.35**	**1.33**	**1.20**	**1.21**	**1.23**	**1.21**	**1.32**	**0.10**	**-0.11**
France											
LPG and ethane	0.11	0.11	0.08	0.11	0.12	0.09	0.08	0.08	0.08	0.00	0.00
Naphtha	0.14	0.15	0.16	0.11	0.17	0.16	0.16	0.17	0.17	0.00	0.00
Motor gasoline	0.18	0.17	0.19	0.17	0.16	0.18	0.17	0.19	0.20	0.01	-0.01
Jet and kerosene	0.15	0.15	0.16	0.15	0.14	0.15	0.15	0.16	0.17	0.01	0.00
Diesel	0.69	0.69	0.71	0.70	0.66	0.70	0.66	0.72	0.75	0.03	-0.02
Other gasoil	0.27	0.29	0.26	0.29	0.28	0.21	0.18	0.22	0.23	0.01	-0.02
Residual fuel oil	0.07	0.06	0.06	0.06	0.05	0.05	0.05	0.04	0.05	0.01	-0.01
Other products	0.15	0.15	0.16	0.13	0.11	0.14	0.13	0.16	0.19	0.03	0.01
Total	**1.77**	**1.77**	**1.79**	**1.71**	**1.69**	**1.69**	**1.59**	**1.73**	**1.84**	**0.10**	**-0.05**
United Kingdom											
LPG and ethane	0.11	0.11	0.11	0.09	0.12	0.12	0.13	0.12	0.12	0.00	-0.01
Naphtha	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.03	0.01	0.00
Motor gasoline	0.32	0.31	0.31	0.30	0.29	0.31	0.30	0.32	0.29	-0.03	0.00
Jet and kerosene	0.31	0.31	0.32	0.33	0.32	0.30	0.31	0.29	0.29	0.00	0.00
Diesel	0.45	0.46	0.46	0.48	0.45	0.49	0.47	0.50	0.47	-0.03	0.03
Other gasoil	0.13	0.12	0.13	0.11	0.11	0.12	0.11	0.12	0.12	0.01	0.00
Residual fuel oil	0.05	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	-0.01	-0.01
Other products	0.14	0.13	0.13	0.12	0.12	0.13	0.13	0.14	0.13	-0.02	-0.01
Total	**1.53**	**1.51**	**1.52**	**1.48**	**1.47**	**1.53**	**1.49**	**1.54**	**1.48**	**-0.06**	**-0.01**
Canada											
LPG and ethane	0.40	0.45	0.40	0.46	0.45	0.39	0.40	0.35	0.38	0.03	-0.06
Naphtha	0.09	0.09	0.09	0.08	0.09	0.10	0.11	0.09	0.10	0.01	0.00
Motor gasoline	0.79	0.82	0.86	0.80	0.81	0.85	0.86	0.89	0.91	0.03	0.04
Jet and kerosene	0.10	0.10	0.12	0.10	0.10	0.09	0.10	0.09	0.10	0.01	0.00
Diesel	0.30	0.29	0.29	0.27	0.29	0.29	0.29	0.30	0.28	-0.02	-0.03
Other gasoil	0.27	0.31	0.30	0.34	0.34	0.29	0.30	0.31	0.31	0.00	0.04
Residual fuel oil	0.06	0.06	0.05	0.05	0.07	0.05	0.05	0.05	0.06	0.01	0.01
Other products	0.33	0.32	0.31	0.33	0.29	0.29	0.28	0.32	0.32	0.00	0.03
Total	**2.35**	**2.43**	**2.43**	**2.42**	**2.42**	**2.35**	**2.38**	**2.40**	**2.46**	**0.07**	**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)

	2013	2014	2015	2Q14	3Q14	4Q14	1Q15	2Q15	Jul 14	Aug 14	Sep 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.50	9.62				9.82	9.50	9.53
Iran	2.68			2.84	2.77				2.76	2.80	2.75
Iraq	3.08			3.33	3.19				3.15	3.11	3.31
UAE	2.76			2.74	2.81				2.83	2.82	2.78
Kuwait	2.55			2.58	2.65				2.61	2.68	2.67
Neutral Zone	0.52			0.43	0.38				0.38	0.35	0.40
Qatar	0.73			0.71	0.72				0.73	0.73	0.71
Angola	1.72			1.63	1.72				1.73	1.71	1.72
Nigeria	1.95			1.91	1.84				1.85	1.84	1.85
Libya	0.90			0.23	0.57				0.42	0.53	0.78
Algeria	1.15			1.14	1.15				1.16	1.15	1.13
Ecuador	0.52			0.55	0.56				0.56	0.56	0.56
Venezuela	2.50			2.48	2.48				2.48	2.48	2.48
Total Crude Oil	30.46			30.07	30.45				30.46	30.24	30.66
Total NGLs[1]	6.26	6.39	6.68	6.34	6.45	6.46	6.66	6.66	6.45	6.45	6.45
Total OPEC	**36.72**			**36.41**	**36.89**				**36.90**	**36.69**	**37.10**
NON-OPEC[2]											
OECD											
Americas[6]	17.11	18.60	19.62	18.62	18.65	19.03	19.42	19.44	18.60	18.67	18.70
United States[5]	10.24	11.67	12.65	11.67	11.82	12.17	12.39	12.61	11.71	11.78	11.98
Mexico	2.89	2.79	2.68	2.85	2.75	2.70	2.73	2.71	2.74	2.78	2.71
Canada	3.97	4.14	4.28	4.10	4.08	4.15	4.29	4.12	4.14	4.10	4.00
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.32	3.27	3.18	3.25	3.08	3.26	3.26	3.11	3.26	2.93	3.06
UK	0.89	0.85	0.87	0.90	0.68	0.84	0.89	0.87	0.78	0.53	0.72
Norway	1.85	1.86	1.79	1.79	1.84	1.84	1.82	1.71	1.92	1.84	1.76
Others	0.59	0.56	0.53	0.55	0.57	0.57	0.55	0.52	0.56	0.56	0.58
Asia Oceania[8]	0.48	0.51	0.55	0.49	0.52	0.52	0.53	0.56	0.50	0.53	0.52
Australia	0.40	0.42	0.46	0.41	0.43	0.44	0.45	0.47	0.42	0.45	0.44
Others	0.08	0.08	0.09	0.08	0.08	0.09	0.09	0.09	0.08	0.08	0.08
Total OECD	**20.91**	**22.38**	**23.34**	**22.36**	**22.25**	**22.81**	**23.22**	**23.11**	**22.36**	**22.12**	**22.28**
NON-OECD											
Former USSR	13.88	13.87	13.78	13.84	13.79	13.83	13.93	13.80	13.70	13.75	13.93
Russia	10.88	10.92	10.87	10.93	10.83	10.95	10.97	10.90	10.71	10.84	10.96
Others	3.00	2.94	2.92	2.91	2.96	2.89	2.95	2.90	2.99	2.91	2.97
Asia	7.67	7.59	7.66	7.66	7.48	7.54	7.64	7.64	7.52	7.39	7.53
China	4.18	4.19	4.23	4.23	4.15	4.16	4.22	4.23	4.13	4.16	4.15
Malaysia	0.64	0.64	0.67	0.66	0.59	0.64	0.66	0.67	0.64	0.49	0.65
India	0.88	0.86	0.84	0.87	0.85	0.84	0.84	0.84	0.87	0.83	0.84
Indonesia	0.87	0.83	0.80	0.84	0.83	0.81	0.81	0.78	0.84	0.83	0.82
Others	1.10	1.07	1.13	1.06	1.06	1.08	1.11	1.12	1.04	1.08	1.06
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	4.17	4.34	4.60	4.28	4.41	4.43	4.50	4.61	4.39	4.44	4.41
Brazil[5]	2.12	2.31	2.47	2.28	2.38	2.41	2.40	2.47	2.34	2.41	2.40
Argentina	0.63	0.62	0.61	0.62	0.61	0.60	0.60	0.61	0.62	0.62	0.61
Colombia	1.01	0.99	1.11	0.97	1.00	1.00	1.08	1.11	1.00	1.00	0.99
Others	0.42	0.41	0.42	0.42	0.42	0.41	0.41	0.42	0.42	0.41	0.41
Middle East[3]	1.35	1.32	1.28	1.32	1.30	1.30	1.29	1.28	1.30	1.31	1.30
Oman	0.95	0.95	0.94	0.95	0.95	0.94	0.95	0.94	0.95	0.95	0.95
Syria	0.06	0.03	0.03	0.03	0.04	0.04	0.03	0.03	0.03	0.04	0.04
Yemen	0.15	0.15	0.11	0.15	0.13	0.13	0.12	0.12	0.12	0.13	0.13
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.30	2.32	2.33	2.31	2.30	2.31	2.35	2.33	2.31	2.29	2.31
Egypt	0.73	0.70	0.68	0.70	0.69	0.68	0.68	0.68	0.69	0.69	0.69
Gabon	0.24	0.24	0.23	0.24	0.23	0.24	0.23	0.23	0.24	0.22	0.24
Others	1.33	1.38	1.41	1.36	1.38	1.40	1.43	1.41	1.38	1.38	1.38
Total Non-OECD	**29.52**	**29.57**	**29.78**	**29.56**	**29.43**	**29.55**	**29.84**	**29.78**	**29.35**	**29.31**	**29.63**
Processing gains[4]	2.18	2.21	2.22	2.19	2.24	2.22	2.22	2.22	2.24	2.24	2.24
Global Biofuels[5]	2.00	2.11	2.20	2.24	2.40	2.14	1.79	2.22	2.19	2.49	2.51
TOTAL NON-OPEC	**54.61**	**56.28**	**57.54**	**56.35**	**56.32**	**56.72**	**57.06**	**57.33**	**56.14**	**56.17**	**56.66**
TOTAL SUPPLY	**91.33**			**92.76**	**93.22**				**93.05**	**92.85**	**93.76**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Apr2014	May2014	Jun2014	Jul2014	Aug2014*	Aug2011	Aug2012	Aug2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	533.4	538.5	529.8	519.9	515.3	485.2	500.7	511.1	0.03	-0.25	0.26	0.08
Motor Gasoline	253.1	252.4	252.6	250.3	247.5	245.4	235.5	254.1	-0.07	0.08	-0.02	-0.07
Middle Distillate	193.0	194.6	191.4	194.4	195.9	230.3	203.8	205.9	0.12	-0.10	-0.13	0.06
Residual Fuel Oil	44.9	47.8	44.8	44.4	46.4	46.7	43.3	42.9	-0.03	0.03	-0.03	0.01
Total Products[3]	653.9	674.2	684.5	700.5	716.0	701.3	691.5	715.9	0.18	-0.47	-0.37	0.51
Total[4]	1346.1	1376.7	1381.5	1392.8	1402.6	1353.3	1360.9	1393.9	0.27	-0.95	-0.06	0.78
OECD Europe												
Crude	310.2	319.5	315.9	308.0	300.2	313.0	323.2	300.0	0.07	-0.05	0.04	0.06
Motor Gasoline	87.5	86.3	83.4	81.9	86.3	91.6	90.6	87.8	0.01	-0.02	0.04	-0.09
Middle Distillate	252.1	252.9	248.3	253.2	261.8	272.8	274.4	262.2	0.15	-0.09	-0.03	-0.01
Residual Fuel Oil	64.3	71.3	68.2	66.9	67.3	82.3	76.8	74.6	-0.05	-0.06	-0.06	0.08
Total Products[3]	495.3	503.1	492.1	495.3	512.0	555.8	547.1	518.0	0.02	-0.16	-0.05	-0.01
Total[4]	870.1	889.1	876.6	868.8	879.6	935.1	937.3	878.4	0.12	-0.17	0.04	0.04
OECD Asia Oceania												
Crude	156.6	160.8	165.3	163.2	165.9	155.9	165.1	151.2	-0.11	-0.14	0.28	-0.05
Motor Gasoline	26.1	25.2	24.4	23.2	21.9	25.5	27.5	26.0	-0.03	-0.01	0.02	-0.01
Middle Distillate	56.1	58.6	53.8	58.6	68.1	70.7	70.4	69.4	0.10	-0.02	-0.13	-0.02
Residual Fuel Oil	21.4	22.5	21.1	23.0	24.2	19.4	21.7	22.2	0.00	-0.01	0.02	0.00
Total Products[3]	157.1	163.8	156.8	165.3	178.3	181.9	181.1	180.9	0.17	-0.14	-0.10	-0.04
Total[4]	381.4	395.5	392.2	398.5	415.4	411.8	418.5	405.1	0.04	-0.34	0.20	-0.07
Total OECD												
Crude	1000.1	1018.9	1011.0	991.1	981.4	954.0	989.0	962.2	-0.02	-0.43	0.58	0.08
Motor Gasoline	366.7	363.8	360.4	355.4	355.7	362.5	353.6	367.9	-0.08	0.05	0.04	-0.18
Middle Distillate	501.3	506.1	493.5	506.2	525.8	573.7	548.6	537.4	0.37	-0.21	-0.29	0.03
Residual Fuel Oil	130.6	141.6	134.0	134.3	137.9	148.3	141.7	139.8	-0.08	-0.03	-0.07	0.09
Total Products[3]	1306.3	1341.1	1333.4	1361.1	1406.3	1438.9	1419.7	1414.7	0.37	-0.77	-0.52	0.47
Total[4]	2597.6	2661.3	2650.3	2660.0	2697.7	2700.1	2716.8	2677.5	0.44	-1.46	0.18	0.75

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			
	Apr2014	May2014	Jun2014	Jul2014	Aug2014*	Aug2011	Aug2012	Aug2013	3Q2013	4Q2013	1Q2014	2Q2014
OECD Americas												
Crude	693.3	691.0	691.0	691.0	691.0	696.5	696.0	696.0	0.00	0.00	0.00	-0.05
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	205.5	207.2	207.8	209.1	209.0	183.1	194.8	205.3	-0.02	0.01	-0.03	0.05
Products	260.7	262.0	259.0	258.0	258.4	240.2	234.4	263.1	0.04	-0.03	0.03	-0.05
OECD Asia Oceania												
Crude	387.8	387.7	387.6	387.7	387.7	390.6	393.4	384.9	-0.01	0.02	0.01	0.00
Products	30.5	30.5	31.0	31.0	31.0	18.7	20.0	23.6	0.06	0.02	0.00	0.00
Total OECD												
Crude	1286.5	1285.9	1286.5	1287.7	1287.6	1270.2	1284.2	1286.1	-0.04	0.03	-0.01	-0.01
Products	292.2	293.6	291.0	290.0	290.4	259.0	255.4	287.6	0.09	-0.01	0.04	-0.04
Total[4]	1582.6	1583.5	1581.3	1582.0	1582.3	1530.6	1540.9	1577.9	0.05	0.02	0.02	-0.05

* 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 2013		End September 2013		End December 2013		End March 2014		End June 2014 [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
OECD Americas										
Canada	174.1	71	182.9	75	170.0	70	174.2	75	178.8	-
Chile	9.3	28	11.2	35	9.8	30	9.5	30	10.6	-
Mexico	50.0	25	50.0	25	48.7	25	47.6	24	47.3	-
United States[4]	1819.9	95	1834.4	95	1762.4	94	1754.0	94	1814.7	-
Total[4]	2075.4	85	2100.6	86	2013.0	84	2007.5	85	2073.5	85
OECD Asia Oceania										
Australia	39.7	37	36.6	33	36.8	34	36.8	34	36.2	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	587.9	137	590.7	125	575.3	115	585.8	151	585.1	-
Korea	182.3	80	190.7	80	177.8	75	186.5	80	180.3	-
New Zealand	8.1	56	7.6	48	8.3	51	8.1	55	9.2	-
Total	818.0	102	825.7	96	798.2	90	817.3	107	810.8	105
OECD Europe[5]										
Austria	21.2	76	20.6	79	21.6	91	22.3	83	20.8	-
Belgium	37.0	59	39.4	66	41.0	66	42.5	70	43.7	-
Czech Republic	18.5	96	20.3	103	20.0	110	19.3	95	18.9	-
Denmark	22.1	136	21.3	138	23.7	157	19.6	126	23.1	-
Estonia	1.5	48	1.4	47	1.6	55	1.7	56	1.7	-
Finland	38.2	190	41.0	206	39.0	211	37.9	194	39.0	-
France	165.5	92	166.1	97	167.5	99	167.2	99	168.1	-
Germany	288.4	118	286.9	121	289.9	124	289.2	125	291.7	-
Greece	26.6	86	26.7	95	25.6	101	24.9	92	25.6	-
Hungary	15.6	112	15.9	113	15.6	123	15.2	110	15.6	-
Ireland	10.4	75	10.7	76	10.0	70	11.0	80	9.6	-
Italy	125.7	93	130.8	99	125.1	104	121.7	100	121.1	-
Luxembourg	0.6	11	0.7	11	0.7	13	0.7	12	0.8	-
Netherlands	123.1	122	120.7	122	115.5	121	122.5	119	127.4	-
Norway	24.2	107	27.9	121	28.7	123	28.6	121	27.4	-
Poland	61.0	109	61.9	118	60.4	129	60.2	119	58.5	-
Portugal	21.7	84	22.1	89	23.1	105	23.8	98	22.5	-
Slovak Republic	8.6	108	8.3	104	8.8	127	9.6	136	8.8	-
Slovenia	5.2	110	5.3	106	5.4	119	4.9	104	4.8	-
Spain	117.1	96	120.3	99	111.6	93	117.4	99	118.2	-
Sweden	27.6	90	25.8	94	28.2	104	27.5	90	26.4	-
Switzerland	36.7	144	37.2	129	35.9	165	36.4	159	36.2	-
Turkey	63.9	82	63.2	87	62.3	98	62.7	87	62.5	-
United Kingdom	83.9	55	81.8	55	77.9	53	76.6	51	75.0	-
Total	1344.1	96	1356.4	100	1339.3	103	1343.4	100	1347.2	97
Total OECD	**4237.5**	**91**	**4282.7**	**92**	**4150.4**	**91**	**4168.2**	**93**	**4231.5**	**92**
DAYS OF IEA Net Imports[6]	-	**160**	-	**161**	-	**157**	-	**158**	-	**170**

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 2014 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]		
2Q2011	4249	1565	2685	91	33	57
3Q2011	4199	1529	2669	90	33	57
4Q2011	4141	1536	2605	90	33	56
1Q2012	4193	1536	2657	92	34	59
2Q2012	4226	1539	2687	92	34	59
3Q2012	4271	1542	2728	92	33	59
4Q2012	4210	1547	2663	92	34	58
1Q2013	4246	1581	2665	93	35	59
2Q2013	4238	1577	2661	91	34	57
3Q2013	4283	1582	2701	92	34	58
4Q2013	4150	1584	2567	91	35	56
1Q2014	4168	1586	2582	93	36	58
2Q2014	4232	1581	2650	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 2Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

											Year Earlier	
	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14	Jul 13	change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.85	0.76	0.79	0.75	0.66	0.77	0.50	0.89	-0.39
Europe	0.83	0.85	0.79	0.86	0.77	0.73	0.87	0.96	0.75	0.80	0.93	-0.13
Asia Oceania	1.24	1.26	1.21	1.16	1.25	1.27	1.17	1.33	1.01	1.07	1.15	-0.08
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.47	0.44	0.40	0.40	0.30	0.39	0.45	-0.06
Europe	0.02	0.05	0.01	0.02	0.02	0.01	0.01	0.02	0.01	0.03	0.01	0.02
Asia Oceania	0.40	0.45	0.43	0.43	0.45	0.45	0.40	0.40	0.39	0.57	0.40	0.16
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.40	0.31	0.37	0.33	0.39	0.40	0.60	0.37	0.23
Europe	0.11	0.26	0.25	0.34	0.22	0.29	0.51	0.57	0.62	0.49	0.42	0.07
Asia Oceania	0.34	0.33	0.31	0.30	0.24	0.28	0.20	0.14	0.21	0.15	0.29	-0.14
Kuwait Blend												
Americas	0.08	0.22	0.28	0.30	0.30	0.33	0.29	0.23	0.32	0.32	0.29	0.03
Europe	0.08	0.09	0.10	0.12	0.07	0.07	0.12	0.09	0.12	0.05	0.16	-0.11
Asia Oceania	0.57	0.65	0.64	0.63	0.65	0.71	0.56	0.63	0.58	0.60	0.67	-0.07
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.06	0.05	0.10	0.06	0.05	0.06	0.12	0.06	0.05
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	-	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.04	0.03	0.00	0.04	0.05	0.03	0.01	0.04	-0.02
Asia Oceania	0.51	0.33	0.30	0.31	0.24	0.33	0.26	0.25	0.33	0.26	0.30	-0.04
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.61	0.62	0.62	0.62	0.70	0.60	0.70	0.67	0.04
Europe	0.05	0.08	0.07	0.10	0.04	0.08	0.08	0.08	0.07	0.09	0.09	0.00
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.70	0.79	0.64	0.66	0.72	0.62	0.61	0.68	-0.06
Europe	0.12	0.14	0.14	0.14	0.13	0.15	0.13	0.09	0.13	0.13	0.13	0.00
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.53	1.56	1.67	1.86	1.49	1.76	1.41	0.35
Europe	-	-	-	-	-	0.00	0.01	-	0.02	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.02	0.01	0.02	-	-	-	-	-	-
Europe	0.64	0.55	0.47	0.52	0.46	0.53	0.58	0.66	0.39	0.45	0.59	-0.14
Asia Oceania	0.02	0.07	0.06	0.02	0.05	0.16	0.07	-	0.07	-	0.07	-
Russian Urals												
Americas	0.01	0.00	0.00	-	-	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.64	1.76	1.74	1.68	1.71	1.87	1.66	1.72	-0.06
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.09	0.05	0.02	-	-	-	-	0.10	-
Europe	0.62	0.53	0.59	0.59	0.57	0.60	0.71	0.70	0.71	0.63	0.63	0.01
Asia Oceania	-	-	0.00	-	-	0.02	0.01	-	-	0.03	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.42	0.22	0.23	0.13	0.24	0.12	0.09	0.69	-0.60
Asia Oceania	0.01	0.04	0.03	0.02	0.02	-	0.02	0.02	-	0.01	0.03	-0.02
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.01	-	0.01	-	-	-	-	-	-
Europe	0.45	0.58	0.53	0.46	0.57	0.58	0.51	0.39	0.52	0.61	0.50	0.11
Asia Oceania	0.05	0.04	0.03	0.03	0.02	0.03	0.04	0.03	0.03	0.03	0.03	0.00

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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14	Year Earlier Jul 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5130	5509	4670	4385	4329	4193	4147	4545	5499	-17%
Europe	8988	9346	8921	9112	8399	8201	8480	8855	8243	8812	9571	-8%
Asia Oceania	6609	6761	6553	6465	6519	6954	5931	6045	5966	6285	6339	-1%
Total OECD	22468	22208	20604	21086	19588	19541	18739	19093	18356	19643	21409	-8%
LPG												
Americas	30	20	17	4	14	19	9	8	7	8	3	175%
Europe	318	287	382	361	412	386	410	452	397	405	313	29%
Asia Oceania	568	620	546	524	517	544	532	555	549	565	588	-4%
Total OECD	916	927	945	890	942	949	950	1015	953	979	904	8%
Naphtha												
Americas	42	20	17	16	11	28	23	30	18	19	15	31%
Europe	298	381	313	305	323	342	360	371	382	316	299	6%
Asia Oceania	884	900	927	866	949	1040	891	1021	852	877	833	5%
Total OECD	1224	1301	1257	1187	1284	1410	1274	1423	1252	1212	1146	6%
Gasoline[3]												
Americas	762	730	659	637	583	550	745	854	665	704	664	6%
Europe	222	212	106	121	92	152	124	84	147	85	115	-26%
Asia Oceania	95	86	83	73	72	89	98	119	86	56	69	-18%
Total OECD	1079	1028	848	831	747	791	966	1057	898	846	848	0%
Jet & Kerosene												
Americas	77	73	81	93	99	81	114	103	100	80	84	-6%
Europe	397	398	446	509	512	384	454	462	451	619	507	22%
Asia Oceania	58	62	74	53	82	57	50	60	39	38	44	-14%
Total OECD	532	533	602	655	693	521	618	625	589	737	635	16%
Gasoil/Diesel												
Americas	72	59	58	46	21	200	44	39	5	19	52	-64%
Europe	1044	984	1120	1170	1278	1095	1097	985	1103	1143	1140	0%
Asia Oceania	147	185	162	137	170	152	222	239	218	220	149	48%
Total OECD	1263	1227	1340	1352	1468	1447	1363	1263	1327	1382	1341	3%
Heavy Fuel Oil												
Americas	268	206	165	193	155	162	102	83	127	88	185	-52%
Europe	537	521	552	613	539	595	648	666	543	613	593	3%
Asia Oceania	153	224	242	221	290	304	205	188	175	186	198	-6%
Total OECD	958	951	959	1027	985	1061	955	937	845	888	976	-9%
Other Products												
Americas	871	813	812	902	746	619	726	765	639	726	936	-23%
Europe	700	636	792	764	800	755	796	724	876	636	796	-20%
Asia Oceania	366	356	385	404	382	461	353	339	309	407	400	2%
Total OECD	1937	1805	1989	2070	1928	1835	1875	1827	1824	1768	2132	-17%
Total Products												
Americas	2122	1921	1810	1891	1629	1659	1763	1883	1561	1644	1939	-15%
Europe	3516	3419	3710	3843	3955	3708	3889	3744	3898	3817	3763	1%
Asia Oceania	2271	2432	2420	2279	2463	2646	2350	2520	2229	2350	2281	3%
Total OECD	7909	7773	7940	8013	8048	8013	8002	8147	7688	7811	7984	-2%
Total Oil												
Americas	8993	8022	6940	7400	6300	6044	6092	6076	5708	6190	7438	-17%
Europe	12504	12765	12631	12955	12354	11909	12368	12599	12141	12629	13334	-5%
Asia Oceania	8880	9194	8973	8744	8982	9600	8281	8565	8195	8635	8620	0%
Total OECD	30377	29981	28544	29099	27635	27554	26741	27240	26044	27454	29392	-7%

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 Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2014), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

Next Issue: 14 November 2014

www.oilmarketreport.org



International Energy Agency

14 November 2014

HIGHLIGHTS

- **Oil's rout gained momentum in October and extended into November, with Brent at a four-year low below $80/bbl.** A strong US dollar and rising US light tight oil output outweighed the impact of a Libyan supply disruption. ICE Brent was last trading at $78.50/bbl – down 30% from a June peak. NYMEX WTI was at $75.40/bbl.

- **Global oil supply inched up by 35 kb/d in October to 94.2 mb/d.** Compared with one year ago, total supply was 2.7 mb/d higher as higher OPEC production added to non-OPEC supply growth of 1.8 mb/d. Non-OPEC production growth is forecast to ease to 1.3 mb/d for 2015 from this year's 1.8 mb/d high.

- **OPEC output eased by 150 kb/d in October to 30.60 mb/d,** remaining well above the group's official 30 mb/d supply target for a sixth month running. The group's oil ministers meet on 27 November against the backdrop of a 30% price decline since they last gathered in June.

- **Global oil demand estimates for 2014 and 2015 are unchanged since last month's *Report*, at 92.4 mb/d and 93.6 mb/d, respectively.** Projected growth will increase from a five-year annual low of 680 kb/d in 2014 to an estimated 1.1 mb/d next year as the macroeconomic backdrop is expected to improve.

- **OECD industry oil stocks built counter-seasonally by 12.6 mb in September.** Their deficit versus average levels, after ballooning earlier this year, fell to its narrowest since April 2013. Preliminary data show that despite a 4.2 mb draw, stocks swung into a surplus to average levels in October for the first time since March 2013.

- **Global refinery crude demand hit a seasonal low in October** amid peak plant maintenance and seasonally weak product demand. The 4Q14 throughput estimate is largely unchanged since last month's *Report*, at 77.5 mb/d, as robust Russian and Chinese throughputs offset a steeper-than-expected drop in US runs in October.

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OMR PUBLISHING SCHEDULE 2015

Please find below the 2015 release dates for the ***Oil Market Report***:

Friday 16 January
Tuesday 10 February*
Friday 13 March
Wednesday 15 April
Wednesday 13 May
Thursday 11 June
Friday 10 July**
Wednesday 12 August
Friday 11 September
Tuesday 13 October
Friday 13 November
Friday 11 December

This information is also available at: **www.iea.org/oilmarketreport/schedule/**.

The 2015 Edition of the ***Medium-Term Oil Market Report (MTOMR) will be released on 10 February. The February ***OMR*** will comprise the usual data and projections through end-2015, but with abridged text.

****The ***OMR*** of 10 July will contain projections through end-2016.

The IEA is recruiting its Head of Division - Oil Industry & Markets

The IEA is recruiting a dynamic and experienced energy expert as Editor of the IEA Oil Market Report as well as to lead its Oil Industry and Markets Division. Under the general supervision of the Director of Energy Markets and Security (EMS), the main responsibility of the chosen candidate will be to supervise and co-ordinate the IEA's work on the monitoring of and reporting on oil industry and market developments.

The Head of Division has line management responsibility for the budget and for a team of about ten enthusiastic professionals (oil market experts, statisticians and assistants). S/he will develop the Division's work programme to support wider Agency priorities in close collaboration with other senior colleagues across the Directorate and Agency.

Main responsibilities

Management & leadership

- Plan, lead and co-ordinate the preparation of the IEA's monthly ***Oil Market Report (OMR).*** OMR's release dates are fixed the previous year, and the team is required to work on tight production cycles with rigid deadlines.
- Plan, lead and co-ordinate the preparation of the IEA's annual ***Medium-Term Oil Market Report*** and Annual Statistical Supplement, the presentation of results for the Governing Board and the Standing Group on the Oil Market (SOM), and follow up with media, governments and the oil industry.
- Advise Governments on recent trends in the global oil market and medium-term developments and analysis on the role of physical and financial markets in oil price formation, particularly highlighting policy-related issues and recommending appropriate action; plan and co-ordinate SOM meetings.
- Manage a highly qualified, enthusiastic, multicultural team of energy analysts and accept accountability for the quality, timeliness and relevance of the Division's outputs. Contribute personally to these outputs through intellectual leadership, coaching and developing staff, as well as by winning and managing resources to support the Division's work. Build a collegial and productive working atmosphere.

Co-ordination, liaison, representation, dissemination

- Develop and maintain close contacts with government officials on important policy developments, as well as with oil companies and consultants.
- Contribute to the development of the IEA's key messages, particularly in relation to the oil industry and oil markets and communications strategies with key stakeholders, the media and the general public, in order to maximise the value, visibility and impact of the Division's work.
- Provide market information and expertise during oil emergencies and support and participate in exercises related to maintaining emergency response capabilities.
- Build collaborative and collegial working relationships with people inside and outside the Agency on cross-cutting projects, publications, policy reviews and conferences.

Ideal candidate's profile

- An advanced university degree in economics, energy, science, engineering, or a related discipline.
- More than ten years' experience in the international oil industry with extensive experience in the field of oil and energy policy.
- Specific areas of expertise include any or all of the following: oil production, refining and distribution, oil trade, oil stock policy or product quality issues.

The complete vacancy notice and application form can be found at www.oecd.org/careers/vacancies and on www.iea.org (vacancy reference **09550**). Please mention 'OMR' in the source field and in your cover letter. **All applications from OECD member country nationals should be submitted online (no paper application will be accepted) by midnight Paris time on 24 November 2014.** Please note that only candidates selected for interview will be contacted

The OECD is an equal opportunity employer and encourages applications from all qualified candidates.

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DOWNWARD PRICE PRESSURES CONTINUE

Oil prices extended their decline since the last *Report*, with Brent crashing through the $80/bbl mark in early November and WTI trading at the time of writing in the mid $70s. Since their June peak for the year in the wake of the ISIS offensive in Iraq, oil prices have declined by roughly 30%. While there has been some speculation that the high cost of unconventional oil production might set a new equilibrium for Brent prices in the $80 to $90 range, supply/demand balances suggest that the price rout has yet to run its course. Our supply and demand forecasts indicate that barring any new supply disruption, downward price pressures could build further in the first half of 2015.

Relatively weak oil demand since mid-2014, compounding the impact of a rising dollar and relentless growth in unconventional oil supply, had a lot to do with the recent price drops. It may well be that 2Q14 marked a low point for global oil deliveries and that oil demand growth will pick up from that point on. That is indeed what our forecast says, based on assumptions of economic growth which were recently trimmed, but which continue to predict an accelerating global recovery. A rebound in annual growth does not however preclude seasonally weaker demand. Thus, while our projections suggest that year-on-year demand growth will recover to 1 mb/d in 1Q15 and 1.2 mb/d in 2Q15 from 770 kb/d in 4Q14 (and a low of 340 kb/d in 2Q14), demand is nevertheless expected to fall steeply early next year from end-2014 levels, in line with seasonal patterns. That drop is the main factor behind an estimated 1.3 mb/d decline in the "Call on OPEC and stock changes" to 28.8 mb/d in 1Q15 from the previous quarter.

Meanwhile, production growth shows few signs of abating. While falling prices may well trim investment in US light tight oil, such potential cuts should not be misconstrued as a production drop, and indeed would likely pale in comparison with recent gains in LTO productivity. Cost reductions and efficiency gains in LTO production have been constant, and price pressures would only provide more impetus for producers to cut costs further. While some companies are re-thinking big-ticket projects from Canada to Angola, delays or spending cuts would affect the longer-term supply outlook rather than short-term production. Pressure on OPEC to reduce production is building, but at the time of writing there appeared to be no clear consensus on a formal supply cut ahead of its meeting in Vienna later this month.

With supply running ahead of demand, OECD stocks have rapidly rebuilt and are back near average levels. Further builds, past average levels, look on the cards, especially since Chinese strategic reserves, which have provided such an important outlet for excess barrels so far this year, seem to have run out of available storage space.

Nevertheless, supply risks remain extraordinarily elevated, and if anything will be exacerbated by falling prices. The two countries responsible for a recent recovery in OPEC supply growth, Iraq and Libya, are both in the throes of vicious conflicts. Price drops cast new doubt on Iraq's ability to fund capacity growth, compounding the impact of security risks on IOC investment in the country. Venezuela is reeling from the effects of falling production and plummeting prices. Russia suffers from both the oil price drop and a currency collapse, as well as uncertainty brought on by sanctions. As widely noted, many producer countries' "fiscal breakeven price" is well above current oil prices. While that will not necessarily make oil production at current or even lower prices uneconomical, it may take a toll on social stability, and thus indirectly affect production prospects.

Steep price declines tend to be self-correcting over the long run as spending is cut eventually or production is otherwise disrupted. Such cyclical factors take time to unfold, however, and should not blind us to the deep structural changes at work in the oil market. Economic development no longer spurs oil demand growth as it once did, especially in the absence of wage gains. China, the top source of incremental oil demand in recent years, has entered a less oil-intensive stage of development, while years of high prices have let innovative technologies unlock untold resources in North America and likely soon elsewhere. The steeper they are, the less sustainable oil price swings tend to be. But a return to previous price highs may not be a close prospect, as it is increasingly clear that we have begun a new chapter in the history of the oil markets.

DEMAND

Summary

- **Global oil deliveries are projected to show growth of 680 kb/d in 2014, a five-year annual low, to an estimated 92.4 mb/d.** Relatively weak Chinese demand growth, coupled with large absolute declines in both European and OECD Asia Oceania, curb the upside momentum otherwise provided by gains in other non-OECD economies and the US.

- **Having bottomed-out in 2Q14, demand growth is estimated to have picked up marginally in 3Q14,** to 0.6 mb/d year-on-year (y-o-y) as the declines in both Europe and North America eased. This modest relative 3Q14 improvement comes after quarterly growth had plummeted to a four-and-a-half year low of 0.3 mb/d in 2Q14, i.e. the 2Q14 was the weakest y-o-y quarter of growth since 3Q09. The 3Q14 demand estimate, at 93.1 mb/d, has been revised up modestly (+80 kb/d) compared to last month's *Report* as the latest data on Russia, China, France, Brazil and Germany surprised to the upside, more than offsetting sub-par releases for US, Argentina and Turkey.

- **Accelerating global momentum is foreseen in 2015, with demand forecast to rise by 1.1 mb/d** (or 1.2%) to 93.6 mb/d, supported by the International Monetary Fund's (IMF) assumption of a macroeconomic uptick. A particular product switch is anticipated in the bunker fuel market, from heavier sulphur fuel oil to marine gasoil.

Global Oil Demand (2013-2015)

(million barrels per day)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.8	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Americas	30.2	30.5	31.1	31.1	30.7	30.4	30.4	31.1	31.3	30.8	30.6	30.7	31.3	31.5	31.0
Asia/Pacific	30.7	29.8	29.7	30.9	30.3	31.2	30.1	30.0	31.3	30.6	31.6	30.6	30.6	31.8	31.1
Europe	13.8	14.5	14.6	14.2	14.3	13.7	14.1	14.6	14.3	14.1	13.8	14.1	14.4	14.1	14.1
FSU	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.1	5.0	4.9
Middle East	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.5	7.9	8.1	7.9	8.4	8.8	8.2	8.3
World	**90.5**	**91.2**	**92.5**	**92.8**	**91.8**	**91.6**	**91.5**	**93.1**	**93.5**	**92.4**	**92.6**	**92.7**	**94.2**	**94.7**	**93.6**
Annual Chg (%)	1.2	1.6	1.6	0.9	1.3	1.2	0.4	0.6	0.8	0.7	1.1	1.3	1.3	1.2	1.2
Annual Chg (mb/d)	1.1	1.5	1.5	0.8	1.2	1.1	0.3	0.6	0.8	0.7	1.0	1.2	1.2	1.1	1.1
Changes from last OMR (mb/d)	0.00	0.02	0.01	0.03	0.01	0.03	0.02	0.08	0.04	0.04	0.08	0.01	0.04	0.05	0.04

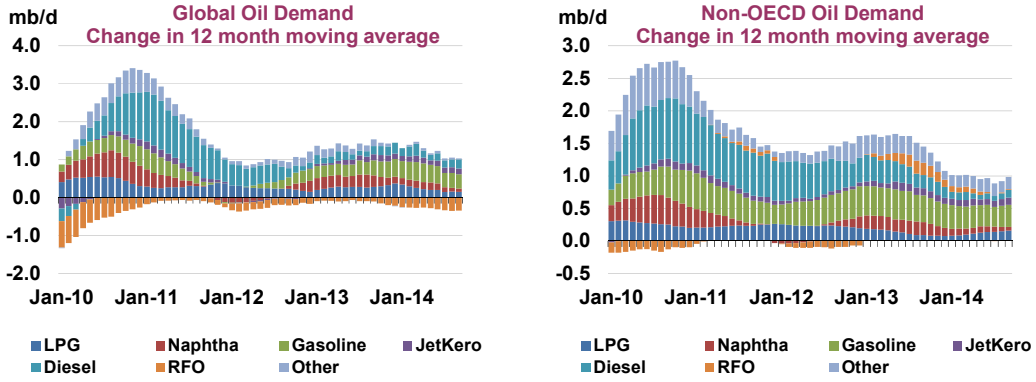
Global overview

Falling-to-flat y-o-y demand conditions in both Europe and OECD Asia Oceania, coupled with subdued Chinese growth conditions, combined to see global oil demand growth fall to a near four-and-a-half year low of 0.3 mb/d in 2Q14, when measured on a y-o-y quarterly basis. A modest, relative, improvement in both Europe and North America then combined to support a global acceleration in 3Q14, as y-o-y demand growth climbed to 0.6 mb/d.

The 3Q14 demand estimate, of 93.1 mb/d, was revised up by around 80 kb/d on the previously cited forecast as overall the past month's data releases demonstrated a modest upside bias. Notable September revisions included China (+215 kb/d, although this is an "apparent demand" estimate, i.e. refinery throughputs plus net product imports minus product stock-builds, hence subject to heightened estimation error), Brazil (+125 kb/d), Germany (+110 kb/d), Russia (+105 kb/d) and France (+55 kb/d). Offsetting curtailments were applied to the September demand estimates for the US (-40 kb/d), Japan (-40 kb/d) and Mexico (-35 kb/d). Similarly the German (+120 kb/d), Saudi Arabian (+55 kb/d) and Indian (+55 kb/d) August demand numbers were revised up, versus offsetting downside adjustments to the US (-185 kb/d), Argentina (-55 kb/d) and Turkey (-50 kb/d) in August.

Jet/kerosene demand growth in particular turned notably higher in 3Q14, with global deliveries rising by 2.9% y-o-y on rapidly escalating air passenger demand. The International Air Transport Association (IATA), for example, reported a 5.3% y-o-y uptick in global air passenger numbers in September. Notable strength was reported by the Middle Eastern (up 15.8% y-o-y) and Latin America (+4.6%) carriers in September, more than offsetting declines for the European carriers (-3.9%).

The weakness in the overall global oil demand trend is less apparent when 12-month moving averages are utilised to smooth out the volatility that exists in the monthly delivery data. This also highlights the most intriguing development that has occurred over the past couple of years, the relative weakening in the non-OECD demand trend. Leading this correction has been the near eradication of non-OECD gasoil/diesel demand growth, with India and China the biggest downside contributors. Indian gasoil demand growth was all but eradicated by mid-2013, as reductions in diesel subsidies drove retail prices sharply higher (see *Report* dated 14 October 2014, *Indian diesel pricing reform*). The Chinese gasoil demand trend, meanwhile, really started to decelerate in 2012, before posting absolute declines in both 2013 and 2014, as tightening credit conditions and dramatically slower industrial output growth curbed diesel demand. Non-OECD gasoline demand growth held up better, supported by still strong gains in the passenger vehicle sector, while diesel subsidy reductions in India resulted in some product switching from diesel to gasoline. Emerging and newly industrialised economies continue to dominate global oil demand growth, albeit at a slower pace than in previous years, with the latest data pointing towards a 1.1 mb/d y-o-y increase in non-OECD oil demand in 3Q14, while OECD deliveries contract by around 0.5 mb/d.



An acceleration in global oil demand growth is envisaged for 2015, up by 1.1 mb/d to 93.6 mb/d. This additional momentum is forecast to build in line with underlying macroeconomic sentiment. The IMF, in its October *World Economic Outlook*, cited global economic growth rising to 3.8% in 2015, from 3.3% in 2014. Within this mildly accelerating oil demand environment, gasoil/diesel is likely to contribute the biggest growth-share, up by approximately 0.6 mb/d in 2015, with the additional product switching that is forecast as likely to occur in the bunker fuel market playing a key role (see *Tightening regulations shift shipping demand to gasoil from fuel oil*).

OECD

Reflecting the confirmed global demand situation, the relative performance of OECD deliveries bottomed-out in 2Q14 (down 1.8% y-o-y) with the latest 3Q14 data pointing towards a comparative improvement (down 1.1%). The relative OECD adjustment was largely consequential on gasoil/diesel demand picking up, driven by particular adjustments in Europe. The very latest, largely preliminary, data for September implied a further consolidation, with relative improvements occurring in both gasoline and gasoil demand.

OECD Demand based on Adjusted Preliminary Submissions - September 2014

(million barrels per day)

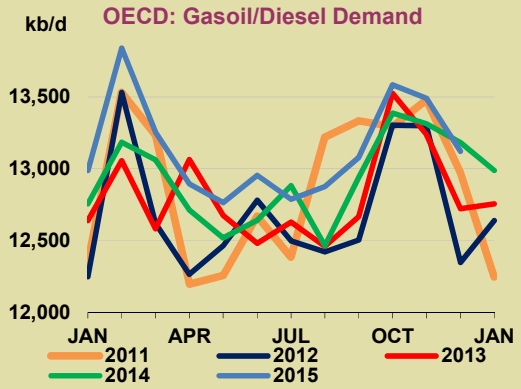
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.59**	**-0.5**	**1.66**	**0.9**	**4.47**	**3.7**	**0.54**	**-14.4**	**0.65**	**-5.1**	**6.13**	**-1.75**	**24.04**	**-0.5**
US50	8.88	-0.8	1.43	0.9	3.63	3.5	0.13	-43.0	0.34	-7.6	4.69	-2.01	19.10	-0.8
Canada	0.85	-0.8	0.11	-1.6	0.29	2.0	0.34	0.3	0.06	11.9	0.78	0.44	2.44	0.3
Mexico	0.74	3.6	0.06	7.5	0.36	7.6	0.04	9.3	0.16	-4.5	0.55	-2.84	1.92	1.9
OECD Europe	**2.01**	**-0.1**	**1.35**	**0.3**	**4.67**	**3.5**	**1.55**	**0.7**	**0.89**	**-9.0**	**3.56**	**1.27**	**14.03**	**0.9**
Germany	0.46	1.0	0.20	1.3	0.76	5.1	0.39	-3.6	0.12	7.6	0.60	7.39	2.52	3.2
United Kingdom	0.31	-1.3	0.34	-3.2	0.49	3.4	0.13	3.4	0.03	-22.4	0.25	0.72	1.55	-0.1
France	0.18	2.1	0.16	-0.4	0.71	1.0	0.30	6.3	0.04	-17.7	0.38	1.06	1.77	1.3
Italy	0.22	0.9	0.11	8.1	0.48	5.0	0.11	-2.7	0.06	-28.3	0.33	-10.23	1.31	-2.2
Spain	0.11	1.3	0.12	0.9	0.43	3.6	0.13	2.8	0.16	-5.8	0.25	6.43	1.20	2.3
OECD Asia & Oceania	**1.57**	**-1.4**	**0.71**	**-1.7**	**1.25**	**4.0**	**0.46**	**-2.2**	**0.56**	**-15.7**	**3.07**	**-2.68**	**7.62**	**-2.4**
Japan	0.94	-2.6	0.37	-5.3	0.42	0.8	0.35	-5.5	0.31	-20.3	1.46	-7.67	3.85	-6.4
Korea	0.20	1.3	0.15	4.1	0.32	11.5	0.10	9.6	0.20	-11.9	1.34	3.48	2.30	3.1
Australia	0.32	-1.3	0.14	1.1	0.40	0.3	0.00	20.0	0.03	4.3	0.18	-0.82	1.07	-0.2
OECD Total	**14.17**	**-0.5**	**3.71**	**0.2**	**10.39**	**3.6**	**2.55**	**-3.4**	**2.11**	**-9.7**	**12.76**	**-1.16**	**45.69**	**-0.4**

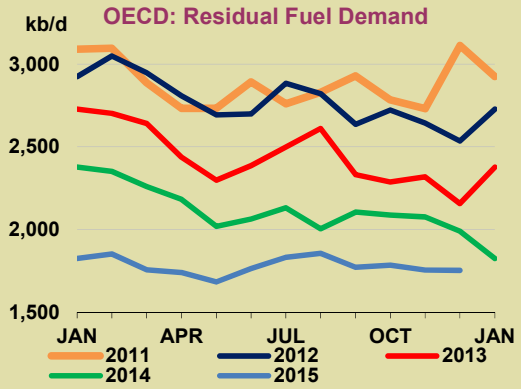
* Including US territories

Tightening regulations shift shipping demand to gasoil from fuel oil

An additional product swing, from heavier sulphur fuel oil over to gasoil, is foreseen in 1Q15 as water-borne vessels entering designated Emission Control Areas (ECA), which include the North Sea, the Baltic Sea and coastal areas off North America, are required to emit no more than 0.1% sulphur (from the current 1% ceiling), starting January 2015. In this year's *Medium-Term Oil Market Report*, we estimated a net adjustment from January's additional ECA regulations of 240 kb/d, from high-sulphur fuel oil to low-sulphur marine diesel.

Although many other factors, such as weak road diesel demand in OECD Europe and OECD Asia Oceania, cloud the simplicity of the short-term data analysis, an additional product-switch is forecast as likely to occur in January 2015. OECD fuel oil demand, for example, is forecast as contracting by 165 kb/d, December to January, whereas the previous seven-year average for this period is an increase of 85 kb/d. OECD gasoil deliveries, meanwhile, are projected to fall by 195 kb/d month-on-month in January 2015, a significantly shallower contraction than the seasonal norm (-420 kb/d, 2008-14).



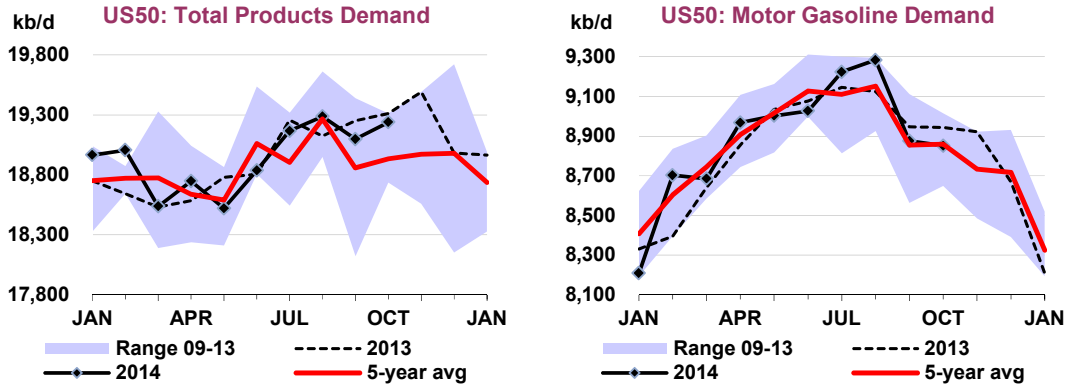


European bunker fuel demand, at an estimated 790 kb/d in 2014, approximately comprised 80% heavier sulphur fuel oil and 20% marine gasoil. The relative ratio changes to 70:30 in 2015, as tightening ECA sulphur regulations take effect. For the OECD Americas the relative market share switches from 50:50 in 2014 to 65:35 in 2015, with gasoil the dominant fuel. Potential compliance issues could, of course, slow the potential adjustment with European waters a particular concern as seas south of the Baltic are exempt, and without sufficient enforcement reduced compliance could ensue.

Americas

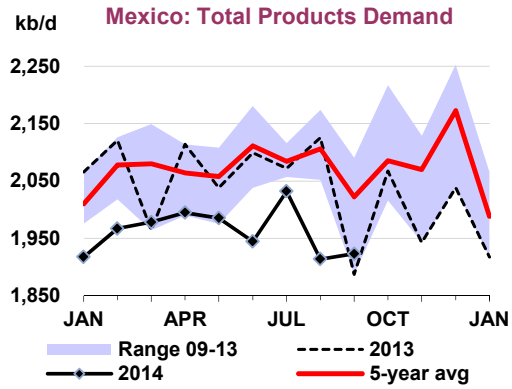
The latest **US** demand data, from the US Energy Information Administration (EIA), showed that 19.3 mb/d of oil products were delivered in August, roughly 0.9% up on the year earlier but 185 kb/d below the estimate that was carried in last month's *Report*. 'Other product' demand appears to have been over-estimated on underreported exports, and now looks roughly unchanged on the year earlier. Overall, the strongest August gains were confirmed to be in LPG (which includes ethane in the IEA definition), gasoil/diesel and gasoline, as growth momentum was supported by the recent US industrial strength offsetting absolute y-o-y declines in residual fuel oil and naphtha. The US Federal Reserve, for example, reported a 4.1% y-o-y gain in total US industrial output in August. Similarly, Markit's Manufacturing Purchasing Managers' Index (PMI) rose to a clearly 'optimistic', i.e. above 50, 57.9 in August.

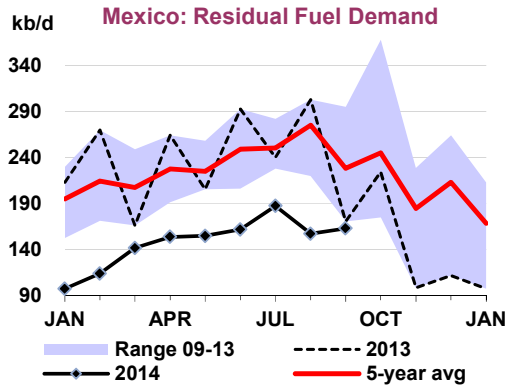
Despite the relative strength that is currently being depicted by the US economy, preliminary estimates of September US demand, at 19.1 mb/d, suggest a 0.8% decline on the year earlier with notable dips in gasoline and 'other product' deliveries. Weaker gasoline demand took hold as the increasingly more efficient US vehicle stock offset the positive influence that would otherwise have been provided by the relative robust new vehicle sales. At 1.25 million vehicles, September's sales were 9.4% up on the year earlier, with particularly sharp gains reported by the Japanese manufacturer of traditionally high-efficiency vehicles, Honda (+12% y-o-y). Annualised new vehicle sales came in at 16.43 million in September.



A similarly paced (-0.4%) decline is then envisaged for October, as preliminary estimates of total US product demand averaged roughly 19.2 mb/d, with deliveries of both gasoline and distillates forecast to fall in y-o-y terms. For the year as whole, an average gain of approximately 0.2% is foreseen, to 19.0 mb/d, as stronger distillate demand offsets lower residual fuel oil and 'other products', before modestly accelerating in 2015 as the underlying macroeconomic backdrop gathers pace. The recent price declines, although offering some modest support for demand, are unlikely to result in any significant reverse product switching, i.e. back to oil from natural gas, as the at $80/bbl crude the potential cost of generating electricity in the US is roughly four times the cost of natural gas at $4 per million British thermal units.

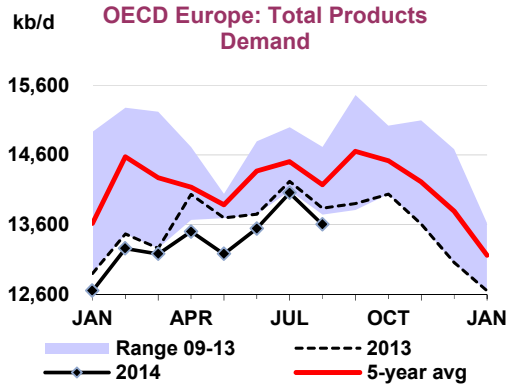
Official confirmation of **Mexican** oil product deliveries, at 1.9 mb/d in September, came out 35 kb/d below the estimate carried in last month's *Report*, with lower 'other product' demand the key change. September's revised estimate, however, marks the first time Mexican demand exceeds year-earlier levels since March, with both unusually strong gasoline demand (+3.6% y-o-y) and a non-repeat of September 2013's sharp decline in residual fuel oil driving the upside.

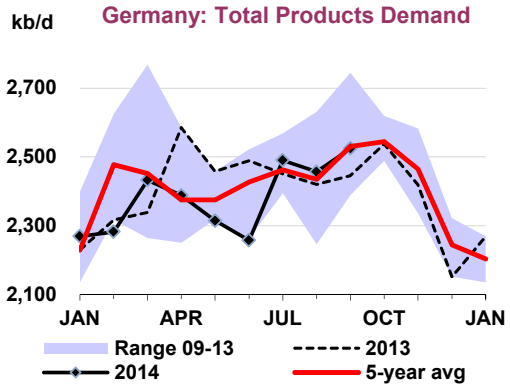




Europe

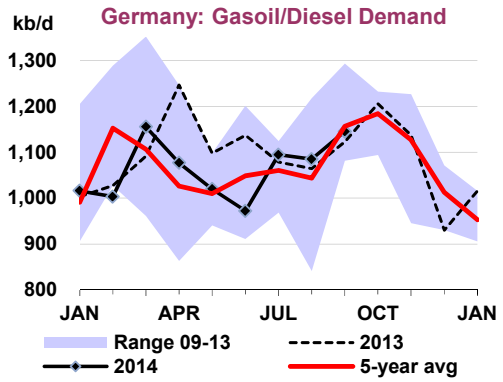
The macroeconomic backdrop in Europe remains weak, keeping oil demand figures for the region on a declining y-o-y path, with a 0.7% (or 95 kb/d) drop now assumed in 3Q14 to 13.9 mb/d. Although a modest improvement in the y-o-y trend is foreseen in 4Q14, to +0.1%, this is largely consequential on expectations of a return to normal seasonal weather patterns as 4Q13 was an unusually warm winter. The latest European weather forecasts, such as that released by MDA Information Systems, have cited colder temperatures than the year earlier for the remainder of the winter, implying additional oil product demand as heating fuel use rises.

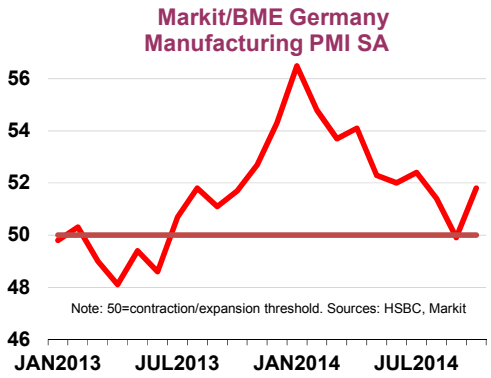




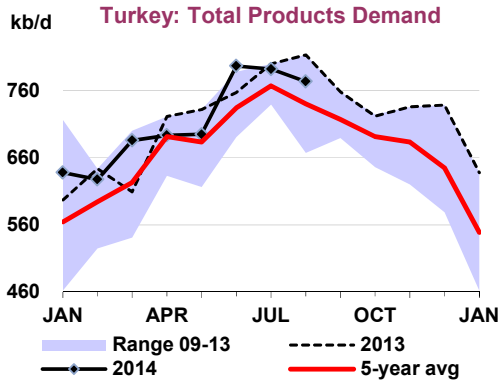
The underlying economic backdrop remains concerning, however, with manufacturing confidence indicators such as Markit's euro area PMI falling to a 14-month low in September and worries over deflationary conditions increasing becoming a concern. The world's oldest central bank, in Sweden for example, lowered its repo interest rate to zero, late-October, as retail prices across the whole economy fell in 16 of the past 24 months. The European Commission, in early November, cut its Eurozone GDP growth forecast to 1.1% for 2015 from 1.7% previously.

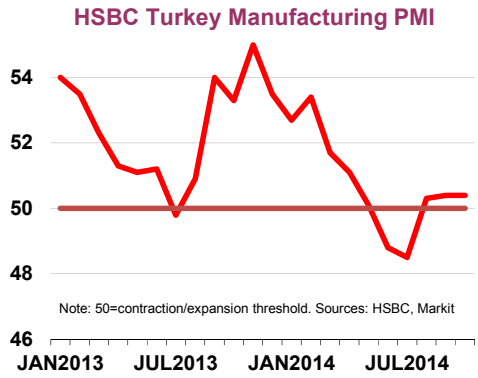
Despite such gloom, a number of notable upside revisions have been made, chiefly the **German** demand number for August, which at 2.5 mb/d is 120 kb/d over the preliminary estimate carried in last month's *Report*. German gasoil/diesel demand for August is assessed at 1.1 mb/d, approximately 100 kb/d above the prior estimate, and 2.0% up on the year earlier. This is the second consecutive month of rising y-o-y demand, a pattern that looks consistent with rebounding German business confidence indicators. Markit's Manufacturing PMI, for example, rose back into 'expanding' territory once again in October, reversing September's 'pessimism'. Preliminary estimates of September oil deliveries imply a further y-o-y gain, with notable gains once again posted in the key gasoil sub-sector. Large other September additions, compared to the forecasts carried in last month's *Report*, include France (+55 kb/d) and Italy (+30 kb/d).





For the year as a whole, European oil deliveries are forecast to fall by around 1.2%, as demand averages roughly 13.5 mb/d in 2014. The extended closure of Shell's Moerdijk petrochemical plant in the Netherlands from 2 October-through-mid-2015, will keep European naphtha demand under additional downside pressure, as it potentially removes 45 kb/d of naphtha demand. Looking ahead to 2015, for the region as a whole, a relative improvement is foreseen, as the forecast decline rate in total OECD European oil deliveries eases to 0.4%. The eased decline rate is foreseen consequential on the IMF's October assumption that GDP growth, measured in constant prices, for the EU accelerates to 1.8% in 2015 (from 1.4% in 2014).



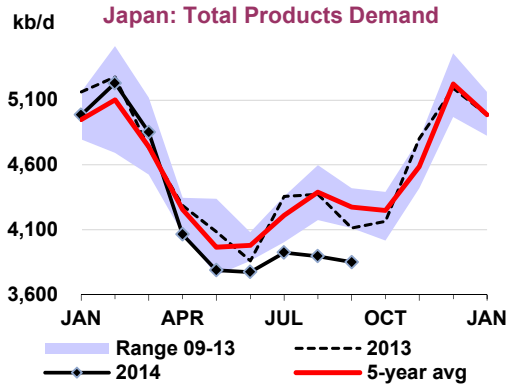


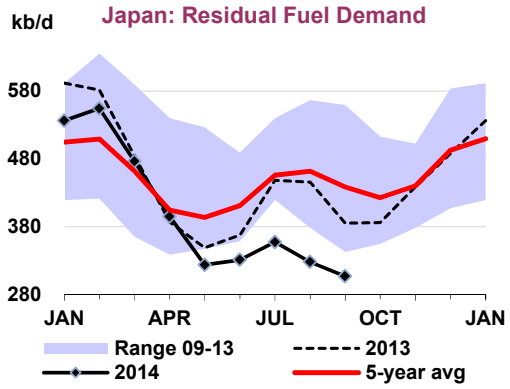
A number of notable downside curtailments were also seen in the 3Q14 European data, compared to last month's *Report*, such as the downgrades applied to Turkey, Poland and Ireland. The latest **Turkish** delivery data, for example, at 0.8 mb/d in August is 50 kb/d below the previously cited forecast and now amounts to a 4.9% y-o-y decline as weak industrial demand dented LPG, naphtha and 'other product' demand. Having enjoyed strongly 'expansionary' conditions through most of 2H13 and 1H14, i.e. a reading above 50 on HSBC's Manufacturing PMI, the index fell back into 'contracting' territory once again in June and has since remained subdued.

Asia Oceania

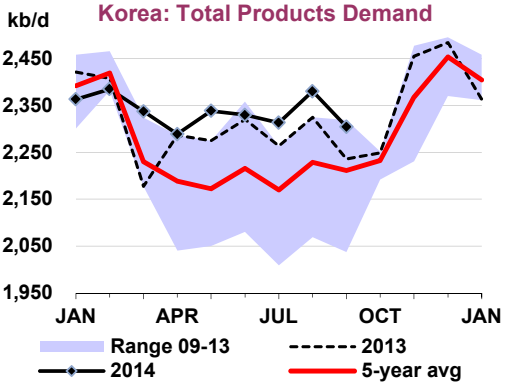
The latest data suggest that OECD Asia Oceania offers the greatest downside momentum, with a 2.4% decline (y-o-y) assumed in September to 7.6 mb/d, as sharply lower deliveries in Japan took effect. Both preliminary estimates of September demand and confirmed August deliveries, for **Japan**, carried respective discrepancies of 40 kb/d and 35 kb/d over the estimates carried in last month's *Report*. The already weak Japanese demand trend saw downside momentum build to a near four-year low of -9.2% in 3Q14. Heavy drops were seen right across the product spectrum although residual fuel oil and 'other products' led the downside on account of sharp curtailments in power sector use. Curbed electricity generating demand came about as relatively plentiful supplies of alternative power generational fuels,

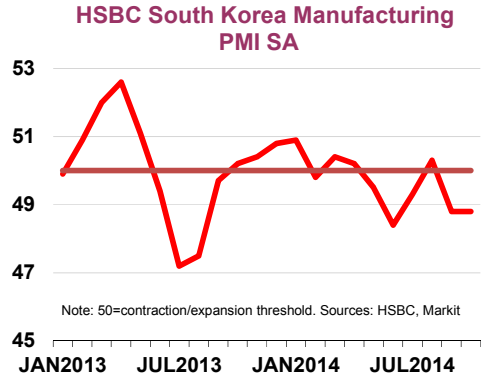
such as coal, compounded the effect of milder weather conditions compared to the year earlier. Warmer weather also reduced jet/kerosene demand, while naphtha demand fell on heavy cracker maintenance. Next year's forecast, down 3.1% to 4.2 mb/d, came under additional downside pressure as Sumitomo Chemical announced plans to mothball its Chiba plant mid-2015. Closing the Chiba facility potentially removes 30 kb/d of naphtha demand from 2H15.





At 2.3 mb/d in September, confirmed **Korean** demand came out as forecast in last month's *Report*, up 3.1% on the year earlier as strong gains in both gasoil/diesel and naphtha more than offset declines in residual fuel oil use. The latest economic data, up 3.2% on the year earlier in 3Q14, continue to provide support for the relatively robust oil data that have predominated since mid-year, but we envisage a slowdown in 4Q14 as forward-looking manufacturing sentiment indicators have once again turned bearish. HSBC's Manufacturing PMI eased to 48.7 in October, well below the traditional 50-breakeven point between "expansionary" and "contracting" confidence.





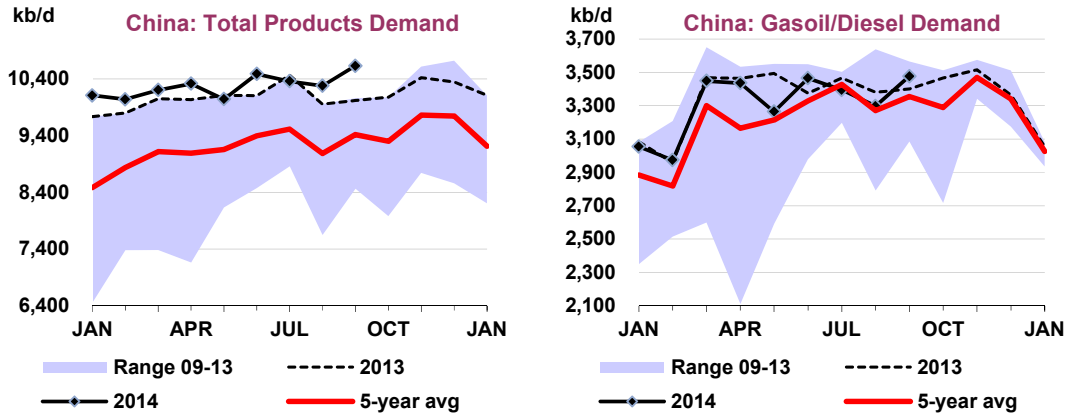
Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
LPG & Ethane	5,112	5,124	5,129	203	158	4.1	3.2
Naphtha	3,247	3,097	3,137	66	74	2.2	2.4
Motor Gasoline	9,463	9,656	9,804	381	335	4.1	3.5
Jet Fuel & Kerosene	2,906	2,897	3,002	137	152	5.0	5.3
Gas/Diesel Oil	13,667	14,278	14,208	62	149	0.4	1.1
Residual Fuel Oil	5,419	5,470	5,411	45	73	0.8	1.4
Other Products	6,050	6,314	6,566	263	136	4.4	2.1
Total Products	**45,863**	**46,835**	**47,257**	**1,157**	**1,076**	**2.5**	**2.3**

Non-OECD

The latest data show non-OECD demand growing by 1.1 mb/d (or +2.3%) y-o-y in 3Q14 to 47.3 mb/d. This amounted to a modest deceleration on 2Q14, when it rose by 2.5% y-o-y, as deliveries of both gasoline and LPG (includes ethane) rose by a slower clip, although both still notably rose y-o-y. On a regional basis, slower 3Q14 gains were seen in the former Soviet Union, Latin America and the Middle East, which more than offset the more rapid growth depicted in non-OECD Asia and Africa. The 3Q14 deceleration is, however, much reduced from the estimate cited in last month's *Report* (when the projected expansion was 2.0%, as 185 kb/d has since been added to 3Q14 estimate), as notable upside revisions were applied to China (+75 kb/d), Brazil (+60 kb/d) and Russia (+70 kb/d). Such 3Q14 non-OECD additions more than offset the number of notable 3Q14 downside revisions, such as Argentina (-35 kb/d), Chinese Taipei (-25 kb/d), Iraq (-10 kb/d) and Thailand (-10 kb/d).



After a long run of weak-to-falling **Chinese** y-o-y demand growth, September's upwardly revised 10.6 mb/d "apparent demand" estimate amounts to a near 6.1% gain on the year earlier. Sharply higher refinery throughput numbers, which according to China's National Bureau of Statistics rose by 9.1% y-o-y in September, played a key role supporting the stronger September Chinese apparent demand estimate, as did reports that net product imports (at 1.5 mb/d in September) rose to a five-month high. It needs to be reemphasised here, however, that these are strictly apparent demand estimates, not actuals, and that momentum is forecast as slowing considerably in 4Q14, to a 2.8% y-o-y growth rate. October, as it saw record net product exports, likely heralded a return of the traditional seasonal fall back, i.e. October apparent demand below September.

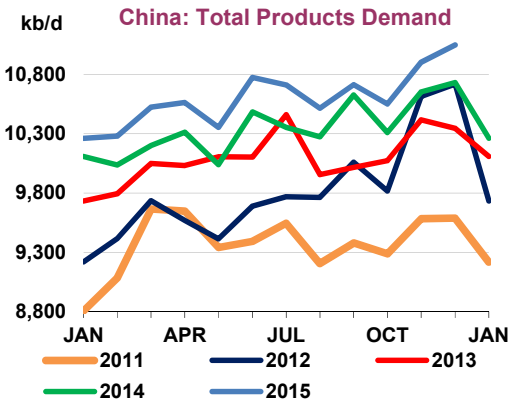
China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	789	841	899	52	58	6.6	6.9
Naphtha	1,129	1,179	1,200	50	21	4.4	1.8
Motor Gasoline	2,059	2,196	2,327	137	131	6.7	6.0
Jet Fuel & Kerosene	449	509	518	59	9	13.2	1.8
Gas/Diesel Oil	3,372	3,342	3,365	-30	23	-0.9	0.7
Residual Fuel Oil	425	368	358	-57	-10	-13.5	-2.7
Other Products	1,869	1,910	1,934	41	24	2.2	1.3
Total Products	**10,093**	**10,345**	**10,601**	**252**	**256**	**2.5**	**2.5**

Underpinning September's relatively robust Chinese delivery numbers were the comparatively strong gains seen in the gasoline, jet/kerosene, LPG and naphtha product categories, which more than offset the absolute declines envisaged in residual fuel oil. Indeed, even the long-suffering Chinese gasoil product segment posted y-o-y growth in September, as diesel demand spiked supported by additional agricultural usage and a mild

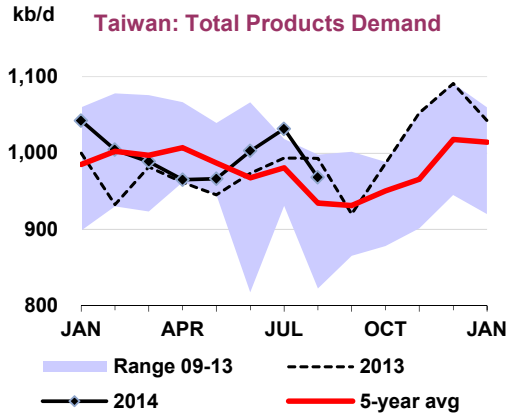
strengthening in manufacturing sentiment. Although below its recent peak, HSBC's Manufacturing PMI remains above its key 'expansionary' threshold, coming in at 50.2 in September and 50.4 in October. This mildly supportive economic data came as reports also confirmed 3Q14 GDP rose by 7.3%, while industrial production growth accelerated to 8% y-o-y in September after August's near six-year low of 6.9%.

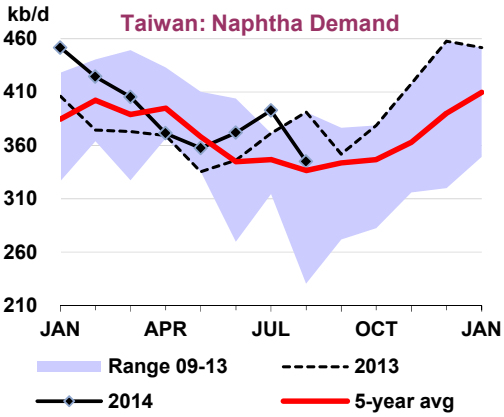




Reflecting this additional September demand, the overall Chinese demand estimate for the year as a whole remains rooted at 10.3 mb/d, equivalent to a gain of 2.5% (or 250 kb/d) on the year. Suppressing forecast momentum come the latest reports from the China Association of Automobile Manufacturers that in September new passenger car sales rose by their weakest y-o-y growth rate in 19-months (+6.4%). Such a weakening impetus, if it is maintained, is important as it could curb growth in what was previously one of the strongest components within the Chinese demand equation, i.e. transportation fuels.

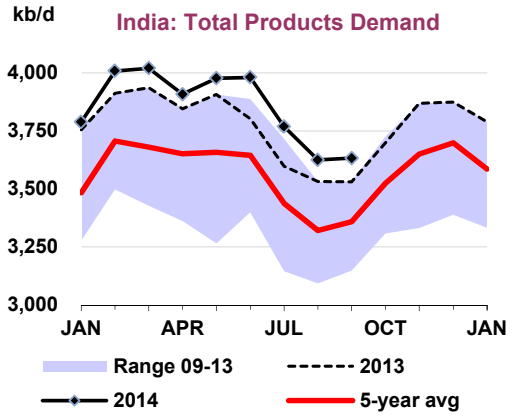
A sharp climb-down in naphtha demand played a key role pulling-back the overall consumption trend in **Chinese Taipei**, which in August posted its sharpest y-o-y reversal in over one year. The decline should prove temporary, however, as it is largely a consequence of maintenance closures (notably Formosa Petrochemical's 1.1 million tonne per year Mailiao plant, from mid-August). Absolute y-o-y gains are then forecast to resume once again in 4Q14, taking average deliveries up to around 1.0 mb/d for the year as a whole, equivalent to a gain of 2.4% on the year earlier.

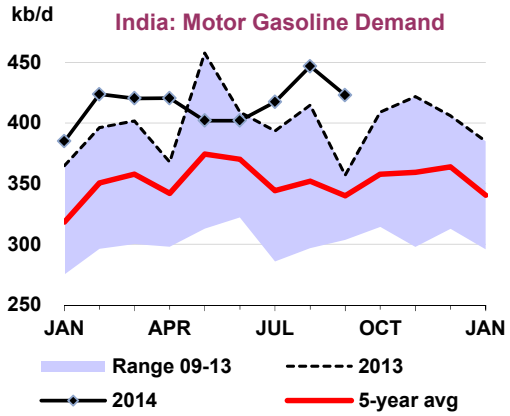




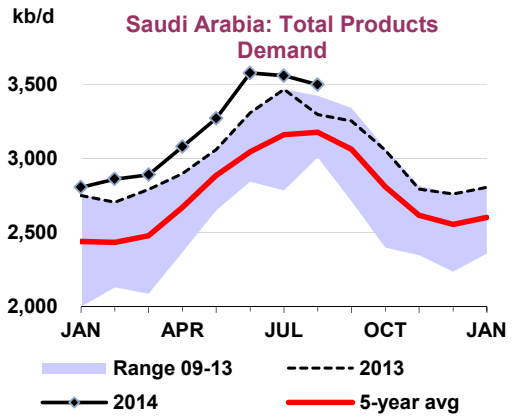
Preliminary estimates of **Indian** oil product demand in September, at 3.6 mb/d, perfectly matched the forecast outlined in last month's *Report*. Digging a little deeper into the numbers, however, showed that gasoline demand (at 425 kb/d in September) had some surprising strength (+18.5% y-o-y and 20 kb/d above our previous estimate), largely at the expense of diesel (-0.1%). The relative switch provides further evidence that Indian consumers are adjusting demand patterns in response to falling diesel subsidies (see in *Indian diesel pricing reform* in *OMR* dated 14 October 2014). The Indian gasoil/diesel number in September posted its first y-o-y decline in five months as plentiful rains, since mid-August, resulted in a reduced irrigation requirement. Up by around 3.4% y-o-y in 3Q14, the overall

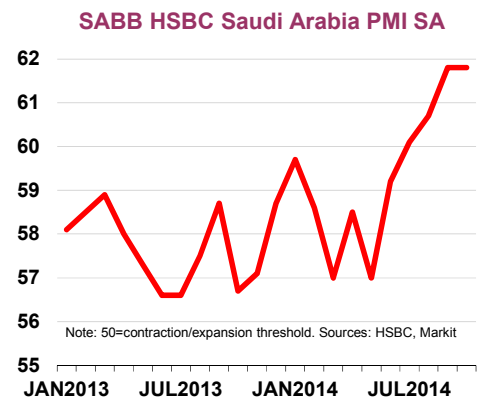
Indian demand trend is its strongest since the latter stages of 2012, supported by notable upticks in gasoline and jet/kerosene. The relative strength shown in jet/kerosene demand, which rose by 2.7% y-o-y in 3Q14 having fallen (on a y-o-y basis) in each and every previous quarter dating back to 3Q11, arose as IATA reported a sharp uptick in domestic air passengers (+26.3% y-o-y in September).



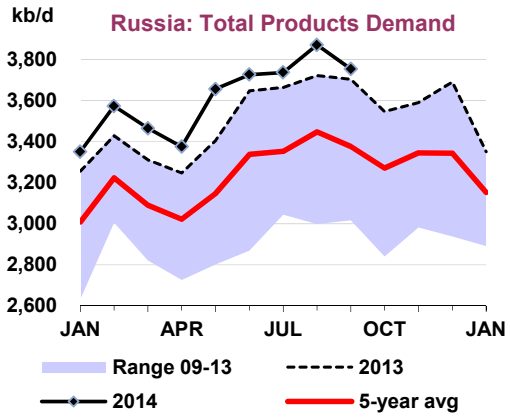


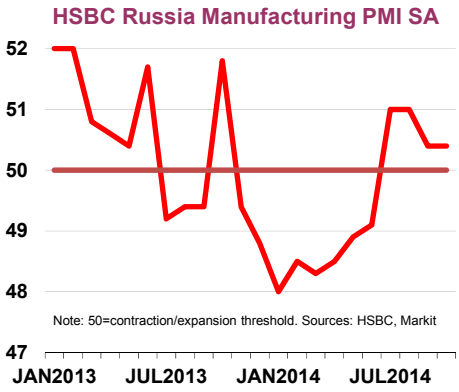
Boosted by relatively robust gasoil/diesel deliveries in August, the **Saudi Arabian** demand trend returned to the heady clip seen prior to July's slowdown. Having risen by an average y-o-y growth rate of 6.6% in the three-months before this, July's pull-back (+2.2% y-o-y) now appears to have been a temporary phenomenon, as the timing of Ramadan in 2014 concentrated this traditional slowdown in transport fuel demand to July, as opposed to July and August in 2013. Growth of both gasoline and diesel deliveries returned at a strong pace in August and are expected to remain supportive through to the end of 2014. Strengthening manufacturing sentiment in the second half of 2014 is conducive of an accelerating gasoil demand trend. The Saudi British Bank (SABB) reported that business sentiment in the non-oil producing sector rose to a three-year high of 61.8 in September, with notable increases cited in the "new work and output" sub-categories reported. Having risen by a y-o-y average of around 1.7% over the first eight months of 2014, gasoil/diesel demand growth is forecast to accelerate to an average of around 2.4% September-December.





The latest **Russian** oil product demand data continues to surprise on the upside, with deliveries rising at their fastest y-o-y clip since February 2013 despite ongoing concerns about the health of the sanctions-hit economy. Indeed, preliminary estimates of September demand, based upon the latest data from consultants Petromarket RG, show deliveries at approximately 3.8 mb/d, 105 kb/d up on the projection carried in last month's *Report* with industrial fuels benefiting from the 'expansionary' manufacturing bias seen since July. After a gain of 2.5% in 3Q14, the forecast for the year as a whole is for a gain of 2.1%, as Russian deliveries average 3.6 mb/d in 2014.



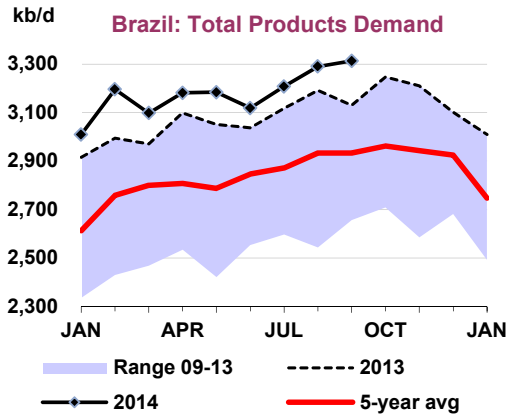


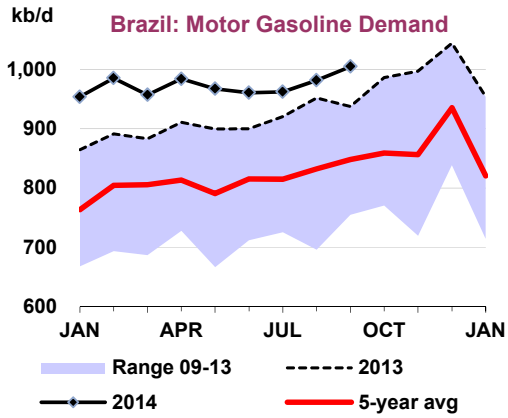
Non-OECD: Demand by Region

(thousand barrels per day)

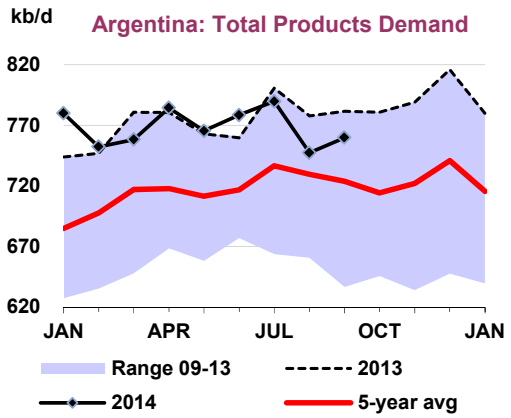
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
Africa	3,926	3,959	3,841	69	108	1.8	2.9
Asia	22,313	22,451	22,288	482	563	2.2	2.6
FSU	4,593	4,797	5,035	161	110	3.5	2.2
Latin America	6,580	6,766	6,915	170	161	2.6	2.4
Middle East	7,803	8,207	8,506	269	120	3.4	1.4
Non-OECD Europe	648	655	672	6	14	0.9	2.1
Total Products	**45,863**	**46,835**	**47,257**	**1,157**	**1076**	**2.5**	**2.3**

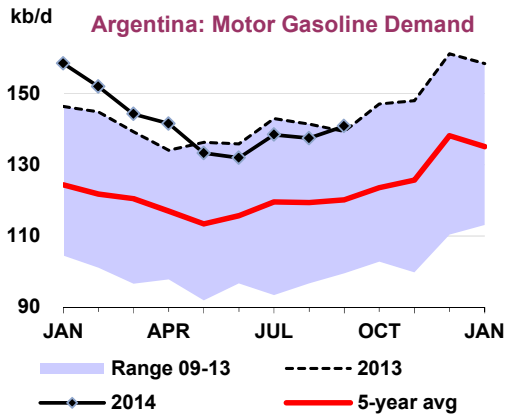
September's higher than previously anticipated **Brazilian** oil demand number was driven by sharp gains in the key transport fuels. At 3.3 mb/d the total Brazilian delivery estimate for September came out 125 kb/d above the forecast carried in last month's *Report* and was equivalent to a 5.9% gain on the year earlier. Transport fuel demand continues to rise across Brazil, despite the otherwise weak macroeconomic backdrop, as consumer confidence has remained relatively robust throughout the year. Indeed, in October the Confederacao Nacional da Industria reported that consumer confidence rose to a nine-month high of 112, well above the 100-threshold that signifies the inflection point between 'pessimism' and 'optimism'. In response to this relatively robust consumer confidence trend, the 2015 Brazilian oil demand growth forecast has been raised to +2.1%, compared to last month's 1.8%, taking average oil product deliveries up to around 3.3 mb/d in 2015. Consequential on reports that wholesale gasoline prices were raised by 3%, effective 7 November, in line with efforts to bring down increasingly restrictive fuel subsidies, the 4Q14 gasoline demand estimate is for a modest deceleration, to +2.2% in 4Q14.





In contrast to Brazil, the latest official **Argentinian** demand data depict a very weak 3Q14, with absolute y-o-y declines in all the transport fuels, residual fuel oil and 'other products'. With the economy showing clear signs of corroding, the 4Q14 forecast has also be clawed back, to -2.0%, compared to the previous estimate of +1.4%. Total industrial output, as tracked by the Instituto Nacional de Estadistica y Censos, posted its seventh consecutive negative y-o-y comparison in September, down 1.7% y-o-y in September after a drop of 2.9% in August. Cramped by further projections of an economic contraction in 2015, down 1.5% according to the IMF's October *World Economic Outlook*, average oil product deliveries are forecast to fall by a further 0.3% in 2015 to 770 kb/d.





SUPPLY

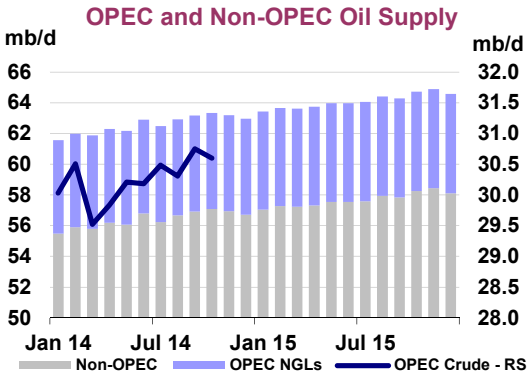
Summary

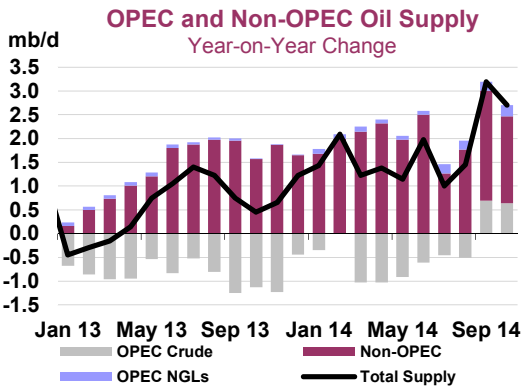
- **Global supply rose by 35 kb/d in October to 94.2 mb/d.** Compared with one year ago, total supply was 2.7 mb/d higher as OPEC production added to non-OPEC supply growth of 1.8 mb/d. October non-OPEC supply increased by 165 kb/d month-on-month to 57.1 mb/d. Non-OPEC output in 4Q14 will average 56.9 mb/d, 1.1 mb/d higher compared with 4Q13.

- **OPEC output eased by 150 kb/d in October to 30.60 mb/d, but remained well above the group's official 30 mb/d supply target for a sixth month running.** Oil ministers hold a scheduled meeting on 27 November against the backdrop of a 30% price decline since they last gathered in June. Pressure is building on OPEC to reduce output, but there appeared to be no clear consensus on a formal supply cut at the time of writing.

- **A four-month recovery in Libyan output partly offset dips elsewhere in OPEC and helped the group turn in a second month of year-on-year supply growth.** But early November's escalating conflict in the North African producer threatened to reverse its gains. The 'call on OPEC crude and stock change' for 2015 is estimated at 29.2 mb/d and declines seasonally by 1.3 mb/d from 4Q14 to 1Q15.

- **Record-high growth in non-OPEC production of nearly 2 mb/d** in the first 10 months of the year pushed global oil supply to an average 93 mb/d, offsetting declines from OPEC over the same period. Non-OPEC supply growth is projected to ease from this year's exceptional level of 1.8 mb/d to 1.3 mb/d in 2015, still a high rate of expansion compared with historical trends.





All world oil supply data for October discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico 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 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 approximately -200 kb/d to -400 kb/d for non-OPEC as a whole.

OPEC crude oil supply

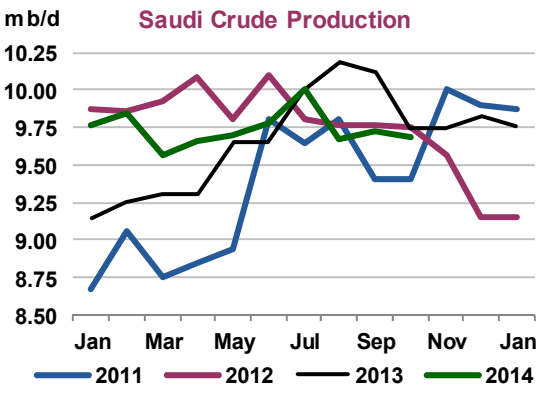
OPEC output eased by 150 kb/d in October, with marginal declines from a number of producers including Saudi Arabia, Kuwait, Iraq and the UAE. Libyan output rose towards 900 kb/d, but disruptions at oil fields and terminals in early November threatened to derail the country's four-month recovery. Thanks largely to Libya's comeback, OPEC output of 30.60 mb/d in October stood 640 kb/d higher than a year ago. October marked the sixth consecutive month with OPEC supply running well in excess of the group's official 30 mb/d target, which has been in place since January 2012.

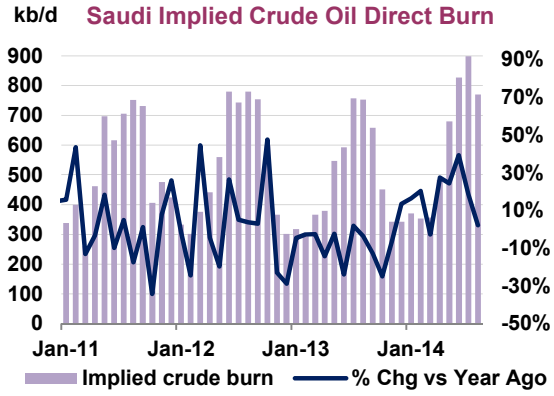
OPEC oil ministers are to gather in Vienna on 27 November to take stock of supply-demand balances and Brent crude has tumbled 30% since they last met in June. Our forecast has the 2015 'call on OPEC crude and stock change' at 29.2 mb/d and sees the 'call' decline seasonally by 1.3 mb/d from 4Q14 to 1Q15 to 28.8 mb/d. At the time of writing, there appeared to be no clear consensus on a formal OPEC supply cut.

The OPEC meeting coincidentally takes place three days after the deadline for Tehran and world powers to reach a long-term settlement over Iran's disputed nuclear programme. An agreement between Iran and the five permanent UN Security Council members plus Germany (P5+1) could lead to a gradual removal of rigorous economic sanctions and pave the way for higher supply from Iran. To date there have been no reports of any breakthrough after talks in Oman earlier this week between Iran and Western powers. A number of issues must reportedly be resolved if a deal is to be clinched this month.

OPEC's 'effective' spare capacity was estimated at 3.25 mb/d in October compared with 3.05 mb/d in September, with Saudi Arabia holding 84% of the surplus.

Supply from **Saudi Arabia** eased by 50 kb/d in October to 9.68 mb/d due mostly to an anticipated seasonal decline in domestic demand for crude for power generation. Riyadh burned 900 kb/d in domestic power plants during July, but the requirement eased to 770 kb/d during August, the most recent month of data submitted by Saudi Arabia to the Joint Organisations Data Initiative (JODI).





Riyadh's October production dip followed a modest rise in September, while tanker tracking data show exports to world markets held steady. According to latest JODI figures, Saudi crude exports in August fell to 6.66 mb/d versus 6.99 mb/d in July – the lowest since March 2011. Exports of products, however, hit a record 1.02 mb/d in August – lifting total Saudi oil exports, excluding condensates and NGLs, to 7.69 mb/d. That figure, however, is some distance below the 8.42 mb/d level of August 2013.

Exports of refined products are rising after the Satorp refinery, a joint venture with France's Total, reached full capacity during the summer. A second joint venture refinery with China's Sinopec at Yanbu is due to reach its full 400 kb/d capacity by the end of this year.

With just weeks before OPEC oil ministers gather, markets seized on Riyadh's latest monthly crude oil formula prices – released in early November – for signals on output policy. State oil marketer

Saudi Aramco cut official selling prices to the US for a fourth straight month and raised levels to Asia for the first time in five. It also increased prices to Europe. Analysts suggested the price adjustments signalled Saudi's determination to defend market share (see *Prices*).

OPEC Crude Production

(million barrels per day)

	Aug 2014 Supply	Sep 2014 Supply	Oct 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Oct 2014 Supply	Jan-Oct average
Algeria	1.15	1.13	1.13	1.17	0.04	1.12
Angola	1.71	1.72	1.72	1.80	0.08	1.65
Ecuador	0.56	0.56	0.54	0.57	0.03	0.55
Iran	2.80	2.78	2.76	2.90	0.14	2.81
Iraq	3.14	3.36	3.32	3.40	0.08	3.28
Kuwait[2]	2.85	2.87	2.82	2.85	0.04	2.81
Libya	0.53	0.78	0.87	0.85	-0.02	0.44
Nigeria	1.88	1.89	1.88	2.00	0.12	1.91
Qatar	0.73	0.69	0.69	0.73	0.04	0.71
Saudi Arabia[2]	9.68	9.73	9.68	12.40	2.72	9.74
UAE	2.82	2.78	2.74	2.90	0.16	2.76
Venezuela[3]	2.48	2.48	2.46	2.60	0.14	2.47
Total OPEC	**30.31**	**30.75**	**30.60**	**34.17**	**3.57**	**30.08**
(excluding Iraq, Nigeria, Libya and Iran)					**3.25**	

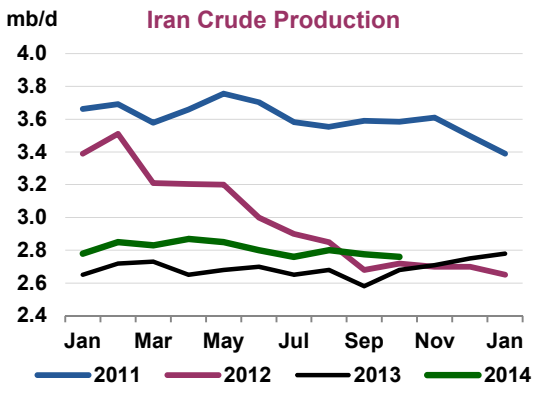
1 Capacity levels can be reached within 30 days and sustained for 90 days.

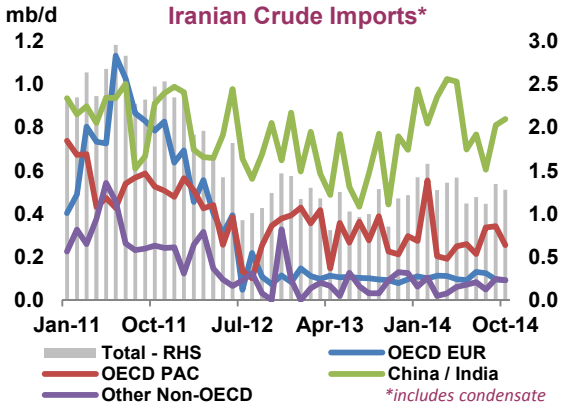
2 Includes half of Neutral Zone production.

3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in October.

Output from **Iran** slipped marginally to 2.76 mb/d in October on slower exports, but average supply this year has been more robust than in 2013. For the first nine months of this year, Iran pumped on average an estimated 2.81 mb/d, up 130 kb/d on a year ago. Western oil experts say the country's oil fields are capable of producing much more – up to an additional 500 kb/d to 800 kb/d within months – if, and when, sanctions are lifted.

Senior officials from world powers and Iran are working to secure a permanent deal to end a decade-long dispute over Tehran's nuclear programme by a 24 November deadline. But there was no sign of a breakthrough after talks in Oman earlier this week between Iran, the US and the EU and there are reportedly still issues to resolve. A comprehensive agreement could lead to the removal of stringent oil and financial measures imposed by the US and EU that have cut Iran's crude exports by more than half since early 2012.





A preliminary deal was agreed in November last year that eased US and EU sanctions and capped Iran's crude oil exports at a nominal 1 mb/d. Since then, sales to Iran's biggest Asian buyers – China and India – have risen, with purchases during the first 10 months of 2014 – at 1.11 mb/d – about 110 kb/d higher than the

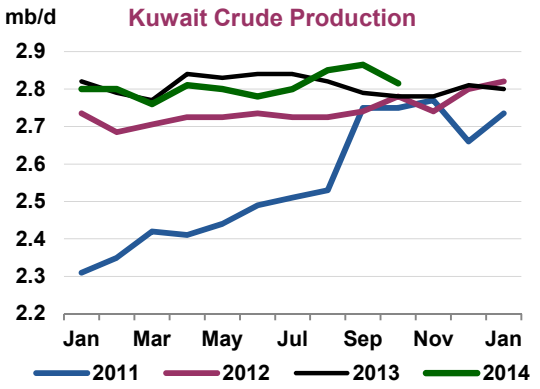
same period a year ago. Shipments of condensate – ultra light oil from Iran's South Pars gas project - averaged about 195 kb/d from January through October this year, up around 110 kb/d on the first 10 months of 2013.

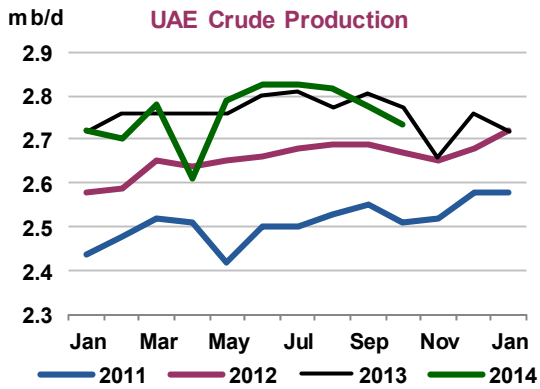
During October, preliminary figures show deliveries of Iranian crude to regular buyers in Asia were – at 1.06 mb/d – close to the 1 mb/d limit set by world powers. These figures are subject to revision. The receipt of more complete data showed September crude oil deliveries were 1.2 mb/d, up from August purchases of 900 kb/d – the lowest so far this year.

After a jump in September, top buyer China appears to have slowed imports, according to revised data, which show deliveries slipping to 480 kb/d in October versus 570 kb/d the previous month. Iran's second biggest customer, India, raised its purchases to 355 kb/d in October versus 240 kb/d in September. There were no apparent deliveries into the UAE during October. It had taken in 65 kb/d during September, presumably for re-export. Korea imported about 60 kb/d, down from 135 kb/d in September while Japan's purchases slipped 15 kb/d to 190 kb/d in October. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.

Kuwaiti production eased by 50 kb/d to 2.82 mb/d in October following Saudi Arabia's closure of the Khafji oil field in the Neutral Zone, run jointly with Kuwait, apparently for environmental and technical reasons. The offshore field had been pumping close to 300 kb/d before it was shut down in late October.

The onshore portion of the Neutral Zone, the Wafra field, continues to produce at around 200 kb/d. It is not clear at this stage when Khafji will return to full production. Neutral Zone output had been declining before Riyadh's unilateral closure: production had slumped towards 350 kb/d in August, but recovered to 400 kb/d in September. Kuwait's share of the Neutral Zone accounts for nearly 10% of its total capacity and is crucial to meeting production targets. By contrast, the Neutral Zone accounts for only 2% of Saudi capacity.





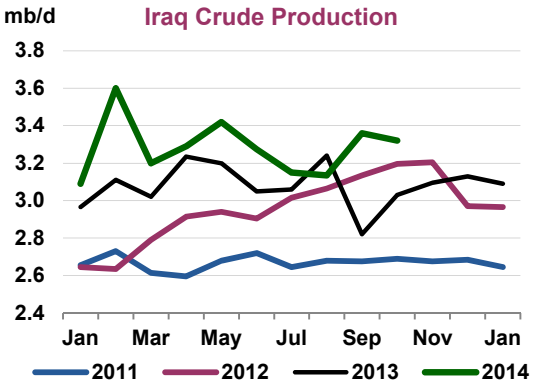
Qatari output was steady in October at 690 kb/d, while supply from the **UAE** slipped 40 kb/d to 2.735 mb/d due partly to reported maintenance. Abu Dhabi National Oil Co. (ADNOC) has meanwhile renewed and expanded a crude storage deal with Japan. The three-year deal allows the UAE to store up to 6.3 million barrels of crude, 43% more than under a previous contract that expired at the end of June.

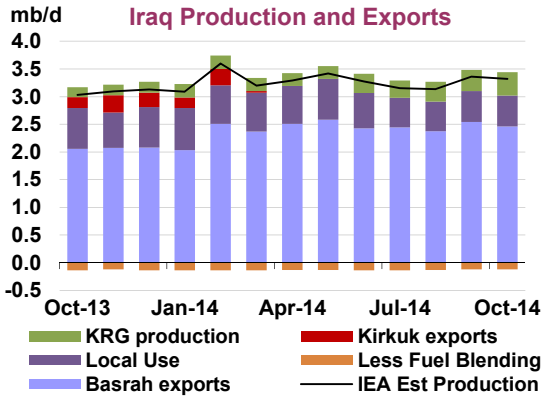
Despite its ongoing battle against Islamist forces, **Iraq** has managed to post annual production growth of roughly 200 kb/d so far this year. The militants' advance has set back oil operations in northern Iraq, but the country's giant southern oil fields - hundreds of kilometres from the line of fire – are keeping up a robust rate of exports. Supply in October, including volumes from the Kurdistan Regional Government (KRG), ran at 3.32 mb/d – down 40 kb/d on the previous month.

Higher flows from the KRG – estimated at 420 kb/d in October, up 40 kb/d - helped to offset a decline in exports from southern Iraq. Flows through the KRG's independent pipeline to Turkey rose to about 250 kb/d in October after additional oil was pumped from northern fields that had been run for decades

by the federal government's North Oil Co. (NOC). Bai Hassan and the Kirkuk field's Avana dome – now effectively controlled by the KRG and linked by a spur to the KRG pipeline – pumped about 120 kb/d in October, with rates of around 160 kb/d expected this month. The additional barrels would boost pipeline exports to around 300 kb/d and put the KRG in control of at least 500 kb/d of production. As this *Report* went to press, there were news reports of headway between Baghdad and the KRG towards resolving a long-running dispute over oil exports and revenue sharing.

Since January, the KRG has exported 34.5 mb of oil worth almost $3 billion, despite Baghdad's opposition to the region's independent oil sales. The KRG said it has sold 21.5 mb through the Turkish Mediterranean port of Ceyhan, with the remainder trucked to the Turkish port of Mersin. The region received $2.1 billion in cash for the exported oil and $775 million in kind for product swaps. By the end of this year, the KRG aims to increase its pipeline exports to about 400 kb/d. Baghdad has disputed the legality of these shipments, saying only it has the sole right to sell Iraqi crude.





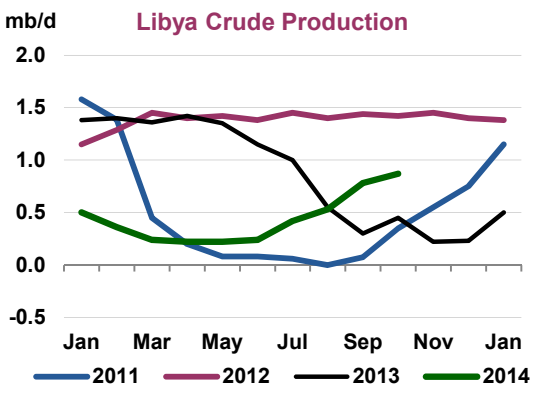
Although flows along the KRG pipeline to Turkey reached 250 kb/d during October, exports from the Ceyhan terminal in the Mediterranean were about 160 kb/d, slightly lower than September, according to shipping sources. The additional barrels apparently moved into storage.

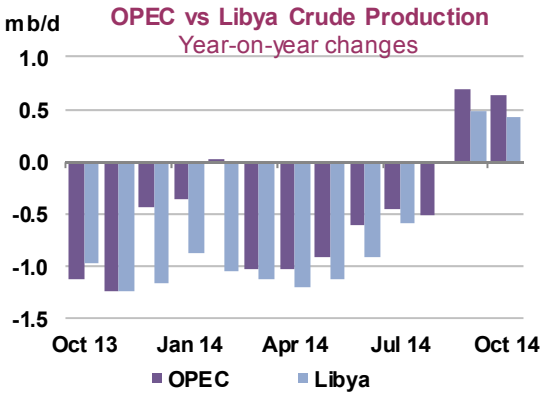
In southern Iraq, weather-related loading disruptions in the Gulf slowed Basra Light shipments to 2.46 mb/d in October versus 2.54 mb/d in September. Baghdad earned $6.24 billion from its October oil sales – down from $7 billion in September. Deliveries of roughly 250 kb/d of northern Kirkuk crude have been shut in since early March due to repeated sabotage of the Baghdad-controlled Iraq-Turkey pipeline. Iraqi sources reckon it will take years to repair the damage.

The Islamist militants have also kept the refinery at Baiji, Iraq's biggest facility, under siege since June - forcing it off line and sharply decreasing output from the northern oil fields of Kirkuk by closing this major domestic outlet. Iraqi military forces were attempting to regain control of the plant, which has capacity of around 300 kb/d.

Libya's four-month production recovery was under threat early in November after flows had scaled the 1 mb/d mark at the end of last month. The North African producer's comeback had continued in October, with flows climbing 90 kb/d to an average 870 kb/d – the highest rate since last July – even amid deepening turmoil. Its strong performance has pushed OPEC's total supply into year-on-year growth for two consecutive months.

By the time of writing, however, output had dropped towards 500 kb/d following the closure of Libya's biggest oil field, El Sharara, by gunmen, and that of the neighbouring El Feel, or Elephant. The closures were also creating loading delays at the western export terminals of Zawiya and Mellitah which are fed by the fields. El Sharara had been pumping close to 300 kb/d, while Elephant – shut in because it shares power supply with El Sharara – has capacity of 130 kb/d. The country's oil fields were producing 1.4 mb/d in early 2013 before protests and civil unrest caused output to sink below 200 kb/d.



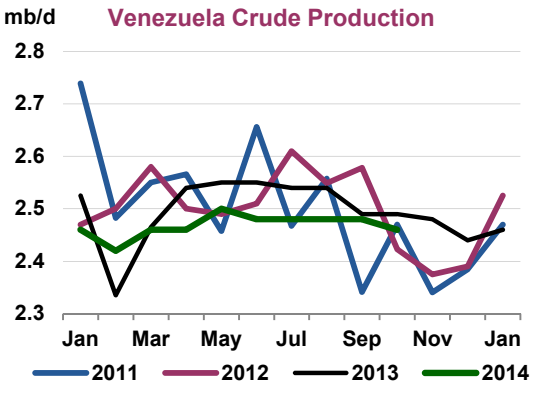


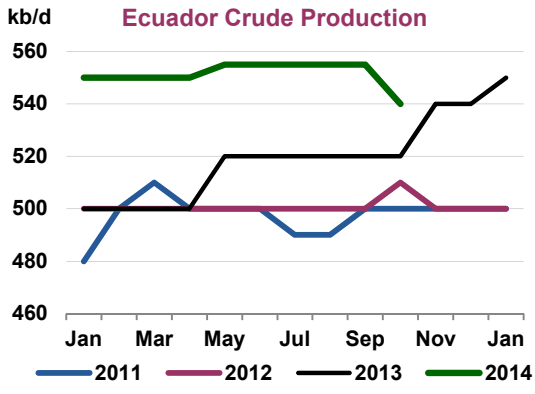
Adding to Libya's woes, crude loadings were disrupted in early November by bad weather and strikes at the eastern terminal at Marsa al-Hariga. Exports in October had risen to about 760 kb/d from roughly 600 kb/d in September. Buyers of Libyan oil had grown more confident of stable supplies after protesters lifted their blockade of the strategic terminals of Es Sider and Ras Lanuf in August.

Libya has spiralled towards chaos as rival political factions jostle for control. An Islamist government took over the capital in August and appointed its own oil minister, Mashallah al-Zawi. The elected and internationally recognised government, which fled to the eastern city of Tobruk, has Mustafa Sanallah – the chairman of Libya's National Oil Corp. (NOC) – as its acting oil minister. Adding yet more uncertainty, Libya's Supreme Court - which is in Tripoli and under the influence of the government there – ruled that the election of the parliament in Tobruk was unconstitutional. Western powers' opposition to the government in Tripoli could trigger sanctions on Libyan oil if Islamist groups seize control of oil operations. NOC has tried to remain neutral.

In Algeria, OPEC's other North African producer, flows held steady at 1.13 mb/d in October. Algiers is preparing for a new oil and gas auction after its last tender in September failed to drum up much interest. Elsewhere in Africa, Nigerian production slipped 10 kb/d to 1.88 mb/d in October and Angolan output held steady at 1.72 mb/d. Oil's price plunge has meanwhile led Denmark's Maersk Oil to rethink investment in its deepwater Chissonga project. Angola has substantial amounts of offshore output that has high production costs.

Oil below $81/bbl is also causing strife for Latin American producers **Venezuela** and **Ecuador** where supply eased to a respective 2.46 mb/d and 540 kb/d. The two countries want OPEC to cut supply to stabilise prices. Ecuador, OPEC's smallest producer, said it is cutting some low-priority oil investments due to oil's rout. Venezuela's President Nicolas Maduro said the US shale boom is the cause of oil's slump. Lower oil prices are coming at a sensitive time for Caracas, which needs to build up its cash to cover multibillion-dollar bond payments and mounting private sector debt.



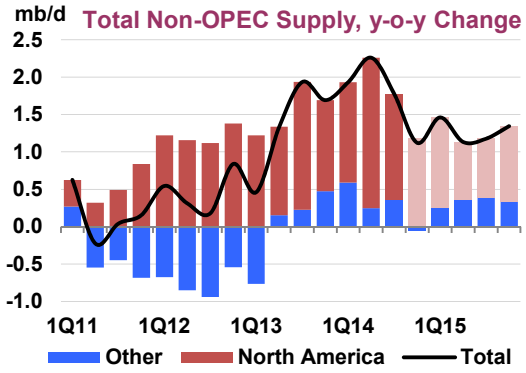


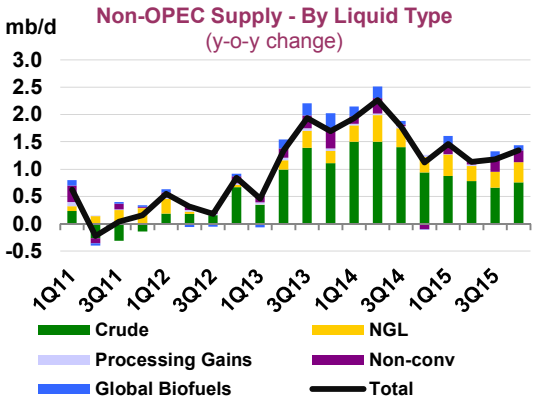
Non-OPEC Overview

Non-OPEC supply rose by about 165 kb/d in October to 57.1 mb/d, and remained a robust 1.8 mb/d higher year-on-year (y-o-y). The US, Canada and the UK led the gains with a combined increase of nearly 470 kb/d month-on-month (m-o-m) as volumes returned from planned and unplanned outages. In the UK in particular, oil output in October seems to have returned to the pre-maintenance levels seen in the early summer period.

Other countries saw declines. Russian production fell by roughly 30 kb/d while Kazakhstan and Azerbaijan fell on maintenance-related outages affecting a combined 60 kb/d in October. China also declined by 70 kb/d m-o-m. Seasonal declines in Brazil's ethanol production, which dropped by about 130 kb/d, have more than offset the increase in petroleum liquids fuel output.

Non-OPEC production growth is expected to average 1.1 mb/d y-o-y in 4Q14, with growth for 2014 as a whole projected at 1.8 mb/d, led by the US and Canada. Forecast growth in Russia, China, Brazil and Norway will also contribute to the overall increase.





With US WTI has dropping below $80/bbl, at least three companies that operate in North America have announced revisions to their budget and capital expenditure plans for 2015. Continental Resources, a trailblazer in the Bakken Shale, reportedly will cut its planned spending next year in response to lower prices, leaving it roughly flat with 2014 capex levels. Oasis Petroleum also reported that it may scale back some of its development in the Bakken should WTI remain below $80/bbl. Producers in Canada, too, are reacting to continued lower prices. Cenovus plans to adjust its 2015 capital expenditure so it can generate more near-term cash flow while Canadian Natural Resources plans to reduce its capex to reflect WTI below $81/bbl.

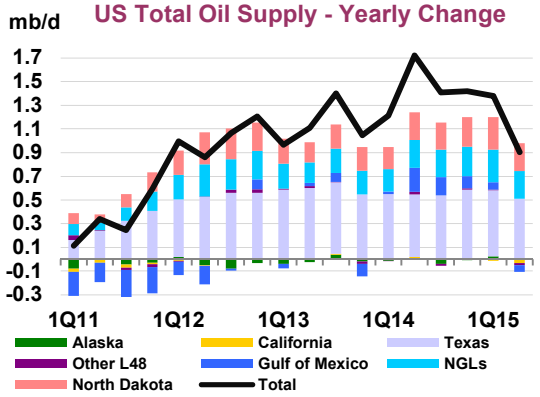
Nonetheless, cuts in investment do not necessarily translate to a decrease in production as continued efficiency gains and cost reductions likely will make up for the fall in investment in the short-term. Should prices continue to fall, however, medium- and long-term production may fall as companies forego development of costly projects.

OECD

North America

US – October preliminary, Alaska actual, other states estimated: Overall US petroleum liquids output (which includes crude oil, condensate and NGLs) is estimated to have averaged 12.2 mb/d in October, breaking the 12.0 mb/d threshold for the first time. Crude oil production rose to 8.9 mb/d, an increase of nearly 150 kb/d m-o-m. Estimated light tight oil (LTO) production averaged 3.9 mb/d in October, up by nearly 100 kb/d on the month. NGL production bounced back up to 3.0 mb/d in October as output

recovered from seasonal declines in the previous month. Alaska's crude oil fell to 520 kb/d due to an outage at the Lisburne field from 12-27 October, partly offsetting the increases in crude oil output elsewhere, most notably in North Dakota and Texas.



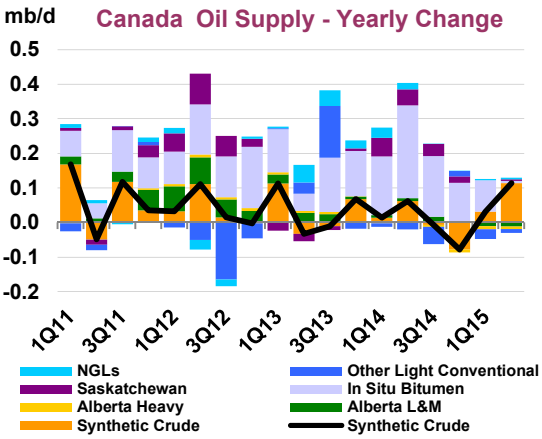
Final August data show that production totalled 11.8 mb/d of which 8.6 mb/d was crude oil. Production in August stood 1.4 mb/d higher than one year ago, with increases in crude oil output accounting for 1.2 mb/d of the growth. Forecast total oil output will rise 1.4 mb/d in 2014 followed by a 955 kb/d growth in 2015.

Recent price drops have put a spotlight on the issue of potential price effects on non-OPEC supply in general and US LTO output in particular. As last month's *Report* outlined, based on Rystad Energy data we estimated that about 4% of LTO output has a breakeven price of $80/bbl or higher. A recently published report by the State of North Dakota implied that there are five counties where the breakeven price is above the current price of oil. Production in Burke and Divide counties, which combined produced roughly 53 kb/d of oil, may already have become notionally uneconomical at the current price. This production figure includes both LTO and conventional production.

However, most of North Dakota's LTO production in the Bakken play remains profitable at or below $42 per barrel. The breakeven price in McKenzie County, the most productive county in the state is only $28 per barrel, remaining comfortably below the current $70-per-barrel price for Bakken sweet crude oil. Bakken oil traded at an average of $77.63/barrel in October and price fell to $70.22/barrel on average so far in November. North Dakota's oil production averaged 1.2 mb/d in October, of which all but 60 kb/d was LTO. The state's LTO output grew by about 25 kb/d in October, roughly the average growth for the year thus far.

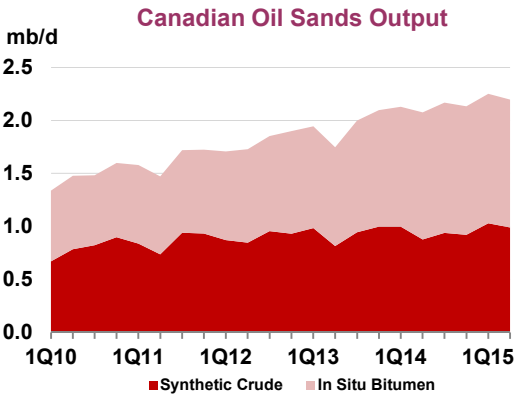
As production continues to rise in the US, increasing volumes are finding an outlet to international markets, albeit they continue to be limited to condensates aside of the exports to Canada and shipments of crude from Alaska. The US EIA reported that US exports of condensates surged in August to 700 kb/d, from 400 kb/d in July. The US Department of Commerce allowed Enterprise Product Partners and Pioneer Natural Resources to export lightly processed condensate without a licence. Dozens of other companies are awaiting similar provisions by the Department of Commerce.

Canada – October estimated: Total liquids supply in Canada was estimated at over 4.0 mb/d in October, increasing roughly 50 kb/d m-o-m. Production of crude oil and condensate (including bitumen but excluding synthetic crude) rose by about 45 kb/d to 2.5 mb/d, partly due to the return of production following completion of some maintenance projects. NGL production rose by about 15 kb/d on the month to 625 kb/d.



Although Canada's production is expected to rise throughout the forecast period, lower crude oil prices appear to be weighing on new projects and investment decisions for 2015. Statoil reported that it is delaying the development of the Corner SAGD project in northern Alberta by at least three years in favour of more economically competitive projects as material

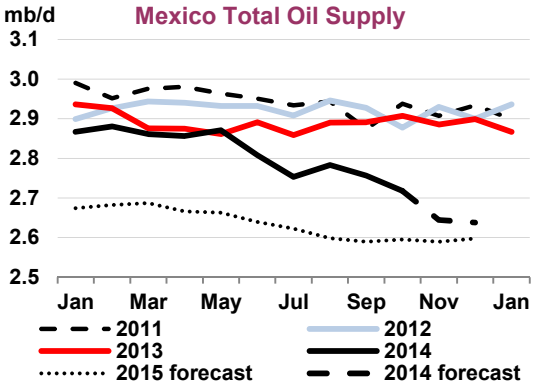
and labour costs render the project unattractive. Pipeline constraints also reportedly contributed to the project delay. Cenovus, the operator of the Foster Creek and Christina Lake oil sands project is shifting its 2015 capital expenditures towards projects that will result in near-term cash flow as the West Canadian Select crude oil price trades at around $62/bbl so far in November, roughly $16/bbl below WTI.



Despite the lower prices, overall forecast production for this year will average 4.1 mb/d of total liquids of which 2.5 mb/d will be in the form of crude oil. The y-o-y increase in production of 145 kb/d in 2014 is at least in part due to the start-up of Husky Energy's new oil sands project due to begin before the end of this year. Phase 1 of the Sunrise project will produce 60 kb/d and design capacity is expected to reach 200 kb/d in later phases. Sunrise, a joint venture with BP, is a steam-assisted, gravity-drainage project (SAGD) and is the first oil-sands project for Husky. Cenovus' Foster Creek Phase F came online earlier than forecast, although production volumes remained marginal during the month. We expect that additional volumes will come from Imperial Oil's Cold Lake project by the end of this year. Other producers are also reportedly remaining on track with their capital expenditures and project investments. Suncor, which reported record-high oil sands production of more than 410 kb/d in 3Q14, reaffirmed its plan to boost oil sands output in Alberta to 500 kb/d within three years. Suncor's planning is based on the company's per-barrel operating cost of $31.10 that has seen a decrease compared with last year.

Canada's growth rate for 2014 has been revised downward slightly since last month's *Report* due to Imperial Oil's Kearl project shut-in. The company announced on 10 November that the oil sands mine will unexpectedly remain offline for several weeks due to a vibration issue in the facility's ore-crushing unit, reportedly a critical part of the operation. Given the nature of the outage, we expect that Kearl will restart production in January.

Mexico – September actual, October preliminary: Mexico's production resumed its slide in September and October, falling by 30 kb/d and 40 kb/d, respectively, reversing a temporary uptick in August. Overall, Mexico's production averaged 2.8 mb/d in September with crude oil output falling to below 2.4 mb/d, the lowest level in decades as the KMZ and Canterell fields, the mainstay fields of Mexico's production, continue to decline.



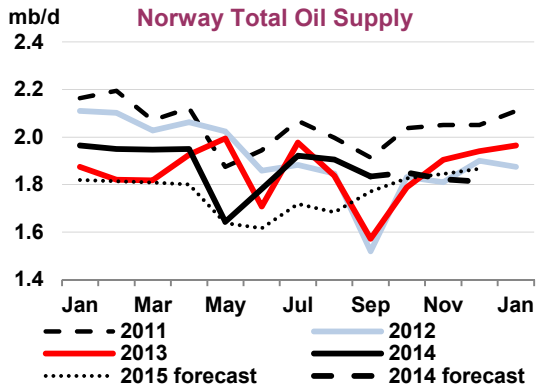
Lower oil prices are pushing the balance sheet of Mexican state oil company Petroleos Mexicanos (PEMEX) further into the red. PEMEX reported a loss of $4.4 billion for 3Q14 at the end of October, its eighth consecutive quarterly net loss, which it attributed to a high tax burden, falling production and lower oil prices. According to the company, tax payments accounted for more than 48% of its total sales as Mexico's government heavily relies on royalties, duties and other fees from oil production to fund the federal budget. This tax burden comes at a time when oil production continues to decline. With little hope that new fields brought online by PEMEX will be able to offset accelerated decline rates, Mexico's production prospects largely rest with international oil companies, which will take part in the country's promising upstream following the historic change in Mexico's hydrocarbons law. This is particularly the case in the areas where PEMEX lacks expertise, such as deepwater and unconventional resources.

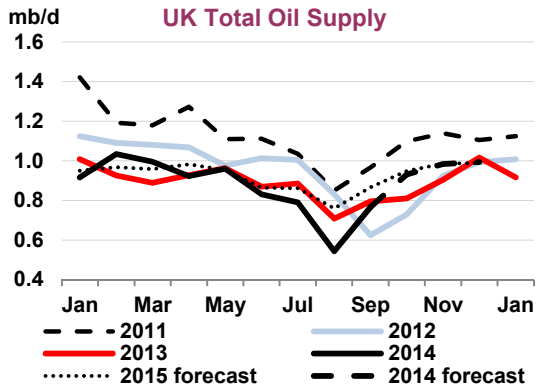
North Sea

Total North Sea production continued its post-maintenance recovery in October, averaging 2.9 mb/d during the month, and rising 190 kb/d m-o-m. With nearly all of the 3Q14 data reported, North Sea producers saw an average production level of 2.7 mb/d, roughly unchanged compared with 3Q13. The forecast 2014 North Sea production is approximately 2.9 mb/d.

BFOE November loadings are scheduled at 960 kb/d, roughly 50 kb/d higher than the October revised loadings of 910 kb/d. Brent and Forties volumes are expected to be higher than in October, with Brent loadings of 140 kb/d for the month. BFOE production is expected to average 930 kb/d, approximately 85 kb/d lower m-o-m.

Norway – August actual, September preliminary: Average production in September fell by about 70 kb/d m-o-m due to a decrease in crude oil output. NGLs and condensates production rose on the month to a total of 439 kb/d, up from 417 kb/d. The September output declines occurred amid maintenance and technical problems at the Alvheim, Draugen, Ekofisk, Oseberg Sør, Sklud, Svalin, Valhall, Vilje and Volund fields.





UK – August actual, September preliminary: UK total oil production in September recovered to 765 kb/d from the recent historical low of 544 kb/d reached in August, when an extended Forties outage and Buzzard field production problems caused an output decline of more than 31% m-o-m. We estimate that output in October reached an average of 930 kb/d due to continued return of production from planned and unplanned outages as well as some new production starts.

The CNOOC-owned Nexen, operator of UK's largest field Buzzard, reported that the field is ending its plateau period of production and is entering the decline phase. The planned Phase 2 of the field development will only partly offset the declines and is not expected to take place for at least three more years. Buzzard's production averaged 170 kb/d between January and July (most recent field-level data available), about 20 kb/d lower than its output last year. So far this year, the field produced more than 200 kb/d only in March this year, falling far short of its planned production capacity of approximately 210 kb/d.

While the recent news about Buzzard weighs on Nexen and UK production, the operator announced that it has started production at the Golden Eagle development, which is expected to peak at 70 kb/d in 2015. Production from two wells at the field began in early November at 18 kb/d and eventually there will be 15 production wells. Transportation and processing of the Golden Eagle oil will take place through the Flotta terminal.

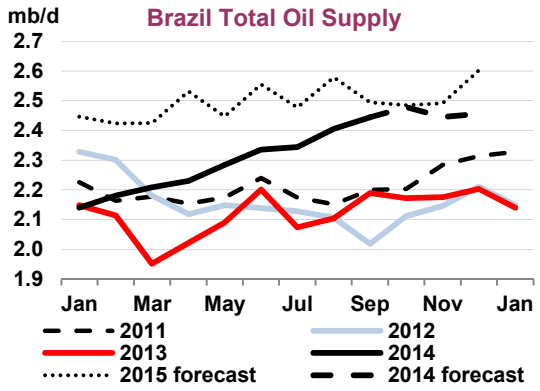
Non-OECD

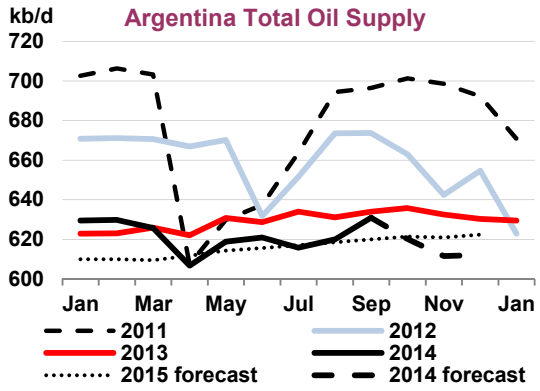
Latin America

Brazil – September actual: Brazil's total oil production growth continued apace in September, rising roughly 40 kb/d m-o-m, with crude oil production increasing by approximately the same amount and

setting a new output record. Production was boosted as new wells came online and production from the pre-salt fields continued to rise. So far in 2014, Brazil has seen liquid fuels production rise every month with the exception of January, a trend which occurred on the back of increasing crude oil output (NGLs and condensate account for less than 5% of total production). Petrobras connected new wells to offshore platforms and FPSOs during the month, but other producers boosted output as well. OGX began production from its Tubarao Martelo field in September at 17.5 kb/d, which is expected to peak at 30 kb/d in 2016.

Estimated crude production in October averaged 2.4 mb/d, including new commercial production at the Cidade de Mangaratiba FPSO, which began operating at the Iracema Sul area of the Lula field. The FPSO is expected to reach full production capacity of 150 kb/d sometime in 2016 but it remains limited to 10 kb/d of production until December.





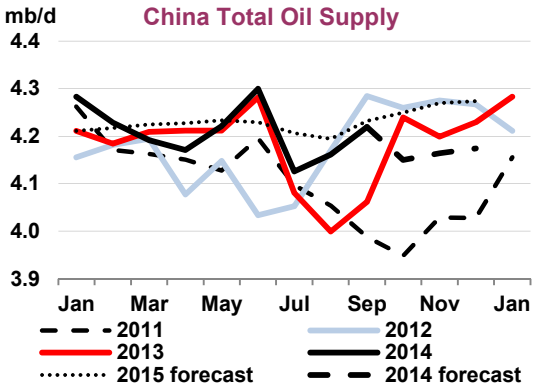
Argentina – September actual: Oil production in Argentina totalled an estimated 630 kb/d in September, roughly unchanged on August. Crude output stood at 525 kb/d with the remainder produced as NGLs. Preliminary data for October indicate that production averaged slightly lower at 620 kb/d. We expect that Argentina's output will fall y-o-y in 2014 and average 620 kb/d for total liquids. YPF, Argentina's state oil company, saw its production increase to 225 kb/d in September, accounting for 43% of total output, a share that has been steadily increasing since last year. Although we expect that Argentina's production will fall this year, the 2015 output is expected to remain flat as the declines are offset by new production in the Neuquen province and increased volumes from the Vaca Muerta shale formation. Recent drilling data indicate that Argentina is enjoying somewhat of a renaissance as an attractive oil prospect. Rigs drilling in Argentina have increased by to the highest level in at least two decades recently, reaching 107 rigs in July but have since decreased to 101, remaining at historically high level. In fact, the number of rigs operating in Argentina is among the highest outside of North America, trailing only Saudi Arabia and India.

Meanwhile, Argentina's congress has approved a new hydrocarbons law that aims to boost upstream investment by creating a standard framework for all oil and gas contracts in the country along with a standard royalty rate of 12% for all oil and gas production while also extending shale blocks and offshore concessions by ten years. Furthermore, it allows companies that invest at least $250 million over a three-year period in the country to sell 20% of their production internationally without incurring any export taxes.

Asia

China – September actual: China's oil production rose by approximately 60 kb/d in September to 4.2 mb/d. Although production increased roughly 160 kb/d higher y-o-y, the growth is low given China's depressed production one year ago, which was depressed due to flooding. The September production increase was mainly due to rising offshore output, with CNOOC's newly started Wenchang 13-6 field

providing a further boost to total production. The mainstay of China's production at the Daqing and Changqing fields was roughly unchanged m-o-m.



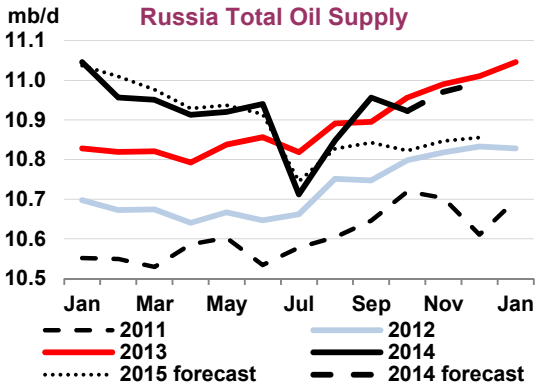
Total oil production, nearly all of which is crude oil, is expected to average 4.2 mb/d in 2014, approximately 20 kb/d higher compared with 2013. China has revamped the upstream tax regime, introducing tax rebates on some unconventional and deep-water (water depths of over 300 meters) resources. However, the government also introduced a 1% increase in the resource tax with the aim to boost energy conservation. Tax rebates also apply to fields undergoing enhanced oil recovery as well as heavy oil fields. However, we do not expect that these tax rebates will materially affect China's production. Oil producers operating in the country face a whole gamut of levies, including business taxes, value added tax, consumption taxes and crude oil special gain tax.

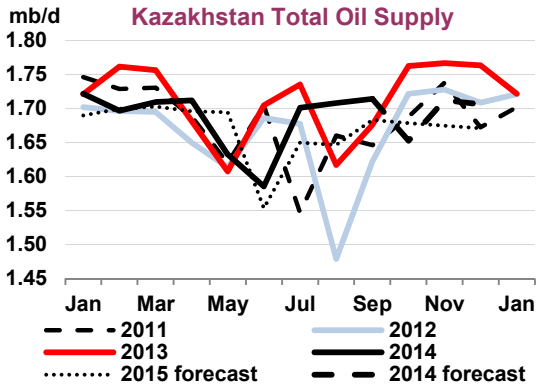
Former Soviet Union

Russia – September actual, October preliminary: Total liquids output in Russia averaged slightly over 10.9 mb/d in October, falling by about 30 kb/d m-o-m. With 3Q14 data complete, Russia's production averaged 10.9 mb/d January through September, about 80 kb/d higher y-o-y. Despite continuing difficulties in stemming declines at its brownfields, Rosneft was Russia's only producer to see an increase in production in October due to an uptick in greenfield output while virtually all other producers registering declines. Lukoil launched production at the Imilorskoye field in Western Siberia in October ahead of schedule, but the field's contribution to output was only marginal as the initial production rate is estimated at 10 kb/d. Overall, Lukoil's production was flat compared with September. Meanwhile, the company reported that it expects Russia's output to decline about 200 kb/d in 2015 due to sanctions. We expect that Russia's total production will decline in 2015 by about 30 kb/d due to underlying trends, and not as a result of sanctions.

Although US and EU sanctions imposed in September specifically targeted the development of unconventional resources Russian state-run companies are reportedly making some progress with fracking operations. Rosneft, for one, has achieved some success using fracking techniques in gas wells while Gazpromneft has drilled a horizontal well in an effort to explore the Bazhenov shale. However, both the number and length of these hydraulic fractures are negligible compared to the fracking operations taking place in US and Canada.

Russia's Parliament is in the process of approving a major tax overhaul that will shift federal tax revenues from oil exports to crude production. The tax manoeuvre, which still needs a final review prior to approval, will increase the Mineral Extraction Tax by 93%, but this will be at least in part offset by decreases in export duties for crude and lighter products. Russia's downstream will see added pressure in the face of these changes: export duties of fuel oil will be equalised with crude oil and less complex refineries in Russia will therefore become less economical. These changes may further weaken investor confidence in the country. Recently imposed sanctions and high financial burden make it difficult for companies to develop sound investment strategies, with the ever-changing tax regime adding further uncertainties.





Kazakhstan – August actual: Final data for August show that Kazakhstan's total liquids output averaged 1.7 mb/d, roughly unchanged m-o-m. Of this, crude oil accounted for 1.6 mb/d. While the estimated September overall production level remained flat compared with August, maintenance at the Tengiz field resulted in a decrease in production of about 60 kb/d in October. Although the Tengiz maintenance only materially affected the October output, Kazakhstan continues to struggle to maintain its oil output, particularly in the absence of new production. The 2014 projected output will average 1.7 mb/d, a decrease of about 25 kb/d y-o-y, and we expect that this decline will be followed by a further 20 kb/d drop in 2015.

Azerbaijan – August actual: Azerbaijan's crude oil production reached 880 kb/d in August, including approximately 50 kb/d of Shah Deniz condensate. Estimates of September and October production data indicate that both months saw production declines averaging 10 kb/d. The October production estimate was revised upwards compared with last month's *Report* as BP postponed maintenance on the ACG Block from mid-October to November. We expect that maintenance will result in a decrease of roughly 130 kb/d of oil production from the ACG Block in November, bringing total Azerbaijan production to 735 kb/d, the lowest total oil output since October 2008. Overall 2014 forecast production will average 870 kb/d, about 15 kb/d lower y-o-y and we expect a further drop to 855 kb/d in 2015. At 870 kb/d, Azerbaijan's production would be the lowest annual average production since 2007.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	4Q2013	1Q2014	2Q2014	3Q2014	Jul 14	Aug 14	Sep 14	Latest month vs. Aug 14	Latest month vs. Sep 13
Crude											
Black Sea	1.81	1.78	1.78	1.74	1.65	1.59	1.61	1.47	1.67	0.20	-0.08
Baltic	1.67	1.57	1.58	1.33	1.46	1.32	1.30	1.29	1.36	0.07	-0.28
Arctic/FarEast	0.65	0.80	0.82	0.88	1.18	1.23	1.17	1.19	1.33	0.14	0.50
BTC	0.66	0.64	0.61	0.58	0.59	0.68	0.74	0.68	0.63	-0.04	0.06
Crude Seaborne	**4.79**	**4.80**	**4.79**	**4.53**	**4.88**	**4.82**	**4.82**	**4.63**	**5.00**	**0.36**	**0.20**
Druzhba Pipeline	1.08	1.03	1.05	1.01	1.00	1.03	0.98	1.00	1.09	0.09	0.02
Other Routes	0.52	0.56	0.60	0.71	0.38	0.38	0.44	0.35	0.34	-0.01	-0.24
Total Crude Exports	**6.39**	**6.39**	**6.44**	**6.26**	**6.26**	**6.22**	**6.24**	**5.99**	**6.43**	**0.44**	**-0.01**
Of Which: Transneft[1]	4.22	4.07	4.07	3.95	4.02	3.90	3.80	3.75	4.15	0.41	-0.11
Products											
Fuel oil[2]	1.72	1.62	1.44	1.63	1.75	1.79	1.70	1.86	1.80	-0.06	0.25
Gasoil	0.79	0.84	0.73	1.04	1.00	0.88	0.91	0.87	0.87	0.00	0.12
Other Products	0.44	0.50	0.53	0.64	0.61	0.55	0.53	0.56	0.56	0.00	0.06
Total Product	**2.95**	**2.97**	**2.70**	**3.31**	**3.37**	**3.22**	**3.14**	**3.29**	**3.22**	**-0.06**	**0.43**
Total Exports	**9.34**	**9.36**	**9.14**	**9.56**	**9.63**	**9.44**	**9.38**	**9.28**	**9.66**	**0.38**	**0.42**
Imports	0.09	0.08	0.09	0.07	0.07	0.09	0.08	0.10	0.08	-0.02	-0.02
Net Exports	**9.25**	**9.29**	**9.05**	**9.49**	**9.56**	**9.35**	**9.30**	**9.18**	**9.58**	**0.40**	**0.44**

Sources: Argus Media Ltd, IEA estimates

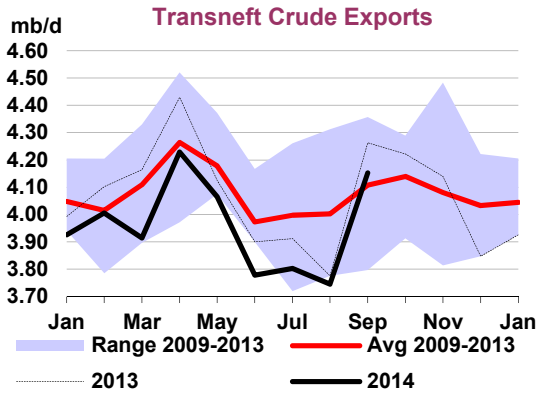
[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

FSU net exports rebounded by a significant 400 kb/d to 9.58 mb/d in September with crude oil accounting for all of the increase after exports soared by 440 kb/d, their highest monthly increase since April 2013. The increase was led by Transneft deliveries which rose to 4.15 mb/d (+410 kb/d m-o-m) after Russian refinery throughputs fell by 340 kb/d on the month which reduced domestic demand for crude and freed up more for export.

September saw a large recovery in Russian Urals shipped via the Black Sea (+200 kb/d m-o-m) after cargoes from Novorossiysk increased by 145 kb/ upon maintenance at refineries in southern Russia. Meanwhile CPC volumes hit 910 kb/d (+55 kb/d m-o-m) to equal record flows. Preliminary data imply that, despite planned maintenance on the line, flows will stay high during October with reports suggesting that, upon the completion of said maintenance, volumes could exceed a record 950 kb/d in November.

In the east, deliveries via Kozmino, the end-point of the ESPO pipeline hit a record 620 kb/d, the first time the terminal had shipped more than its 600 kb/d notional capacity. Tanker tracking data point to South Korea taking three times more of distillate-rich ESPO crude in September (150 kb/d) than it did in August as refiners ramp up heating fuel production. Nonetheless, China remained the largest buyer of the grade receiving a combined 420 kb/d through Kozmino and the Amur spur over the month. Shipments of Sokol crude from the De Kastri terminal rose to 170 kb/d, its highest in a year as the grade's premium versus Dubai weakened steadily over the month, making it more attractive for buyers.



As Russian runs fell, refined product shipments were clipped by 60 kb/d accounted for by falling fuel oil exports while deliveries of gasoil and 'other products' remained flat. Nonetheless, with refinery runs posting healthy y-o-y growth, product deliveries to non-FSU customers remained a significant 430 kb/d above one year earlier with fuel oil (250 kb/d) and gasoil (120 kb/d) accounting for the lion's share of the increase.

OECD STOCKS

Summary

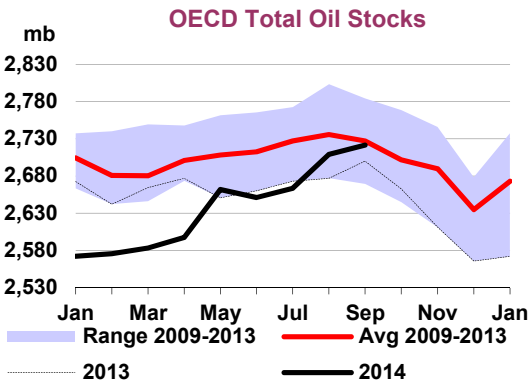
- **Commercial oil stocks in OECD countries extended recent builds in September** adding 12.6 mb over the month. Since this defied seasonal trends, the deficit versus average levels fell to 5.3 mb at end-month, its narrowest since April 2013.

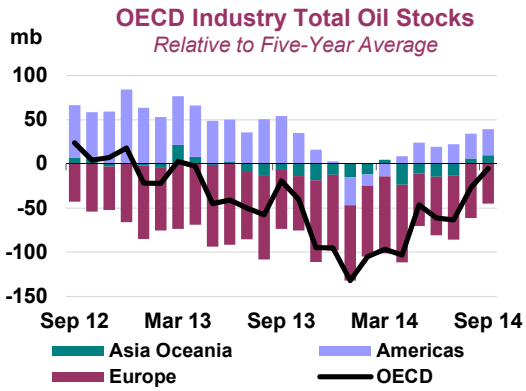
- **Led by builds in middle distillates and 'other products', refined product holdings increased counter-seasonally by 2.8 mb in September.** On a days-of-forward-demand basis, they covered 30.5 days, 0.1 days above end-August.

- **The August build in middle distillates has been revised upwards by 8.8 mb to 28.0 mb, the steepest build since August 2008**. By end-September, middle distillates lagged average levels by 32 mb, the narrowest since March 2013.

- **Preliminary data for October indicate that, despite drawing by 4.2 mb on the month, OECD inventories flipped to stand in surplus to the five-year average for the first time since March 2013**.

- **Data indicate that the Chinese administration has added up to 24 mb to its strategic petroleum reserve over August and September** with up to 105 mb likely added to the reserve so far in 2014.





OECD inventory position at end-September and revisions to preliminary data

Commercial oil stocks in OECD countries extended recent builds in September by adding 12.6 mb to stand at 2 721 mb by end-month. This build was in stark contrast to the 8.9 mb five-year average draw for the month, consequently the deficit of inventories versus seasonal levels narrowed to 5.3 mb from 26.7 mb at end-August, its smallest since April 2013. At end-September, European inventories continued to lag seasonal levels by 45 mb, while those in the Americas and Asia Oceania stood 30 mb and 10 mb in surplus, respectively.

OECD inventories have now posted builds for eight of the previous nine months. Following increases of 17.4 mb (190 kb/d) and 67.9 mb (750 kb/d) in the first and second quarters, respectively, inventories added 70.3 mb over 3Q14 at a rate of 760 kb/d and have now more than reversed the exceptional 134 mb which was drawn over 4Q13.

Preliminary Industry Stock Change in September 2014 and Third Quarter 2014

	September 2014 (preliminary) (million barrels)				September 2014 (preliminary) (million barrels per day)				Third Quarter 2014 (million barrels per day)			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**-0.5**	**7.5**	**0.1**	**7.1**	**-0.02**	**0.25**	**0.00**	**0.24**	**-0.20**	**-0.08**	**0.02**	**-0.26**
Gasoline	-1.6	-2.2	0.6	-3.2	-0.05	-0.07	0.02	-0.11	-0.10	0.01	-0.01	-0.10
Middle Distillates	5.9	-3.5	0.5	2.9	0.20	-0.12	0.02	0.10	0.14	0.16	0.17	0.48
Residual Fuel Oil	-0.8	-3.6	-1.0	-5.4	-0.03	-0.12	-0.03	-0.18	0.00	-0.02	0.02	0.01
Other Products	3.3	0.9	4.4	8.5	0.11	0.03	0.15	0.28	0.34	0.05	0.11	0.50
Total Products	**6.7**	**-8.4**	**4.5**	**2.8**	**0.22**	**-0.28**	**0.15**	**0.09**	**0.38**	**0.20**	**0.29**	**0.88**
Other Oils[1]	0.6	-0.5	2.5	2.6	0.02	-0.02	0.08	0.09	0.10	0.00	0.04	0.14
Total Oil	**6.9**	**-1.4**	**7.1**	**12.6**	**0.23**	**-0.05**	**0.24**	**0.42**	**0.29**	**0.12**	**0.35**	**0.76**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Refinery maintenance and a steepening contango in the ICE Brent market in September, as prompt prices tumbled to below $100/bbl, incentivised stockholders in OECD Europe to refill their crude tanks. OECD European crude inventories soared counter-seasonally by 7.2 mb. In contrast, North American crudes, notably WTI, remained in backwardation over September with regional holdings slipping by a weak 0.5 mb. In Asia Oceania crude stocks inched up by 0.1 mb

OECD refined product inventories ended September 2.8 mb higher than one month earlier. 'Other products' accounted for the lion's share of the build (8.5 mb) while middle distillates inched up counter-seasonally by 2.9 mb. On the downside, residual fuel oil and motor gasoline drew by 5.4 mb and 3.2 mb, respectively. All told, at end-September, refined product holdings covered 30.5 days, 0.1 days above one month earlier.

Revisions versus 14 October 2014 Oil Market Report

(million barrels)

	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Jul-14	Aug-14	Jul-14	Aug-14	Jul-14	Aug-14	Jul-14	Aug-14
Crude Oil	**-0.6**	**-3.0**	**-0.3**	**0.0**	**0.0**	**1.0**	**-0.9**	**-2.1**
Gasoline	1.5	-2.5	0.0	0.1	0.0	0.7	1.6	-1.6
Middle Distillates	0.4	2.4	0.0	5.3	0.0	1.1	0.4	8.8
Residual Fuel Oil	0.1	-0.5	0.0	2.7	0.0	0.0	0.1	2.3
Other Products	0.5	-2.4	0.0	-0.9	0.0	-0.8	0.5	-4.2
Total Products	**2.6**	**-2.9**	**0.0**	**7.2**	**0.1**	**1.0**	**2.6**	**5.4**
Other Oils[1]	0.4	4.8	1.4	3.3	0.0	-0.2	1.7	7.9
Total Oil	**2.4**	**-1.1**	**1.0**	**10.5**	**0.1**	**1.8**	**3.5**	**11.2**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Following the receipt of revised data, OECD inventories were adjusted upwards by 3.5 mb and 11.2 mb in July and August, respectively. Therefore, the 37.7 mb build presented in last month's *Report* is now seen steeper at 45.4 mb, more than five times the 8.7 mb five-year average build for the month. The upward adjustments in August stemmed from higher middle distillates (+8.8 mb) and 'other oils' (+7.9 mb). The August build in middle distillates is now seen at 28.0 mb, the steepest since August 2008. It is now evident that market participants built middle distillates stocks in Europe at a faster clip than first assessed after a 5.3 mb upward correction was made to European inventories. This occurred against a backdrop of a year-on-year increase in regional refinery runs and a steepening contango in the ICE gasoil forward curve.

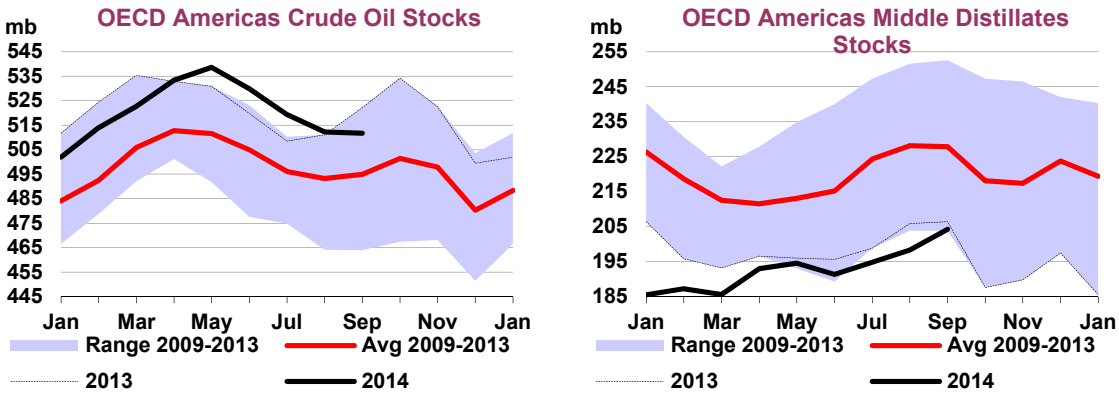
Preliminary data for October indicate that, despite drawing by 4.2 mb on the month, OECD inventories flipped to stand in surplus to the five-year average for the first time since March 2013. A steep 20.5 mb surge in crude oil holdings, centred in OECD Americas, provided upward pressure. Refined products (-25.0 mb) also drew by less than the 32.5 mb seasonal draw for the month with decreases in middle distillates (-12.2 mb) and 'other products' (-7.6 mb) holdings weaker than their seasonal draws while fuel oil rose counter-seasonally by 0.8 mb.

Recent OECD industry stock changes

OECD Americas

Commercial inventories in the OECD Americas adhered to seasonal patterns, rising by 6.9 mb in September. As such, their surplus to seasonal levels remained close to 30 mb. Refined products led the build while crude oil inventories inched down by 0.5 mb on lower imports, despite high production and refinery runs contracting on a both year-on-year and month-on-month basis.

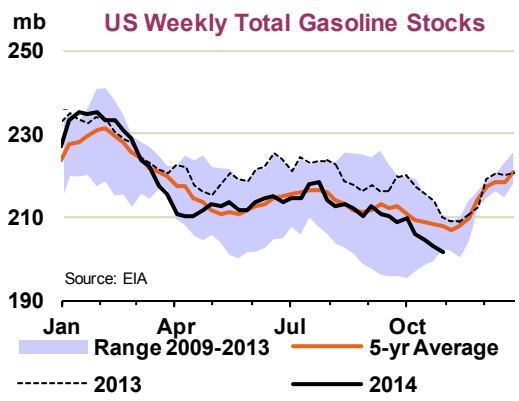
Middle distillates accounted for the bulk of a 6.7 mb rise in refined product stocks, as inventories replenished ahead of the peak winter heating demand season. The build came from a low base, though, and by end-September middle-distillate stocks remained 2.2 mb and 23.6 mb in deficit to year earlier levels and the five-year average, respectively. Inventories of 'other products' defied seasonality to add 3.3 mb despite propane heating demand beginning its seasonal rise. With preliminary October data indicating a draw, it is likely that these inventories peaked for 2014 in September at 227 mb, 15.5 mb and 31.7 mb above a year earlier and the five-year average respectively. By end-month, regional refined product inventories covered 29.5 days of forward demand, a rise of 0.2 days on the previous month.

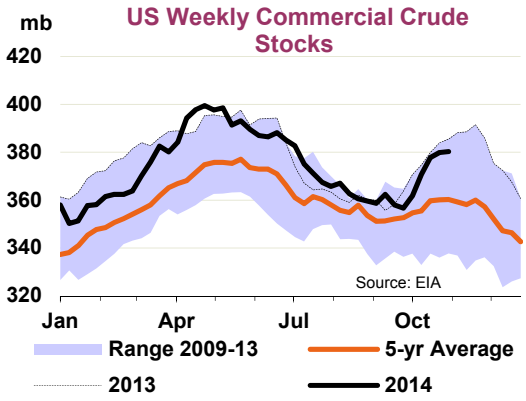


Recent reports confirm that New York State is close to establishing a state-controlled upstate strategic fuel reserve containing gasoline and ULSD to mitigate against regional disruptions experienced in the wake of Hurricane Sandy. The 60 000 barrel reserve will be operated by Buckeye Terminals LLC at six existing terminals in upstate New York with the aim of facilitating distribution, notably to emergency services and vehicles operated by utility companies, in the event of a state-declared emergency. This reserve is separate to the government-controlled Northeast Regional Refined Petroleum Product Reserve containing 1 mb of gasoline and the Northeast Home Heating Oil Reserve containing 1 mb of ULSD.

Preliminary weekly data from the US EIA suggest that inventories slipped by 3.8 mb in October, considerably weaker than the 16.6 mb five-year average draw for the month. If this drop is confirmed by subsequent monthly data, it would see the country's surplus versus the five-year average balloon to 30.3 mb from 17.8 mb at end-September. However, crude and products did not adhere to seasonal trends with the former posting a steep 20.7 mb rise and the latter posting a steep 25.0 mb draw as planned and unplanned outages saw US crude runs slip. The bulk of the draw came from motor gasoline (-7.4 mb) and middle distillates (-9.9 mb). US gasoline markets appear to have tightened in recent weeks as stocks have descended to the bottom of the five-year range, although this could be a short-term phenomenon as stockholders run down inventories of summer grade product before the switch to winter grade gasoline.

October crude stocks built by 20.7 mb, more than three times the 6.5 mb five-year average build for the month. While production continued its almost relentless rise, domestic demand for crude fell while, despite a steep fall at the end of October, imports remained on a par with a month earlier.

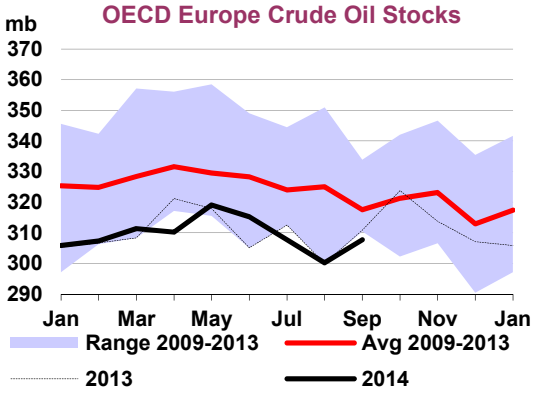


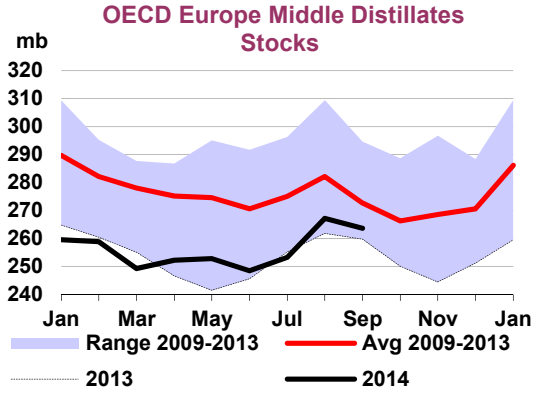


OECD Europe

OECD European oil industry oil inventories slipped marginally by 1.4 mb in September, significantly less that the 17.7 mb seasonal draw for the month. Total inventories were buttressed by crude oil stocks which surged by 7.5 mb in stark contrast to the 7.5 mb five-year average draw for the month. This occurred amid rising regional crude production as maintenance continues to abate, while imports, notably of Middle Eastern grades, also increased. Additionally, the steepening contango in the ICE Brent futures contract also made it profitable for market participants to hold inventory.

A 430 kb/d m-o-m drop in refinery throughputs saw refined product inventories fall along seasonal lines. Fuel oil, middle distillates and motor gasoline decreased by 3.6 mb, 3.5 mb and 2.2 mb, respectively, while a 0.9 mb build in 'other products' provided some offset. All told, refined products fell by 8.4 mb. Nonetheless, refined product cover reached 37.6 days, a rise of 0.1 days on a month earlier as regional demand is projected to decline during 4Q14.





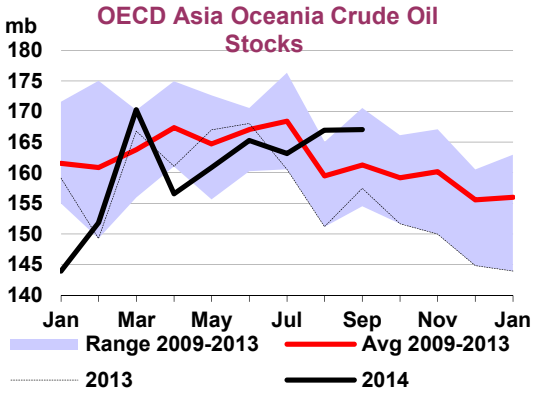
Recently revised data indicate that European middle distillates inventories replenished at a quicker pace than first assessed over the summer. It is now apparent that inventories were boosted by refinery activity remaining above year-ago levels while market participants were also induced to increase inventories as the contango in European gasoil markets steepened in tandem with weakening prompt prices. In August, stocks posted their steepest rise in over two and a half years (13.9 mb). Despite falling in September, by end-month they still remained above year-ago levels and within the seasonal range. Additionally, weak spot prices and warmer than usual weather limiting demand have prompted German consumers to maintain their restocking. By early-October tank fill had reached 65% of capacity, the highest since 2009.

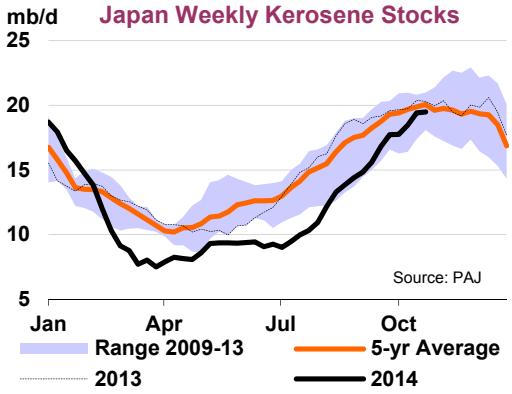
Preliminary data from Euroilstock point to a small 0.3 mb rise in European inventories in October. Refined products drew by a weak 3.1 mb, less than a third of the 10.2 mb five-year average draw for the month. Fuel oil inventories inched up counter-seasonally by 0.3 mb while both middle distillates

(-4.1 mb m-o-m) and 'other products' (-0.4 mb) posted weak draws. Crude oil holdings followed seasonal trends, rising by 3.4 mb as refinery runs fell seasonally.

OECD Asia Oceania

Inventories in OECD Asia Oceania maintained their surplus to the five-year average in September as they rose seasonally by 7.1 mb. Crude oil stocks remained flat as a decrease in refinery throughputs was likely matched by crude imports falling back. NGLs and other feedstocks increased by 2.5 mb centred on Japan where imports from Iran and Qatar hit their highest levels since January. Despite the fall in throughputs, refined products built by 4.5 mb, led by a steep 4.4 mb rise in 'other products', while motor gasoline and middle distillates added 0.6 mb and 0.5 mb, respectively. Fuel oil provided some offset, decreasing by 1.0 mb. In days-of-forward-demand terms, refined product cover dropped by 0.7 days to 22.0 days at end-September, resulting from higher demand projections for the fourth quarter.



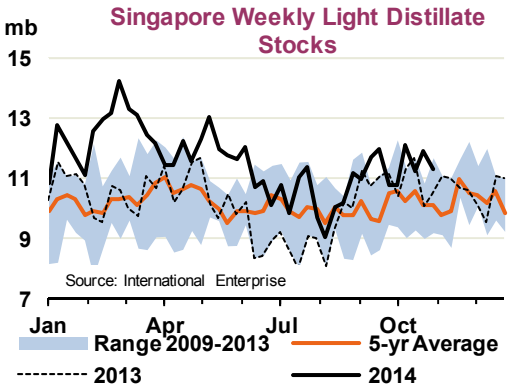


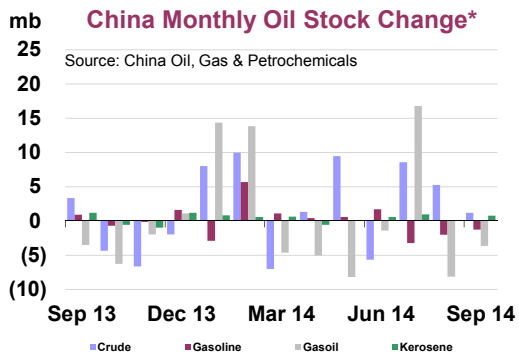
Weekly data from the Petroleum Association of Japan point to a weak 0.7 mb draw in commercial Japanese inventories in October. Crude oil (-3.6 mb) led stocks downwards despite a drop in refinery activity, while all products posted builds. Middle distillate stocks defied seasonal trends, rising by 1.7 mb, led by kerosene, the Japanese liquid heating fuel of choice.

Recent developments in Singapore and China stocks

Weekly data from International Enterprise indicate that on-land refined product inventories in Singapore posted their second consecutive monthly (+1.3 mb) rise in October. Inventories now stand at 42.8 mb. Although the exact working clean and dirty product storage capacity (the difference between maximum safe fill level and tank bottoms) of the territory is unknown, total capacity is understood to be in the region of 50-60 mb. Breaking the data down, current levels on light and middle distillates sit at 80% and 60% of their maximum reported levels, respectively, while residual fuel oil stands at 83% of its maximum levels. It would therefore appear that tanks in the territory are not yet brimming. Nonetheless, reports are circulating indicating that a number of market participants have begun to store refined products on tankers in the region, however, this may be for logistical reasons – since the oil can be quickly shipped to its destination once a buyer is found.

Data from *China Oil, Gas and Petrochemicals* (*China OGP*) indicate that Chinese commercial crude inventories rose by 1.2 mb over September marking a third consecutive monthly build totalling 15.1 mb added over the third quarter (data do not include stock changes to China's crude SPR). Refined products drew by 4.1 mb as, despite refinery throughput increasing by nearly 300 kb/d, holdings of gasoline and gasoil fell by 1.3 mb and 3.6 mb, respectively, while kerosene inventories inched up by 0.8 mb. Considering higher refinery runs and the recent curtailing of gasoil exports as refiners refocus on the domestic market, the gasoil stock draw is likely correlated with an uptick in domestic demand, which returned to positive year-on-year growth in September.

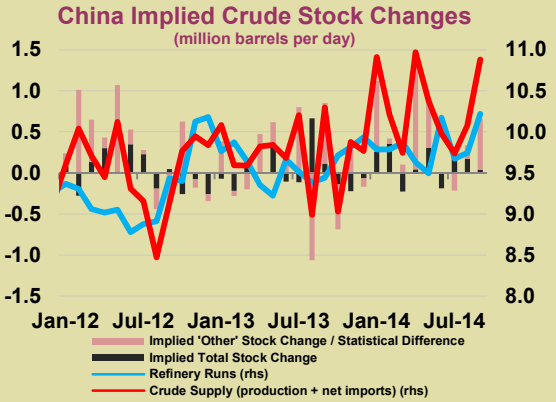




*Since August 2010, COGP only reports percentage stock change

China adds more to its strategic petroleum reserve

Recent data suggest that the Chinese administration has taken advantage of the recent near-25% decrease in benchmark crude prices to fill another tranche of its Strategic Petroleum Reserve (SPR). Over the past few months crude supply, calculated as domestic production plus net imports, has outpaced refinery runs. In August, the implied unreported stock build was 5.2 mb (170 kb/d) which rose sharply to 18.7 mb (620 kb/d) in September as extra cargoes from Saudi Arabia, Kuwait, Iraq and Oman were imported. This would bring the total unreported stock build to 105 mb so far in 2014, well above the 89 mb posted in 2012 when a portion of Phase 2 SPR capacity was filled.



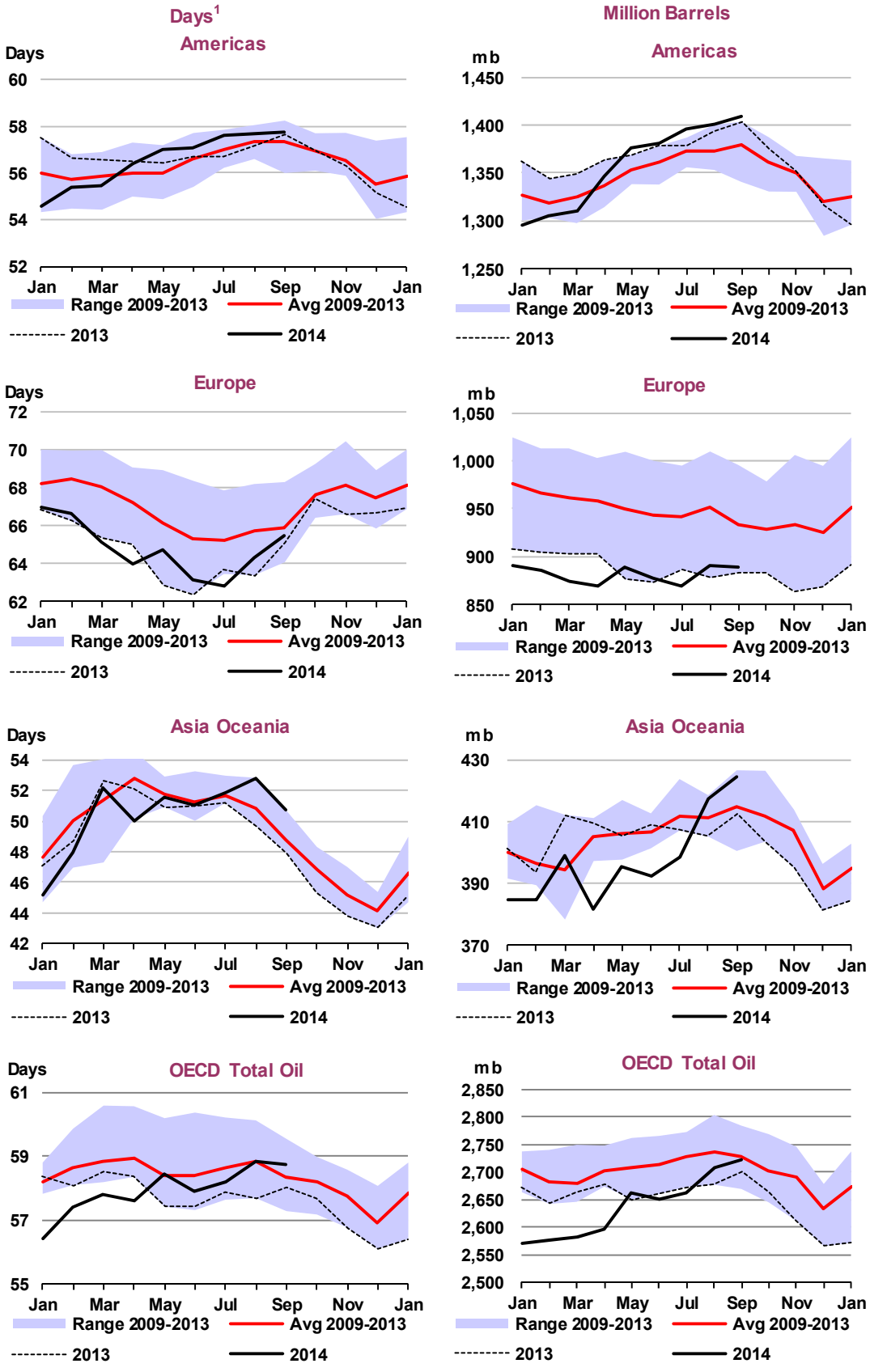
Despite data indicating that China has been adding more oil to its crude inventories than the commercial stock changes reported by China OGP are indicating, it is worth noting that there is a degree of opacity surrounding the SPR. The Chinese administration does not routinely disclose information on the SPR and thus little up-to-date official information is available concerning specific volumes, sites and timescales. A particular uncertainty concerns the division between commercial and government storage with state oil companies CNPC, CNOOC and Sinopec, responsible for the day-to-day running of the SPR with certain sites, holding both commercial and government stocks. It is therefore possible that some of the unreported stock building could be occurring at unreported commercial sites such as teapot refineries which are not operated by the state oil companies. Nonetheless, it is doubtful whether these sites could account for a large proportion of the implied near-24 mb unreported build over late-summer.

Customs data indicate that crude imports fell month-on-month in October but remained historically high, with industry reports and shipping data suggesting that SPR filling could well have continued into the fourth quarter. Tanker tracking data indicate that a large number of Middle Eastern cargoes were imported by China during October, with this expected to continue throughout November and December.

In the July 2014 issue of this *Report* we estimated that 90 mb of completed SPR capacity could be filled over 2H14. New information indicates that the actual available completed SPR capacity is likely to be lower, in the region of 50 mb. This lower assessment is based on reports that a number of Phase 2 SPR sites, originally scheduled to be completed in 2013 or 2014 have been beset by construction delays and are now likely not to be ready to receive oil until 2015 at the earliest. However, if crude prices remain relatively low by recent historical standards this could incentivise the Chinese government to speed up construction and start filling the remaining Phase-2 SPR sites.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

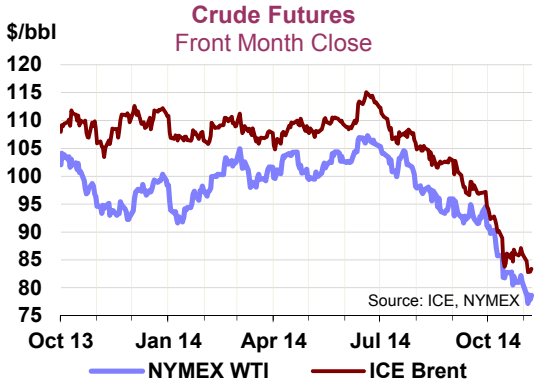
Summary

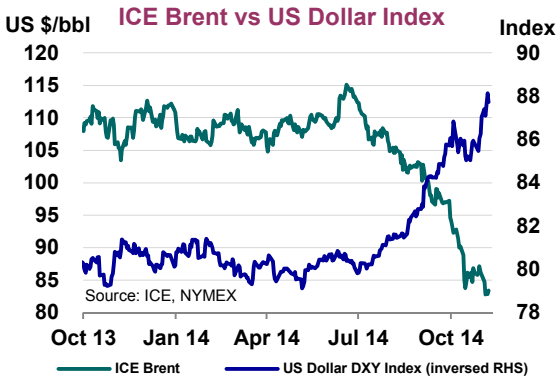
- **Oil's rout gained momentum in October with prices falling still further in November as plentiful supply outpaced demand and pushed Brent below $80/bbl.** A strong US dollar and rising US light tight oil output outweighed the impact of a fresh Libyan supply outage in early November. ICE Brent was at a four-year low of $78.50/bbl, down 30% from a June peak. NYMEX WTI was at $75.40/bbl.

- **Markets looked to Saudi Arabia's latest monthly prices, released in early November, for clues to supply policy ahead of a 27 November OPEC meeting. After Riyadh cut prices to the US for a fourth month running, crude futures fell sharply.** The market appeared to respond to analysts' reading of the reduction as a sign that Saudi Arabia is set to preserve its market share as US shale output rises.

- **Hedge funds' long position on ICE Brent crude oil futures appears to have bottomed out.** Rapidly falling oil prices saw the funds' long-to-short positions ratio drop from historical highs to all-time lows in less than three months.

- **Spot product prices weakened across the board in October and by early-November they had sunk to their lowest levels in over four years.** The scale of the losses were mixed; with middle distillates supported ahead of the peak winter heating demand season.





Market overview

Supply overtook demand to pummel prices, with global benchmarks Brent and WTI posting month-on-month (m-o-m) declines of more than 10% in October. Brent slumped below $80/bbl in early November, with a robust dollar and rising US light tight oil output more than offsetting a disruption in Libyan supply. With Brent down 30% from a June peak above $115/bbl, market participants are firmly focused on what, if any, action OPEC oil ministers will take to support prices when they meet later this month to review supply-demand balances for 2015.

Markets are sensitive to OPEC-related developments and crude futures dropped by more than $2/bbl after Saudi Arabia on 3 November cut its monthly formula prices to US customers for December loadings. Markets appeared to react to analysts' reading of the decrease, the fourth in a row, as a sign that Riyadh is out to defend its market share amid relentless growth in US light tight oil supply.

A loosening world oil market balance piled pressure on crude oil futures during October, with global benchmarks posting a fourth straight month of declines. Oil also continued to feel the pressure from a firm US dollar. A stronger dollar makes oil and other commodities priced in dollars more expensive for

buyers using other currencies, which can dampen demand. Many investment funds also use oil as a currency hedge, building long positions in oil futures when the dollar weakens and unwinding them when it strengthens.

ICE Brent futures plunged $10.52/bbl from September to an average $88.05/bbl in October, for an 11.9% m-o-m loss. NYMEX WTI sank by $8.69/bbl to average $84.34/bbl in October, for a m-o-m loss of 10.3%. ICE Brent was last at $78.50/bbl, a four-year low. NYMEX WTI was at $75.40/bbl.

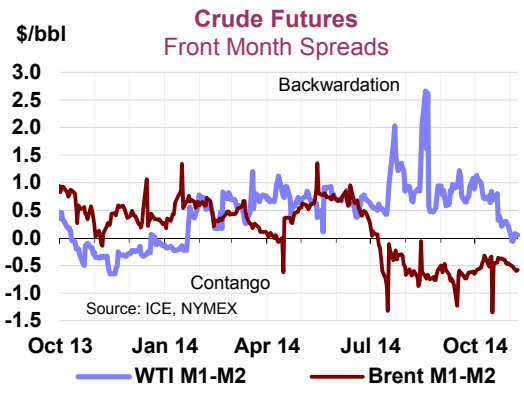
Prompt Month Oil Futures Prices

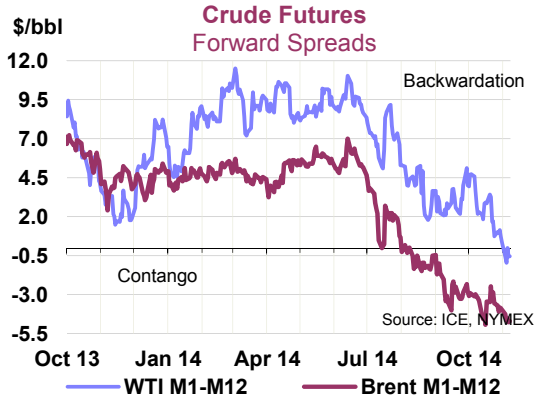
(monthly and weekly averages, $/bbl)

	Aug	Sep	Oct	Oct-Sep Avg Chg	% Chg	Week Commencing: 06 Oct	13 Oct	20 Oct	27 Oct	03 Nov
NYMEX										
Light Sweet Crude Oil	96.08	93.03	84.34	-8.69	-10.3	87.62	82.96	81.83	81.26	78.24
RBOB	114.80	108.80	94.61	-14.19	-15.0	97.71	92.63	92.05	92.00	88.60
No.2 Heating Oil	119.78	115.29	106.37	-8.92	-8.4	108.37	104.63	104.61	105.26	103.57
No.2 Heating Oil ($/mmbtu)	21.12	20.33	18.76	-1.57	-8.4	19.11	18.45	18.45	18.56	18.27
Henry Hub Natural Gas ($/mmbtu)	3.90	3.92	3.80	-0.12	-3.2	3.88	3.82	3.66	3.73	4.24
ICE										
Brent	103.40	98.57	88.05	-10.52	-11.9	91.31	85.67	85.86	86.22	83.36
Gasoil	116.66	111.73	101.19	-10.54	-10.4	103.56	99.35	98.95	99.94	98.46
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-7.32	-5.54	-3.71	1.83		-3.69	-2.71	-4.03	-4.96	-5.12
NYMEX No.2 Heating Oil - WTI	23.70	22.26	22.03	-0.23		20.75	21.67	22.78	24.00	25.33
NYMEX RBOB - WTI	18.72	15.77	10.27	-5.50		10.09	9.67	10.22	10.74	10.36
NYMEX 3-2-1 Crack (RBOB)	20.38	17.93	14.19	-3.74		13.64	13.67	14.40	15.16	15.35
NYMEX No.2 - Natural Gas ($/mmbtu)	17.23	16.41	14.96	-1.45		15.23	14.63	14.79	14.84	14.03
ICE Gasoil - ICE Brent	13.26	13.16	13.14	-0.02		12.25	13.68	13.09	13.72	15.10

Source: ICE, NYMEX.

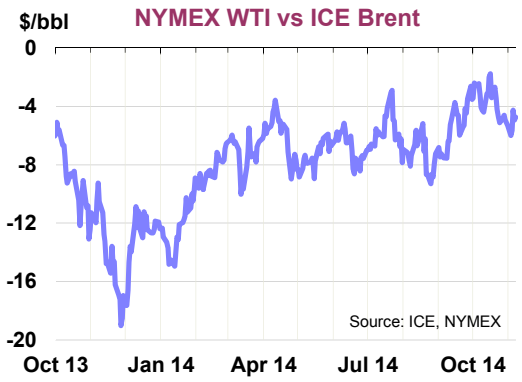
Building stockpiles of crude at the trading hub of Cushing, Oklahoma during the autumn refinery turnaround season helped briefly push NYMEX WTI into contango – where prompt oil is cheaper than barrels for future delivery – on 3 November for the first time since January. While Brent has been in solid contango since July, strong US refinery demand and dwindling Cushing stocks had been supporting the US benchmark. By the first week in November, however, the NYMEX WTI M1-M2 spread had virtually disappeared at just $0.02/bbl versus an average $0.60/bbl in October.

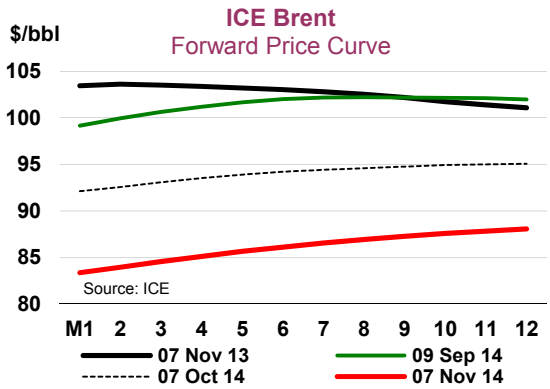




The ICE Brent M1-M2 contract spread narrowed to -$0.48/bbl in October versus -$0.68/bbl in September. The forward Brent curve widened in October to -$3.50/bbl versus -$2.50/bbl for the M1-M-12 contract spread during September. For the first time since February 2013, the forward WTI curve fipped into contango with WTI M1-M12 at -$0.60/bbl in early November. The WTI M1-M12 contract spread averaged $2.45/bbl during October.

A sharper decline on ICE Brent pulled in the front-month spread with NYMEX WTI in October to an average $3.71/bbl versus $5.54/bbl in September. But by early November, the spread had widened out to over $5/bbl as the US benchmark declined more sharply.

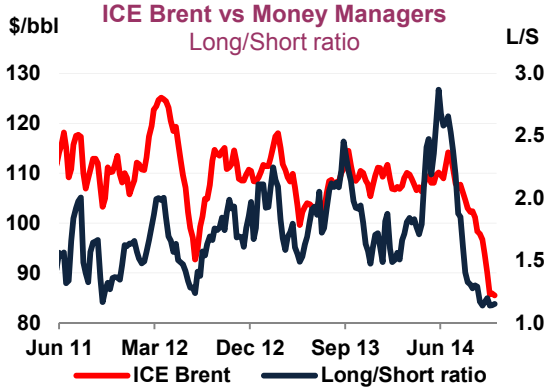


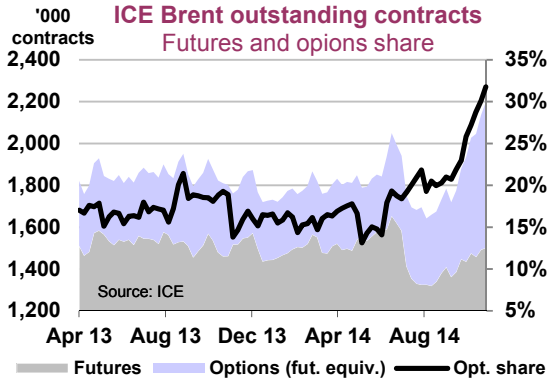


Futures markets

Hedge funds' position on ICE Brent crude futures appears to have stabilised after a recent dramatic reversal. After oil prices fell sharply, the *long-to-short positions* ratio – an indicator of funds' overall buying and selling – plunged from historical highs (where a higher ratio signals stronger buying in anticipation of a higher price) to all-time lows in less than three months.

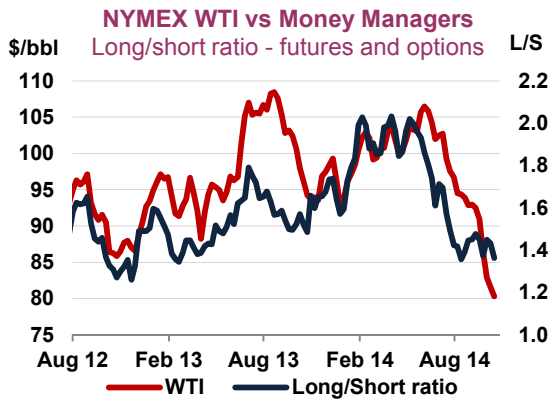
Overall traders of Brent benchmark also appear to have shifted from futures into options. The share of option contracts, which constituted most of the recent recovery in open interest, jumped to more than 30% over the last few months, from an average of 16% between January and July. In absolute terms, the number of future-equivalent option contracts almost doubled from 16 September to 4 November, from 356 000 to a record 698 000 contracts.

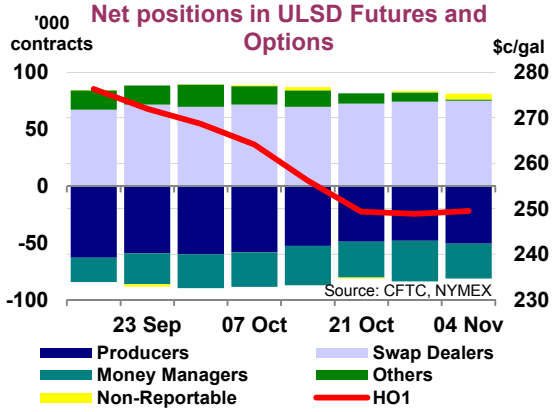




Money managers' positioning in NYMEX WTI also seems to have found a floor, although the overall swing was less dramatic than for Brent. Both crude benchmarks saw very robust global trading volumes that were up on the year by 31% and 12% for Brent and WTI, respectively.

On the product side, weakness in the New York Harbour-based ultra-low-sulphur-diesel contract continued, with record-levels short selling by hedge funds. Funds also kept selling ICE Gasoil, anticipating prices to remain weak.





Positions on Light Sweet Crude Oil (WTI) Futures and Options

Thousand Contracts

04 November 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	295.5	349.7	-54.2	*Short*	↓ -6.6	↓ -15.4
Swap Dealers' Positions	555.4	805.9	-250.5	*Short*	↑ 0.6	↑ 38.0
Money Managers' Positions	630.4	462.5	167.9	*Long*	↓ -14.6	↓ -34.0
Others' Positions	798.5	681.5	116.9	*Long*	↑ 17.0	↑ 15.7
Non-Reportable Positions	94.0	74.1	19.9	*Long*	↑ 3.6	↓ -4.3
Open Interest			**2373.9**		↑ 127.7	↑ 303.1

Source: CFTC

Positions on ICE Brent Crude Futures and Options

Thousand Contracts

04 November 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	553.9	863.1	-309.2	*Short*	↑ 14.0	↓ -26.3
Swap Dealers' Positions	852.7	499.3	353.4	*Long*	↑ 1.2	↑ 48.0
Money Managers' Positions	478.0	421.2	56.9	*Long*	↑ 2.1	↑ 20.1
Others' Positions	285.9	364.2	-78.2	*Short*	↓ -5.0	↓ -23.4
Non-Reportable Positions	29.0	51.8	-22.8	*Short*	↓ -12.3	↓ -18.5
Open Interest			**2199.6**		↑ 64.8	↑ 321.5

Source: ICE

Financial regulation

The European Securities and Markets Authority (ESMA) launched a public consultation on 29 September on future guideline to clarify the definition of derivatives as financial instruments, now regulated under the Markets in Financial Instruments Directive (MiFID). The guidelines aim to ensure a consistent application of new derivatives rules among EU members, leaving no scope for interpretation between the different national legislations.

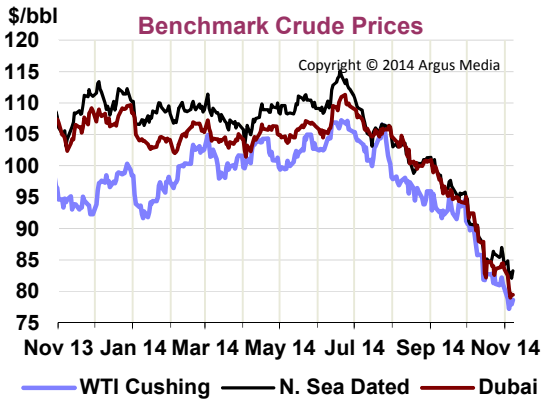
The EU regulator also released its final draft technical standards for off-exchange swaps clearing on 1 October and published comments from its public consultation on 7 November. The start-up date for mandatory clearing is expected to be in early 2015, depending on the timing of the approval from the European Commission and the European Parliament. The phase-in will last six months, extended to three years for large energy and industrial groups.

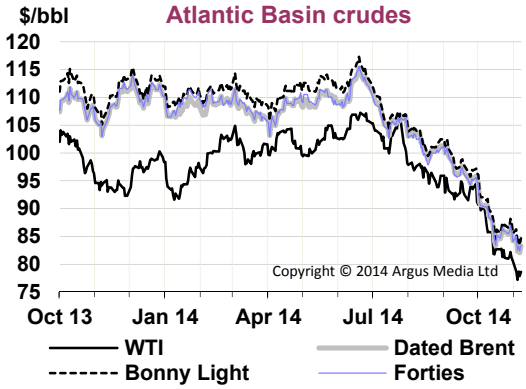
US regulator the Commodity Futures Trading Commission (CFTC) relaxed its technical standards for smaller derivative traders, including energy firms and farmers. Later in 2014, the regulator could finalise its debated position limits rule.

Spot crude oil prices

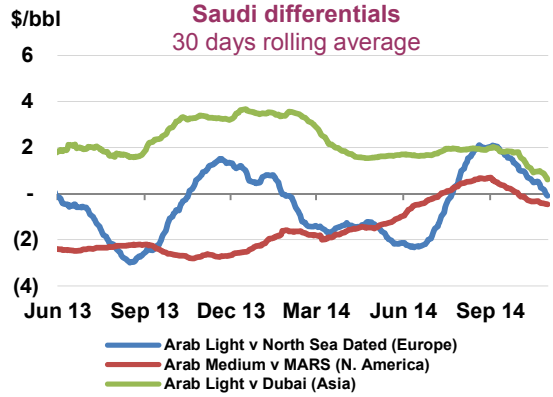
Higher exports from Libya and steady shipments out of southern Iraq, despite worsening conflicts in these OPEC producers, weighed on spot crude oil prices during October. Markets remained well supplied in early November, even as Libyan supplies suffered new disruptions (*see Supply*). Benchmark Dated Brent fell to a four-year low of just above $80/bbl in early November, with loadings of Brent, Forties, Oseberg and Ekofisk due to rise to a nine-month high in December. Grades from Algeria and the Caspian, which compete with Libyan barrels, were also in abundance.

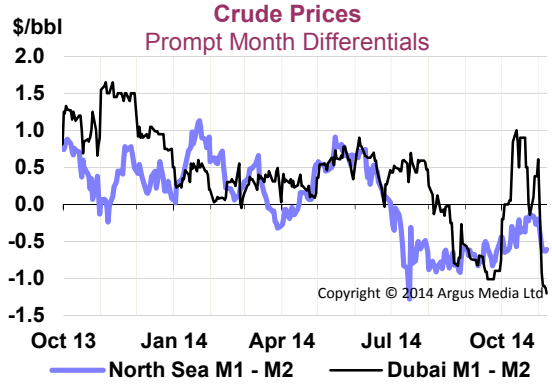
Plentiful supplies, which outstripped demand, pounded global benchmarks in October. North Sea Dated Brent sank $9.87/bbl to average $87.42/bbl – a 10.1% m-o-m loss. Middle East Dubai took a similar hit, losing $10.02/bbl to average $86.53/bbl. Russian Urals fell to an average $86.68/bbl, down $8.97/bbl on September, while US WTI shed $8.80/bbl to average $84.40/bbl.





At the start of November, oil markets were keenly awaiting the release of Saudi Arabia's monthly crude oil formula prices, which tend to track market trends. State oil company Saudi Aramco is also aiming to keep its pricing competitive, especially in the core Asian market. Though still China's largest supplier, Riyadh's share of total imports dropped to 16% in the first three quarters of 2014, down from 19% in 2013, while producers such as Iraq, Russia and Colombia have gained market share.



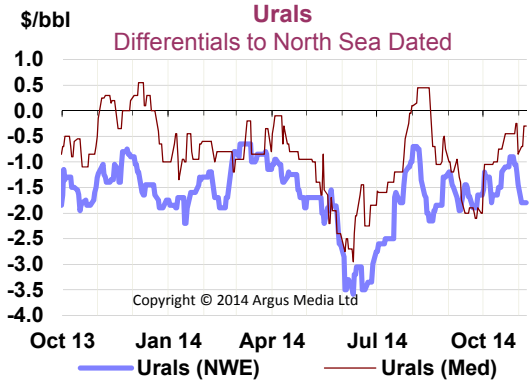


In Asia, Saudi Arabia raised price differentials for the first time in five months, apparently in response to a stronger Dubai market after a buying spree by Chinaoil, the trading unit of state-controlled oil major PetroChina. Saudi Aramco lifted the December price for its flagship Arab Light grade by $0.95/bbl versus

November to a discount of $0.10/bbl to the Oman/Dubai average. The increase was broadly in line with trader expectations and partly reversed steep cuts made the previous month.

By early November, the bullish mood on the Dubai market had faded with the forward Dubai M1-M2 spread shifting back into negative territory at -$1.09/bbl. The Dubai M1-M2 spread had widened to $0.39/bbl during October versus -$0.81/bbl the previous month after Chinaoil reportedly snapped up more than 700 kb/d of December-loading Middle East crude.

Saudi Arabia's move to deepen the discount on its monthly formula prices to US customers was read by analysts as a bid to protect Riyadh's market share from the relentless rise of non-OPEC supply. Saudi Aramco set its Arab Light official selling price at a premium of $1.60/bbl to the Argus Sour Crude Index (ASCI) for December, down $0.45/bbl from the previous month. The price cuts were the fourth in a row and followed steep price increases during the second quarter. Saudi exports to the US have fallen from 1.5 mb/d at the start of 2014 to less than 900 kb/d in August.



Aramco's increase in the Arab Light price to Europe may have partly reflected the strengthening price of sour Russian Urals. As refiners returned from maintenance and discovered tighter Russian supplies, the discount of Urals to Dated Brent narrowed. By early November, Urals was trading at Dated minus $0.45/bbl compared to an average of Dated minus $0.70/bbl during October.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Aug	Sep	Oct	Oct-Sep Avg Chg	%	Week Commencing: 06 Oct	13 Oct	20 Oct	27 Oct	03 Nov
Crudes										
North Sea Dated	101.56	97.29	87.42	-9.87	-10.1	90.17	85.43	85.61	85.62	83.11
Brent (Asia) Mth 1	102.80	98.16	87.69	-10.47	-10.7	90.85	85.74	85.28	85.69	82.85
WTI (Cushing) Mth 1	96.38	93.21	84.40	-8.80	-9.4	87.62	82.96	82.12	81.26	78.24
Urals (Mediterranean)	101.43	95.65	86.68	-8.97	-9.4	89.13	84.63	85.16	85.17	82.65
Dubai	101.76	96.55	86.53	-10.02	-10.4	89.77	85.06	83.73	84.01	80.18
Tapis (Dated)	98.80	94.52	84.98	-9.54	-10.1	87.76	83.15	83.22	83.08	80.31
Differential to North Sea Dated										
WTI (Cushing)	-5.19	-4.08	-3.02	1.06		-2.55	-2.47	-3.49	-4.36	-4.86
Urals (Mediterranean)	-0.14	-1.64	-0.74	0.89		-1.04	-0.80	-0.45	-0.45	-0.46
Dubai	0.20	-0.74	-0.89	-0.16		-0.40	-0.37	-1.88	-1.60	-2.93
Tapis (Dated)	-2.76	-2.76	-2.44	0.33		-2.41	-2.28	-2.39	-2.54	-2.80
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	-0.78	-0.66	-0.35	0.32		-0.47	-0.36	-0.22	-0.22	-0.61
Forward WTI Cushing Mth1-Mth2	1.28	0.92	0.64	-0.28		0.80	0.74	0.52	0.24	0.02
Forward Dubai Mth1-Mth2	-0.24	-0.81	0.39	1.21		0.34	0.83	0.32	0.37	-1.09

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Spot product prices

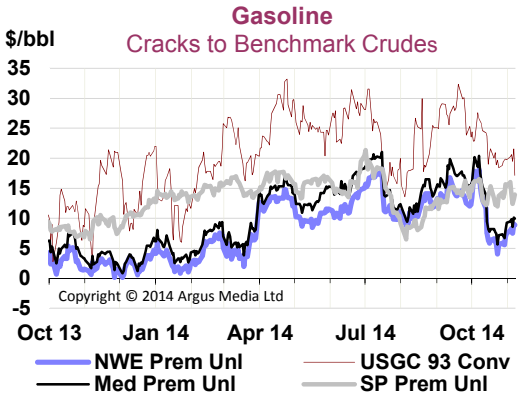
Spot product prices weakened across the board in October and by early-November they had sunk to their lowest levels in over four years. Prices retreated on plentiful product supply which overshot demand, after refiners increased production amid high margins. The scale of the losses were mixed; middle distillates received support ahead of the peak winter heating demand season, products in the middle of the barrel held their prices better than those at the top and bottom of the barrel. In Northern Europe, cracks in the middle of the barrel strengthened while those light and heavy product cracks softened. In general, cracks in the Mediterranean, US and Singapore weakened over October.

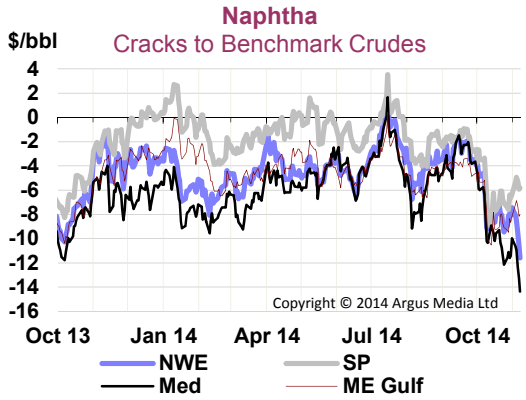
Spot Product Prices

(monthly and weekly averages, $/bbl)

	Aug	Sep	Oct	Oct-Sep Chg	Oct-Sep %	Week Commencing: 06 Oct	13 Oct	20 Oct	27 Oct	03 Nov	Aug	Sep	Oct	Chg
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	112.83	111.13	97.03	-14.10	-12.7	105.49	92.92	91.23	91.91	91.43	11.27	13.84	9.61	-4.24
Naphtha	97.15	94.52	80.00	-14.52	-15.4	83.16	77.37	77.31	77.52	73.44	-4.41	-2.77	-7.42	-4.65
Jet/Kerosene	118.59	113.34	104.03	-9.31	-8.2	105.93	102.13	102.46	102.89	101.56	17.03	16.05	16.61	0.56
ULSD 10ppm	118.78	113.88	104.22	-9.67	-8.5	105.95	102.10	102.72	103.43	102.07	17.22	16.60	16.80	0.20
Gasoil 0.1%	116.36	111.44	100.98	-10.46	-9.4	103.22	99.07	98.76	99.97	98.40	14.80	14.16	13.56	-0.59
LSFO 1%	89.58	87.27	75.79	-11.48	-13.2	79.89	73.14	72.60	72.44	69.11	-11.98	-10.02	-11.63	-1.61
HSFO 3.5%	86.61	83.86	72.85	-11.00	-13.1	77.11	70.40	69.27	69.29	66.21	-14.95	-13.43	-14.57	-1.14
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	114.15	112.44	98.17	-14.27	-12.7	106.75	94.10	92.38	92.81	92.22	12.72	16.79	11.49	-5.30
Naphtha	95.17	92.43	77.36	-15.07	-16.3	80.98	75.13	74.38	74.03	70.33	-6.26	-3.22	-9.32	-6.10
Jet Aviation fuel	117.65	112.27	102.50	-9.78	-8.7	104.80	100.97	100.51	100.76	99.83	16.22	16.62	15.82	-0.80
ULSD 10ppm	118.82	114.05	103.97	-10.08	-8.8	106.17	102.42	101.86	102.28	101.30	17.39	18.40	17.30	-1.11
Gasoil 0.1%	116.49	111.71	100.71	-11.00	-9.8	103.41	98.97	98.22	98.94	97.87	15.07	16.06	14.03	-2.03
LSFO 1%	91.20	88.58	76.91	-11.67	-13.2	80.88	74.16	73.82	73.85	70.53	-10.23	-7.07	-9.76	-2.70
HSFO 3.5%	86.03	83.33	72.50	-10.83	-13.0	76.68	70.03	69.00	69.05	65.94	-15.40	-12.32	-14.18	-1.86
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	121.27	124.14	109.50	-14.64	-11.8	116.59	107.88	105.40	103.75	101.23	21.16	27.85	21.98	-5.87
Unleaded	115.60	109.71	91.18	-18.53	-16.9	95.87	87.53	86.28	87.17	87.54	15.49	13.42	3.66	-9.76
Jet/Kerosene	119.43	114.56	103.36	-11.20	-9.8	105.85	101.95	100.69	101.55	100.43	19.31	18.27	15.84	-2.42
ULSD 10ppm	118.48	113.73	105.17	-8.56	-7.5	107.68	103.96	102.99	103.26	101.93	18.37	17.43	17.65	0.22
Heating Oil	113.75	108.92	100.00	-8.92	-8.2	103.55	99.19	96.73	96.95	95.25	13.64	12.63	12.48	-0.15
No. 6 3%*	87.79	85.90	73.17	-12.73	-14.8	77.16	70.94	69.89	70.16	66.87	-12.32	-10.39	-14.35	-3.96
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	111.35	110.62	100.80	-9.83	-8.9	104.96	98.68	96.54	98.59	94.04	9.60	14.07	14.27	0.20
Naphtha	99.15	94.77	80.21	-14.56	-15.4	83.98	77.42	76.94	77.14	74.72	-2.61	-1.78	-6.32	-4.54
Jet/Kerosene	116.71	112.52	101.65	-10.87	-9.7	103.91	99.45	99.50	100.41	99.55	14.95	15.97	15.12	-0.85
Gasoil 0.05%	116.73	111.97	100.23	-11.74	-10.5	102.93	98.23	97.68	98.45	96.97	14.98	15.42	13.70	-1.72
LSWR Cracked	104.60	100.55	84.67	-15.88	-15.8	87.38	81.48	80.63	81.35	78.99	2.84	4.00	-1.86	-5.85
HSFO 180 CST	93.61	90.97	79.11	-11.86	-13.0	82.85	76.45	75.67	76.49	73.88	-8.15	-5.58	-7.42	-1.84
HSFO 380 CST 4%	92.60	89.94	78.06	-11.88	-13.2	81.96	75.53	74.60	75.21	72.60	-9.15	-6.61	-8.47	-1.86

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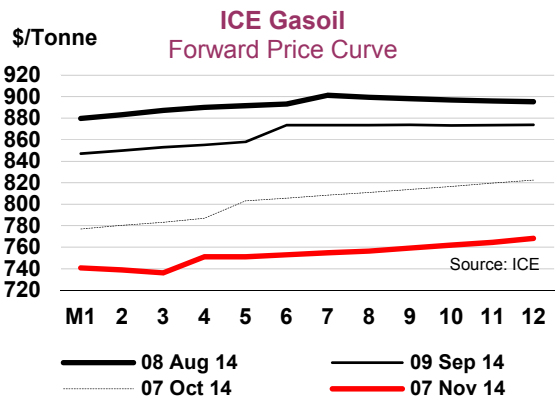


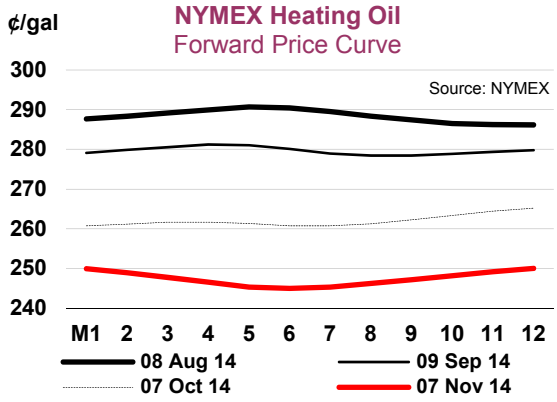


In percentage terms, gasoline spot prices posted double digit losses across all markets apart from Singapore where healthy regional demand combined with tight supply amid a number of unscheduled refinery outages. Consequently, the Singapore gasoline crack improved on a monthly average basis with additional upward momentum coming from Dubai crude which weakened at a faster clip than gasoline. European gasoline cracks arrested their sharp declines in mid-October after the arbitrage to ship product to the West Africa and US Atlantic Coast widened. In the US Gulf, cracks remained higher than elsewhere as a number of refinery outages and demand from the Atlantic Coast tightened supplies and drew stocks.

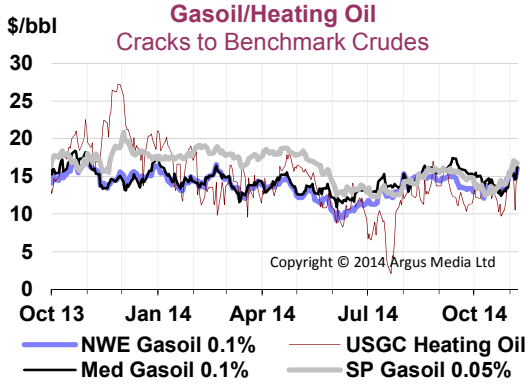
Naphtha cracks posted the steepest losses on a monthly average basis across all surveyed markets in October. By late October, the Singapore naphtha crack had turned a corner and began to strengthen after Dubai crude retreated further and combined with healthy Korean petrochemical demand to offset

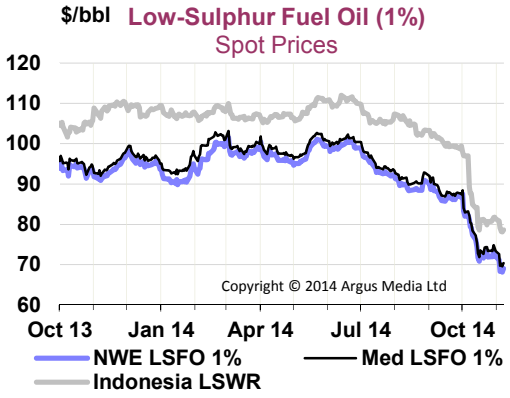
the negative impact from a flotilla of cargoes arriving from Europe. However, European cracks plummeted in early-November as the relative strength of Brent weighed heavy, supply rose as refineries returned from maintenance and amid weak demand from gasoline blenders and the petrochemical sector, where LPG remains a more competitively priced feedstock.





On a monthly average basis, middle distillates prices weakened at a slower pace than for other products as supplies tightened as refiners entered turnarounds ahead of the peak Northern Hemisphere winter demand season. By early-November, spot prices in Europe and Singapore had rebounded with the latter posting highs not seen since the second quarter. In the US, gasoil prices rebounded on refinery problems in Venezuela which saw the arbitrage to move product across the Atlantic narrow with US cargoes heading to Latin America instead.





The European gasoil market has flipped into contango over the past few months in anticipation of the incoming tighter ECA bunker fuel specifications. This legislation, due to be implemented from 1 January 2015, will see 240 kb/d of demand switch from residual fuel oil to gasoil. At the time of writing, the ICE gasoil forward curve implies that prices are set to increase by $15/tonne (2%) upon the introduction of the legislation. Curiously this has not been replicated in the US market. The NYMEX heating oil contract (based on ULSD) flipped into backwardation in November which suggests that regional supplies are sufficient to cover the switch.

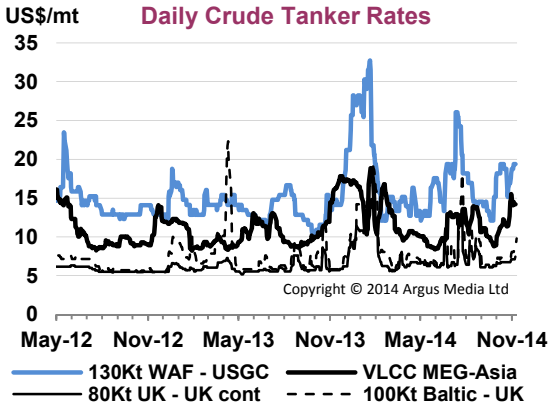
Fuel oil cracks remained under pressure across all surveyed markets. In Europe the arbitrage to export product to Asia remained closed for much of October but lower supplies from the FSU, as refineries there underwent maintenance, helped to limit losses. In Singapore, the LSWR crack posted the steepest fall of surveyed heavy products as demand from Japanese refiners remained underwhelming while LSFO prices remained depressed on lacklustre bunkering demand.

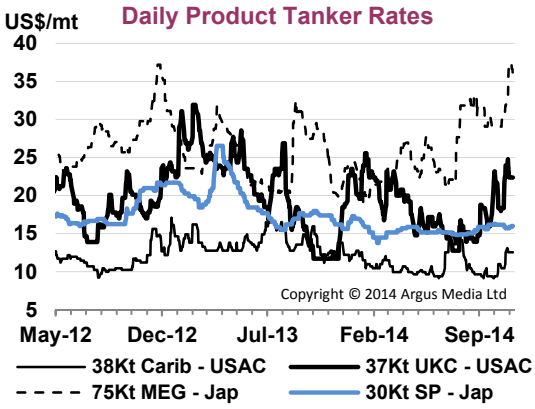
Freight

Rates for larger classes of crude carriers had a strong month, posting an average gain of $5/mt, while smaller vessels showed only a modest uptick.

Very large crude carrier (VLCC) rates on the benchmark Middle East Gulf – Asia route gained momentum to reach highs of February 2014 as spot loadings, mostly directed towards China, reached the highest in 10 months. A flurry of fixtures on Suezmaxes leaving West Africa, especially towards Europe, pushed the benchmark West Africa – US Gulf Coast rate to its highest since July.

Smaller Aframaxes on the UK – UK Continent and Baltic – UK routes remained subdued throughout October, as loadings stayed flat, although there were signs of strengthening in early November, reportedly due to a tighter position list.





Surveyed rates for product tankers also posted month-on-month gains across the board except for the Singapore – Japan route. The 75Kt Arab Gulf – Japan route jumped to highs not seen since November 2008, on strong October demand reportedly for naphtha. Monthly inquiries for spot cargoes alone touched levels unseen in more than six years.

The 37Kt UK – US Atlantic rate trended up to close the month at $7.00/mt as gasoline arbitrage opportunities opened and prompted traders to ship more gasoline from North West Europe to the US East Coast.

The 38Kt Caribbean – US Atlantic route traded within a narrow $2/mt range before receiving support towards end-October from higher volumes of gasoline being moved from the US Gulf to the East Coast as the Colonial pipeline underwent unplanned maintenance on 27 October.

REFINING

Summary

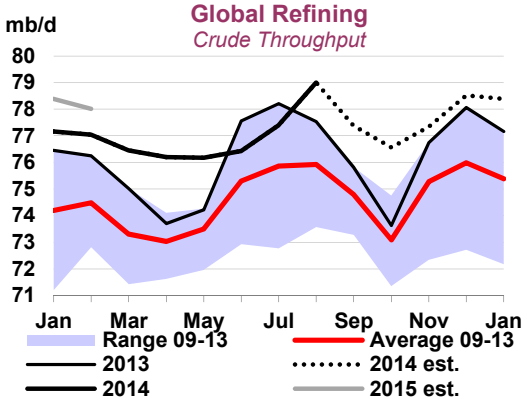
- **Global refinery crude demand hit a seasonal low in October amid peak plant maintenance** and seasonally weak product demand. The estimate of 4Q14 global throughput is largely unchanged since last month's *Report*, at 77.5 mb/d, as robust Russian and Chinese throughputs offset a steeper than expected cut in US operating rates in October. Estimates for 3Q14 were adjusted downwards by 140 kb/d, to 77.9 mb/d, on slightly lower estimates for the Middle East.

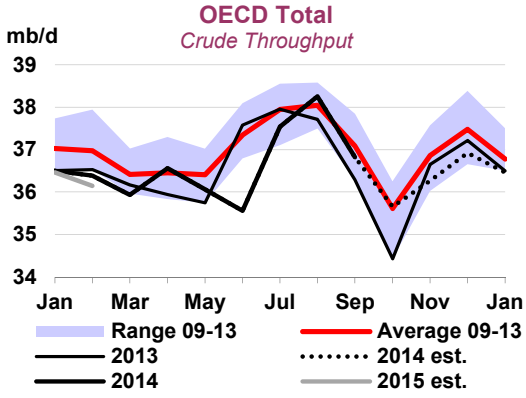
- **OECD refinery crude throughputs came off their summer peak in September, falling 1.4 mb/d month-on-month, to average 36.8 mb/d**. Seasonal maintenance intensified in October but robust margins supported runs, particularly in Europe, where throughputs remained sharply above year-earlier levels. Deteriorating margins from October, compounding the effect of non-OECD capacity start-ups, look set to undermine OECD throughputs again in 4Q14.

- **Global refinery margins fell in all surveyed regions in October, as product price declines caught up with crude oil losses.** US refiners suffered the steepest losses as gasoline cracks plummeted, but, with the exception of cracking margins on the US Gulf Coast, continued to enjoy better returns than their counterparts elsewhere. October maintenance outages and the shutdown of Venezuela's largest refinery in early November tightened product markets providing renewed support.

- **The start-up of almost 1 mb/d of new distillation capacity in 4Q14 is set to put renewed pressure on margins and refining capacity in mature markets.** New capacity includes Yasref's 400 kb/d plant in Saudi Arabia and the UAE's 420 kb/d expansion of Ruwais, as well as Brazil's new refinery in Pernambuco state. The commissioning of Indian Oil Corporation's much delayed 300 kb/d Paradip refinery project seems to have slipped again, to early 2015, from an earlier December start-up target.

- **European capacity attrition continues.** Murphy's 135 kb/d Milford Haven refinery in Wales became Europe's 15th plant to face permanent closure since 2008, after a sales agreement with Switzerland's Klesch Group fell through in early November. A plan to restart Hovensa's St. Croix refinery in the US Virgin Islands under new ownership could, if successfully completed, reduce the capacity shut in the Americas in the same period to 1.1 mb/d, from 1.4 mb/d previously.

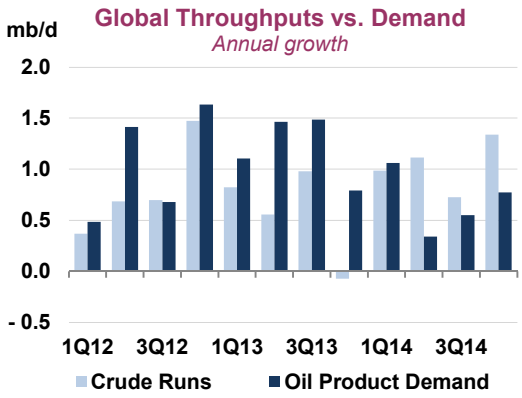


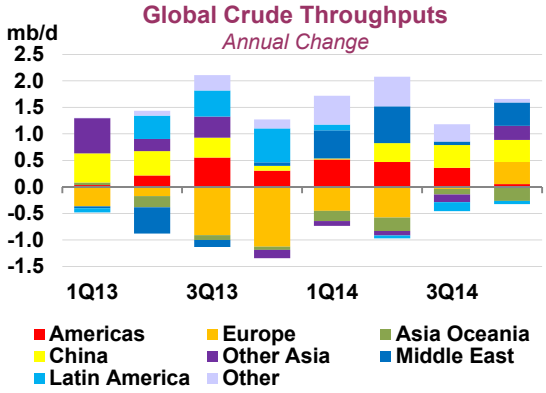


Global refinery overview

Global refinery crude demand hit a seasonal low in October, as scheduled maintenance took runs lower in both OECD and non-OECD regions, extending month-earlier declines. OECD throughputs are estimated to have fallen 1.2 mb/d m-o-m (month-on-month), following a drop of 1.4 mb/d in September. Curbs in

US refinery activity in October were steeper than expected, as unscheduled outages compounded planned shutdowns and as some refiners likely curbed runs in response to sharply deteriorating margins from end September. In contrast, European refiners pushed rates above expectations as margins remained supportive and product supplies tightened with a closed arbitrage from the US. In the non-OECD region, Asian refinery throughputs recovered in August from recent lows and are set to rise further towards year-end. Chinese and Russian refiners posted robust annual gains in September and October, respectively. Middle Eastern refinery runs likely rose further from October as new capacity ramped up. In all, our 4Q14 global crude run forecast is largely unchanged since last month's *Report*, at 77.5 mb/d, as higher Russian and Chinese throughputs offset slightly lower US and Middle Eastern estimates.





Year-on-year growth is expected to gain momentum in 4Q14, to 1.3 mb/d, from 0.7 mb/d in 3Q14 on average. The non-OECD region accounts for the majority of the gains, led by the Middle East, Asia and the FSU, though Europe also contributes. European throughputs have posted robust annual gains over the past few months, from an exceptionally weak baseline in 2013. Structural weakness persists, however, and we expect European runs to resume its declining trend over the coming months, especially as new product supplies come from new refineries in the Middle East.

Global Refinery Crude Throughput[1]

(million barrels per day)

	2Q2014	Jul 14	Aug 14	Sep 14	**3Q2014**	Oct 14	Nov 14	Dec 14	**4Q2014**	Jan 15	Feb 15
Americas	**18.9**	19.6	19.5	18.8	**19.3**	18.1	18.6	19.0	**18.6**	18.4	18.1
Europe	**11.1**	11.5	12.0	11.5	**11.7**	11.3	11.2	11.3	**11.3**	11.4	11.4
Asia Oceania	**6.1**	6.5	6.8	6.5	**6.6**	6.2	6.5	6.7	**6.4**	6.7	6.7
Total OECD	**36.1**	37.5	38.3	36.8	**37.5**	35.7	36.3	36.9	**36.3**	36.5	36.1
FSU	**7.0**	7.1	7.3	6.9	**7.1**	6.9	7.1	7.0	**7.0**	7.1	7.2
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	**9.8**	9.7	9.7	10.2	**9.9**	10.2	10.2	10.3	**10.2**	10.2	10.1
Other Asia	**9.6**	9.4	9.9	9.8	**9.7**	9.9	9.9	10.0	**9.9**	10.1	10.2
Latin America	**4.8**	4.7	4.8	4.7	**4.7**	4.8	4.7	4.9	**4.8**	5.0	5.0
Middle East	**6.3**	6.2	6.2	6.2	**6.2**	6.5	6.6	6.8	**6.6**	6.8	6.7
Africa	**2.3**	2.2	2.2	2.2	**2.2**	2.2	2.2	2.2	**2.2**	2.2	2.2
Total Non-OECD	**40.2**	39.9	40.7	40.6	**40.4**	40.9	41.1	41.6	**41.2**	41.9	41.9
Total	**76.3**	77.4	79.0	77.4	**77.9**	76.6	77.3	78.5	**77.5**	78.4	78.0

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

Saudi Arabian throughputs already reached new record highs in August, contributing to a drop in crude exports but a corresponding increase in product exports from the Kingdom. This trend is expected to

continue in coming months as Aramco's Yasref refinery in Yanbu, on the Red Sea, its second joint venture refinery to be commissioned this year, starts operating. Nearly 1 mb/d of new distillation capacity is expected to be commissioned in 4Q14 in the Middle East. In addition to the Yasref plant already in commissioning phase, the UAE's 420 kb/d Ruwais expansion also will start before year-end. After numerous delays, Brazil's new Abreu e Lima refinery was reportedly ready to start runs in the second half of November. Commissioning of Indian Oil Corporation's much delayed 300 kb/d Paradip refinery project, meanwhile, seems to have slipped again, to early 2015, from an earlier December start-up target.

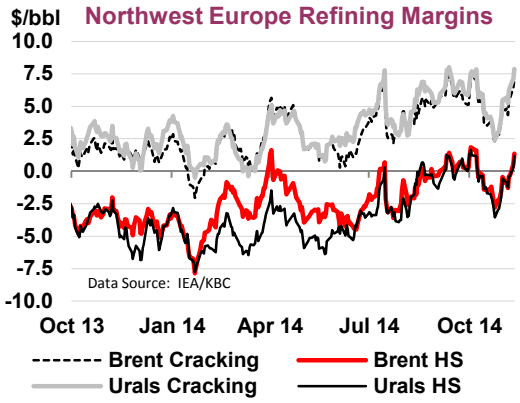
The new product supplies from the Middle East are expected to put renewed pressure on both European and Asia-Pacific refiners. In Europe, Murphy's 135 kb/d Milford Haven refinery in Wales became the region's 15th plant to have had to be permanently shut since 2008, after a sales agreement with the Swiss-based Klesch Group fell through in early November. Eni also reportedly reached an agreement with labour unions to invest 2.2 billion Euros in its Gela refinery to make it eco-friendly in an effort to stem downstream losses, while Kuwait's KPI cancelled plans to upgrade its Rotterdam refinery. In Australia, Caltex's Kurnell refinery was converted into an oil terminal in October.

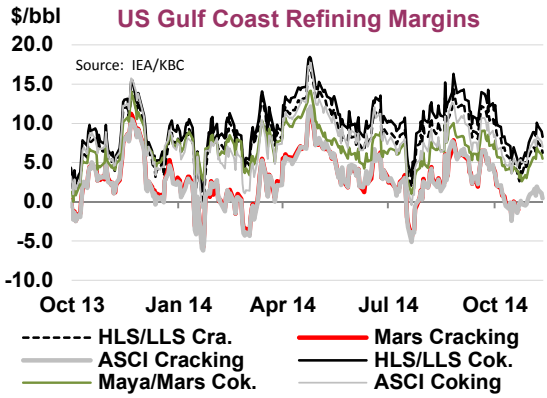
Refiners with access to discounted feedstock or energy, as in the US, continue to fare better and prompt new investments. Newly created Atlantic Basin Refining, which recently agreed in principle to purchase, reconfigure and restart Hovensa's St. Croix refinery in the US Virgin Islands, is a case in point. The restart, if agreement is reached, will reduce the capacity closures in the Americas since 2008 to 1.1 mb/d, from 1.4 mb/d previously.

Refinery margins

Refining margins fell across the board in October as declines in product prices amid seasonal weakness in global oil demand caught up with and even outstripped drops in crude prices. In Northwest Europe, margins retreated somewhat from their September highs as Brent and Urals prices had stabilised by mid-October, while regional product prices continued to plummet, sinking to their lowest levels in over four years by early-November. On a monthly average basis, complex refiners suffered steeper declines in margins than simple ones, which were less exposed than the former to a selloff in gasoline markets amid plentiful regional supply. Nonetheless, while margins at complex refineries remained comfortably in positive territory, those for simple refiners fell back into the red during October.

US refiners suffered the steepest margin losses due to weakening product prices, while their feedstock prices were buttressed somewhat compared to other global benchmarks. By early November, margins for US Gulf Coast refiners had begun to rebound on the back of regional refinery maintenance and an outage at Venezuela's largest refinery, which drew in US products.





Margins in Singapore posted the smallest declines of all surveyed markets after Dubai and Tapis crudes weakened against other benchmark grades. Regional refiners running light, sweet Tapis also benefitted

from their higher light-end yields. Healthy southeast Asian demand and a number of unexpected outages at regional refiners provided some relative strength at the top of the barrel.

IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Jul 14	Aug 14	Sep 14	Oct 14	Oct 14-Sep 14	10 Oct	17 Oct	24 Oct	31 Oct	07 Nov
NW Europe										
Brent (Cracking)	3.96	4.55	5.86	4.56	-1.30	6.29	3.94	3.09	3.53	4.98
Urals (Cracking)	4.53	5.28	6.42	5.04	-1.38	6.76	4.70	3.41	3.89	5.85
Brent (Hydroskimming)	-1.94	-1.02	0.38	-0.69	-1.07	0.58	-1.19	-1.88	-1.66	-0.75
Urals (Hydroskimming)	-2.79	-1.07	0.05	-1.01	-1.06	0.31	-1.19	-2.47	-2.14	-0.73
Mediterranean										
Es Sider (Cracking)	5.20	6.85	8.11	6.90	-1.21	7.97	6.37	5.67	5.96	6.94
Urals (Cracking)	4.74	5.22	7.37	5.89	-1.48	6.92	5.63	4.57	5.11	6.21
Es Sider (Hydroskimming)	-0.02	1.60	3.18	1.78	-1.39	2.98	1.18	0.48	0.64	1.17
Urals (Hydroskimming)	-3.41	-2.31	0.20	-1.36	-1.56	-0.09	-1.66	-2.90	-2.52	-1.92
US Gulf Coast										
50/50 HLS/LLS (Cracking)	6.94	10.49	10.63	5.62	-5.01	6.95	4.83	3.34	5.21	7.14
Mars (Cracking)	0.51	3.99	4.59	0.19	-4.39	0.77	-0.74	-0.80	0.10	1.77
ASCI (Cracking)	0.40	3.92	4.72	0.24	-4.48	0.73	-0.89	-0.54	0.18	1.43
50/50 HLS/LLS (Coking)	8.46	12.44	12.41	7.22	-5.19	8.36	6.50	5.04	6.84	9.16
50/50 Maya/Mars (Coking)	4.98	7.34	7.24	4.32	-2.91	4.70	4.13	3.36	3.80	6.02
ASCI (Coking)	5.39	8.83	9.01	5.59	-3.43	5.68	4.71	5.05	5.76	7.82
US Midcon										
WTI (Cracking)	9.88	15.31	16.84	12.65	-4.19	13.77	13.14	11.79	11.43	15.84
30/70 WCS/Bakken (Cracking)	17.66	21.67	20.36	15.88	-4.47	16.23	16.40	16.16	14.83	19.79
Bakken (Cracking)	19.81	24.70	24.11	20.36	-3.76	20.73	21.18	20.60	19.29	24.96
WTI (Coking)	11.62	17.57	19.13	14.93	-4.20	15.83	15.57	14.24	13.75	18.97
30/70 WCS/Bakken (Coking)	20.70	24.79	23.35	20.10	-3.25	19.93	20.95	20.72	19.51	26.20
Bakken (Coking)	20.28	25.42	24.88	21.14	-3.74	21.41	22.05	21.48	20.11	26.21
Singapore										
Dubai (Hydroskimming)	-4.30	-3.13	-0.72	-1.98	-1.27	-1.95	-2.69	-2.01	-1.96	-0.58
Tapis (Hydroskimming)	0.96	2.54	3.42	1.97	-1.45	1.91	1.58	0.92	1.76	2.18
Dubai (Hydrocracking)	2.14	2.23	4.50	3.66	-0.84	3.43	3.11	3.79	3.98	5.22
Tapis (Hydrocracking)	4.14	4.68	5.81	5.58	-0.24	5.58	5.46	4.76	5.69	5.79

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

OECD refinery throughputs

OECD refinery crude runs plummeted by 1.4 mb/d, to 36.8 mb/d, in September as seasonal maintenance got under way. Throughputs fell in all OECD regions, though declines were particularly steep in North America, where runs fell by 700 kb/d. In Europe too, refinery throughputs came off their August highs. At 11.5 mb/d, regional runs stood 430 kb/d above year-earlier levels on the back of improved margins. In the Pacific, meanwhile, all countries reduced throughputs, on weak regional demand and as some plants were taken offline for turnarounds. Preliminary data indicate OECD runs fell another 1.2 mb/d in October. Steeper-than expected cuts in US throughputs, and lower exports of products to Europe, provided additional support to European margins and throughput rates. The latter is estimated to have averaged 11.3 mb/d in October, a massive 1 mb/d above a year earlier. In OECD Asia Oceania, runs continued to slide in October as maintenance peaked and Australia's Kurnell refinery was shut.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

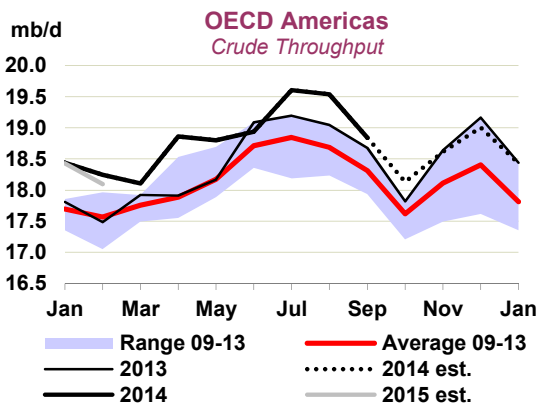
	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Change from Aug 14	Change from Sep 13	Utilisation rate[1] Sep 14	Utilisation rate[1] Sep 13
US[2]	15.87	15.94	15.82	16.53	16.46	16.02	-0.44	0.38	0.89	0.87
Canada	1.56	1.54	1.73	1.73	1.75	1.45	-0.30	-0.27	0.79	0.90
Chile	0.18	0.18	0.17	0.17	0.18	0.18	0.00	-0.01	0.78	0.83
Mexico	1.25	1.13	1.22	1.18	1.15	1.19	0.04	0.07	0.72	0.68
OECD Americas	**18.86**	**18.80**	**18.94**	**19.60**	**19.54**	**18.84**	**-0.70**	**0.17**	**0.87**	**0.86**
France	1.08	1.01	1.05	1.16	1.21	1.16	-0.06	0.09	0.83	0.76
Germany	1.95	1.80	1.63	1.80	1.99	1.90	-0.09	0.04	0.94	0.92
Italy	1.08	1.17	1.19	1.25	1.31	1.21	-0.10	-0.05	0.65	0.66
Netherlands	1.01	0.98	0.90	0.95	0.98	1.09	0.11	0.18	0.84	0.70
Spain	1.13	1.25	1.23	1.17	1.27	1.10	-0.16	-0.03	0.73	0.75
United Kingdom	1.17	1.14	1.05	1.13	1.14	1.15	0.01	0.01	0.73	0.73
Other OECD Europe	3.85	3.89	3.76	4.03	4.06	3.92	-0.14	0.19	0.79	0.75
OECD Europe	**11.26**	**11.25**	**10.81**	**11.49**	**11.96**	**11.53**	**-0.43**	**0.43**	**0.79**	**0.76**
Japan	3.16	2.80	2.52	2.96	3.14	3.09	-0.05	-0.12	0.76	0.71
South Korea	2.35	2.41	2.43	2.59	2.70	2.52	-0.18	0.12	0.79	0.79
Other Asia Oceania	0.93	0.80	0.86	0.90	0.92	0.87	-0.04	-0.04	0.71	0.75
OECD Asia Oceania	**6.44**	**6.02**	**5.81**	**6.45**	**6.76**	**6.48**	**-0.28**	**-0.04**	**0.77**	**0.74**
OECD Total	**36.56**	**36.07**	**35.56**	**37.54**	**38.25**	**36.85**	**-1.40**	**0.56**	**0.82**	**0.80**

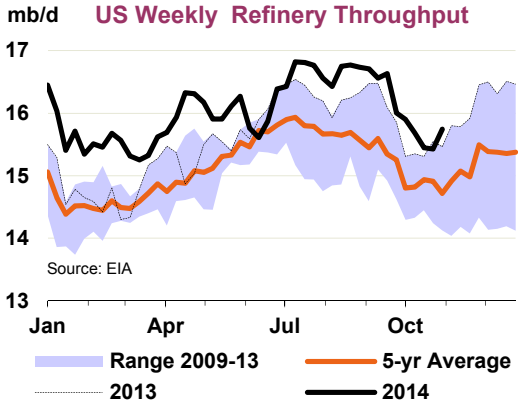
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

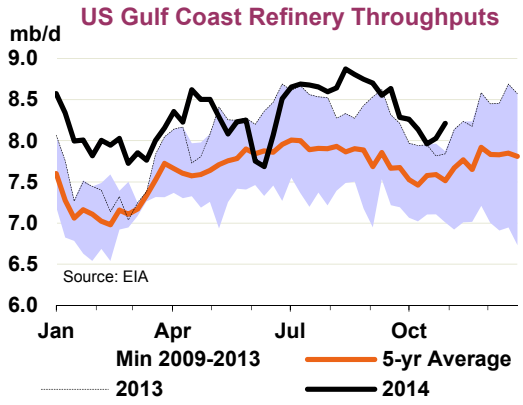
3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

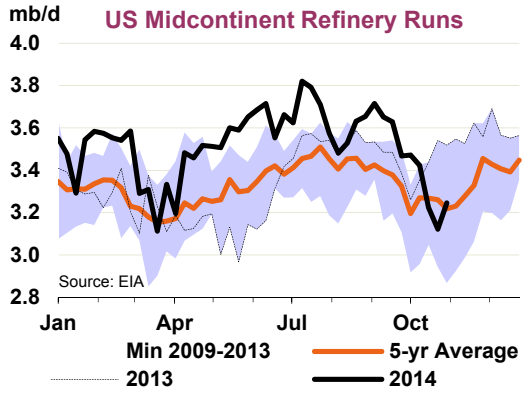
After two months of exceptionally high throughputs, **North American** refiners scaled back runs to 18.8 mb/d in September. The 700 kb/d monthly decline stemmed both from US refiners, which began maintenance, and Canadian ones, which, according to weekly data from the National Energy Board (NEB), lowered crude intake by a combined 300 kb/d from a month earlier, and by 270 kb/d from the previous year. Suncor Energy had announced maintenance at two of its refineries in Canada in September, the 142 kb/d Edmonton plant and the 85 kb/d Sarnia refinery in Ontario, while Shell was said to have shut its 98 kb/d Scotford refinery. Irving Oil's Saint John, New Brunswick, refinery was also producing at its lowest levels in several years due to operational problems. The company was reportedly making repairs to the gasoline-making RFCC unit and performing maintenance on a 150 kb/d crude distillation unit.





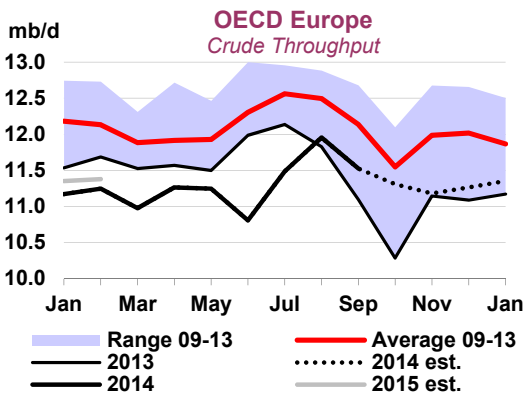
In the US, meanwhile, refinery runs fell by 440 kb/d m-o-m in September, due mostly to a dip in the Gulf Coast. Weekly data from the US EIA show that refinery runs plunged by more than 700 kb/d m-o-m in October, a steeper drop than expected that was almost evenly split between the Midwest and the Gulf Coast. Citgo's and Flint Hills' refineries in Corpus Christi, Texas lost steam supply in October, forcing them to temporarily close down. Total had also shut a 175 kb/d crude unit at its Port Arthur, Texas refinery on 20 September for six weeks of planned work. BP's Whiting, Indiana, and Toledo, Ohio refineries had to shut secondary units for maintenance. Husky said its Lima, Ohio refinery was running at reduced rates due to unplanned interruptions on third-party feedstock pipelines in October. Phillips 66 also reported work at its Wood River, Illinois refinery in October. Lower margins also played a part. US Gulf Coast cracking margins turned negative in early October, as gasoline cracks plummeted on ample supplies.

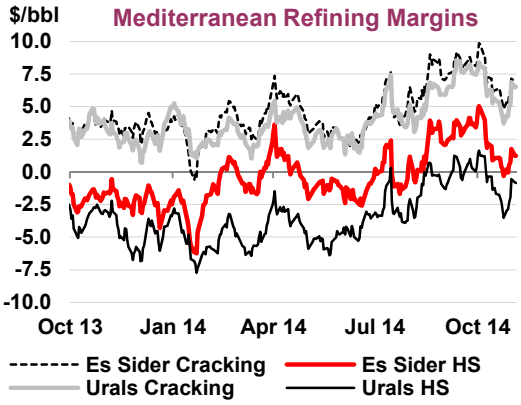




In early November, newly created Atlantic Basin Refining agreed to buy the shuttered Hovensa refinery in St. Croix and restart it with a 300 kb/d capacity to handle crude from the US according to a company statement. The plant, which has been shut since January 2012, was amongst the world's largest with a capacity to process 500 kb/d of heavy Venezuelan crude.

European refinery crude throughputs dropped 430 kb/d in September, as refinery maintenance got underway. At 11.5 mb/d, regional refinery activity nevertheless posted y-o-y (year-on-year) growth for a second month running on the back of significantly improved refinery margins. Benchmark refinery margins in both the Mediterranean and in Northwest Europe had surged to near two-year highs in September, on lower crude prices, and improved gasoline cracks. While margins came down somewhat in October, the unwinding of seasonal maintenance kept runs relatively elevated. Statoil's Mongstad refinery in Norway and Portugal's Oporto refinery resumed full operations after maintenance in September. On the other hand, Total's La Mede refinery in France was reported to shut a 153 kb/d crude unit in early October. Ineos' Grangemouth, Essar's Stanlow and Murphy's Milford Haven refineries in the UK were amongst other plants partly of fully shut during that month.

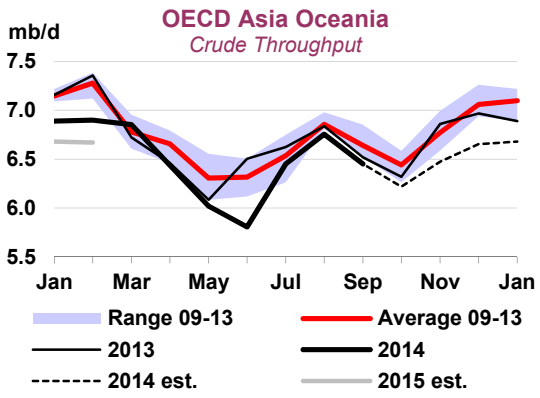


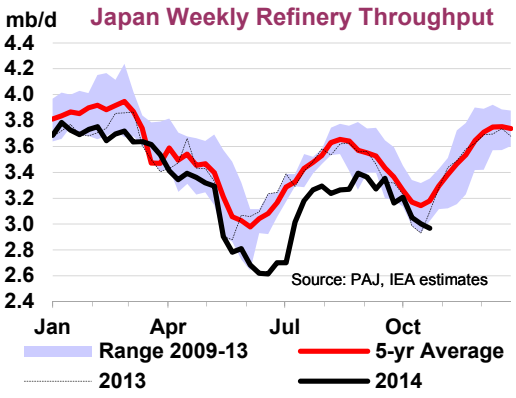


Despite the recent improvement in European downstream sentiment, regional industry consolidation continues apace. The UK's Milford Haven refinery is now looking at permanent shutdown after a deal between Murco Petroleum, a subsidiary of the US-based Murphy Oil Corp and Klesch Refining Limited collapsed in early November, forcing operator Murphy Oil to decommission the 135 kb/d refinery. In Italy, ENI reached an agreement with labour unions in early November to invest €2.2 bn in its 100 kb/d Gela refinery to make it eco-friendly. Eni already converted its Venice refinery into a "green refinery", processing biofuels, earlier this year. Furthermore, Kuwait Petroleum International cancelled a $1.4 billon planned investment at its 88 kb/d Rotterdam refinery in October, and is instead looking to sell or convert the plant into a terminal. The investment plans had included a hydrocracker and new vacuum unit and several storage tanks.

In **OECD Asia Oceania**, refinery throughputs declined by 305 kb/d in September, to 6.5 mb/d on average. The bulk of the decline stemmed from South Korea, who had reported record-high runs, of 2.7 mb/d, a month earlier when two new condensate splitters were commissioned. On 10 September, SK Energy reportedly halted a 60 kb/d crude unit for maintenance at its massive 840 kb/d Ulsan plant. Despite the lower throughputs, South Korean product exports stood 7.45% higher than a year earlier, at 1.3 mb/d and slightly above August's levels.

Japanese refinery runs fell by a modest 50 kb/d in September, to 3.1 mb/d. Japanese refinery maintenance normally peaks in October, and this year, Cosmo's Chiba and Yokkaichi plants, Showa Shell's Yokkaichi and Tonen General's Wakayama refineries were to shut some units. While JX Energy and Idemitsu Kosan were not planning any maintenance shutdowns this autumn, both were reporting increased product export plans in 4Q14, compared with both the previous year and 3Q14. Preliminary data from the Petroleum Association of Japan suggest that Japanese refinery runs fell another 240 kb/d in October, to a seasonal low-point. Australian throughputs, meanwhile, fell to 510 kb/d in September from 580 kb/d in August, ahead of the conversion of Caltex' 135 kb/d Kurnell refinery in mid-October.

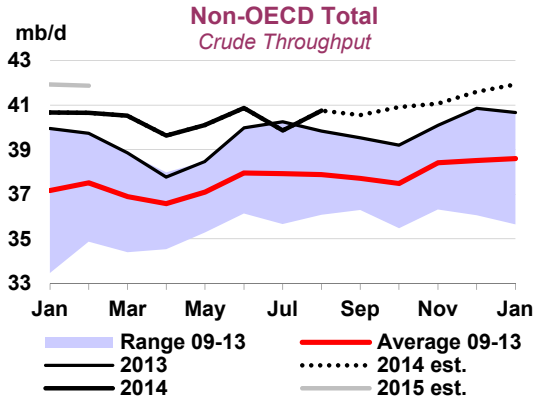


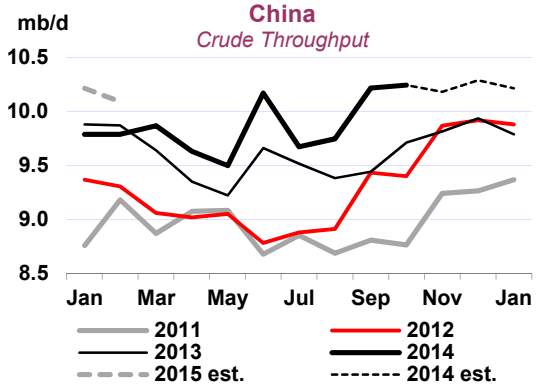


Non-OECD refinery throughputs

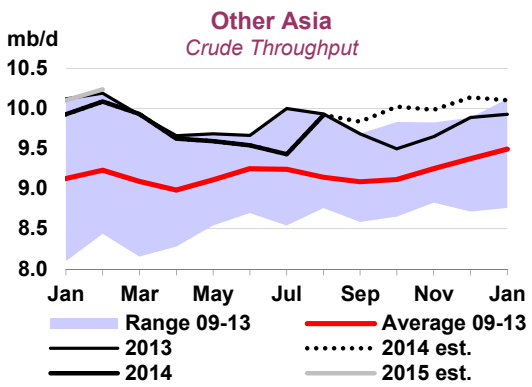
Non-OECD refinery crude throughputs recovered in August, surging almost 0.9 mb/d from a month earlier, to 40.7 mb/d. A slew of refinery outages had sharply curtailed non-OECD runs in July, taking total non-OECD throughputs below year-earlier levels for the first time in 15 months. Throughputs are expected to see further increases towards year-end as not only shuttered plants come back on line, but also as new capacity starts up. Saudi Arabia's second 400 kb/d grassroots refinery to start up over the past 12 months is currently in commissioning phase, with full rates expected by the end of the year. The UAE's 420 kb/d Ruwais refinery is expected to follow shortly thereafter, with production to start in the second half of November. Across the Atlantic, the first phase of Brazil's downstream expansion program equally nears completion, with Petrobras reportedly ready to start up the first train of its much-delayed Abreu e Lima refinery as soon as it receive its operating licence. Chinese refinery runs surged to a new high in September of 10.2 mb/d – some 775 kb/d above a year earlier, their highest annual growth rate

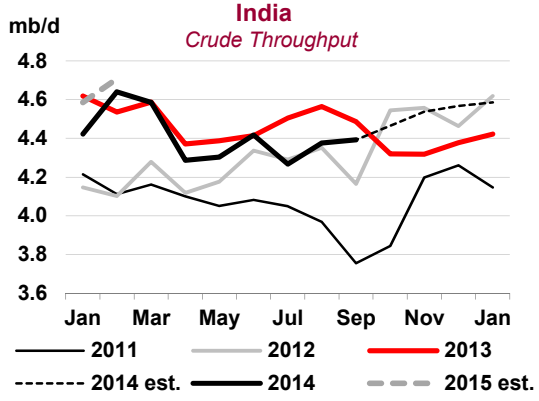
in 15 months. Runs inched higher still in October, prompting a revision to our 4Q14 outlook. Russian refiners also posted healthy annual gains of more than 400 kb/d in October, as seasonal maintenance curbs were shallower than usual. Operational outages in Venezuela in early November could provide a slight downside, however.





Chinese refinery throughputs surged to new highs in September, up 470 kb/d from August, some 200 kb/d above expectations. At 10.2 mb/d, crude intake posted its highest annual gains in 15 months, of almost 0.8 mb/d, compared with annual gains averaging only 0.2 mb/d over the first eight months this year. The rise in throughputs mirrors an increase in crude oil imports in recent months. According to customs data, Chinese crude oil imports surged to 6.74 mb/d in September, their second highest level on record. Throughputs rose another 25 kb/d in October. Trade reports suggest Chinese crude purchases remained high in October for delivery through end-year and early 2015. While the increased imports could in part be opportunistic and in part be put in storage (please see *Prices* and *Stocks*), it will likely also support higher runs, and as such we have lifted our outlook for Chinese runs in 4Q14 by 190 kb/d since last month's *Report*. According to trade press reports, PetroChina and Sinopec plan to increase throughputs by a combined 630 kb/d in the fourth quarter from a year earlier to replenish transport-fuel inventories. We maintain a slightly lower forecast, with runs averaging 10.2 mb/d, up 420 kb/d y-o-y. Maintenance shutdowns, including those of Sinopec's 260 kb/d Gaoqiao plant for two months starting early September and CNOOC's 240 kb/d Huizhou refinery from mid-October for 60 days, were expected to take around 600 kb/d of crude distillation capacity offline in September and October.

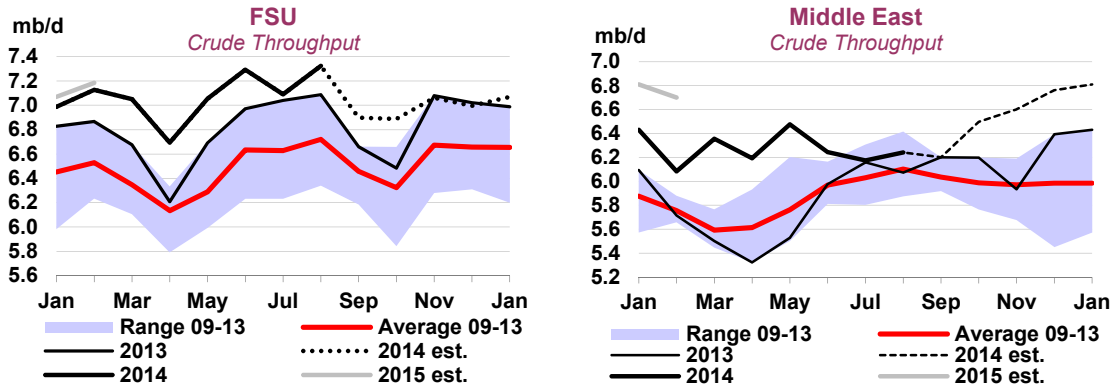




In '**Other Asia**', refinery runs recovered from recent lows in August, on the back of higher throughputs in Thailand, India, Chinese Taipei and Vietnam. Vietnam's sole refinery, the 130 kb/d Dung Quat plant, resumed operations after a full shutdown in mid-July. In Thailand, refinery runs rose by 200 kb/d in August, as its largest refinery, the 275 kb/d plant in Sriracha resumed full rates after extensive turnarounds. In India, refinery throughputs remained subdued through September, averaging 4.4 mb/d, some 2.1% lower than a year earlier. HMEL's 180 kb/d Bathinda refinery remained closed for most of the

month. The plant, which had been offline since a fire at the end of June, reached full rates in mid-October. Indian Oil Corporation reportedly curbed runs at several of its plants as heavy rains across the country cut domestic demand in September. Rainfall in India lowers the need for diesel demand to power irrigation pumps.

Russian refinery throughputs slipped by 340 kb/d in September, to 5.7 mb/d, as seasonal maintenance got under way. In particular, Gazprom's Salavat plant, Rosneft's Angarsk and Syrzan plants and the privately held TAIF plant saw lower throughputs due to maintenance work. By the end of the month, Rosneft had restarted its Achinsk refinery, which had been shut by a deadly fire in June. Preliminary data show a weaker-than-expected seasonal dip in Russian refinery runs in October. In fact, crude processed by Russian plants was steady from a month earlier, at close to 5.7 mb/d. Russian refinery runs were up 8%, or 420 kb/d y-o-y. For the year to date, throughputs are up 335 kb/d on average.



Middle Eastern refinery throughputs continued to trend below recent levels in August, despite the start-up of new capacity. The shutdown of Iraq's largest refinery at Baiji since June and a drop in reported refinery intake in Iran has kept runs at bay. Iraq's crude supply to domestic refineries, excluding crude processed in the KRG region, had slipped to only around 400 kb/d since July, from closer to 600 kb/d prior to the ISIS offensive. Despite reports that the army had regained full control over the plant in early November, fighting around the refinery continues. Saudi Arabia reported crude throughputs to JODI averaging 2.17 mb/d in August, its highest yet and some 350 kb/d above a year earlier. Throughputs are on the rise after the 400 kb/d Satorp refinery, a joint venture with Total, became fully operational earlier in the year. Aramco's second greenfield refinery, a joint venture with Sinopec, is in commissioning phase ahead of ramp up to its 400 kb/d by the end of the year. The UAE's new Ruwais refinery is reportedly on track to start production in the second half of November. The expansion will more than double the plant's capacity from 415 kb/d currently. Fuel exports will likely only be forthcoming in early 2015, though most products are aimed at meeting domestic demand.

In **Latin America**, Brazilian refinery runs declined slightly in September, to 2.1 mb/d. The first phase of Petrobras's new 230 kb/d Abreu e Lima refinery could start up this month, after the company received a state environmental license on 30 October to start processing 45 kb/d of low sulphur crude until it can show it meet pollution standards. The company said it expected to receive the permit, allowing it to start commercial operations by mid-November. The second 115 kb/d and secondary units will only be commissioned in 2015. Venezuela's PDVSA reportedly sought to buy several cargoes of gasoline and ULSD in early November, after power outages forced it to close its largest refinery, the 995 kb/d Paraguana Refining Center (including the Amuay and Cardon plants) in early November. Venezuela does not report its refinery operating rates on a monthly basis.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.8	23.9	24.3	24.3	24.1	23.9	23.6	24.2	24.4	24.0	23.9	23.8	24.2	24.4	24.1
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.6	13.0	13.4	13.9	13.6	13.5	13.2	13.4	13.7	13.4	13.4
Asia Oceania[3]	8.2	8.5	8.9	7.8	8.0	8.6	8.3	8.8	7.7	7.7	8.4	8.1	8.6	7.5	7.7	8.2	8.0
Total OECD	46.4	45.9	45.9	45.5	46.3	46.5	46.1	45.7	44.7	45.8	46.3	45.6	45.7	44.7	45.7	46.1	45.5
NON-OECD DEMAND																	
FSU	4.5	4.6	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.6	4.8	5.1	5.0	4.9
Europe	0.7	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	9.4	9.8	9.9	10.1	10.1	10.3	10.1	10.1	10.3	10.4	10.6	10.3	10.4	10.6	10.6	10.8	10.6
Other Asia	11.2	11.6	11.9	11.9	11.6	12.0	11.9	12.2	12.2	11.9	12.4	12.2	12.6	12.5	12.3	12.7	12.5
Americas	6.2	6.4	6.4	6.6	6.8	6.8	6.6	6.6	6.8	6.9	6.9	6.8	6.7	6.9	7.0	7.0	6.9
Middle East	7.5	7.7	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.5	7.9	8.1	7.9	8.4	8.8	8.2	8.3
Africa	3.6	3.8	3.9	3.9	3.7	3.8	3.8	3.9	4.0	3.8	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Total Non-OECD	43.1	44.6	44.7	45.7	46.2	46.3	45.7	45.9	46.8	47.3	47.2	46.8	47.0	48.0	48.5	48.6	48.0
Total Demand[4]	**89.5**	**90.5**	**90.5**	**91.2**	**92.5**	**92.8**	**91.8**	**91.6**	**91.5**	**93.1**	**93.5**	**92.4**	**92.6**	**92.7**	**94.2**	**94.7**	**93.6**
OECD SUPPLY																	
Americas[1,7]	14.6	15.8	16.8	16.6	17.3	17.8	17.1	18.1	18.6	18.7	19.0	18.6	19.3	19.4	19.5	20.0	19.5
Europe[2]	3.8	3.5	3.4	3.4	3.2	3.4	3.3	3.5	3.3	3.2	3.4	3.3	3.3	3.2	3.1	3.4	3.2
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
Total OECD	18.9	19.8	20.6	20.5	21.0	21.6	20.9	22.1	22.4	22.4	22.9	22.4	23.2	23.1	23.2	23.9	23.3
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.9	13.8	13.8	14.0	13.9	14.0	13.8	13.8	13.9	13.9	14.0	13.9	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Other Asia[5]	3.7	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5
Americas[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.5	4.4	4.5	4.7	4.7	4.7	4.6
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Non-OECD	29.9	29.5	29.5	29.4	29.3	29.9	29.5	29.8	29.6	29.6	29.7	29.6	30.0	29.9	29.8	29.9	29.9
Processing gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.2	2.4	2.1	2.1	1.8	2.2	2.6	2.2	2.2
Total Non-OPEC[5]	52.8	53.3	53.8	54.1	54.8	55.8	54.6	55.7	56.3	56.6	56.9	56.4	57.2	57.5	57.8	58.3	57.7
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.1	30.5							
NGLs	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.3	6.5	6.5	6.4	6.7	6.7	6.7	6.7	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	36.9	36.1	36.7	36.3	36.4	37.0							
Total Supply[9]	**88.6**	**90.8**	**90.5**	**91.3**	**91.8**	**91.9**	**91.3**	**92.0**	**92.8**	**93.6**							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	0.0	0.4	-1.5	-0.2	0.2	0.7	0.8							
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0							
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2	0.7	0.8							
Floating storage/Oil in transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3	-0.3	0.3							
Miscellaneous to balance[10]	-0.6	0.1	-0.5	0.3	-1.4	0.3	-0.3	0.0	0.9	-0.6							
Total Stock Ch. & Misc	**-0.9**	**0.2**	**-0.1**	**0.1**	**-0.8**	**-0.9**	**-0.4**	**0.4**	**1.2**	**0.6**							
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.8	31.1	30.5	30.9	31.4	30.7	30.9	29.6	28.9	30.0	30.1	29.6	28.8	28.5	29.7	29.7	29.2

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-0.1	-0.1	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Americas	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	0.3	0.2	0.1	0.1	0.1	0.2	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	0.1							
NGLs	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	0.1							
Total Supply	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating storage/Oil in transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-	-	-	-	-	-	-								
Total Stock Ch. & Misc	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-0.3	-0.2	-0.1	-	-0.2	-0.2	-0.1	-0.1

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

Table 2
SUMMARY OF GLOBAL OIL DEMAND

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.60	23.80	23.86	24.32	24.34	24.08	23.86	23.65	24.21	24.39	24.03	23.89	23.84	24.23	24.43	24.10
Europe[2]	13.80	13.20	13.83	13.99	13.57	13.65	13.02	13.41	13.89	13.58	13.48	13.17	13.42	13.74	13.38	13.43
Asia Oceania[3]	8.52	8.86	7.83	8.02	8.60	8.33	8.85	7.65	7.69	8.36	8.13	8.61	7.48	7.74	8.25	8.02
Total OECD	45.92	45.86	45.52	46.32	46.51	46.06	45.73	44.71	45.80	46.32	45.64	45.67	44.73	45.71	46.06	45.54
Asia	21.42	21.81	21.97	21.73	22.32	21.96	22.31	22.45	22.29	22.93	22.50	22.94	23.10	22.90	23.56	23.13
Middle East	7.75	7.54	7.94	8.39	7.74	7.90	7.80	8.21	8.51	7.85	8.09	7.94	8.38	8.80	8.18	8.33
Americas	6.42	6.37	6.60	6.75	6.77	6.62	6.58	6.77	6.92	6.89	6.79	6.73	6.90	7.03	7.03	6.92
FSU	4.61	4.45	4.64	4.92	4.93	4.74	4.59	4.80	5.03	4.87	4.83	4.62	4.82	5.06	4.98	4.87
Africa	3.78	3.89	3.89	3.73	3.83	3.84	3.93	3.96	3.84	4.00	3.93	4.08	4.12	4.04	4.19	4.11
Europe	0.65	0.62	0.65	0.66	0.68	0.65	0.65	0.65	0.67	0.68	0.66	0.66	0.68	0.68	0.69	0.68
Total Non-OECD	44.63	44.68	45.68	46.18	46.26	45.70	45.86	46.84	47.26	47.22	46.80	46.97	47.99	48.51	48.63	48.03
World	**90.55**	**90.54**	**91.20**	**92.50**	**92.77**	**91.76**	**91.60**	**91.54**	**93.06**	**93.55**	**92.44**	**92.64**	**92.72**	**94.22**	**94.69**	**93.58**
of which: US50	18.52	18.64	18.72	19.21	19.26	18.96	18.83	18.70	19.19	19.26	19.00	18.88	18.87	19.19	19.34	19.07
Europe 5*	8.36	8.05	8.33	8.31	8.10	8.20	7.90	7.93	8.25	8.07	8.04	7.97	7.95	8.08	7.90	7.97
China	9.82	9.86	10.08	10.15	10.28	10.09	10.12	10.28	10.42	10.56	10.35	10.36	10.56	10.65	10.83	10.60
Japan	4.69	5.05	4.08	4.28	4.72	4.53	5.02	3.87	3.89	4.44	4.30	4.71	3.74	3.91	4.32	4.17
India	3.75	3.87	3.85	3.55	3.81	3.77	3.94	3.96	3.68	3.92	3.87	4.06	4.09	3.82	4.03	4.00
Russia	3.40	3.33	3.43	3.70	3.61	3.52	3.46	3.59	3.79	3.54	3.59	3.46	3.59	3.79	3.65	3.62
Brazil	2.97	2.96	3.06	3.15	3.19	3.09	3.10	3.16	3.27	3.27	3.20	3.17	3.24	3.32	3.34	3.27
Saudi Arabia	2.97	2.75	3.09	3.33	2.87	3.01	2.85	3.29	3.46	2.92	3.13	2.93	3.35	3.60	3.08	3.24
Canada	2.35	2.45	2.41	2.44	2.42	2.43	2.42	2.36	2.45	2.43	2.42	2.38	2.35	2.43	2.41	2.39
Korea	2.32	2.33	2.29	2.27	2.40	2.32	2.36	2.32	2.33	2.41	2.36	2.42	2.26	2.33	2.41	2.36
Mexico	2.09	2.05	2.08	2.03	2.02	2.04	1.95	1.97	1.96	2.05	1.99	1.97	1.99	1.98	2.04	1.99
Iran	1.79	1.79	1.80	1.80	1.81	1.80	1.85	1.81	1.82	1.83	1.83	1.87	1.87	1.87	1.87	1.87
Total	**63.03**	**63.13**	**63.24**	**64.22**	**64.48**	**63.77**	**63.79**	**63.24**	**64.50**	**64.71**	**64.07**	**64.17**	**63.86**	**64.97**	**65.22**	**64.56**
% of World	69.6%	69.7%	69.3%	69.4%	69.5%	69.5%	69.6%	69.1%	69.3%	69.2%	69.3%	69.3%	68.9%	69.0%	68.9%	69.0%
Annual Change (% per annum)																
Americas[1]	-1.7	2.0	1.3	2.5	2.4	2.0	0.3	-0.9	-0.4	0.2	-0.2	0.1	0.8	0.1	0.2	0.3
Europe[2]	-3.2	-4.0	-0.2	0.8	-1.1	-1.1	-1.3	-3.0	-0.7	0.1	-1.2	1.1	0.1	-1.1	-1.4	-0.4
Asia Oceania[3]	4.5	-2.7	-2.1	-2.8	-1.5	-2.3	-0.2	-2.3	-4.1	-2.9	-2.3	-2.6	-2.2	0.6	-1.4	-1.4
Total OECD	-1.07	-0.71	0.25	1.03	0.60	0.30	-0.28	-1.79	-1.13	-0.41	-0.90	-0.14	0.06	-0.19	-0.57	-0.21
Asia	4.0	3.6	3.4	2.4	0.7	2.5	2.3	2.2	2.6	2.7	2.5	2.8	2.9	2.8	2.8	2.8
Middle East	3.7	4.9	2.3	1.1	-0.1	2.0	3.5	3.4	1.4	1.5	2.4	1.7	2.1	3.5	4.1	2.9
Americas	3.3	3.0	3.5	3.4	2.7	3.2	3.3	2.6	2.4	1.8	2.5	2.2	1.9	1.7	2.0	2.0
FSU	1.4	0.6	2.0	3.9	4.3	2.7	3.2	3.5	2.2	-1.2	1.9	0.5	0.5	0.5	2.2	0.9
Africa	5.5	3.9	3.6	-0.1	-1.1	1.6	0.8	1.8	2.9	4.4	2.5	4.0	4.0	5.1	4.8	4.5
Europe	-3.4	-4.3	-0.6	2.7	4.4	0.6	5.2	0.9	2.1	0.9	2.2	2.2	3.6	0.9	1.9	2.1
Total Non-OECD	3.59	3.31	3.05	2.25	1.13	2.42	2.66	2.53	2.33	2.08	2.40	2.41	2.46	2.66	2.98	2.63
World	**1.2**	**1.2**	**1.6**	**1.6**	**0.9**	**1.3**	**1.2**	**0.4**	**0.6**	**0.8**	**0.7**	**1.1**	**1.3**	**1.3**	**1.2**	**1.2**
Annual Change (mb/d)																
Americas[1]	-0.40	0.46	0.31	0.59	0.56	0.48	0.07	-0.22	-0.10	0.05	-0.05	0.03	0.19	0.02	0.05	0.07
Europe[2]	-0.46	-0.55	-0.03	0.11	-0.15	-0.15	-0.18	-0.42	-0.09	0.01	-0.17	0.15	0.01	-0.16	-0.20	-0.05
Asia Oceania[3]	0.37	-0.24	-0.17	-0.23	-0.13	-0.19	-0.02	-0.18	-0.33	-0.25	-0.19	-0.23	-0.17	0.05	-0.11	-0.12
Total OECD	-0.49	-0.33	0.11	0.47	0.28	0.14	-0.13	-0.82	-0.53	-0.19	-0.42	-0.06	0.03	-0.09	-0.26	-0.10
Asia	0.82	0.75	0.73	0.51	0.15	0.53	0.50	0.48	0.56	0.61	0.54	0.63	0.65	0.62	0.63	0.63
Middle East	0.28	0.35	0.18	0.09	-0.01	0.15	0.27	0.27	0.12	0.12	0.19	0.13	0.17	0.30	0.32	0.23
Americas	0.21	0.18	0.22	0.22	0.18	0.20	0.21	0.17	0.16	0.12	0.17	0.15	0.13	0.12	0.14	0.13
FSU	0.07	0.02	0.09	0.18	0.20	0.13	0.14	0.16	0.11	-0.06	0.09	0.02	0.02	0.02	0.11	0.04
Africa	0.20	0.15	0.14	0.00	-0.04	0.06	0.03	0.07	0.11	0.17	0.10	0.16	0.16	0.20	0.19	0.18
Europe	-0.02	-0.03	0.00	0.02	0.03	0.00	0.03	0.01	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01
Total Non-OECD	1.55	1.43	1.35	1.01	0.51	1.08	1.19	1.16	1.08	0.96	1.10	1.11	1.15	1.26	1.41	1.23
World	**1.05**	**1.10**	**1.46**	**1.49**	**0.79**	**1.21**	**1.06**	**0.34**	**0.55**	**0.77**	**0.68**	**1.05**	**1.18**	**1.17**	**1.14**	**1.13**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	-0.12	-0.05	-0.04	-0.06	-0.04	-0.03	-0.01	-0.04
Europe[2]	0.00	-0.01	-0.01	-0.01	0.00	-0.01	0.00	-0.01	0.06	0.03	0.02	0.10	-0.02	-0.01	0.01	0.02
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.02	-0.02	-0.02	-0.03	-0.04	-0.03	-0.03
Total OECD	0.00	-0.01	0.00	0.00	0.01	0.00	0.00	-0.01	-0.10	-0.04	-0.04	0.02	-0.09	-0.08	-0.03	-0.05
Asia	0.00	0.00	0.01	0.00	0.02	0.01	0.01	0.01	0.08	0.05	0.04	0.01	0.03	0.06	0.04	0.03
Middle East	0.00	0.01	0.01	0.00	0.01	0.01	0.01	0.00	0.02	-0.01	0.00	0.01	0.02	0.01	0.01	0.01
Americas	0.00	0.00	0.00	-0.01	0.01	0.00	0.00	0.01	0.03	0.04	0.02	0.03	0.02	0.02	0.02	0.02
FSU	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.02	0.07	0.01	0.02	0.01	0.03	0.03	0.02	0.02
Africa	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	-0.01	-0.01	-0.01	-0.01	0.00	0.01	0.00	-0.01	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	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.01	0.02	0.01	0.03	0.02	0.03	0.03	0.18	0.08	0.08	0.06	0.11	0.12	0.08	0.09
World	**0.00**	**0.00**	**0.02**	**0.01**	**0.03**	**0.01**	**0.03**	**0.02**	**0.08**	**0.04**	**0.04**	**0.08**	**0.01**	**0.04**	**0.05**	**0.04**
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.02	0.01	0.03	0.01	0.03	0.00	0.07	0.01	0.03	0.05	-0.01	-0.04	0.01	0.00

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	Jun 14	Jul 14	Aug 14 [2]	Latest month vs. Jul 14	Latest month vs. Aug 13
Americas[3]											
LPG and ethane	3.11	3.34	3.09	3.62	3.54	2.86	2.83	2.83	3.10	0.26	0.07
Naphtha	0.34	0.38	0.39	0.37	0.36	0.34	0.34	0.38	0.34	-0.04	-0.05
Motor gasoline	10.38	10.55	10.81	10.55	10.21	10.72	10.76	11.00	11.03	0.03	0.16
Jet and kerosene	1.62	1.66	1.74	1.66	1.63	1.69	1.78	1.79	1.77	-0.02	-0.02
Gasoil/diesel oil	4.98	5.08	4.91	5.20	5.44	5.14	5.12	5.13	5.06	-0.07	0.13
Residual fuel oil	0.78	0.69	0.78	0.57	0.54	0.56	0.58	0.59	0.55	-0.04	-0.33
Other products	2.40	2.38	2.60	2.37	2.15	2.33	2.39	2.57	2.47	-0.10	0.01
Total	**23.60**	**24.08**	**24.32**	**24.34**	**23.86**	**23.65**	**23.82**	**24.29**	**24.31**	**0.02**	**-0.04**
Europe[4]											
LPG and ethane	0.94	1.04	1.04	0.98	1.01	1.08	1.06	1.11	1.09	-0.01	0.06
Naphtha	1.21	1.18	1.21	1.14	1.31	1.20	1.21	1.19	1.18	-0.01	-0.05
Motor gasoline	2.01	1.95	2.08	1.92	1.81	1.97	2.00	2.05	2.00	-0.05	-0.10
Jet and kerosene	1.21	1.21	1.32	1.19	1.12	1.23	1.28	1.37	1.43	0.06	0.11
Gasoil/diesel oil	5.95	5.97	5.96	6.12	5.73	5.76	5.79	6.04	5.75	-0.30	-0.07
Residual fuel oil	1.11	1.00	0.98	0.95	0.96	0.90	0.88	0.92	0.90	-0.02	-0.08
Other products	1.38	1.29	1.39	1.26	1.09	1.26	1.33	1.37	1.25	-0.12	-0.11
Total	**13.80**	**13.65**	**13.99**	**13.57**	**13.02**	**13.41**	**13.55**	**14.06**	**13.60**	**-0.45**	**-0.24**
Asia Oceania[5]											
LPG and ethane	0.89	0.85	0.79	0.85	0.88	0.82	0.83	0.82	0.75	-0.07	-0.04
Naphtha	1.80	1.84	1.83	1.93	1.97	1.74	1.63	1.74	1.90	0.16	0.06
Motor gasoline	1.63	1.61	1.68	1.60	1.54	1.51	1.53	1.55	1.67	0.12	-0.11
Jet and kerosene	0.89	0.89	0.70	1.01	1.13	0.71	0.70	0.67	0.66	-0.01	-0.04
Gasoil/diesel oil	1.76	1.76	1.71	1.84	1.82	1.72	1.73	1.71	1.65	-0.05	-0.06
Residual fuel oil	0.90	0.76	0.72	0.74	0.83	0.63	0.60	0.62	0.55	-0.07	-0.20
Other products	0.67	0.62	0.58	0.63	0.67	0.53	0.54	0.61	0.55	-0.06	-0.05
Total	**8.52**	**8.33**	**8.02**	**8.60**	**8.85**	**7.65**	**7.56**	**7.72**	**7.74**	**0.02**	**-0.42**
OECD											
LPG and ethane	4.93	5.23	4.92	5.46	5.43	4.76	4.72	4.76	4.94	0.18	0.09
Naphtha	3.35	3.40	3.43	3.44	3.64	3.28	3.18	3.31	3.41	0.10	-0.03
Motor gasoline	14.01	14.11	14.58	14.06	13.56	14.20	14.30	14.60	14.70	0.09	-0.05
Jet and kerosene	3.72	3.77	3.76	3.87	3.88	3.63	3.76	3.83	3.86	0.03	0.05
Gasoil/diesel oil	12.68	12.81	12.58	13.16	12.99	12.62	12.64	12.88	12.46	-0.42	0.01
Residual fuel oil	2.78	2.45	2.48	2.25	2.33	2.09	2.06	2.13	2.00	-0.13	-0.61
Other products	4.44	4.29	4.57	4.27	3.90	4.12	4.26	4.54	4.27	-0.28	-0.15
Total	**45.92**	**46.06**	**46.32**	**46.51**	**45.73**	**44.71**	**44.92**	**46.06**	**45.65**	**-0.41**	**-0.70**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	3Q13	4Q13	1Q14	2Q14	Jun 14	Jul 14	Aug 14 [2]	Latest month vs. Jul 14	Latest month vs. Aug 13
United States[3]											
LPG and ethane	2.26	2.44	2.25	2.71	2.64	2.04	2.05	2.07	2.31	0.24	0.13
Naphtha	0.24	0.27	0.28	0.26	0.24	0.20	0.20	0.25	0.22	-0.02	-0.05
Motor gasoline	8.69	8.84	9.07	8.84	8.53	9.00	9.03	9.22	9.28	0.06	0.16
Jet and kerosene	1.41	1.44	1.50	1.44	1.41	1.47	1.56	1.56	1.52	-0.03	0.00
Gasoil/diesel oil	3.74	3.83	3.68	3.94	4.16	3.92	3.87	3.86	3.82	-0.04	0.12
Residual fuel oil	0.37	0.32	0.38	0.27	0.24	0.25	0.26	0.24	0.21	-0.02	-0.20
Other products	1.82	1.82	2.06	1.80	1.62	1.82	1.86	1.98	1.91	-0.07	0.00
Total	**18.52**	**18.96**	**19.21**	**19.26**	**18.83**	**18.70**	**18.84**	**19.17**	**19.29**	**0.12**	**0.16**
Japan											
LPG and ethane	0.53	0.50	0.44	0.50	0.56	0.47	0.46	0.45	0.41	-0.05	-0.03
Naphtha	0.72	0.77	0.76	0.82	0.81	0.65	0.57	0.67	0.71	0.04	-0.05
Motor gasoline	0.98	0.96	1.03	0.96	0.92	0.88	0.91	0.91	1.01	0.09	-0.09
Jet and kerosene	0.55	0.54	0.37	0.64	0.77	0.37	0.37	0.34	0.32	-0.02	-0.05
Diesel	0.42	0.42	0.43	0.45	0.44	0.41	0.42	0.42	0.40	-0.02	-0.02
Other gasoil	0.40	0.40	0.36	0.42	0.46	0.35	0.35	0.33	0.31	-0.01	-0.02
Residual fuel oil	0.55	0.45	0.43	0.44	0.52	0.35	0.33	0.36	0.33	-0.03	-0.12
Other products	0.55	0.49	0.47	0.49	0.54	0.40	0.38	0.45	0.41	-0.04	-0.09
Total	**4.69**	**4.53**	**4.28**	**4.72**	**5.02**	**3.87**	**3.77**	**3.92**	**3.90**	**-0.03**	**-0.48**
Germany											
LPG and ethane	0.10	0.11	0.11	0.10	0.09	0.10	0.10	0.10	0.10	0.00	-0.01
Naphtha	0.38	0.40	0.38	0.39	0.43	0.41	0.41	0.45	0.42	-0.03	0.03
Motor gasoline	0.43	0.43	0.45	0.42	0.41	0.43	0.44	0.47	0.44	-0.03	-0.01
Jet and kerosene	0.19	0.18	0.20	0.18	0.17	0.19	0.20	0.21	0.23	0.02	0.02
Diesel	0.67	0.68	0.73	0.69	0.68	0.71	0.69	0.77	0.74	-0.03	0.02
Other gasoil	0.40	0.41	0.36	0.40	0.38	0.31	0.28	0.32	0.34	0.02	0.00
Residual fuel oil	0.13	0.13	0.12	0.12	0.12	0.10	0.08	0.11	0.12	0.01	0.00
Other products	0.08	0.07	0.09	0.07	0.05	0.06	0.06	0.06	0.06	0.00	-0.03
Total	**2.39**	**2.40**	**2.44**	**2.37**	**2.33**	**2.32**	**2.26**	**2.49**	**2.46**	**-0.03**	**0.04**
Italy											
LPG and ethane	0.10	0.11	0.09	0.11	0.10	0.09	0.09	0.09	0.08	-0.01	0.00
Naphtha	0.08	0.08	0.07	0.06	0.07	0.06	0.06	0.06	0.07	0.02	0.00
Motor gasoline	0.22	0.21	0.23	0.22	0.20	0.21	0.20	0.21	0.20	-0.01	-0.03
Jet and kerosene	0.09	0.09	0.11	0.09	0.08	0.10	0.10	0.11	0.12	0.01	0.01
Diesel	0.47	0.45	0.45	0.45	0.44	0.48	0.51	0.55	0.45	-0.10	0.03
Other gasoil	0.10	0.11	0.11	0.12	0.08	0.06	0.05	0.05	0.05	-0.01	-0.05
Residual fuel oil	0.11	0.08	0.08	0.08	0.07	0.06	0.07	0.07	0.07	0.00	-0.02
Other products	0.21	0.19	0.20	0.20	0.15	0.16	0.16	0.17	0.15	-0.02	-0.03
Total	**1.37**	**1.32**	**1.35**	**1.33**	**1.21**	**1.22**	**1.23**	**1.32**	**1.19**	**-0.13**	**-0.09**
France											
LPG and ethane	0.11	0.11	0.08	0.11	0.12	0.09	0.08	0.08	0.08	0.00	0.00
Naphtha	0.14	0.15	0.16	0.11	0.17	0.16	0.17	0.17	0.17	0.01	0.00
Motor gasoline	0.18	0.17	0.19	0.17	0.16	0.18	0.19	0.20	0.18	-0.01	-0.01
Jet and kerosene	0.15	0.15	0.16	0.15	0.14	0.15	0.16	0.17	0.17	0.00	0.01
Diesel	0.69	0.69	0.71	0.70	0.66	0.70	0.72	0.75	0.64	-0.11	-0.02
Other gasoil	0.27	0.29	0.26	0.29	0.28	0.21	0.22	0.23	0.22	-0.01	-0.02
Residual fuel oil	0.07	0.06	0.06	0.06	0.05	0.05	0.04	0.05	0.05	0.00	-0.01
Other products	0.15	0.15	0.16	0.13	0.11	0.14	0.16	0.19	0.15	-0.04	0.00
Total	**1.77**	**1.77**	**1.79**	**1.71**	**1.69**	**1.69**	**1.73**	**1.84**	**1.68**	**-0.16**	**-0.05**
United Kingdom											
LPG and ethane	0.11	0.11	0.11	0.09	0.12	0.12	0.12	0.12	0.09	-0.03	0.00
Naphtha	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.03	0.04	0.00	0.01
Motor gasoline	0.32	0.31	0.31	0.30	0.29	0.31	0.32	0.29	0.31	0.02	0.00
Jet and kerosene	0.31	0.31	0.32	0.33	0.32	0.29	0.29	0.29	0.33	0.04	0.03
Diesel	0.45	0.46	0.46	0.48	0.46	0.49	0.50	0.47	0.49	0.02	0.02
Other gasoil	0.13	0.12	0.13	0.11	0.11	0.12	0.12	0.12	0.12	0.00	-0.01
Residual fuel oil	0.05	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.00	-0.01
Other products	0.14	0.13	0.13	0.12	0.12	0.13	0.14	0.14	0.12	-0.02	-0.02
Total	**1.53**	**1.51**	**1.52**	**1.48**	**1.47**	**1.51**	**1.54**	**1.50**	**1.53**	**0.04**	**0.02**
Canada											
LPG and ethane	0.40	0.45	0.40	0.46	0.44	0.39	0.35	0.33	0.36	0.03	-0.05
Naphtha	0.09	0.09	0.09	0.08	0.09	0.10	0.09	0.10	0.10	0.00	0.02
Motor gasoline	0.79	0.82	0.86	0.80	0.81	0.85	0.89	0.90	0.88	-0.02	0.03
Jet and kerosene	0.10	0.10	0.12	0.10	0.10	0.09	0.09	0.11	0.12	0.01	-0.02
Diesel	0.30	0.29	0.29	0.27	0.29	0.29	0.30	0.28	0.27	-0.01	-0.02
Other gasoil	0.27	0.31	0.30	0.34	0.34	0.29	0.31	0.32	0.34	0.02	0.04
Residual fuel oil	0.06	0.06	0.05	0.05	0.07	0.05	0.05	0.06	0.06	0.00	0.01
Other products	0.34	0.32	0.31	0.33	0.29	0.29	0.32	0.35	0.34	-0.01	0.03
Total	**2.35**	**2.43**	**2.44**	**2.42**	**2.42**	**2.36**	**2.41**	**2.45**	**2.46**	**0.01**	**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)

	2013	2014	2015	2Q14	3Q14	4Q14	1Q15	2Q15	Aug 14	Sep 14	Oct 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.50	9.62				9.50	9.53	9.58
Iran	2.68			2.84	2.78				2.80	2.78	2.76
Iraq	3.08			3.33	3.21				3.14	3.36	3.32
UAE	2.76			2.74	2.81				2.82	2.78	2.74
Kuwait	2.55			2.58	2.65				2.68	2.67	2.72
Neutral Zone	0.52			0.43	0.38				0.35	0.40	0.20
Qatar	0.73			0.71	0.72				0.73	0.69	0.69
Angola	1.72			1.63	1.71				1.71	1.72	1.72
Nigeria	1.95			1.91	1.89				1.88	1.89	1.88
Libya	0.90			0.23	0.57				0.53	0.78	0.87
Algeria	1.15			1.14	1.15				1.15	1.13	1.13
Ecuador	0.52			0.55	0.56				0.56	0.56	0.54
Venezuela	2.50			2.48	2.48				2.48	2.48	2.46
Total Crude Oil	30.46			30.08	30.51				30.31	30.75	30.60
Total NGLs[1]	6.26	6.42	6.71	6.34	6.49	6.51	6.66	6.70	6.49	6.49	6.51
Total OPEC	**36.72**			**36.42**	**37.00**				**36.80**	**37.24**	**37.11**
NON-OPEC[2]											
OECD											
Americas[6]	17.11	18.60	19.54	18.61	18.72	18.96	19.31	19.38	18.81	18.70	18.96
United States[b]	10.24	11.68	12.63	11.68	11.83	12.19	12.37	12.59	11.82	11.94	12.19
Mexico	2.89	2.79	2.63	2.85	2.76	2.67	2.68	2.66	2.78	2.76	2.72
Canada	3.97	4.13	4.27	4.08	4.11	4.09	4.25	4.12	4.20	3.99	4.04
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.35	3.33	3.25	3.25	3.17	3.38	3.34	3.17	3.05	3.17	3.36
UK	0.89	0.89	0.92	0.90	0.70	0.97	0.96	0.93	0.54	0.77	0.93
Norway	1.85	1.86	1.77	1.79	1.89	1.83	1.81	1.68	1.90	1.83	1.85
Others	0.61	0.57	0.56	0.56	0.58	0.58	0.57	0.56	0.60	0.57	0.58
Asia Oceania[8]	0.48	0.50	0.54	0.49	0.51	0.52	0.53	0.55	0.50	0.52	0.51
Australia	0.40	0.42	0.46	0.41	0.43	0.44	0.45	0.47	0.42	0.44	0.43
Others	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Total OECD	**20.93**	**22.43**	**23.34**	**22.36**	**22.40**	**22.86**	**23.19**	**23.10**	**22.37**	**22.39**	**22.84**
NON-OECD											
Former USSR	13.88	13.89	13.83	13.84	13.83	13.89	13.98	13.85	13.86	13.95	13.85
Russia	10.88	10.93	10.89	10.92	10.84	10.96	11.01	10.93	10.85	10.96	10.92
Others	3.00	2.96	2.94	2.91	2.99	2.93	2.98	2.93	3.01	2.99	2.93
Asia	7.67	7.62	7.71	7.66	7.55	7.58	7.69	7.69	7.52	7.62	7.54
China	4.18	4.20	4.23	4.23	4.17	4.16	4.22	4.23	4.16	4.22	4.15
Malaysia	0.64	0.65	0.69	0.66	0.63	0.66	0.69	0.69	0.62	0.65	0.63
India	0.88	0.87	0.87	0.87	0.86	0.87	0.87	0.87	0.84	0.86	0.87
Indonesia	0.87	0.83	0.80	0.84	0.83	0.81	0.81	0.78	0.83	0.82	0.82
Others	1.10	1.07	1.12	1.06	1.06	1.08	1.10	1.12	1.07	1.06	1.07
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Americas	4.17	4.36	4.64	4.28	4.44	4.50	4.54	4.65	4.44	4.48	4.53
Brazil[b]	2.12	2.33	2.50	2.28	2.40	2.46	2.43	2.51	2.41	2.44	2.48
Argentina	0.63	0.62	0.62	0.62	0.62	0.61	0.61	0.61	0.62	0.63	0.62
Colombia	1.01	0.99	1.11	0.97	1.00	1.00	1.08	1.11	1.00	1.00	1.01
Others	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.41	0.41	0.43
Middle East[3]	1.35	1.32	1.28	1.32	1.30	1.30	1.29	1.28	1.31	1.30	1.30
Oman	0.95	0.95	0.94	0.95	0.95	0.94	0.95	0.94	0.95	0.95	0.94
Syria	0.06	0.03	0.03	0.03	0.04	0.04	0.03	0.03	0.04	0.04	0.04
Yemen	0.15	0.15	0.11	0.15	0.13	0.13	0.12	0.12	0.13	0.13	0.13
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.30	2.32	2.33	2.31	2.30	2.30	2.35	2.33	2.29	2.30	2.30
Egypt	0.73	0.70	0.68	0.70	0.69	0.68	0.68	0.68	0.69	0.69	0.68
Gabon	0.24	0.24	0.23	0.24	0.23	0.24	0.23	0.23	0.22	0.24	0.24
Others	1.33	1.38	1.41	1.36	1.38	1.39	1.43	1.41	1.38	1.37	1.38
Total Non-OECD	**29.52**	**29.64**	**29.93**	**29.56**	**29.55**	**29.70**	**29.99**	**29.94**	**29.55**	**29.79**	**29.67**
Processing gains[4]	2.18	2.21	2.22	2.19	2.24	2.22	2.22	2.22	2.24	2.24	2.22
Global Biofuels[b]	2.00	2.12	2.20	2.24	2.42	2.14	1.79	2.22	2.52	2.51	2.38
TOTAL NON-OPEC	**54.63**	**56.40**	**57.68**	**56.34**	**56.61**	**56.92**	**57.18**	**57.48**	**56.68**	**56.93**	**57.10**
TOTAL SUPPLY	**91.35**			**92.77**	**93.62**				**93.48**	**94.17**	**94.21**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	May2014	Jun2014	Jul2014	Aug2014	Sep2014*	Sep2011	Sep2012	Sep2013	4Q2013	1Q2014	2Q2014	3Q2014
OECD Americas												
Crude	538.5	529.8	519.3	512.2	511.8	468.9	512.6	522.1	-0.25	0.26	0.08	-0.20
Motor Gasoline	252.4	252.6	251.9	245.1	243.4	250.6	236.1	253.9	0.08	-0.02	-0.07	-0.10
Middle Distillate	194.6	191.3	194.8	198.3	204.2	230.2	203.8	206.4	-0.10	-0.13	0.06	0.14
Residual Fuel Oil	47.8	44.8	44.6	46.0	45.1	43.3	45.3	43.0	0.03	-0.03	0.01	0.00
Total Products[3]	674.2	684.5	703.2	713.1	719.8	703.3	695.6	714.9	-0.47	-0.37	0.51	0.38
Total[4]	1376.7	1381.5	1395.2	1401.5	1408.4	1340.7	1384.8	1403.6	-0.95	-0.06	0.78	0.29
OECD Europe												
Crude	319.1	315.2	307.7	300.2	307.7	310.4	311.1	310.8	-0.04	0.05	0.04	-0.08
Motor Gasoline	86.3	83.4	81.9	86.5	84.3	89.8	93.6	89.7	-0.02	0.05	-0.10	0.01
Middle Distillate	252.8	248.4	253.2	267.1	263.6	262.2	265.0	259.7	-0.09	-0.03	-0.01	0.16
Residual Fuel Oil	71.1	68.3	66.8	70.1	66.5	78.7	77.3	72.2	-0.06	-0.06	0.08	-0.02
Total Products[3]	502.8	492.2	495.2	519.3	510.9	539.4	539.6	511.5	-0.16	-0.04	-0.01	0.20
Total[4]	889.5	877.4	869.8	890.1	888.7	914.5	917.0	883.6	-0.16	0.05	0.04	0.12
OECD Asia Oceania												
Crude	160.8	165.3	163.2	167.0	167.0	157.8	170.6	157.5	-0.14	0.28	-0.05	0.02
Motor Gasoline	25.2	24.4	23.2	22.6	23.2	24.8	27.5	24.5	-0.01	0.02	-0.01	-0.01
Middle Distillate	58.6	53.8	58.6	69.2	69.7	69.0	68.8	69.8	-0.02	-0.13	-0.02	0.17
Residual Fuel Oil	22.5	21.1	23.0	24.2	23.2	20.3	21.4	20.0	-0.01	0.02	0.00	0.02
Total Products[3]	163.8	156.9	165.4	179.3	183.7	182.8	184.1	182.1	-0.14	-0.10	-0.04	0.29
Total[4]	395.5	392.2	398.5	417.3	424.4	414.0	426.6	412.5	-0.34	0.20	-0.07	0.35
Total OECD												
Crude	1018.4	1010.3	990.2	979.3	986.5	937.1	994.2	990.4	-0.42	0.59	0.07	-0.26
Motor Gasoline	363.8	360.5	357.0	354.1	351.0	365.1	357.1	368.2	0.05	0.04	-0.18	-0.10
Middle Distillate	506.0	493.5	506.7	534.6	537.5	561.4	537.6	535.9	-0.21	-0.29	0.03	0.48
Residual Fuel Oil	141.4	134.1	134.4	140.2	134.8	142.3	144.0	135.2	-0.03	-0.07	0.09	0.01
Total Products[3]	1340.8	1333.5	1363.7	1411.7	1414.4	1425.4	1419.3	1408.5	-0.78	-0.51	0.46	0.88
Total[4]	2661.7	2651.1	2663.5	2708.9	2721.5	2669.2	2728.3	2699.7	-1.46	0.19	0.75	0.76

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			
	May2014	Jun2014	Jul2014	Aug2014	Sep2014*	Sep2011	Sep2012	Sep2013	4Q2013	1Q2014	2Q2014	3Q2014
OECD Americas												
Crude	691.0	691.0	691.0	691.0	691.0	696.0	695.0	696.0	0.00	0.00	-0.05	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	207.2	207.8	209.1	209.1	209.0	183.0	195.3	204.6	0.01	-0.03	0.05	0.01
Products	262.0	259.0	258.0	258.8	258.7	239.8	236.3	263.0	-0.03	0.03	-0.05	0.00
OECD Asia Oceania												
Crude	387.7	387.6	387.7	387.6	387.6	390.7	393.5	384.9	0.02	0.01	0.00	0.00
Products	30.5	31.0	31.0	31.0	31.0	18.7	20.0	28.3	0.02	0.00	0.00	0.00
Total OECD												
Crude	1285.9	1286.5	1287.7	1287.7	1287.6	1269.6	1283.8	1285.4	0.03	-0.01	-0.01	0.01
Products	293.6	291.0	290.0	290.8	290.7	258.5	257.3	292.3	-0.01	0.04	-0.04	0.00
Total[4]	1583.5	1581.3	1582.0	1582.7	1582.5	1529.5	1542.3	1581.9	0.02	0.02	-0.05	0.01

* 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 2013		End December 2013		End March 2014		End June 2014		End September 2014 [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
OECD Americas										
Canada	182.9	75	170.0	70	174.2	75	178.8	-	-	-
Chile	11.2	35	9.8	30	9.5	30	10.6	-	-	-
Mexico	50.0	25	48.7	25	47.6	24	47.3	-	-	-
United States[4]	1834.4	95	1762.4	94	1754.0	94	1814.7	-	-	-
Total[4]	2100.6	86	2013.0	84	2007.5	85	2073.5	86	2100.4	86
OECD Asia Oceania										
Australia	36.6	33	36.8	34	36.8	34	36.3	-	-	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	590.7	125	575.3	115	585.8	151	585.1	-	-	-
Korea	190.7	80	177.8	75	186.5	80	180.3	-	-	-
New Zealand	7.6	48	8.3	51	8.1	55	9.2	-	-	-
Total	825.7	96	798.2	90	817.3	107	810.9	105	843.0	101
OECD Europe[5]										
Austria	20.6	79	21.6	91	22.3	82	20.8	-	-	-
Belgium	39.4	66	41.0	66	42.5	70	43.7	-	-	-
Czech Republic	20.3	103	20.0	110	19.3	95	18.9	-	-	-
Denmark	21.3	138	23.7	157	19.6	126	23.1	-	-	-
Estonia	1.4	47	1.6	55	1.7	56	1.7	-	-	-
Finland	41.0	206	39.0	211	37.9	194	39.0	-	-	-
France	166.1	97	167.5	99	167.2	99	168.1	-	-	-
Germany	286.3	121	289.9	124	289.2	125	291.7	-	-	-
Greece	26.7	95	25.6	101	24.9	92	25.6	-	-	-
Hungary	15.9	113	15.6	123	15.2	110	15.6	-	-	-
Ireland	10.7	76	10.0	70	11.0	80	9.6	-	-	-
Italy	130.8	99	125.1	104	122.5	100	121.6	-	-	-
Luxembourg	0.7	11	0.7	13	0.7	12	0.8	-	-	-
Netherlands	120.7	122	115.5	121	122.5	119	127.4	-	-	-
Norway	27.9	121	28.7	123	28.6	121	27.4	-	-	-
Poland	61.9	118	60.4	129	60.2	119	58.5	-	-	-
Portugal	22.1	89	23.1	105	23.8	98	22.5	-	-	-
Slovak Republic	8.3	104	8.8	127	9.6	136	8.8	-	-	-
Slovenia	4.9	89	4.7	103	4.9	102	4.8	-	-	-
Spain	120.3	99	111.6	93	117.4	99	118.2	-	-	-
Sweden	25.8	94	28.2	104	27.5	90	26.4	-	-	-
Switzerland	37.2	129	35.9	165	36.4	159	36.2	-	-	-
Turkey	63.2	87	62.3	98	62.7	87	62.5	-	-	-
United Kingdom	81.8	55	77.9	53	76.6	51	75.2	-	-	-
Total	1355.3	100	1338.5	103	1344.2	100	1348.0	97	1360.6	100
Total OECD	**4281.6**	**92**	**4149.7**	**91**	**4169.0**	**93**	**4232.4**	**92**	**4303.9**	**93**
DAYS OF IEA Net Imports[6]	**-**	**161**	**-**	**157**	**-**	**158**	**-**	**170**	**-**	**-**

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 2014 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]		
3Q2011	4199	1529	2669	90	33	57
4Q2011	4141	1536	2605	90	33	56
1Q2012	4193	1536	2657	92	34	59
2Q2012	4226	1539	2687	92	34	59
3Q2012	4271	1542	2728	92	33	59
4Q2012	4210	1547	2663	92	34	58
1Q2013	4246	1581	2664	93	35	59
2Q2013	4237	1577	2660	91	34	57
3Q2013	4282	1582	2700	92	34	58
4Q2013	4150	1584	2566	91	35	56
1Q2014	4169	1586	2583	93	35	58
2Q2014	4232	1581	2651	92	35	58
3Q2014	4304	1582	2721	93	34	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 3Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

											Year Earlier	
	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	Jun 14	Jul 14	Aug 14	Aug 13	change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.85	0.76	0.79	0.75	0.77	0.50	0.43	0.72	-0.29
Europe	0.83	0.85	0.79	0.86	0.77	0.73	0.87	0.75	0.80	0.98	0.75	0.23
Asia Oceania	1.24	1.26	1.21	1.16	1.25	1.27	1.17	1.01	1.07	1.05	1.24	-0.19
Saudi Medium												
Americas	0.37	0.44	0.45	0.44	0.47	0.44	0.40	0.30	0.39	0.32	0.44	-0.11
Europe	0.02	0.05	0.01	0.02	0.02	0.01	0.01	0.01	0.03	0.02	0.03	-0.01
Asia Oceania	0.40	0.45	0.43	0.43	0.45	0.45	0.40	0.39	0.57	0.47	0.40	0.08
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.40	0.31	0.37	0.33	0.40	0.60	0.57	0.43	0.15
Europe	0.11	0.26	0.25	0.34	0.22	0.29	0.51	0.62	0.49	0.51	0.36	0.15
Asia Oceania	0.34	0.33	0.31	0.30	0.24	0.28	0.20	0.21	0.15	0.26	0.29	-0.04
Kuwait Blend												
Americas	0.08	0.22	0.28	0.30	0.30	0.33	0.29	0.32	0.32	0.25	0.34	-0.09
Europe	0.08	0.09	0.10	0.12	0.07	0.07	0.12	0.12	0.05	0.06	0.13	-0.07
Asia Oceania	0.57	0.65	0.64	0.63	0.65	0.71	0.56	0.58	0.60	0.63	0.54	0.09
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.06	0.05	0.10	0.06	0.06	0.12	0.12	0.06	0.06
Asia Oceania	0.04	0.02	0.00	0.01	-	0.01	-	-	-	0.05	0.02	0.03
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.04	0.03	0.00	0.04	0.03	0.01	0.01	0.04	-0.04
Asia Oceania	0.51	0.33	0.30	0.31	0.24	0.33	0.26	0.33	0.26	0.28	0.26	0.03
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.61	0.62	0.62	0.62	0.60	0.70	0.74	0.52	0.23
Europe	0.05	0.08	0.07	0.10	0.04	0.08	0.08	0.07	0.09	0.11	0.09	0.03
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.70	0.79	0.64	0.66	0.62	0.61	0.73	0.72	0.01
Europe	0.12	0.14	0.14	0.14	0.13	0.15	0.13	0.13	0.13	0.13	0.15	-0.02
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.44	1.53	1.56	1.67	1.49	1.76	1.73	1.41	0.33
Europe	-	-	-	-	-	0.00	0.01	0.02	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	-	-	-	-	-	-
BFOE												
Americas	0.06	0.02	0.03	0.02	0.01	0.02	-	-	-	-	0.03	-
Europe	0.64	0.55	0.47	0.52	0.46	0.53	0.58	0.39	0.45	0.56	0.42	0.14
Asia Oceania	0.02	0.07	0.06	0.02	0.05	0.16	0.07	0.07	-	-	-	-
Russian Urals												
Americas	0.01	0.00	0.00	-	-	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.64	1.76	1.74	1.68	1.87	1.66	1.50	1.60	-0.10
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.09	0.05	0.02	-	-	-	-	0.10	-
Europe	0.62	0.53	0.59	0.59	0.57	0.60	0.71	0.71	0.63	0.45	0.56	-0.10
Asia Oceania	-	-	0.00	-	-	0.02	0.01	-	0.03	0.04	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.42	0.22	0.23	0.13	0.12	0.09	0.27	0.44	-0.18
Asia Oceania	0.01	0.04	0.03	0.02	0.02	-	0.02	-	0.01	0.05	0.04	0.02
Nigerian Light[4]												
Americas	0.53	0.24	0.07	0.01	-	0.01	-	-	-	-	0.03	-
Europe	0.45	0.58	0.53	0.46	0.57	0.58	0.51	0.52	0.61	0.64	0.37	0.27
Asia Oceania	0.05	0.04	0.03	0.03	0.02	0.03	0.04	0.03	0.03	0.04	0.03	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 Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	3Q13	4Q13	1Q14	2Q14	Jun 14	Jul 14	Aug 14	Year Earlier Aug 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5130	5509	4670	4385	4308	4083	4592	4370	5595	-22%
Europe	8988	9346	8921	9112	8399	8201	8480	8243	8812	9043	9046	0%
Asia Oceania	6609	6761	6553	6465	6519	6954	5931	5966	6284	6352	6371	0%
Total OECD	22468	22208	20604	21086	19588	19541	18718	18292	19688	19766	21012	-6%
LPG												
Americas	30	20	17	4	14	19	9	7	8	3	5	-42%
Europe	318	287	382	361	412	386	410	397	405	502	392	28%
Asia Oceania	568	620	546	524	517	544	532	549	565	519	478	9%
Total OECD	916	927	945	890	942	949	950	953	979	1024	875	17%
Naphtha												
Americas	42	20	17	16	11	28	23	18	19	14	18	-23%
Europe	298	381	313	305	323	342	360	382	318	285	286	-1%
Asia Oceania	884	900	927	866	949	1040	891	852	877	862	880	-2%
Total OECD	1224	1301	1257	1187	1284	1410	1274	1252	1214	1160	1184	-2%
Gasoline[3]												
Americas	762	730	659	637	583	550	746	668	710	683	708	-3%
Europe	222	212	106	121	92	152	124	147	85	70	141	-51%
Asia Oceania	95	86	83	73	72	89	95	80	56	63	66	-4%
Total OECD	1079	1028	848	831	747	791	965	895	851	816	915	-11%
Jet & Kerosene												
Americas	77	73	81	93	99	81	114	100	80	52	120	-57%
Europe	397	398	446	509	512	384	454	451	619	511	566	-10%
Asia Oceania	58	62	74	53	82	57	50	39	38	43	68	-38%
Total OECD	532	533	602	655	693	521	618	589	737	605	755	-20%
Gasoil/Diesel												
Americas	72	59	58	46	21	200	44	6	19	39	68	-43%
Europe	1044	984	1120	1170	1278	1095	1097	1103	1144	1109	1033	7%
Asia Oceania	147	185	162	137	170	152	221	215	214	135	118	14%
Total OECD	1263	1227	1340	1352	1468	1447	1362	1324	1376	1284	1219	5%
Heavy Fuel Oil												
Americas	268	206	165	193	155	162	102	127	91	76	206	-63%
Europe	537	521	552	613	539	595	648	543	613	740	601	23%
Asia Oceania	153	224	242	221	290	304	205	175	186	198	292	-32%
Total OECD	958	951	959	1027	985	1061	955	845	890	1014	1099	-8%
Other Products												
Americas	871	813	812	902	746	619	726	639	726	678	834	-19%
Europe	700	636	792	764	800	755	796	876	637	777	822	-5%
Asia Oceania	366	356	385	404	382	461	353	309	407	398	377	6%
Total OECD	1937	1805	1989	2070	1928	1835	1875	1824	1769	1853	2033	-9%
Total Products												
Americas	2122	1921	1810	1891	1629	1659	1765	1564	1652	1544	1959	-21%
Europe	3516	3419	3710	3843	3955	3708	3888	3898	3820	3993	3842	4%
Asia Oceania	2271	2432	2420	2279	2463	2646	2347	2220	2344	2218	2279	-3%
Total OECD	7909	7773	7940	8013	8048	8013	8000	7682	7816	7755	8079	-4%
Total Oil												
Americas	8993	8022	6940	7400	6300	6044	6072	5648	6244	5914	7554	-22%
Europe	12504	12765	12632	12955	12354	11909	12368	12141	12632	13037	12888	1%
Asia Oceania	8880	9194	8973	8744	8982	9600	8278	8185	8628	8570	8650	-1%
Total OECD	30377	29981	28544	29099	27635	27554	26718	25974	27504	27520	29092	-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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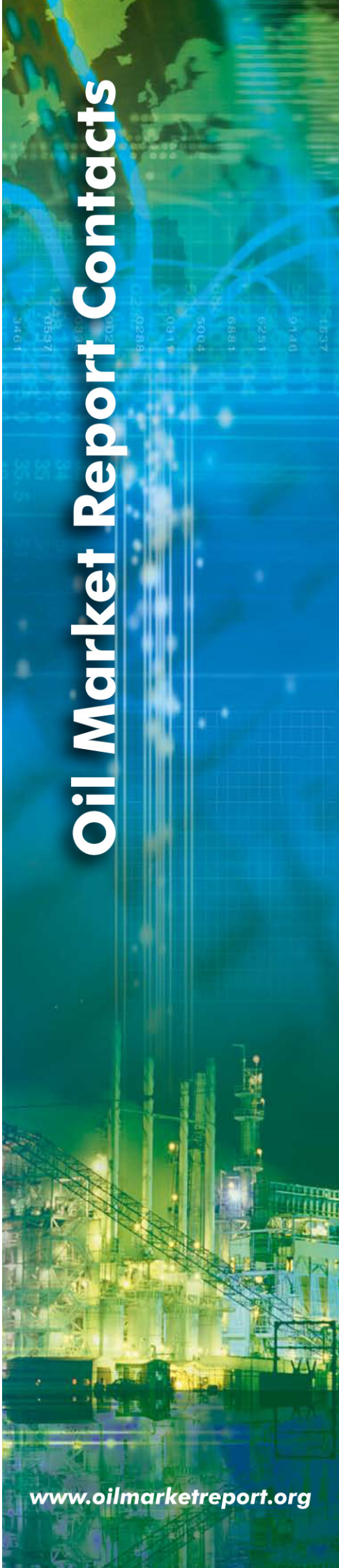
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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2014), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

Next Issue: 12 December 2014





International Energy Agency

12 December 2014

HIGHLIGHTS

- **Oil prices continued to plunge in November and into early December.** The selloff gained pace after OPEC on 27 November decided to keep its output target unchanged. ICE Brent was last trading at a five-year low of $64.05/bbl, down more than 40% from June, and NYMEX WTI at $60.45/bbl.

- **The outlook for global oil demand growth for 2015 has been cut by 230 kb/d to 0.9 mb/d** on lower expectations for the FSU and other oil-exporting countries. A strong dollar and the lifting of subsidies have so far limited supportive price effects on demand, which is now seen reaching 93.3 mb/d next year, from 92.4 mb/d in 2014.

- **Global production fell by 340 kb/d in November to 94.1 mb/d** on lower OPEC supplies. Annual gains of 2.1 mb/d were split evenly between OPEC and non-OPEC. Surging US light tight oil supply looks set to push total non-OPEC production to record growth of 1.9 mb/d this year, but the pace is expected to slow to 1.3 mb/d in 2015.

- **OPEC crude supply declined by 315 kb/d in November to 30.32 mb/d after Libya's recovery stumbled**, but stood 765 kb/d higher year-on-year. The 'call on OPEC crude and stock change' for 2015 has been revised down by 300 kb/d to 28.9 mb/d. The 'call' is expected to decline seasonally by 1.2 mb/d from 4Q14 to 1Q15.

- **Global refinery crude throughputs bounced back in November from a seasonal low of 76.8 mb/d in October.** The estimate of 4Q14 throughputs has been revised sharply higher since the last *Report*, to 78 mb/d, as refiners apparently took advantage of healthy margins ahead of a flurry of refinery start-ups expected in early 2015.

- **OECD industry stocks built counter-seasonally in October to 2 720 mb**, their highest level in more than two years. Stocks ended at a surplus to their five-year average for the first time since March 2013. Rising crude supply and peak seasonal refinery maintenance saw crude stocks surge by 34.4 mb and product stocks fall by 30.7 mb.

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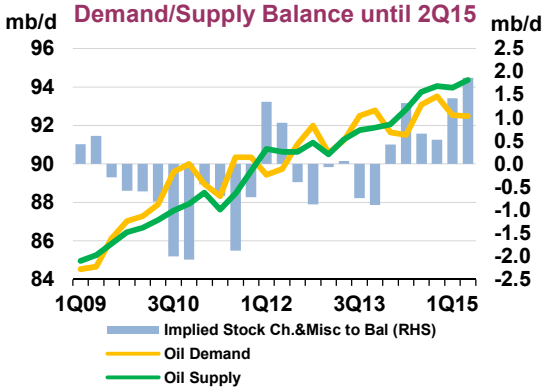
LAG TIME

As oil prices keep plunging, projections of short-term supply and demand balances stay the same – more or less – in the wake of OPEC's decision last month to leave its production target unchanged. Since the last *Report*, futures benchmark prices fell by another $15/barrel, with Brent last trading near $65/barrel and WTI in the low $60s, 40% below their June highs. Several years of record high prices have induced the root cause of today's rout: a surge in non-OPEC supply to its highest growth ever and a contraction in demand growth to five-year lows.

Barring a disorderly production response, it may well take some time for supply and demand to respond to the price rout. Here's why.

When it comes to supply, lower oil prices are already slashing producers' spending, but this is more likely to affect medium- and long-term output than short-term supplies. So long is the lead of oil projects that price swings can take time to work their way through to supply. Projects that have already been funded will for the most part go on. Non-OPEC supply growth for 2015 will not come close to its 2014 record, but prices have little to do with it – as things stand now. The short-term outlook for US light tight oil production remains unchanged at current prices as long as producers maintain access to financing. Only in Russia is oil's plunge, along with sanctions and a collapsing currency, likely to trim 2015 production plans. A lower forecast of Russian supply is offset, however, by upward revisions to North American projections in view of the latest production data.

As for demand, oil price drops are sometimes described as a "tax cut" and a boon for the economy, but this time round their stimulus effect may be modest. For producer countries, lower prices are a negative: the more dependent on oil revenues they are and the lower their financial reserves, the more adverse the impact on the economy and domestic demand. Russia, along with other oil-dependent but cash-constrained economies, will not only produce less but is likely to consume less next year.



In oil-importing countries, price effects are asymmetrical: Demand lost to substitution or efficiency gains during prolonged periods of high prices will not come back in a selloff. Several governments are wisely taking advantage of the price drop to cut subsidies. Consumers thus might not see much of the decline. The dollar's strength and oil sale taxes in some countries will also limit the feed-through from crude oil to retail product prices. In the OECD, a tepid economic recovery, weak wage growth and - last but not least – worrying deflationary pressures will further blunt the stimulus of lower prices.

Based on current projections of still relatively weak demand growth and robust supply, global oil inventories would notionally build by close to 300 mb in 1H15 in the absence of disruption, shut-ins or cut in OPEC production. If half of this took place in the OECD, stocks there would approach 2 900 mb and possibly bump against storage capacity limits. The resulting downward price pressure would raise the risk of social instability or financial difficulties if producers found it difficult to pay back debt.

Meanwhile OECD refining margins, which gained from lower feedstock costs in 4Q14, will likely come under downward pressures in 1Q15, as product stocks rebuild in the wake of surprisingly strong runs and as much as 1.4 mb/d of new refining capacity comes online.

Continued price declines would for some countries and companies make an already difficult situation even worse. Today's oil spending cuts will dent supply – just not right now.

DEMAND

Summary

- **The forecast of global oil demand growth for 2015 has been trimmed by 230 kb/d to 0.9 mb/d,** on the back of reduced expectations for the FSU, bringing global demand to an average 93.3 mb/d. While demand growth is still expected to gain momentum in 2015, from 2014, the acceleration is now looking more modest than previously foreseen, in line with the ever more tentative pace of the global economic recovery. The adverse impact of the oil price rout on oil-exporting economies looks likely to offset, if not exceed, the stimulus it could provide for oil importing countries against a backdrop of weak economic growth and low inflation.

- **The Russian forecast has been hit particularly hard by the market selloff**, with the forecast for 2015 revised down by 195 kb/d, to 3.4 mb/d, attributable to the darker macroeconomic outlook and with heightened associated risks skewed towards the downside. The impact of economic sanctions and uncertainty over Russia's policy towards Ukraine will likely aggravate price effects.

- **The estimate of global oil demand growth for 2014 is unchanged from last month's *Report* at 0.7 mb/d.** This five-year low results from a sharp slowdown in Chinese oil demand growth and steep contractions in Europe and Japan. Deliveries averaged 92.4 mb/d in 2014.

- **Sharply lower oil prices since mid-June have, to date, led to little positive impact on global oil product demand,** as 3Q14 deliveries edged up by 575 kb/d on a year-on-year (y-o-y) basis with only a modest acceleration, to 730 kb/d, foreseen in 4Q14. Global demand momentum bottomed-out in 2Q14, when the y-o-y gain struggled to break 295 kb/d.

Global Oil Demand (2013-2015)

(million barrels per day)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Africa	3.9	3.9	3.7	3.8	3.8	3.9	3.9	3.8	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Americas	30.2	30.5	31.1	31.1	30.7	30.4	30.4	31.1	31.3	30.8	30.6	30.7	31.3	31.5	31.0
Asia/Pacific	30.7	29.8	29.8	30.9	30.3	31.2	30.1	29.9	31.2	30.6	31.6	30.6	30.7	31.8	31.2
Europe	13.8	14.5	14.6	14.2	14.3	13.7	14.1	14.6	14.2	14.1	13.8	14.1	14.4	14.1	14.1
FSU	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.5	4.6	4.8	4.7	4.6
Middle East	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.8	8.1	7.9	8.4	8.8	8.2	8.3
World	**90.6**	**91.2**	**92.5**	**92.8**	**91.8**	**91.6**	**91.5**	**93.1**	**93.5**	**92.4**	**92.5**	**92.5**	**94.0**	**94.4**	**93.3**
Annual Chg (%)	1.3	1.7	1.6	0.9	1.4	1.2	0.3	0.6	0.8	0.7	1.0	1.1	0.9	0.9	1.0
Annual Chg (mb/d)	1.1	1.5	1.5	0.8	1.2	1.1	0.3	0.6	0.7	0.7	0.9	1.0	0.9	0.9	0.9
Changes from last OMR (mb/d)	0.02	0.02	0.00	0.01	0.01	0.04	-0.03	0.03	-0.03	0.00	-0.11	-0.23	-0.27	-0.31	-0.23

Global overview

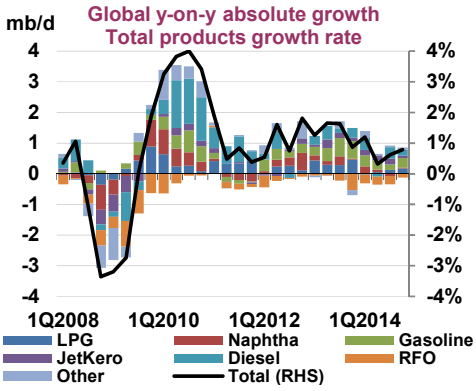
With oil prices down by roughly two-fifths from their mid-2014 peak, much talk has circulated recently as to whether lower oil prices could trigger additional oil product demand, potentially helping to bridge the apparent gap that currently exists between supply and demand. At present, however, the corrective-bias remains to the downside.

Heavily quoted in recent discussions on the topic has been International Monetary Fund (IMF) research indicating that a 25% drop in oil prices boosts oil demand by around 0.4 mb/d, however these numbers depend upon the critical assumption that "the decline in prices will-ceteris paribus-boost global growth" (*Global Prospects and Policy Challenges, 15 November 2014*). This 'all else being held equal' principle might not fully apply in the current market, however. For starters, weak oil demand was itself a key factor behind falling prices, with the presence of subsidies and/or consumption taxes diluting the

potential feed-through from lower crude oil prices to retail product prices in several key slower-growth countries. Increases in such consumption taxes and/or reductions in energy subsidies, as have recently occurred in China, Indonesia, Kuwait, India, Thailand, Egypt and Malaysia, look set to blunt the impact of lower crude oil prices on demand. Secondly, sharp declines in the value of many currencies, compared to the US dollar, have minimised, if not negated, the impact of lower crude prices on local-currency, retail product markets, even as they have raised the price of imported goods and services, thus putting a dampener on consumption.

Thirdly, lower oil prices significantly dent potential export revenues in net oil-exporting countries, slashing their income streams and in turn denting demand. In particularly cash-strapped economies, such as Venezuela and Russia, this impact is likely to be magnified as the risk of default escalates. Finally, falling oil prices potentially compound the already high risk of deflation in some OECD economies in Europe and Japan, potentially bringing with it the risk of lower economic growth as consumers conceivably put off today's purchasing decisions in the expectation of lower prices in the future. The net impact upon the 2015 global demand forecast of 93.3 mb/d is a reduction of 230 kb/d from last month's *Report*, with sharply lower estimates of Russian, Venezuelan, Kuwaiti and Iraqi demand made. Despite the downward revision, global oil product demand growth is forecast to accelerate in 2015 to 0.9 mb/d, an uptick from the five-year growth low of 0.7 mb/d projected for 2014.

Overall, global oil product demand momentum bottomed out for the year in 2Q14, at +295 kb/d y-o-y, before accelerating, to an estimated +575 kb/d, in 3Q14 as the relative decline in demand experienced in both North America and Europe eased. The 3Q14 demand estimate has been marginally revised up, by 25 kb/d, from last month's *Report*. Annual demand growth is projected to accelerate further in 4Q14, to 730 kb/d, supported by predictions of mildly firmer macroeconomic conditions and colder European temperatures.

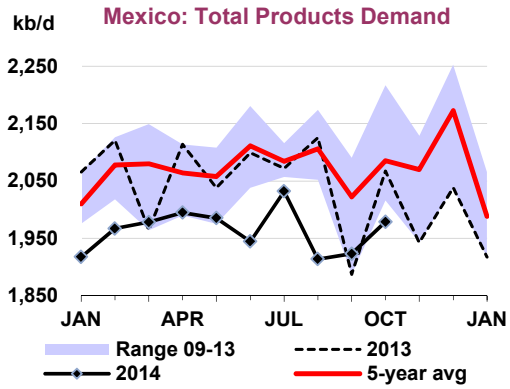


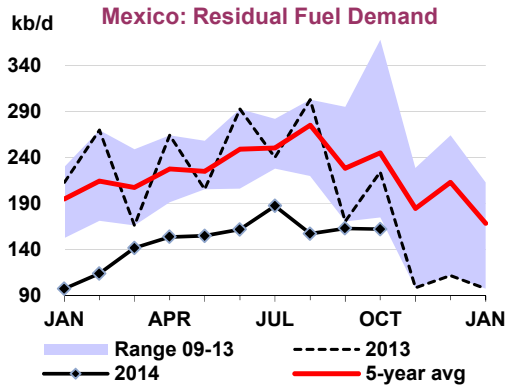
OECD

Ongoing efficiency gains, product switching and a generally anaemic macroeconomic backdrop, with the notable exception of a few economies such as the US, have combined to keep OECD oil demand on a generally declining trend. The pace of recent declines has however abated somewhat in recent months, in-line with the forecasts we have been carrying all year. After reaching -1.8% in 2Q14, the y-o-y decline in demand slowed to -1.2% in 3Q14 and is projected to narrow further to -0.4% for 4Q14. Preliminary estimates of October demand, down 0.9% y-o-y, support this forecast alongside the assumption of colder y-o-y weather conditions in November and December.

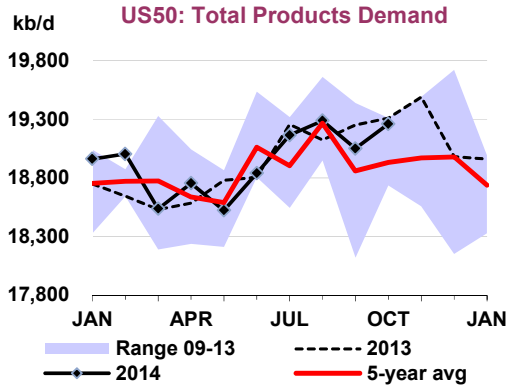
Americas

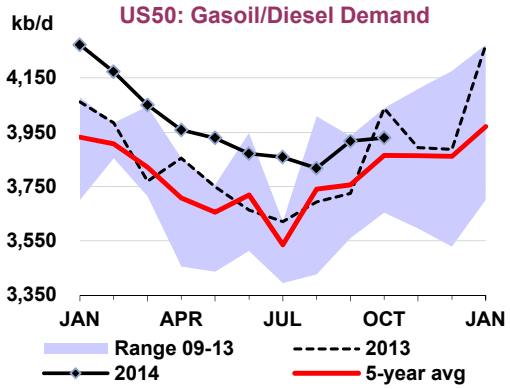
Relatively weak mid-2014 demand conditions in most of the key constituent countries – the US, Mexico and Chile – resulted in absolute y-o-y demand declines seen in 2Q14 and 3Q14. **Mexico** performed particularly poorly, as sharp declines in Mexican residual fuel oil demand (-38.2% y-o-y in 2Q14 and 29.1% lower y-o-y in 3Q14) brought down the overall metric. Heavy declines in Mexican residual fuel oil use is attributed to monopoly utility provider CFE increasingly switching to hydropower, on the plentiful rains that have been seen since 2013. Further downside pressure built as economic activity has generally struggled, as it's over one-and-a-half years since Mexican quarterly GDP growth exceeded 3% per annum.



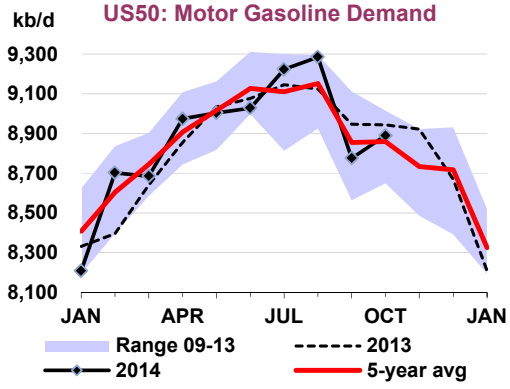


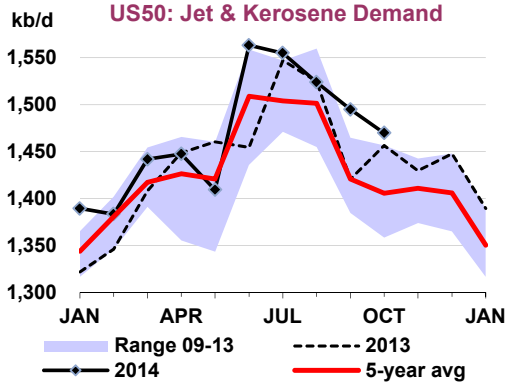
Less rapid declines were attributable to the **US**, as oil demand there fell by 0.1% in 2Q14, its first y-o-y drop in one-and-a-half years, followed by a 0.2% y-o-y decline in 3Q14. Notable weakness in US gasoline demand led the way, as did the absolute y-o-y descent posted in US petrochemical use, a contraction triggered by heavy maintenance closures at US petrochemical facilities.





The latest official data, for September, further emphasize the recent weakness in US gasoline demand, with a near-2% y-o-y drop reported to 8.8 mb/d. Escalating vehicle efficiencies likely drove this momentum, as the US Department of Transportation's Federal Highway Commission reported a gain of 2.3% y-o-y in US vehicle miles travelled in September. These additional miles travelled, coupled with the ongoing strength that has been depicted in the US economy, are likely to support modest gains in US gasoline demand in 4Q14 and into 2015.



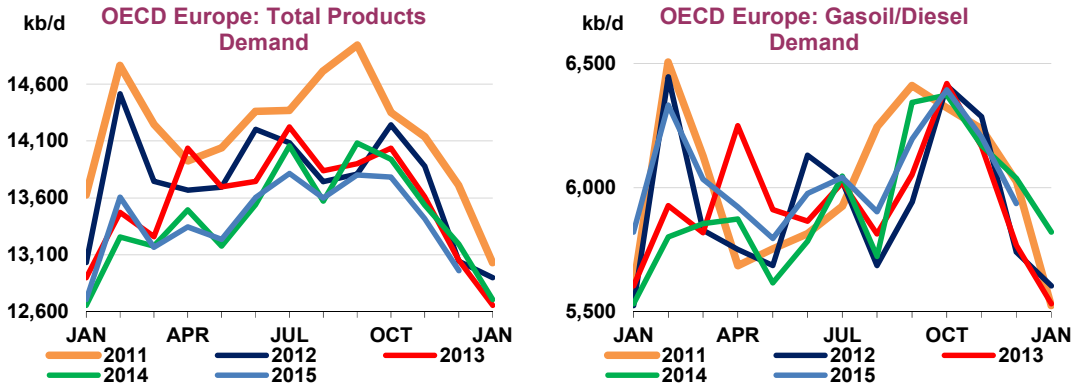


Preliminary estimates of US oil demand for October were in line with expectations, down 0.3% y-o-y to 19.3 mb/d. For the year as a whole, total US oil deliveries are roughly foreseen as unchanged on 2013 (+0.2%), averaging out at approximately 19.0 mb/d. Momentum is then expected to increase in 2015,

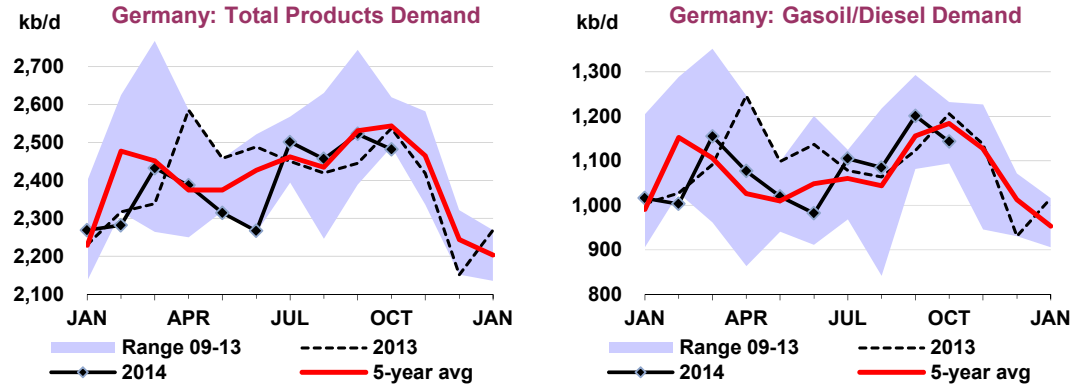
+0.5% to an average of around 19.1 mb/d, as lower oil prices and further increases in economic growth modestly stimulate projected US oil deliveries.

Europe

Weak demand conditions very much remain the overriding theme in Europe, although recent declines have been on a shallower tilt. Having fallen by 3.1% y-o-y in 2Q14, momentum eased back in 3Q14 (down 0.6%) with an even slighter drop foreseen for 4Q14 (-0.1% y-o-y) as the exceptionally mild winter weather conditions seen last year are unlikely to be repeated. The average number of heating degree days in 4Q13-1Q14 was roughly one-sixth below their seasonal norm, suggesting that anything closely approaching normal seasonal temperatures should provide some demand support. High consumer stocks in dominant European heating oil market Germany, however, limit this potential weather-related upside. Overall 3Q14 European demand, at 13.9 mb/d, has been revised up by 10 kb/d on last month's *Report* as notably higher estimates of Swedish (+35 kb/d), Spanish (+35 kb/d) and Belgian (+25 kb/d) September demand more than offset curtailments to the UK (-35 kb/d) and Italy (-25 kb/d).



Providing potential demand support in 2015, when the overall European forecast is for a relatively mild 0.4% dip, could be jet/kerosene (+0.7%), particularly if escalating pressure to have airline fuel surcharges removed bear fruit. Gerd Billen, the German Deputy Minister for Justice and Consumer Protection, is the latest senior figure to speak out against the continued use of airline surcharges despite the near-quarter decline in jet fuel prices seen since mid-2014. Additional, albeit modest, support for 2H15 European jet/kerosene demand came from the UK, where December's Autumn Statement included a provision to eradicate air passenger duties on children under 12 years of age, starting May 2015.



Preliminary estimates of **German** demand in October, at 2.5 mb/d, indicated their first y-o-y decline in four months, with sharply lower middle distillate demand being the main catalyst. Gasoil/diesel deliveries fell as industrial output declined (in y-o-y terms) for a second consecutive month in October, according to the latest Bundesbank data. Forward looking indicators, such as the manufacturing

Purchasing Managers' Index (PMI), imply a slight recovery in 1H15 hence the forecast uptick that we are assuming in German gasoil demand in 2015 (+1.5%), but only after a poor 4Q14. Overall, German oil product deliveries are expected to fall in both 2014 and 2015, as the downside influence from any forecast efficiency gains exceed any upside support provided by lower oil prices and/or an embryonic economic recovery.

OECD Demand based on Adjusted Preliminary Submissions - October 2014

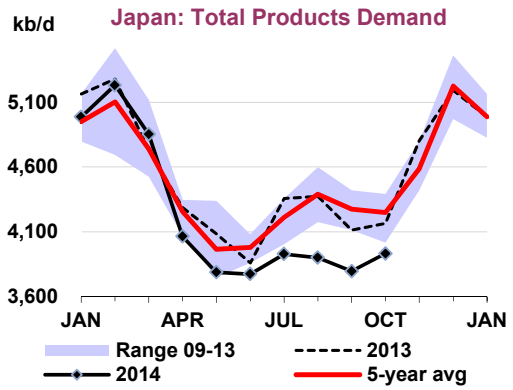
(million barrels per day)

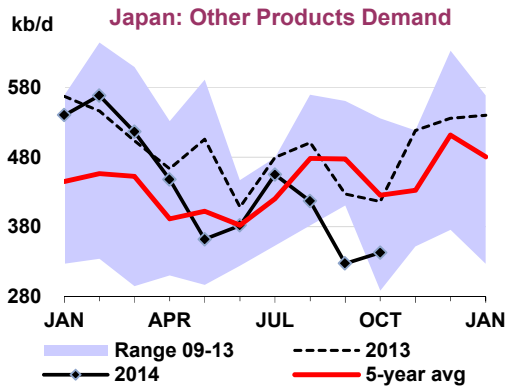
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD Americas*	**10.59**	**-0.5**	**1.69**	**0.9**	**4.70**	**-1.3**	**0.51**	**-15.9**	**0.61**	**-6.4**	**6.22**	**1.71**	**24.32**	**-0.5**
US50	8.89	-0.6	1.47	0.9	3.81	-1.7	0.12	-27.2	0.28	4.2	4.69	1.91	19.26	-0.3
Canada	0.81	1.6	0.10	-4.5	0.28	0.7	0.32	-13.3	0.06	33.4	0.82	3.80	2.39	0.2
Mexico	0.75	-1.7	0.06	6.3	0.38	-1.2	0.04	-5.3	0.16	-27.7	0.58	-1.81	1.98	-4.3
OECD Europe	**1.96**	**-0.9**	**1.28**	**1.3**	**4.74**	**0.6**	**1.63**	**-4.3**	**0.88**	**-8.5**	**3.45**	**0.97**	**13.94**	**-0.7**
Germany	0.45	0.7	0.19	-3.7	0.74	-0.2	0.40	-13.2	0.13	-2.7	0.57	2.64	2.48	-2.2
United Kingdom	0.29	-1.7	0.33	0.0	0.47	4.6	0.12	0.6	0.03	-11.3	0.24	7.69	1.48	2.1
France	0.18	-0.4	0.15	-1.0	0.74	0.0	0.30	-5.1	0.04	-35.9	0.35	-0.90	1.76	-2.4
Italy	0.22	-2.7	0.10	0.9	0.48	1.9	0.12	-9.7	0.08	-15.6	0.34	-9.62	1.34	-4.2
Spain	0.11	-0.7	0.12	5.4	0.44	1.9	0.16	-5.3	0.16	-4.8	0.24	6.25	1.23	0.9
OECD Asia & Oceania	**1.53**	**-0.9**	**0.78**	**-1.7**	**1.26**	**0.2**	**0.47**	**-3.3**	**0.58**	**-13.4**	**3.07**	**-1.96**	**7.70**	**-2.4**
Japan	0.91	-2.7	0.43	-4.4	0.43	-2.6	0.34	-5.2	0.33	-15.7	1.51	-6.08	3.93	-5.6
Korea	0.18	3.2	0.17	2.9	0.31	3.8	0.11	-0.8	0.20	-9.2	1.31	3.49	2.29	2.0
Australia	0.32	-1.0	0.14	-0.4	0.42	-0.2	0.00	25.0	0.03	-5.2	0.17	-2.01	1.09	-0.9
OECD Total	**14.09**	**-0.6**	**3.76**	**0.5**	**10.70**	**-0.3**	**2.61**	**-6.6**	**2.07**	**-9.3**	**12.73**	**0.61**	**45.96**	**-0.9**

* Including US territories

Asia Oceania

Sharp drops in Japanese oil demand, led to the decline rate in OECD Asia Oceania deliveries descending to a five-year low, of -4.3% y-o-y in 3Q14. The **Japanese** oil product demand trend has been gathering downside momentum in recent months as the domestic economy has tipped back into recession in 3Q14, adding to the negative pressure that was already being applied to the market from falling power-sector oil use. Total Japanese oil product deliveries in 3Q14 came out at a downwardly revised 3.9 mb/d, as forecast in last month's *Report* and down by 9.5% y-o-y as notably lower gasoline, naphtha, residual fuel oil and 'other products' (includes direct crude oil burn in the power sector) demand filtered through. Total economic output fell by 1.9% on an annualised quarter-on-quarter basis in 3Q14, a sharp reversal from the consensus of analysts' expectations, which had been for modest growth, and three-tenths of a percentage point below the initial mid-November estimate.





Looking ahead to 4Q14, preliminary estimates of Japanese oil product demand in October, at 3.9 mb/d, show a 5.6% contraction on the year earlier, exactly as forecast in last month's *Report*, leaving a similarly unchanged 4Q14 estimate of 4.4 mb/d. Having fallen by approximately 5.1% in 2014, a further decline of around 3% is foreseen in 2015 as additional power-sector switching, out of oil and into alternatives such as coal, nuclear, hydro and natural gas, continues albeit at a reduced pace. With a small number of previously closed nuclear facilities due to reopen in 2015, the potential for further declines in power-sector oil use exists but with 3Q14 electricity generating oil use already down below levels seen before the Great East Japan Earthquake and Tsunami of 2011, much less scope remains to further reduce oil deliveries.

Non-OECD

The non-OECD demand picture for 2014 at 46.8 mb/d, up by 2.4% on the year, amounts to a relatively sub-par uptick compared to recent years (with the previous five-year non-OECD growth trend averaging out at a per annum gain of 3.7%, 2009-13), as notably weaker economic growth in China, Brazil and Russia has severely dented non-OECD demand momentum. Lower oil prices have, to date, largely failed to offer any significant demand support as sharply declining currencies, in many non-OECD oil-importing economies, have pushed up the price of imported oil products. JP Morgan's Emerging Market Currency index, which tracks a variety of developing country exchange rates against the US dollar, fell to its lowest level since its creation nearly 15 years ago. The situation has been compounded by subsidy cuts and/or consumption tax hikes, such as those instigated recently in China, Thailand, Indonesia, India and Kuwait. Furthermore, lower oil prices have dented government revenues and in turn potential economic growth in net oil-exporting economies, such as much of the Middle East, curbing oil demand growth.

Non-OECD: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
LPG & Ethane	5,104	5,122	5,136	204	170	4.2	3.4
Naphtha	3,227	3,081	3,115	66	82	2.2	2.7
Motor Gasoline	9,474	9,660	9,782	384	314	4.1	3.3
Jet Fuel & Kerosene	2,919	2,906	2,997	138	127	5.0	4.4
Gas/Diesel Oil	13,690	14,263	14,180	35	106	0.2	0.8
Residual Fuel Oil	5,415	5,448	5,471	24	145	0.4	2.7
Other Products	6,080	6,339	6,628	276	186	4.5	2.9
Total Products	**45,909**	**46,819**	**47,309**	**1,127**	**1,131**	**2.5**	**2.5**

An example of the current trend towards reducing oil price subsidies in many non-OECD countries is **Kuwait** where the Minister of Planning announced plans to triple both diesel and kerosene prices, sharply curbing demand forecasts for these products in 2015. The dominant gasoline forecast, however, remains unaffected as gasoline prices missed the subsidy cut, remaining firmly entrenched below $1 per gallon in 4Q14.

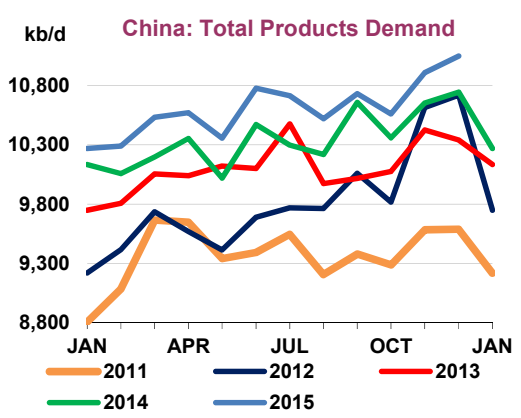
Estimates of **Chinese** demand in October came out roughly as predicted in last month's *Report*, at 10.4 mb/d up by roughly 285 kb/d (or just shy of 3%) on the year earlier. Strongly rising refinery throughput numbers led the upside which, according to the National Bureau of Statistics, were 6.3% higher than the year earlier. Rising net product exports, however, curbed the overall demand estimate, as short-term assessments of Chinese demand remain strictly an 'apparent demand' exercise, equal to refinery runs plus net product imports minus any product stock-builds. Interestingly the year-to-date data, i.e. January-through-October, shows a net product trade balance, as total oil product imports, January-October, exactly match exports.

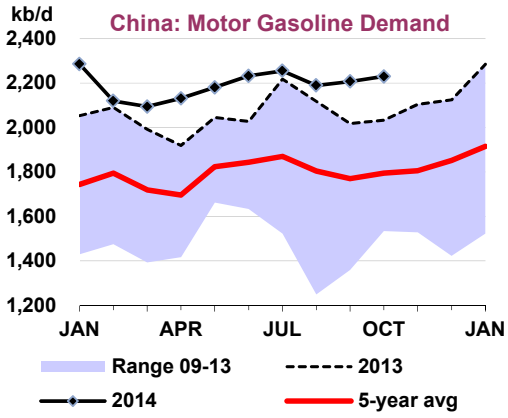
China: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2013	2014	2015	2014	2015	2014	2015
LPG & Ethane	788	842	900	54	58	6.8	6.9
Naphtha	1,126	1,181	1,201	54	21	4.8	1.8
Motor Gasoline	2,062	2,201	2,333	138	132	6.7	6.0
Jet Fuel & Kerosene	459	512	521	53	9	11.6	1.7
Gas/Diesel Oil	3,374	3,339	3,364	-35	25	-1.0	0.7
Residual Fuel Oil	424	347	338	-77	-9	-18.2	-2.7
Other Products	1,867	1,927	1,951	60	25	3.2	1.3
Total Products	**10,100**	**10,348**	**10,608**	**248**	**260**	**2.5**	**2.5**

The transportation sector continues to provide the majority of recent Chinese oil demand growth, with strong gains seen in both gasoline and jet/kerosene demand, offsetting weak demand in gasoil/diesel and residual fuel oil. Growth in Chinese gasoline demand occurred despite the relatively sluggish pace of new car sales, with only a 6.4% y-o-y gain posted in car sales in October (a very subdued increase compared to recent growth), as slowdowns in car sales growth notoriously take a very long time to filter through into slower gasoline demand growth. This potential downside influence, however, plays a key role in the forecast of decelerating gasoline demand growth in 2015.

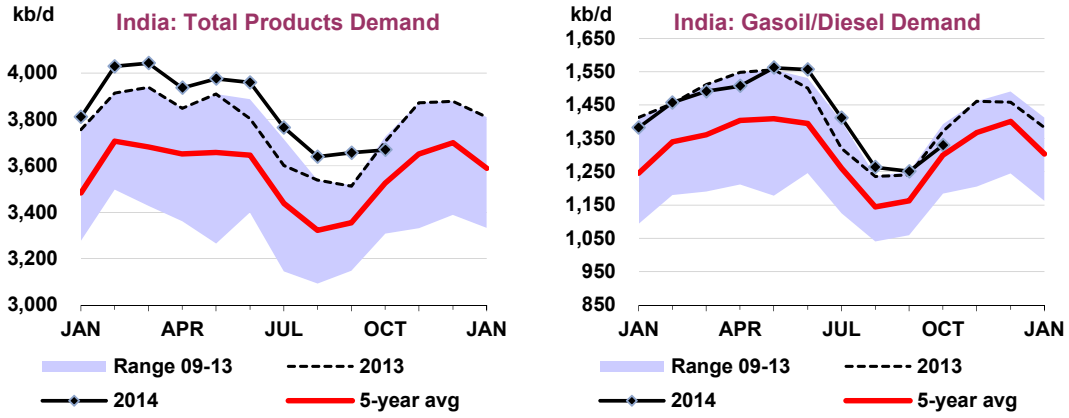




Overall, the Chinese oil demand forecast remains relatively muted, with 2.5% gains foreseen in both 2014 and 2015, as modest Chinese forecast gains in transport fuels and petrochemical feedstocks continue to offset declines/weakness in gasoil/diesel and residual fuel oil. Trimming any potential upside support, that would otherwise have been provided by the recent falls in oil prices, were late-November's hikes in consumption taxes, which leave little discernible price change to Chinese consumers. The tax hike is the first rise in Chinese oil product consumption taxes since early-2009, taking the tax of kerosene, fuel oil and diesel up to 0.94 Yuan per litre (15 US cents), from its previous 0.8 Yuan level. Similarly, taxes on gasoline, lube oil, naphtha and solvents were raised to 1.12 Yuan per litre, up from 1.00 before.

Heavy rains literally dampened **Indian** oil product demand in October, with preliminary estimates showing the first y-o-y decline in nearly a year. Gasoil/diesel, which accounts for roughly one-in-every-three barrels of oil products delivered in India, was the chief protagonist. Gasoil deliveries in October, at 1.3 mb/d, were roughly 3% below the year earlier level as heavy flooding triggered much lower agricultural usage. Lower numbers of car registrations further compounded the situation, as the Centre for Monitoring Indian Economy reported roughly 216 430 registrations in October, 2.4% down on the month earlier. With approximately 125 kb/d stripped from the total October demand estimate, to 3.7 mb/d, the forecast for the year as a whole has also been reduced by 10 kb/d, to 3.9 mb/d. Having

risen by approximately 2.4% in 2014, momentum is forecast to accelerate in 2015, to +3.6%, as additional economic growth more than offsets any downside influence provided by ongoing subsidy reductions.



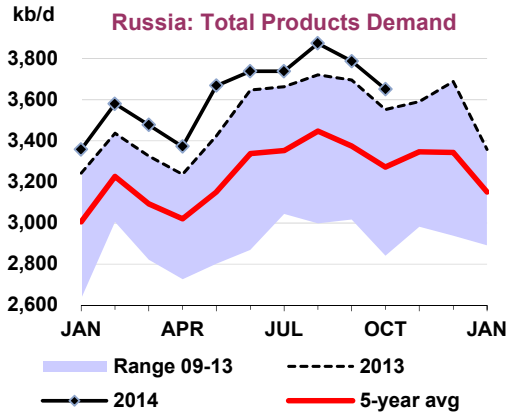
Other big non-OECD Asian nations, such as Thailand, Malaysia and Indonesia, will likely fail to receive much demand support from lower oil prices, as their governments make serious efforts to reduce energy price subsidies. In **Thailand**, for example, the government (as of early-December) has cut LPG subsidies, raising retail prices in the transport sector four times since October, twice for households. Transport LPG prices, as of early-December, are nearly 10% up on October's pre-hike low, up to around $558 per metric tonne according to the *Bangkok Post*. Previously LPG use in the Thai transport sector has been on a rapidly rising trend, with the first nine months of 2014 showing demand up by roughly one-eighth y-o-y. **Malaysia** recently announced that, starting in December, direct subsidies on gasoline and diesel would be abandoned, a move that builds on October's subsidy cut that saw prices rise by roughly 10%.

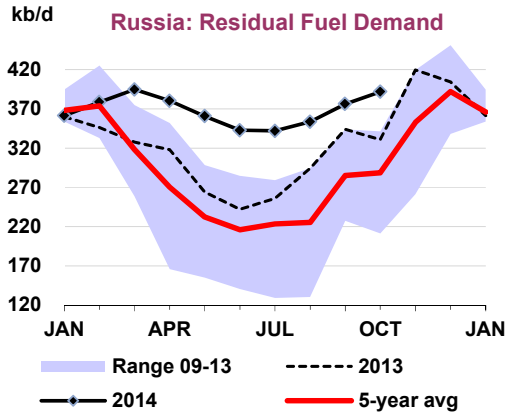
The unplanned closure of an 84 kb/d catalytic cracker in **Chinese Taipei** resulted in the naphtha demand forecast for 4Q14 being downgraded. This previously unforeseen, late-November closure was attributable to a mechanical fault which is expected to keep the facility closed, at least, through mid-December. Overall, for 2014, deliveries in Chinese Taipei are forecast to average roughly 1.0 mb/d, an increase of 2.4% on the year.

The main change in this month's *Report* has been the severe downgrade applied to the **Russian** oil product demand forecast, consequential on much reduced projections of macroeconomic activity in Russia. Having averaged an estimated 3.6 mb/d in 2014, absolute declines in Russian economic activity are forecast as causing a sharp drop in Russian oil demand, to 3.4 mb/d, 195 kb/d below the estimate quoted in last month's *Report* and down by 185 kb/d on the year earlier. Russia's own Economy Ministry revised down, in early-December, its GDP assessment for 2015 to an anticipated decline rate of 0.8%, versus its previous +1.2% forecast, citing the impact of sanctions, lower oil prices and domestic currency weakness.

This downside revision comes in contrast to the Russian Economy Ministry's upwardly revised estimate of economic growth in 2014, which has been raised to +0.6% compared to the previous forecast of +0.5%. This marginally increased 2014 estimate of Russian economic growth, coupled with reports of stronger-than-anticipated October oil deliveries (+90 kb/d), has seen the 2014 estimate modestly raised (+20 kb/d), as the overwhelming majority of the component months are now historical numbers and not forecasts. Strong gains in the 'other products' and residual fuel oil categories combined, in October, to fuel the near 3% y-o-y gain in oil demand, to an estimated 3.7 mb/d. Weaknesses in the Russian petrochemical and transport sectors bucked October's otherwise generally rising trend, with naphtha deliveries down by 6.4% y-o-y, LPG (includes ethane) 7.2% lower and gasoline -2.2%. The associated risks

to the downwardly revised Russian oil product demand forecast are skewed to the downside, as the more challenging macroeconomic backdrop sees the risk of default build, potentially bringing with it a further downwards spiral in economic activity and oil use.



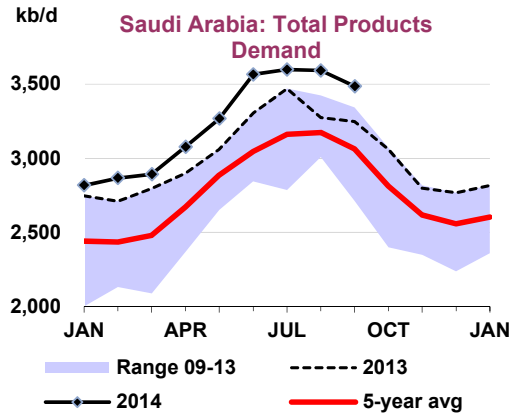


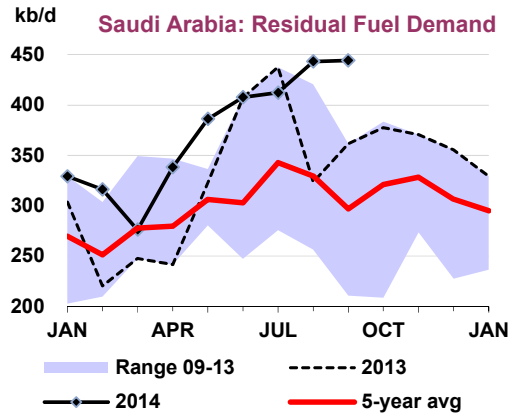
Non-OECD: Demand by Region

(thousand barrels per day)

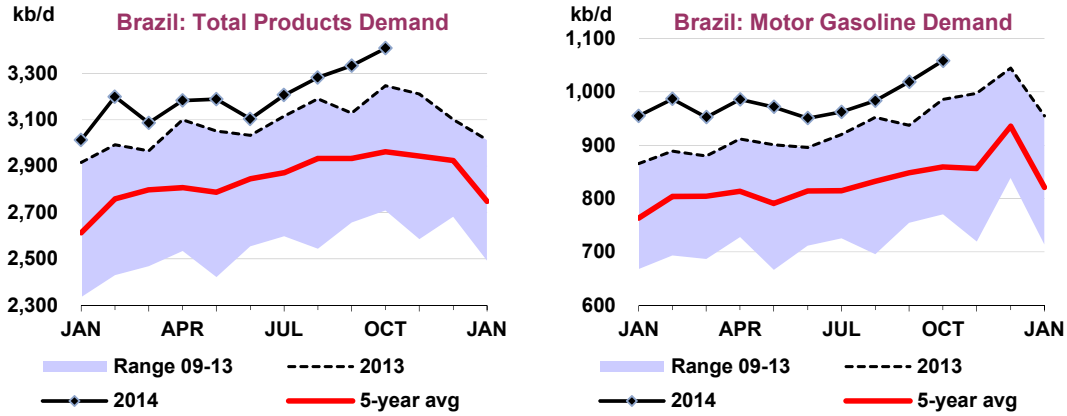
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	1Q14	2Q14	3Q14	2Q14	3Q14	2Q14	3Q14
Africa	3,929	3,947	3,842	64	117	1.6	3.1
Asia	22,345	22,455	22,269	477	537	2.2	2.5
FSU	4,605	4,807	5,045	162	120	3.5	2.4
Latin America	6,574	6,758	6,914	164	161	2.5	2.4
Middle East	7,807	8,196	8,564	254	181	3.2	2.2
Non-OECD Europe	648	655	674	6	16	0.9	2.4
Total Products	**45,909**	**46,819**	**47,309**	**1,127**	**1131**	**2.5**	**2.5**

Sharply higher-than-previously-anticipated residual fuel oil demand in **Saudi Arabia** played a key role underpinning the upwardly revised demand estimate for the kingdom, of 3.5 mb/d for September. Not only was this 235 kb/d (or 7.3%) higher than the year earlier but it was also the eleventh consecutive month of positive y-o-y demand growth. Strong gains were seen in the gasoil/diesel, LPG and residual fuel oil categories as additional demand emerged as industrial sentiment thrived. SAAB/HSBC reported manufacturing sentiment at an all-time high in September, of 61.8 according to their manufacturing PMI, while consumer confidence (as tracked by Nielsen) reached a near two-year peak. Having likely risen by just over 5% in 2014, the Saudi Arabian demand forecast for 2015 is for a slower gain of approximately 3.5%, a decelerating projection caused by weaker economic growth resulting partially from lower oil prices.





Additional pre-election demand somewhat inflated the latest **Brazilian** delivery data, which at 3.4 mb/d in October were roughly 5% up on the year earlier. Strong domestic transportation fuel demand led the upside, with gasoline up by 7.3% y-o-y and gasoil/diesel carrying a 5.1% premium. Residual fuel oil use in the power sector also rose sharply as drought reduced output from hydro facilities. For the year as a whole, oil demand in Brazil is expected to average approximately 3.2 mb/d before increasing to 3.3 mb/d in 2015 as the economy itself modestly gathers momentum (+1.4% according to the International Monetary Fund's October *World Economic Outlook*).



SUPPLY

Summary

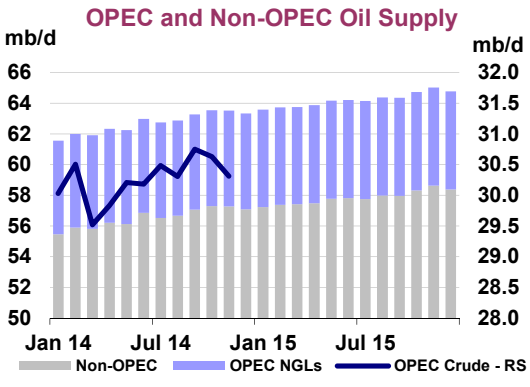
- **Global production fell by 340 kb/d in November, to 94.1 mb/d.** Compared with a year ago, total supply was 2.1 mb/d higher, with gains split roughly evenly between OPEC and non-OPEC.

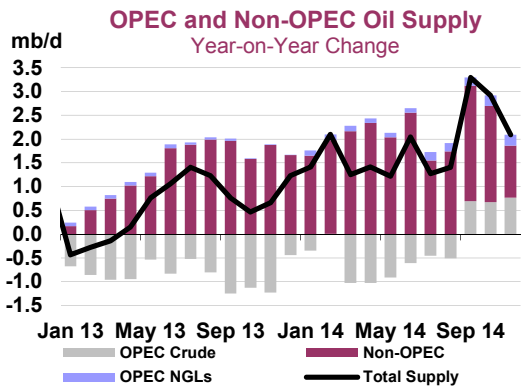
- **The relentless rise of US light tight oil looks set to push total non-OPEC production to record growth of 1.9 mb/d this year, but the pace is expected to slow to 1.3 mb/d in 2015.** Oil's 40% plunge since June has so far had a modest impact on near-term production growth, but steeper price declines could set back many producers.

- **The outlook for Russian production has been revised downwards by 70 kb/d for 2015** on the impact of lower oil prices, compounded by international sanctions and a plummeting rouble.

- **OPEC output declined by 315 kb/d in November to 30.32 mb/d after Libya's recovery stumbled, but remained in excess of the group's 30 mb/d production ceiling for a seventh straight month.** The group's oil ministers agreed at a 27 November meeting to maintain their official output target through 1H15, despite some calls for cuts to shore up prices. Although supply fell for a second month in a row, production in November was 765 kb/d higher year-on-year.

- **The 'call on OPEC crude and stock change' for 2015 has been revised down by 300 kb/d to 28.9 mb/d due to a lower demand forecast and upward revisions to historical estimates and projections of North American and biofuels supply.** The 'call' is expected to decline seasonally by 1.2 mb/d from 4Q14 to 1Q15. OPEC 'effective' spare capacity was estimated at 3.45 mb/d in November versus 3.25 mb/d in October.





All world oil supply data for November discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Mexico 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 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 approximately -200 kb/d to -400 kb/d for non-OPEC as a whole.

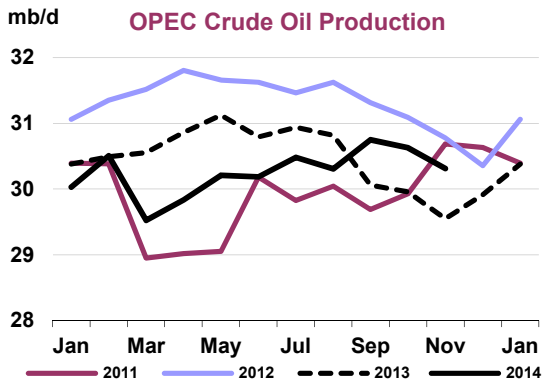
OPEC crude oil supply

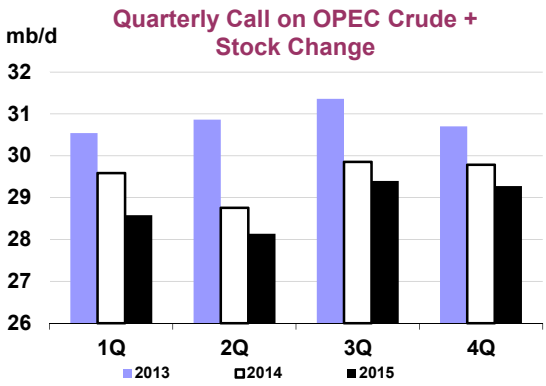
OPEC production fell by 315 kb/d in November to 30.32 mb/d, led by a loss from Libya where disruptions at oil fields and terminals set back a four-month recovery. Top exporter Saudi Arabia kept a steady pace on crude sales to world markets, though production dipped versus October apparently due to the extended closure of the Khafji oil field shared with Kuwait and a lower requirement for crude in power plants at home. Supply from Kuwait and Angola also edged down. Iraqi output rose thanks to higher loadings from the south. Flows through the north are expected to climb further after Baghdad and the KRG agreed to cooperate on exports. Although November marked the second straight month of declines from OPEC, production stood 765 kb/d higher than a year ago.

OPEC oil ministers agreed at their 27 November meeting to maintain an official 30 mb/d supply target despite earlier calls from member countries such as Venezuela, Algeria and Iran to make cuts to shore up prices. Brent crude had fallen 30% since the group last met in June. Prices fell further after OPEC announced its decision. In its post-meeting communique, OPEC stated that "in the interest of restoring market equilibrium" the group opted to maintain its 30 mb/d production target but stood ready to respond to developments that could have "an adverse impact on the maintenance of an orderly and balanced oil market". OPEC has scheduled its next meeting for 5 June in Vienna.

Our forecast shows the 2015 'call on OPEC crude and stock change' at 28.9 mb/d and sees the 'call' drop seasonally by 1.2 mb/d from 4Q14 to 1Q15. In a similar adjustment to 2015, the 4Q14 'call' was revised down by 300 kb/d due to a lower demand estimate and higher projection for non-OPEC and biofuels.

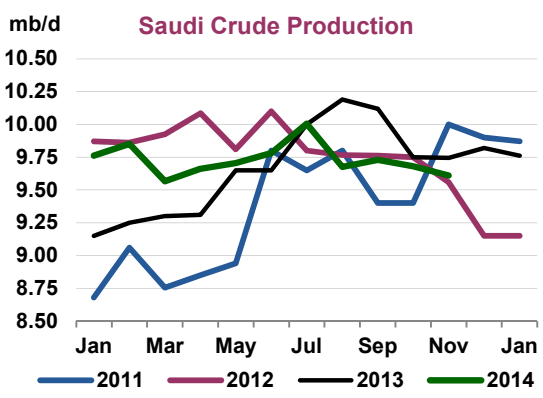
OPEC's 'effective' spare capacity was estimated at 3.45 mb/d in November compared with 3.25 mb/d in October, with Saudi Arabia accounting for about 80% of the surplus.

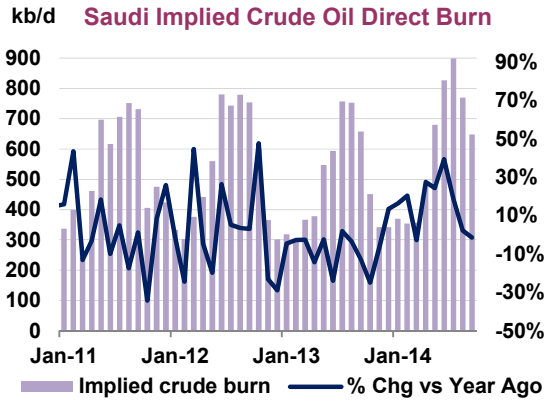




Supply from **Saudi Arabia** eased by 70 kb/d in November to 9.61 mb/d apparently due to the extended closure of the Khafji oil field shared with Kuwait and reduced need for crude to fuel domestic power plants. Riyadh consumes more crude during the summer when there is a higher requirement for power generation. During 3Q14 it burned an average 770 kb/d versus 720 kb/d during the same period in 2013, according to the most recent data submitted by Saudi Arabia to the Joint Organisations Data Initiative (JODI). Crude burn typically declines seasonally during the fourth quarter and in 4Q13 it averaged 380 kb/d.

Tanker tracking data meanwhile show that Saudi Arabia held a steady pace on exports of crude to world markets during November. According to the latest JODI figures, Saudi crude exports in September inched up to 6.72 mb/d versus 6.66 mb/d in August. Exports of products at 787 kb/d in September were below a record 1.02 mb/d reached in August when the Satorp refinery, a joint venture with France's Total, reached full capacity. First exports from a new 400 kb/d joint-venture refinery with China's Sinopec at Yanbu are expected to be delayed to early 2015 from the end of this year.





As for crude oil sales - in an apparent bid to remain competitive in a well-supplied market - state oil company Saudi Aramco cut formula prices to the US for a fifth straight month and made sharp reductions in differentials to the core Asian market. It raised prices to Europe. In recent months, Saudi official selling prices (OSPs) have received heightened scrutiny. Especially in the wake of OPEC's November meeting, market participants were looking to the January OSPs, announced in early December, for signals on Riyadh's oil policy. Oil's further drop may be an indication that the market interpreted the price adjustments as a move to protect market share (see *Prices*).

OPEC Crude Production

(million barrels per day)

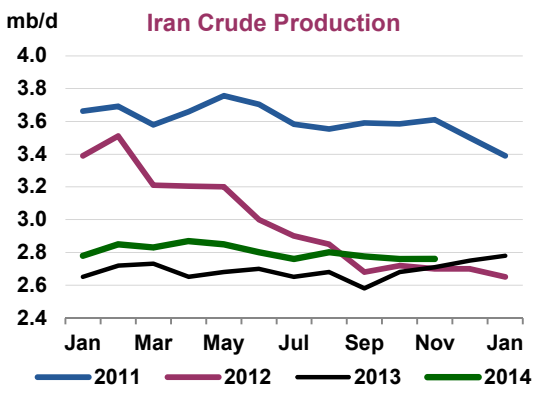
	Sep 2014 Supply	Oct 2014 Supply	Nov 2014 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Nov 2014 Supply	Jan-Nov average
Algeria	1.13	1.13	1.13	1.17	0.04	1.12
Angola	1.72	1.75	1.69	1.80	0.11	1.65
Ecuador	0.56	0.54	0.55	0.57	0.02	0.55
Iran	2.78	2.76	2.76	2.90	0.14	2.80
Iraq	3.36	3.32	3.38	3.40	0.02	3.29
Kuwait[2]	2.87	2.82	2.76	2.85	0.10	2.80
Libya	0.78	0.87	0.69	0.85	0.16	0.46
Nigeria	1.89	1.88	1.92	2.00	0.08	1.91
Qatar	0.69	0.69	0.68	0.73	0.05	0.71
Saudi Arabia[2]	9.73	9.68	9.61	12.40	2.79	9.73
UAE	2.78	2.74	2.71	2.90	0.19	2.75
Venezuela[3]	2.48	2.46	2.44	2.60	0.16	2.47
Total OPEC	**30.75**	**30.63**	**30.32**	**34.17**	**3.85**	**30.08**
(excluding Iraq, Nigeria, Libya and Iran)					**3.45**	

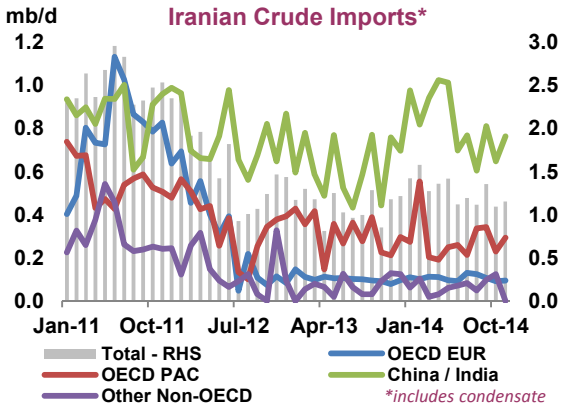
1 Capacity levels can be reached within 30 days and sustained for 90 days.

2 Includes half of Neutral Zone production.

3 Includes upgraded Orinoco extra-heavy oil assumed at 440 kb/d in November.

On 24 November, **Iran** and the so called "P5+1" (the five permanent members of the UN Security Council and Germany) gave themselves until the end of June to secure a long-term settlement over Tehran's nuclear programme that has led the US and EU to impose rigorous economic sanctions on Iran. A partial easing of sanctions agreed under a preliminary deal last November – which set a nominal 1 mb/d cap on Tehran's crude exports – remains in place. So far this year, however, Iranian crude exports - as measured by estimated receipts by importers - have run about 1.1 mb/d on average. Production for the same period is estimated at about 2.8 mb/d - about 130 kb/d higher than 2013. November output of 2.76 mb/d was steady on October.



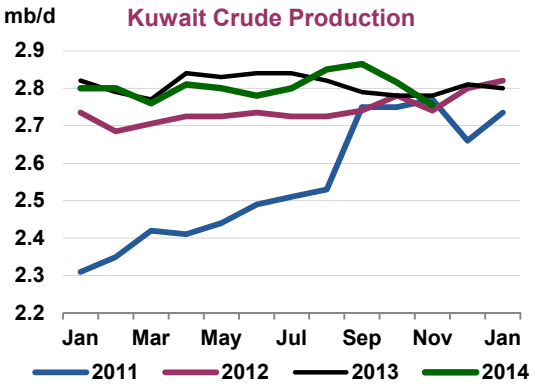


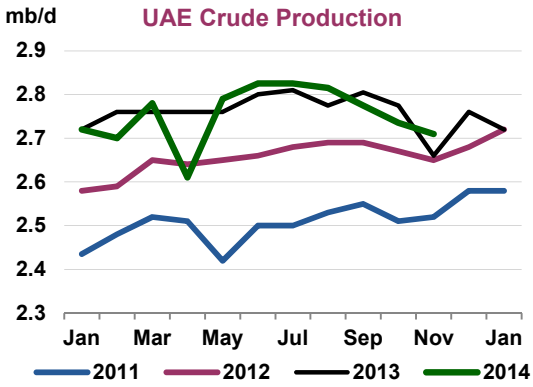
Preliminary figures show deliveries of Iranian crude rose in November to 990 kb/d, but remained below the 1 mb/d limit for the third time this year. These figures are subject to revision. The receipt of more complete data shows that October purchases were the lowest this year at roughly 880 kb/d. Iranian imports also sank below 1 mb/d in August.

Higher liftings of crude oil from Iran's biggest buyers – China and India – are the main factors that have pushed Iranian exports so far in 2014 about 100 kb/d above last year's 1 mb/d average, which is also the target set by the West. Deliveries to China, Iran's top buyer, rose to 545 kb/d in November versus 340 kb/d in October. Iran's second biggest buyer, India, cut purchases to 215 kb/d in November compared to 310 kb/d in October. Syria doubled its purchases in October to 60 kb/d before pausing in November. Japan held imports steady in November versus October at around 160 kb/d. Korea doubled purchases to take in 130 kb/d in November. Deliveries into Turkey held steady at around 95 kb/d.

Shipments of condensate – ultra light oil from Iran's South Pars gas project – averaged about 190 kb/d from January through November this year versus 90 kb/d during the same period a year ago. Import volumes are based on data submitted by OECD countries, non-OECD statistics from customs agencies, tanker movements and news reports.

Kuwaiti production slid 60 kb/d to 2.76 mb/d in November due to the extended closure of the Khafji oil field in the Neutral Zone, run jointly with Saudi Arabia. The offshore field had been pumping about 300 kb/d before Riyadh shut it down on technical and environmental grounds. The Wafra oil field, in the onshore portion of the Neutral Zone, continues to produce about 200 kb/d. It is still not clear when Khafji will return to full production. For Kuwait, the Neutral Zone, which accounts for nearly 10% of its overall capacity, is vital to meeting output goals. In terms of Saudi capacity, however, the Neutral Zone accounts for only 2%.





Maintenance and technical work also slowed output from other OPEC producers. In the Gulf, **Qatar's** supply eased a touch to 680 kb/d in November, while production from the **UAE** dipped 25 kb/d to 2.71 mb/d. In Africa, maintenance at **Angola's** Girassol and Dalia oil fields cut November output by 60 kb/d. Italy's Eni has meanwhile started output at the West Hub project in Angola's offshore Block 15/06. Production is expected to rise from 45 kb/d to 100 kb/d in the coming months.

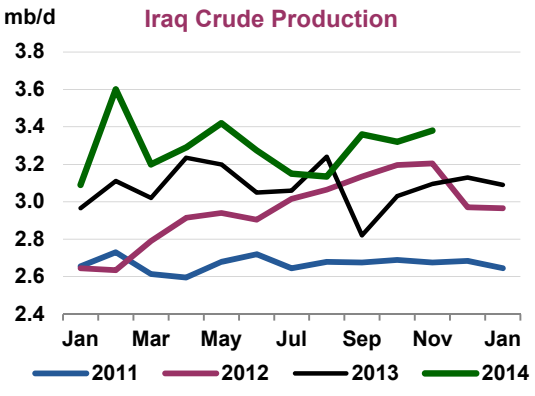
Supply rose by 40 kb/d in OPEC's other West African producer, **Nigeria**, where oil's rout is forcing Abuja to cut its budgeted price for oil. The country's finance minister has proposed a lower price of $65/bbl for the 2015 budget, down from a previous estimate of $73/bbl. The budget for 2014 was based on $77.50/bbl.

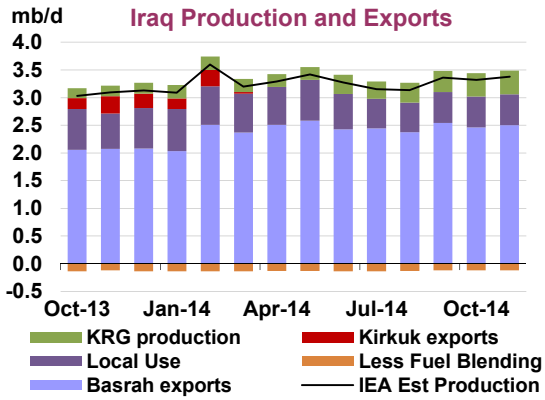
Iraq is also under severe budgetary strain due to oil's precipitous decline. But higher revenues and oil sales are expected following an agreement struck between Baghdad and the Kurdistan Regional Government (KRG) in early December aimed at resolving a long-running feud over oil exports.

During November, production - including KRG volumes - rose by 60 kb/d, due mostly to a recovery in loadings from Iraq's southern Gulf facilities. Exports of southern Basra Light crude edged up to roughly 2.5 mb/d compared to 2.46 mb/d in October, while the KRG – independently of Baghdad - reportedly shipped about 200 kb/d via the Turkish Mediterranean.

Deliveries of northern crude are set to increase under the 2 December pact that calls for the KRG to provide 250 kb/d of crude to Baghdad to sell and allows for another 300 kb/d from Kirkuk to flow through the KRG's own pipeline system. In return, the central government would release the KRG's 17% share of national revenue. Baghdad had been shipping nearly 300 kb/d from its northern fields until the federally-controlled pipeline to Turkey was shut in early March due to repeated attacks by Islamist combatants.

The December deal also provides for a separate $1 billion payment to Kurdish Peshmerga forces, who are fighting alongside Iraqi forces – supported by an international coalition – to battle Islamist militants. The deepening conflict is depleting the financial resources of the federal government and the KRG.





The December export deal follows on from a preliminary accord struck in mid-November that called for Baghdad to make monthly payments of $500 million and the KRG to provide 150 kb/d to the federal government at the Turkish Mediterranean port of Ceyhan.

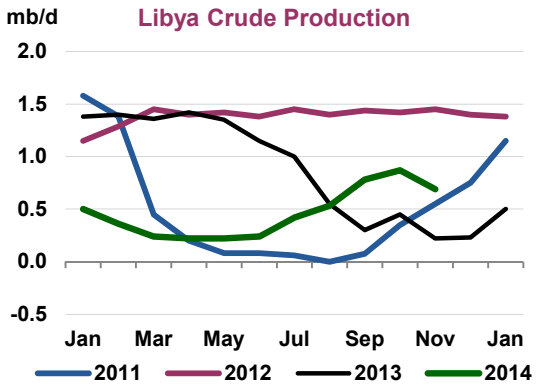
Regional and Western industry sources reckon that exports from northern Iraq – including volumes from the KRG and Kirkuk – could rise to an average 300 kb/d to 400 kb/d in 2015 if the 2 December Baghdad/KRG agreement is upheld. The KRG pipeline has been re-purposed and can handle up to 550 kb/d, they say.

Since the end of May, the KRG has been exporting oil independently of Baghdad via its own regional pipeline, with volumes – marketed via the Turkish Mediterranean - rising towards 200 kb/d. Following the advance of Islamist militants across northern Iraq this summer, the KRG took charge of the Kirkuk field's Avana dome and the nearby Bai Hassan oil field that Iraq's North Oil Company (NOC) had managed for decades. The giant Kirkuk oil field is divided into three geological formations, or domes – Avana, Baba and Khurmala. The KRG has been running Khurmala, the northernmost portion, since 2008.

In November, flows of 120 kb/d from Avana and Bai Hassan allowed the KRG to boost pipeline flows towards 300 kb/d. By early December, the KRG was routing up to 350 kb/d to the Turkish Mediterranean, according to regional sources. It was unclear how much of the KRG volume was being loaded, as opposed to stored, at the Ceyhan terminal.

Iraqi state oil marketer Somo says it will place the oil under the 2 December export agreement. Baghdad has long disputed the legality of the KRG's independent pipeline shipments, saying only the federal government has the right to market Iraqi crude. Despite the progress shown under the export deal, there is still some confusion among potential buyers as to which entity will be responsible for marketing the crude, with reports of conflicting messages from both sides.

Libya's output recovery faltered in November, with flows falling 180 kb/d to 690 kb/d after renewed unrest forced the closure of Libya's biggest oil field – El Sharara – and the neighbouring El Feel, or Elephant. Despite the country's deepening turmoil, its oil fields had ramped up for four straight months and briefly reached 1 mb/d in October. The North African country was producing 1.4 mb/d in early 2013 before renewed protests and civil unrest caused output to sink below 200 kb/d.

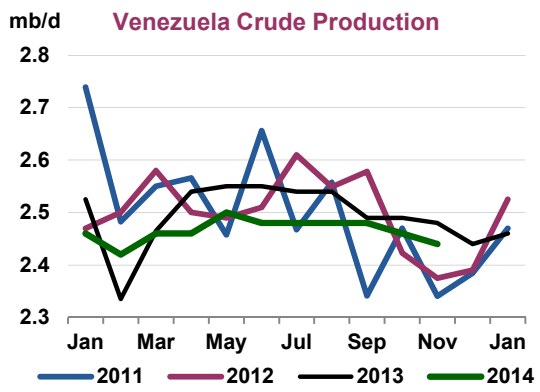


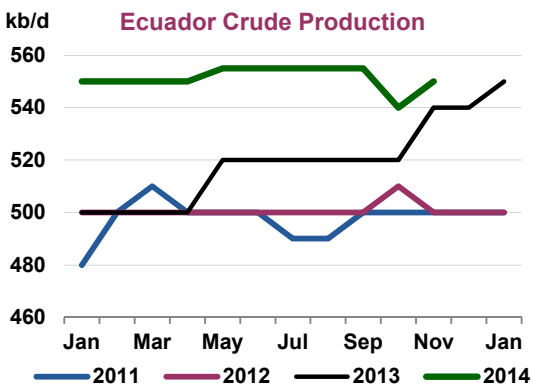
The remote southwestern field of El Sharara, which had been pumping close to 300 kb/d, remains closed due to security issues caused by protesters and technical problems. Engineers are keeping it ready to restart once a pipeline blockage is cleared. El Sharara's closure had also forced the shut-in of the 130 kb/d Elephant field, which shares the same power source. Power supply has now been restored to the Elephant field, allowing it to restart and exports to resume from the Mellitah export terminal. The western loading ports of Mellitah and Zawiya are fed by the fields.

Exports from the North African producer sank in November to around 580 kb/d from 760 kb/d in October. Buyers of Libyan oil had grown more confident of stable supplies after protesters lifted their blockade of the strategic terminals of Es Sider and Ras Lanuf in August.

Three years after the ouster of Libyan leader Muammar Gaddafi, the elected and internationally recognised government has fled from Tripoli to the eastern city of Tobruk. A rival government – run by Omar al-Hassi - took over the capital in August and is seeking recognition as the country's leaders.

Oil below $65/bbl is proving especially painful for **Venezuela**, where supply eased to 2.44 mb/d, and OPEC's smallest producer **Ecuador**, where output nudged up to 550 kb/d. Venezuelan Foreign Minister and top OPEC representative Rafael Ramirez lobbied hard for output cuts at OPEC's meeting in Vienna. Caracas is struggling to make bond payments, fund social programmes and pay debts to oil partners.

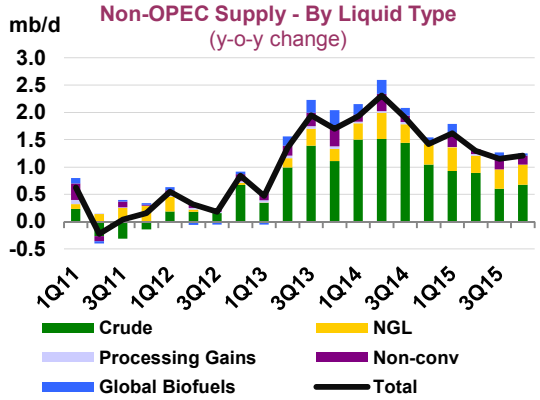


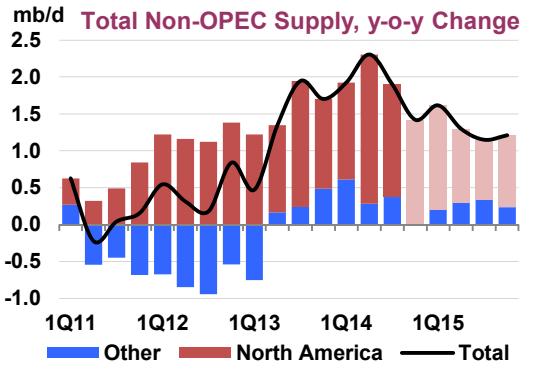


Non-OPEC overview

Total non-OPEC production, including biofuels and refinery processing gains, was roughly flat in November at 57.3, just 25 kb/d below October levels as increases in North America (+50 kb/d) and the North Sea (+40 kb/d) offset declines elsewhere. US production grew by 140 kb/d at least in part due to an increase in Alaska's output, boosted by colder temperatures as the equipment is optimised for such weather. North Sea production increases reflected higher output in Norway, the UK and Denmark as maintenance came to a complete close.

With final data now available for the first three quarters of the year for most places, non-OPEC production looks on track to achieve annual growth of 1.9 mb/d for 2014, a record high. The overall production outlook for 2015 has been revised slightly higher compared with last month's *Report* on baseline changes and some downward revisions to planned maintenance in North America for 2015. The 2015 outlook also includes downward revisions to China's and Russia's forecast production.





Price declines, sanctions and a falling rouble have prompted a downward revision of about 70 kb/d to Russia's output for next year, but near-term production plans elsewhere have thus far seen little change as a result of the current price. Risks to the forecast are significant in the event of further price drops, including financial risks to highly leveraged producers and countries heavily dependent on oil revenues. These include potential problems with social stability in some countries as well as risks to international financial stability should the situation in Russia deteriorate to the point of default.

Among economically stable producers, continued price drops would also affect production, as marginal projects would become uneconomical in a lower-price scenario. This includes emerging shale plays in the US. A pullback in drilling might also be required in mature US plays, most notably the Bakken formation, in the event of further sustained price pressure. Among other non-OPEC producers, further price declines would result in project delays and cancellations, but the effects of these would most likely be evident only in the medium-term.

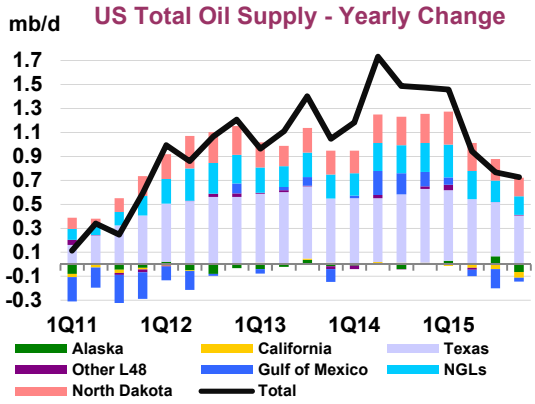
While our most recent estimate through 2015 does not foresee much of a low-price effect on supply, lower capital expenditures coupled with falling oil prices could see declines in liquid fuels output in the medium term, most notably among higher-cost production. Meanwhile, more companies are announcing leaner capital expenditures plans for 2015 and beyond citing lower prices. ConocoPhillips announced that it plans to cut its upstream capital spending by 20% to $13.5 billion, the lowest level in four years. While some of the decrease in planned capex is due to a number of high-cost projects winding down, roughly $1.5 billion of the cut is due to deferment in its unconventional drilling program in the US and Canada. Others announcing capex cuts include Lukoil, Rosneft, Continental Resources, Denbury and Apache, among others. Investment bank Wunderlich Securities (as reported by Platt's) compared 2014 and 2015 capital expenditures and found that 2015 expected capex has decreased by $6.8 billion for the 50 companies they surveyed. Wunderlich noted that only 15 companies formally reduced their capex and therefore further cuts to the 2015 total are likely in the coming weeks.

OECD

North America

US – November preliminary, Alaska actual, others estimated: Estimated US liquids output jumped to 12.3 mb/d in November, an increase of 140 kb/d m-o-m. Alaska data showed the third consecutive monthly increase in production, with an average output of 540 kb/d for the month.

The strong growth in US production this year was mostly due to the increase in LTO output, but other factors have also contributed to the estimated 1.4 mb/d y-o-y growth in supply. These factors include a very tame hurricane season, which resulted in virtually no storm-related outages during 2014. The application of enhanced oil recovery (EOR) has boosted output from mature conventional fields of the Lower 48 that were formerly uneconomic. Finally, new production start-ups in the Gulf of Mexico provided further additions to growth. In a recent such instance, Chevron started up the Jack and St Malo fields in the deepwater Gulf of Mexico, with first phase peak expected at 94 kb/d. The fields began producing recently but other fields will tie into the Jack-St Malo production unit with a capacity of 170 kb/d. Jack and St Malo were discovered in 2004 and 2003, respectively, and are among the Gulf of Mexico's largest fields.



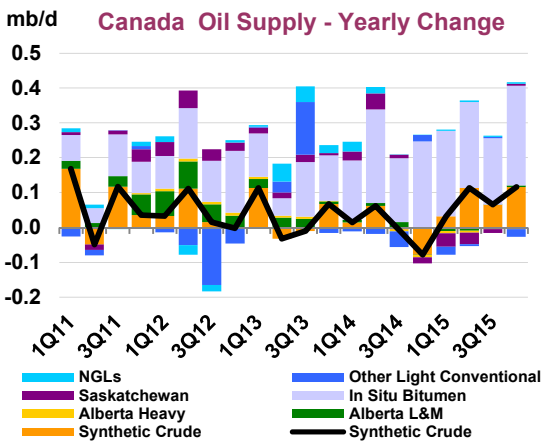
Final September data indicated that US crude oil production exceeded 8.8 mb/d, rising 170 kb/d m-o-m. Total liquids production, including NGLs stood at a hair above 12.0 mb/d, with NGLs accounting for 2.9 mb/d. Alaskan production was up roughly 100 kb/d as Prudhoe Bay production returned to its near-normal levels. Production of light tight oil (LTO) continued to rise, increasing nearly 100 kb/d in Texas and North Dakota on the month.

Despite lower crude oil prices, we expect US production to continue to grow apace in 2015, with forecast crude oil output averaging 9.3 mb/d, an increase of 685 kb/d compared with 2014. Total liquids are projected to grow to 12.7 mb/d, rising 970 kb/d y-o-y.

Canada – November estimated: Canadian oil production remained virtually unchanged at 4.2 mb/d in November and is expected to reach 4.4 mb/d by the end of the year. An increase in synthetics and NGL output nearly completely offset the decline in Alberta bitumen output of 60 kb/d, which was mainly due to the outage at the Imperial Oil's Kearl oil sands project. The 110-kb/d project in the Fort McMurray area was closed in November after vibration was detected in an ore-crushing unit. Imperial Oil

announced on 5 December that the ore-crushing unit had been repaired and production returned to its pre-outage level. The effect on Kearl's output in December is estimated at roughly 15 kb/d.

According to a recent Standard and Poor's report, most of Canada's E&P companies can remain profitable at current price levels, however outlooks for a number of companies have turned more negative compared to just a couple of months ago in light of further price drops. Companies at risk are those that have high costs and limited liquidity, and further price declines could lead to more negative credit ratings. However, S&P noted that almost all Canadian E&P companies have sufficient liquidity for 2015.

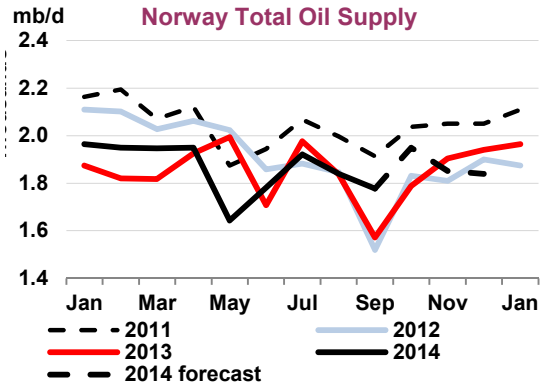


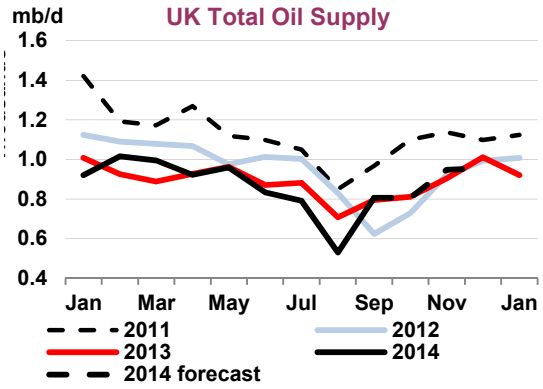
Mexico – October actual, November preliminary: Final October figures indicate that crude oil production fell by almost 30 kb/d with the declines mainly coming from Mexico's South Region. Total liquid fuels, including NGL production fell by about the same amount (-30 kb/d). The estimated November output shows an accelerating decline, with total liquids supply falling by approximately 85 kb/d and averaging 2.6 mb/d in November, of which 2.3 mb/d was crude oil. Mexico's total liquids output now stands almost 250 kb/d lower than one year ago and is expected to average 2.8 mb/d in 2014, roughly 110 kb/d lower y-o-y.

A highly anticipated upstream auction launch continues to be inexplicably delayed, although Mexico's government recently announced that it would present additional details of the contracts to be offered in the upstream bidding round, which was originally scheduled to take place next year. At the time of writing, however, these details remain elusive. Originally, Comision Nacional de Hidrocarburos (CNH), Mexico's upstream regulatory agency, was slated to publish the tender package in mid-November, which was supposed to include contract terms. Round 1 will take place in stages during 2015 with shallow water acreage offered in the first stage with deepwater blocks offered in the last stage of the round.

North Sea

Total North Sea production was estimated at 2.9 mb/d in November, rising about 35 kb/d m-o-m, with data indicating a near-complete recovery from the maintenance season. Forecast December North Sea output will remain roughly unchanged compared with November. BFOE December loadings are scheduled at slightly over 1.0 mb/d, rising more than 165 kb/d m-o-m, and reaching the highest level since February. Estimated BFOE production in November and December is roughly even at 930 kb/d and 925 kb/d, respectively.





Norway – September actual, October preliminary: Total liquids output averaged 1.95 mb/d in October, rising more than 170 kb/d compared with September mainly due to an increase in crude oil production. The increase in total output occurred despite technical problems at the Gaupe, Oseberg Sør, Skuld, Skarv, Tordis and Ula fields, all of which saw production declines during the month.

UK – October preliminary: UK crude oil output rose to about 780 kb/d in October, according to preliminary data, rising roughly 60 kb/d m-o-m mainly due to the restoration of Forties System output that emerged from a heavy maintenance period. Total liquids production in the UK was estimated at 810 kb/d in October, with NGLs nearly doubling in production volume in October to roughly 60 kb/d. It is estimated that November built on October's increase, with total liquid output for November estimated at 940 kb/d. Total UK production is forecast to average 870 kb/d in 2014, approximately 20 kb/d lower than the 2013 average.

Following a rather meagre cut in taxes in early December, the UK Treasury announced that it plans to reform the upstream tax regime in its "fiscal review", which sees a simplification of the current system of taxes and allowances. Although there is no immediate relief to UK offshore producers, a simplification of the complex system and high tax rates could have a positive effect on investment in the UK offshore in the medium term. However, the current complicated tax regime will remain in place, adding more pressure on companies as they contend with the current price environment and as operating cash flows continue to decline.

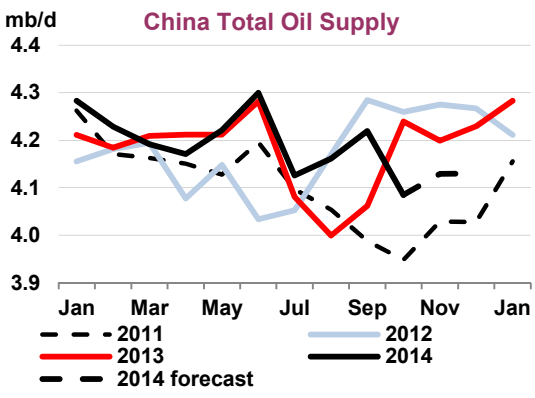
Non-OECD

Latin America

Brazil – October actual: Production of crude oil rose for the ninth consecutive month to 2.4 mb/d in October, rising roughly 60 kb/d m-o-m. Brazil's production reached a new monthly record in October, averaging 15% higher y-o-y for the month. Production continues to be boosted by the recently installed production facilities with the growth registered in 2014 coming mostly from the pre-salt fields. 2Q14 and 3Q14 mark an impressive turnaround in Brazil's production, in sharp contrasts to the stagnant (and at times declining) production seen between 2011 and 2014. Brazil's output was around 2.2 mb/d during that period, with declining y-o-y production in 2012 and 2013. Pre-salt fields produced an average of approximately 610 kb/d in October from 40 wells, rising nearly 75 kb/d m-o-m.

Petrobras launched a new pre-salt floating production, storage and offloading (FPSO) unit at the Sapinhoa field on 20 November, the fourth FPSO placed into service this year. The unit's total production capacity is 150 kb/d; it can store 1.6 mb of oil and it is expected to reach peak production capacity in 2H2015. Sapinhoa field began producing in January 2013 by interconnecting the first well to the Cidade de Sao Paulo FPSO.

Recent production successes notwithstanding, Petrobras' legal troubles seem to be getting worse in light of the corruption scandal and the related federal investigation, which could affect the company's credit rating and its ability to finance the upstream program. Petrobras' auditor PricewaterhouseCoopers has refused to sign off on the company's quarterly results, necessitating the postponement of its 3Q14 financial statement.



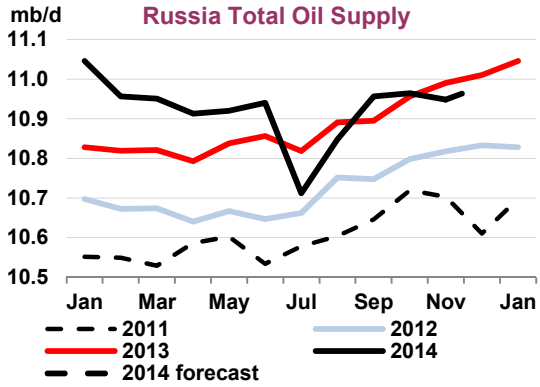
Asia

China – October actual: Total liquid fuels production fell to 4.1 mb/d in October, declining by about 135 kb/d m-o-m. Nearly all of China's oilfields posted production declines in October, with the country's largest oilfields Daqing and Changqing falling by 25 kb/d and 15 kb/d,

respectively. Estimated production for November rebounded by about 45 kb/d m-o-m but it remained 70 kb/d below last year's level. Overall, China's production is expected to average 4.8 mb/d, about 10 kb/d lower than the 2013 average production.

Former Soviet Union

Russia – October actual, November provisional: Final data for October show crude oil production of 10.2 mb/d, increasing only 10 kb/d m-o-m but falling approximately 20 kb/d compared with October 2013. So far this year, Russia's production has averaged 10.9 mb/d, up only about 60 kb/d y-o-y and the overall 2014 production figure is expected to exceed last year's supply by about 50 kb/d. Our latest 2015 forecast for Russia, however, reflects a much more negative outlook as falling oil prices, and to a lesser extent, US and EU sanctions are expected to affect production from next year. Compared with last month's *Report*, Russia's 2015 total liquid fuels output is about 70 kb/d lower at 10.8 mb/d mainly due to downward revisions to Rosneft and Lukoil production.



FSU net exports slipped by 550 kb/d to average 9.0 mb/d in October. Crude exports (-320 kb/d) accounted for the lion's share of the decrease, although the reasons for the decrease remain unclear given that regional production lost only 40 kb/d and refinery throughputs gained a minor 50 kb/d. It is therefore likely that some of the decrease can be attributed to stock builds. Shipments from Black Sea ports accounted for the majority of the decrease (-190 kb/d) after volumes of Russian Urals and Siberian Light grades sent via Novorossiysk were cut. Exports remained close to historical highs in the Far East for a second consecutive month while exports from Caspian states were lower month-on-month amid field maintenance.

Refined product exports fell by 270 kb/d to under 3.0 mb/d for the first time since December 2013. Nonetheless, exports remained 370 kb/d above a year earlier on the back of a healthy growth in regional throughputs. The bulk of the monthly decrease was attributed to lower fuel oil shipments, which plummeted by 180 kb/d to sit level with a year earlier. In comparison, despite exports of gasoil and 'other products' (essentially gasoline and naphtha) posting small month-on-month declines, volumes remained above year-ago levels. This is due to the increased production of these high value products following completion of a number of Russian refinery upgrading projects.

In late November, Vladimir Putin signed into law the so called 'tax manoeuvre' which, from 1 January 2015, is set to gradually reduce the export duties on light and middle of the barrel products whilst simultaneously equalising fuel oil and crude export taxes (increasing the former and decreasing the latter) and increasing the mineral extraction tax on producers. It is expected that the net effect of the 'manoeuvre' will be that it will be more profitable to export high-value refined products at the expense of fuel oil, which will increase the pressure on some inefficient refiners with high fuel-oil yields. Meanwhile, crude producers will benefit from a lower tax burden, which should offset increased production costs (see '*President Putin signs tax manoeuvre into law*').

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2012	2013	4Q2013	1Q2014	2Q2014	3Q2014	Aug 14	Sep 14	Oct 14	Latest month vs. Sep 14	Latest month vs. Oct 13
Crude											
Black Sea	1.81	1.78	1.78	1.74	1.65	1.59	1.47	1.67	1.48	-0.19	-0.35
Baltic	1.67	1.57	1.58	1.33	1.46	1.32	1.29	1.36	1.37	0.00	-0.36
Arctic/FarEast	0.65	0.80	0.82	0.88	1.18	1.23	1.19	1.33	1.29	-0.04	0.51
BTC	0.66	0.64	0.61	0.58	0.59	0.68	0.68	0.63	0.60	-0.03	0.02
Crude Seaborne	**4.79**	**4.80**	**4.79**	**4.53**	**4.88**	**4.82**	**4.63**	**5.00**	**4.73**	**-0.26**	**-0.19**
Druzhba Pipeline	1.08	1.03	1.05	1.01	1.00	1.03	1.00	1.09	1.02	-0.08	-0.02
Other Routes	0.52	0.56	0.60	0.71	0.38	0.38	0.35	0.34	0.36	0.01	-0.27
Total Crude Exports	**6.39**	**6.39**	**6.44**	**6.26**	**6.26**	**6.22**	**5.99**	**6.43**	**6.11**	**-0.32**	**-0.48**
Of Which: Transneft[1]	4.22	4.07	4.07	3.95	4.02	3.90	3.75	4.15	3.99	-0.16	-0.23
Products											
Fuel oil[2]	1.72	1.62	1.44	1.63	1.75	1.79	1.86	1.80	1.62	-0.18	0.18
Gasoil	0.79	0.84	0.73	1.04	1.00	0.88	0.87	0.87	0.80	-0.07	0.13
Other Products	0.44	0.50	0.53	0.64	0.61	0.55	0.56	0.56	0.54	-0.02	0.05
Total Product	**2.95**	**2.97**	**2.70**	**3.31**	**3.37**	**3.22**	**3.29**	**3.22**	**2.96**	**-0.27**	**0.37**
Total Exports	**9.34**	**9.36**	**9.14**	**9.56**	**9.63**	**9.44**	**9.28**	**9.66**	**9.06**	**-0.59**	**-0.11**
Imports	0.09	0.08	0.09	0.07	0.07	0.10	0.10	0.12	0.08	-0.04	-0.01
Net Exports	**9.25**	**9.29**	**9.05**	**9.49**	**9.56**	**9.34**	**9.18**	**9.54**	**8.98**	**-0.55**	**-0.10**

Sources: Argus Media Ltd, IEA estimates

[1]Transneft data exclude Russian CPC volumes.

[2]Includes Vacuum Gas Oil

OECD STOCKS

Summary

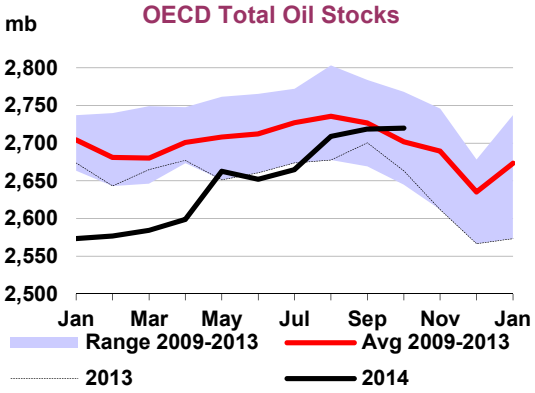
- **Global supply and demand balances indicate that inventories could rise by 297 mb over 1H15**. If half of this took place within OECD economies, it would take OECD stocks to a record 2 869 mb which would likely test storage capacity limits.

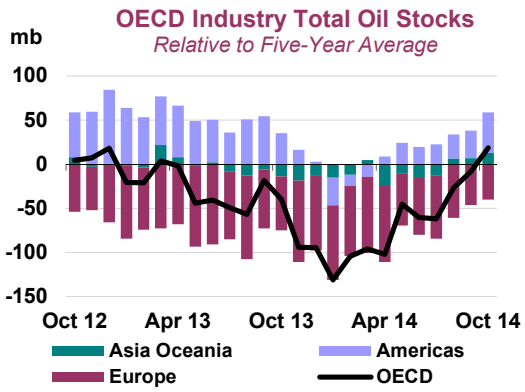
- **OECD commercial inventories built counter-seasonally by 1.4 mb in October to stand at 2 720 mb by end month**, their highest absolute level since September 2012. This also saw inventories return to a surplus against five-year average levels for the first time since March 2013.

- **Crude oil holdings built by a steep 34.4 mb** as refiners in North America and Asia Oceania entered seasonal turnarounds, reducing demand for crude**.**

- **Refined products stocks fell seasonally by 30.7 mb following draws across all product categories**. By end-month, refined products covered 30.1 days of forward demand, a fall of 0.5 days compared to end-August.

- **Preliminary data suggest that inventories fell by 7.9 mb in November**, slightly less than the average draw for the month. If confirmed by official data, this would see the surplus continue to grow to 22.5 mb.





OECD inventory position at end-October and revisions to preliminary data

After building counter seasonally by 1.4 mb in October, OECD industry inventories returned to a surplus against five-year average levels for the first time since March 2013. Inventories have now built in nine of the ten previous months since their December 2013 nadir and have added 154 mb over that period. At end-October, the surplus of inventories versus seasonal levels stood at 18.3 mb, the widest since September 2012.

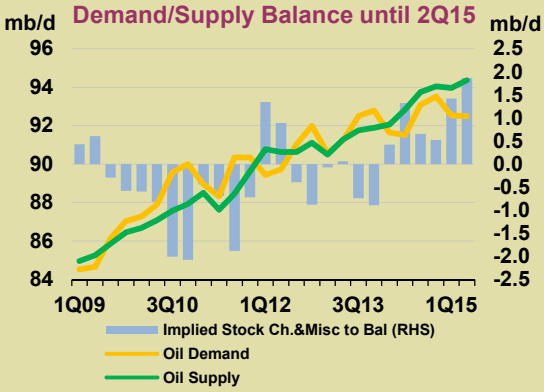
Much of the build over 2014 has been in refined products, however in October the build was centred in crude oil, stocks of which rose by 34.4 mb, approximately four times their average build for that month. All OECD regions posted builds, as refiners in the Americas and Asia underwent seasonal turnarounds. The 23.6 mb build in the OECD Americas was the most eye-catching and occurred as a sharp decrease in refinery throughputs combined with surging US production, the excess of which, in lieu of the US crude export ban, had to go into storage. By end-October, OECD crude oil holdings stood 30.9 mb in surplus to the seasonal average while NGLs and other feedstocks stood 17.8 mb above average levels. In comparison, refined product stocks stood 30.3 mb in deficit to the average.

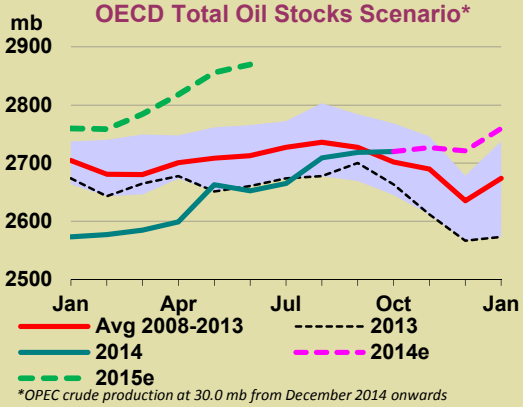
Refined product holdings fell seasonally by 30.7 mb with all product categories posting draws; notably middle distillates dropped by 15.4 mb to leave inventories standing 29.2 mb below the five-year average but 19.0 mb above one year earlier. The deficit versus average levels remained centred on the OECD Americas where middle distillate inventories stood 25.5 mb below average. In comparison, the deficit in OECD European inventories narrowed to 5.9 mb, their smallest deficit since April 2012, while OECD Asia Oceania stayed at a slim 2.2 mb surplus. By end-month, refined product inventories covered 30.1 days of forward demand, 0.5 days less than at end-September.

How much OECD storage capacity remains to be filled?

Based on current supply and demand balances, global stocks look set to rise dramatically in the first half of 2015, on top of the steep gains posted in 2014. For the world as a whole, assuming that OPEC produces at its stated target of 30mb/d through 1H15, the implied inventory build would reach 297 mb. Assuming that inventories resulting from excess global supply are evenly distributed between OECD and non-OECD countries and that OECD government stocks remain stable, incremental builds would bring total OECD commercial oil stocks to a record 2 869 mb by mid-2015. However, would there be enough storage capacity in the market to accommodate such a large build?

The question cannot easily be answered. While all OECD countries are required to collect monthly data on their commercial and strategic oil inventories, the IEA does not require them to collect or provide data on storage capacity. Only in the US has there been an effort since 2010 to collect and update storage capacity information every six months. There is no centralised, systematic and comprehensive collection of storage capacity data for the entire OECD, let alone the world as a whole.





*OPEC crude production at 30.0 mb from December 2014 onwards

In the absence of capacity data, an imperfect proxy can be gathered from comparing current inventories with recent historical highs. While this measure might be used as a guide, it does not reveal how full storage capacity was when inventories reached their peak, nor does it account for such mothballing or expansion of capacity as might have occurred since the highs.

Nonetheless, based on OECD inventory data posted since 2000, it is apparent that industry holdings within OECD Americas are currently much closer to historical highs than elsewhere. At end-October, they stood 1.6 mb below their maximum reported level of 1 410 mb posted in September 2014. However, infrastructure is being built out continuously in North America to keep pace with the growth in Canadian and US crude and NGL production. Indeed, Canadian stocks touched a new record level in October as storage at major hubs such as Edmonton and Hardisty is being expanded. A similar picture is occurring in the US: the most recent survey released by the US Energy Information Administration in late November (with September 2014 data) indicates that working storage capacity (not including the Strategic Petroleum Reserve) stood at approximately 2 billion barrels, an increase of 32 mb over one year earlier. On this basis, despite standing at close to record levels, US oil stocks currently only stand at 60% of capacity, with commercial crude oil inventories standing at 75% of working capacity.

How much OECD storage capacity remains to be filled? (continued)

Outside of North America, inventories in OECD Europe and Asia Oceania stand at less than 90% of their maximum levels achieved over the past fourteen years. Over recent years, European oil storage has undergone a number of changes in response to refinery rationalisation, but this may not have resulted in a reduction of storage capacity. Many of the shuttered refineries have been turned into terminals to facilitate the import and distribution of refined products to surrounding markets. Examples of this include Total's conversion of its Dunkerque refinery to an import terminal (dépôt pétrolier de la Côte d'Opale) while ConocoPhillips' Wilhelmshaven refinery was converted into a crude and products terminal.

Current OECD Stocks Versus Historic Maximum Reported Stock Levels

(October 2014 stocks as a percentage of maximum levels recorded over 2000-2014)

	Crude oil	Residual fuel oil	Refined products[1]	Total oil[2]
OECD Americas	99%	81%	94%	100%
OECD Europe	86%	57%	85%	87%
OECD Asia Oceania	89%	81%	83%	86%
Total OECD	98%	69%	92%	97%

[1] does not include residual fuel oil

[2] also includes NGLs and refinery feedstocks

Imports to Europe are increasingly shipped long-haul which has driven the need for product storage to increase as terminals are expanded to handle these volumes. There has also been significant investment in independent product storage at terminals, notably in the ARA region. Examples include Vopak's Amsterdam Westpoort terminal and VTTI's Botlek Terminal at Odfjell, both of which were expanded in 2012. Considering these developments, current inventory levels would suggest that there is a fair amount of land-based storage capacity both in Europe and Asia Oceania to be filled before market participants would need to resort to more expensive floating storage. However, with projections suggesting a significant stock build in 2H15, this would likely test capacity limits.

Preliminary Industry Stock Change in October 2014 and Third Quarter 2014

	October 2014 (preliminary) *(million barrels)*				October 2014 (preliminary) *(million barrels per day)*				Third Quarter 2014 *(million barrels per day)*			
	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total	Am	Europe	As. Ocean	Total
Crude Oil	**23.6**	**3.0**	**7.9**	**34.4**	**0.76**	**0.10**	**0.25**	**1.11**	**-0.21**	**-0.13**	**-0.02**	**-0.36**
Gasoline	-5.9	1.7	0.0	-4.2	-0.19	0.05	0.00	-0.14	-0.08	0.04	-0.02	-0.06
Middle Distillates	-10.6	-5.2	0.4	-15.4	-0.34	-0.17	0.01	-0.50	0.13	0.20	0.18	0.50
Residual Fuel Oil	-0.5	-0.9	-1.6	-2.9	-0.02	-0.03	-0.05	-0.09	0.00	-0.05	0.02	-0.04
Other Products	-8.8	1.1	-0.4	-8.2	-0.28	0.03	-0.01	-0.26	0.33	0.07	0.10	0.50
Total Products	**-25.9**	**-3.3**	**-1.6**	**-30.7**	**-0.83**	**-0.11**	**-0.05**	**-0.99**	**0.38**	**0.25**	**0.29**	**0.91**
Other Oils[1]	0.7	0.6	-3.6	-2.3	0.02	0.02	-0.12	-0.07	0.14	-0.02	0.05	0.17
Total Oil	**-1.6**	**0.3**	**2.7**	**1.4**	**-0.05**	**0.01**	**0.09**	**0.05**	**0.31**	**0.10**	**0.32**	**0.72**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

While October data are roughly unchanged since last month's *Report*, OECD inventories were revised downwards by 2.9 mb for September. Crude oil stocks led the cut with a downward revision of 7.9 mb, after German, Japanese and Dutch actual data came in lower than preliminary estimates, while NGLs and other feedstocks provided a partial offset. On the product side, estimates of gasoline stocks were adjusted upward while those of residual fuel oil were revised lower. The net effect was that the 12.6 mb build for September presented in last month's *Report* is now seen as a slightly shallower 9.7 mb while the third quarter stock build is now estimated at 720 kb/d, 40 kb/d lower than assessed last month.

Preliminary data suggest that inventories fell by 7.9 mb in November, gentler than the 12.0 mb five-year average draw for the month. If confirmed by final data, this would see the surplus continue to grow to 22.5 mb. NGLs and feedstocks fell by 8.1 mb, while crude stocks rose counter-seasonally by 2.3 mb as Japanese inventories increased by a further 5.4 mb. Stocks of refined products slipped by 2.1 mb, less than the average draw for the month. A further 11.3 drop in 'other products' as US propane demand for heating continued to ramp up, offset builds in motor gasoline (9.6 mb) and fuel oil (1.4 mb).

Revisions versus 14 November 2014 Oil Market Report

(million barrels)

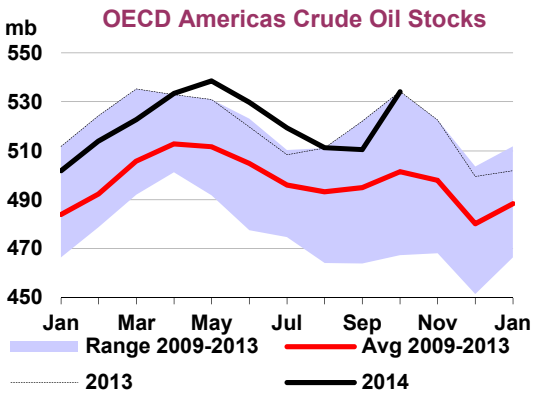
	Americas		*Europe*		*Asia Oceania*		*OECD*	
	Aug-14	Sep-14	Aug-14	Sep-14	Aug-14	Sep-14	Aug-14	Sep-14
Crude Oil	**-0.9**	**-1.2**	**1.0**	**-3.4**	**0.1**	**-3.2**	**0.2**	**-7.9**
Gasoline	0.0	2.3	-0.4	2.1	0.0	-0.4	-0.4	3.9
Middle Distillates	-0.1	-1.0	-1.5	1.6	0.2	0.6	-1.4	1.2
Residual Fuel Oil	0.0	-0.7	-0.8	-3.2	0.0	-0.3	-0.8	-4.3
Other Products	0.1	-0.9	0.4	1.6	0.1	-0.4	0.6	0.3
Total Products	**0.0**	**-0.3**	**-2.3**	**2.0**	**0.3**	**-0.6**	**-2.0**	**1.1**
Other Oils[1]	0.0	3.2	1.8	-0.1	0.0	0.8	1.8	3.9
Total Oil	**-0.9**	**1.6**	**0.5**	**-1.5**	**0.4**	**-3.1**	**0.0**	**-2.9**

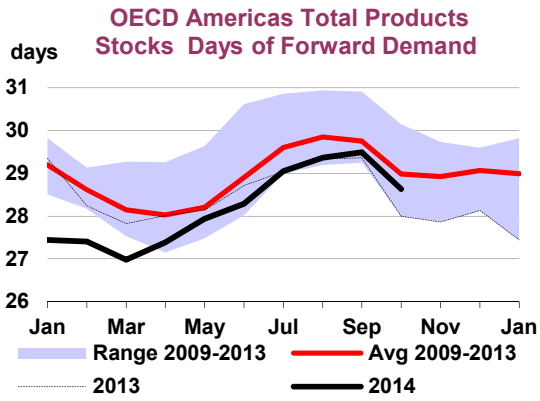
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Recent OECD industry stock changes

OECD Americas

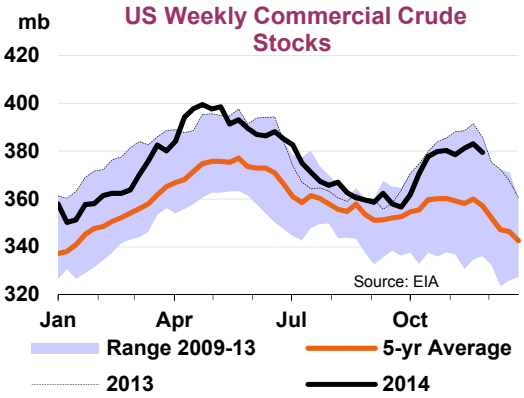
Commercial inventories in the OECD Americas slipped marginally by 1.6 mb over October, far shallower than the 16.6 mb five-year average draw for the month. Crude oil inventories added 23.6 mb, nearly four times the average build. This came amidst refineries entering seasonal turnarounds as throughputs slumped by 800 kb/d. On the flip side, lower refinery runs led to a 25.9 mb draw in refined products, with all product categories falling seasonally month-on-month. On a days-of-forward-demand basis, at end-October, refined products covered 28.6 days, a fall of 0.9 days on end-September.

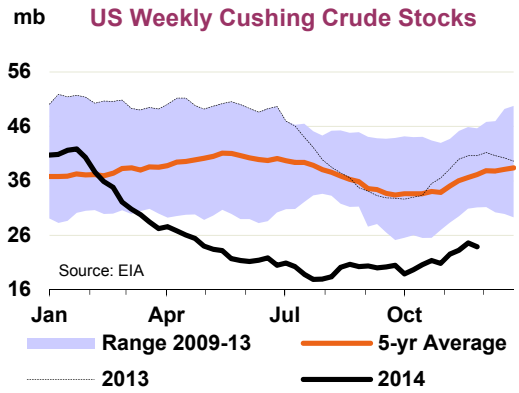




Preliminary weekly data from the US EIA suggest that commercial inventories fell seasonally by 8.9 mb in November, their second consecutive monthly draw. Refined products fell by 5.1 mb, approximately twice the average draw. Middle distillates holdings decreased by a relatively steep 3.1 mb while 'other products' inventories followed seasonal trends, decreasing by 11.6 mb after propane demand for heating picked up. Meanwhile, motor gasoline stocks rebounded (+9.2 mb) as refiners began to build stocks of winter-grade product while demand remained weak.

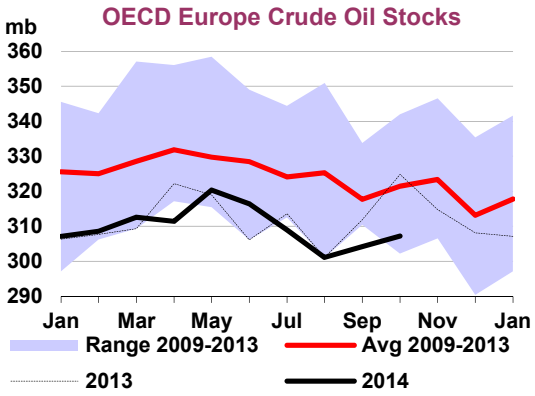
While crude inventories followed seasonal patterns and remained relatively stable on the month (-0.5 mb), regional differences persisted, notably between PADD 2 and PADD 3. Stocks on the US Gulf Coast (PADD 3) fell by 2.3 mb in November as refiners there increased throughputs by over 500 kb/d. Meanwhile, inventories in the mid-continent (PADD 2) rose by 1.9 mb as imports from Canada remained at historically high levels. Stockholders at the Cushing, Oklahoma storage hub (delivery point of the NYMEX WTI contract) continued to add inventory (+ 3.4 mb m-o-m) as crude prices fell to their lowest levels in over four years. Inventories at the hub have steadily increased over October and November; by end-November they stood above 24 mb, more than 6 mb above their July low of 18 mb.

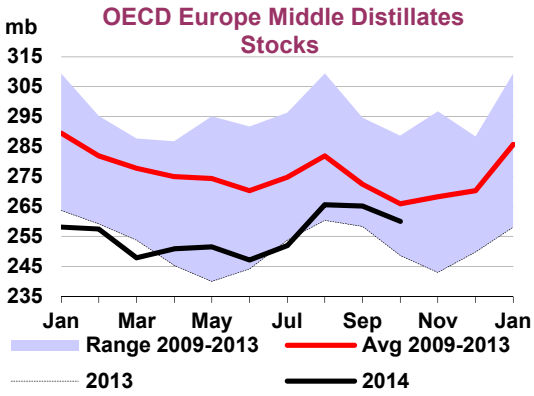




OECD Europe

Industry inventories in OECD Europe defied seasonal trends by inching up by 0.3 mb to stand at 888 mb by end-October. As such, the region's deficit versus average levels narrowed to 40 mb, the smallest since March 2012. Crude oil holdings rose by 3.0 mb despite refinery intake increasing by 150 kb/d m-o-m. European refiners have been running relatively hard since late summer on the back of comparatively high margins. October runs were approximately 1.5 mb/d higher than twelve months earlier.



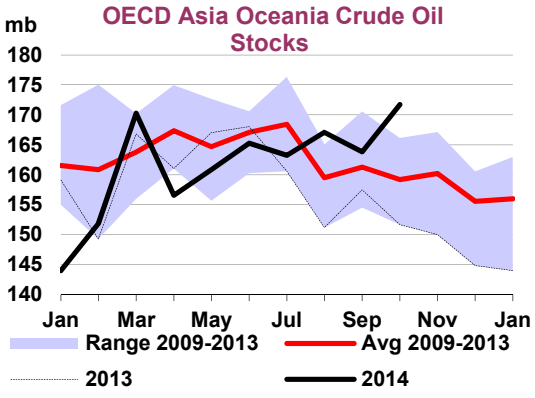


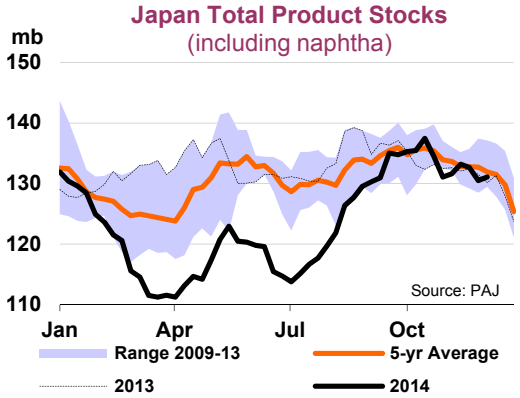
The increased refinery output muted seasonal draws in refined products. Although they decreased by a combined 3.3 mb, this was significantly less than the 10.3 mb five-year average draw for the month. By end-month, refined products covered 38.8 days of forward demand, 1.0 day above end-September. Middle distillates holdings fell seasonally by 5.2 mb, with decreases in the Netherlands, France and the UK offsetting a build in Germany where savvy consumers also took the opportunity to stock up on heating oil as prices fell to their lowest levels in several years. By October, German end-user heating oil stocks reached 66% of tank-fill (+1 percentage point m-o-m), their highest level since 2009.

Preliminary data from Euroilstock suggest that commercial inventories in Europe rose seasonally by 2.7 mb as a steep 5.4 mb build in refined products more than offset a 2.7 mb draw in crude as refiners continued to run at high rates. On the product side, amid the high refinery runs, all products posted builds bar 'other products'.

OECD Asia Oceania

Inventories in OECD Asia Oceania posted a 2.7 mb build in contrast to the 3.1 mb five-year average draw for the month. Soaring crude oil holdings (+ 7.9 mb m-o-m) pushed stocks upwards and more than offset draws in NGLs and refinery feedstocks and refined products. Crude oil built after Japanese holdings increased by a steep 8.1 mb. This occurred as refiners there entered seasonal turnarounds which saw runs plummet while imports remained flat. The draw in refined products saw regional cover on a days of forward demand basis fall by 1.0 day on the month to 21.0 days.

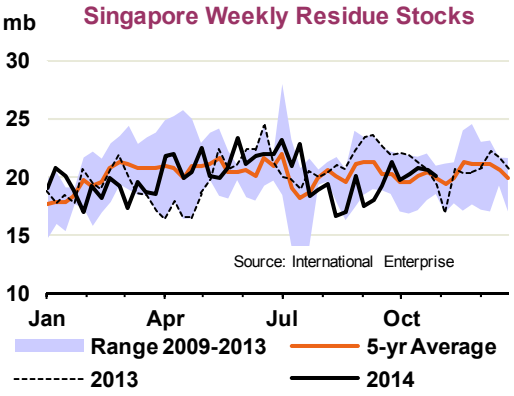


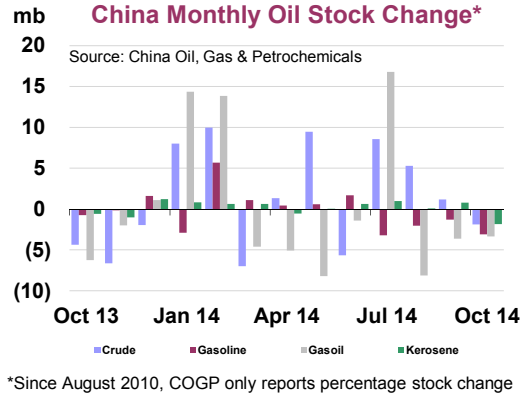


Preliminary weekly data from the Petroleum Association of Japan (PAJ) point to a 1.7 mb draw in Japanese inventories over November. As with October, rising crude holdings (+5.4 mb) led total stocks higher. Given that refinery runs increased and that refinery utilisation remained above the five-year range, it is expected that crude imports rose. Refined products (-2.4 mb) decreased in line with seasonal trends with all product categories bar 'other products' posting draws. By end-November, refined products stocks remained on a par with a year earlier but 5 mb below the five-year average.

Recent developments in Singapore and China stocks

According to data from International Enterprise (IE), land-based inventories of refined products in Singapore posted their steepest draw in four month in November as they fell by 3.2 mb. All product categories posted draws, notably residual fuel oil which sank by 2.0 mb amid reports of increased early-month bunkering demand, as HSFO prices sank to four-year lows. Middle distillates holdings drew by 1.2 mb amid reported strong demand for winter heating fuels (kerosene is the liquid heating fuel of choice in Asia) while light distillates remained relatively stable (-0.1 mb m-o-m).



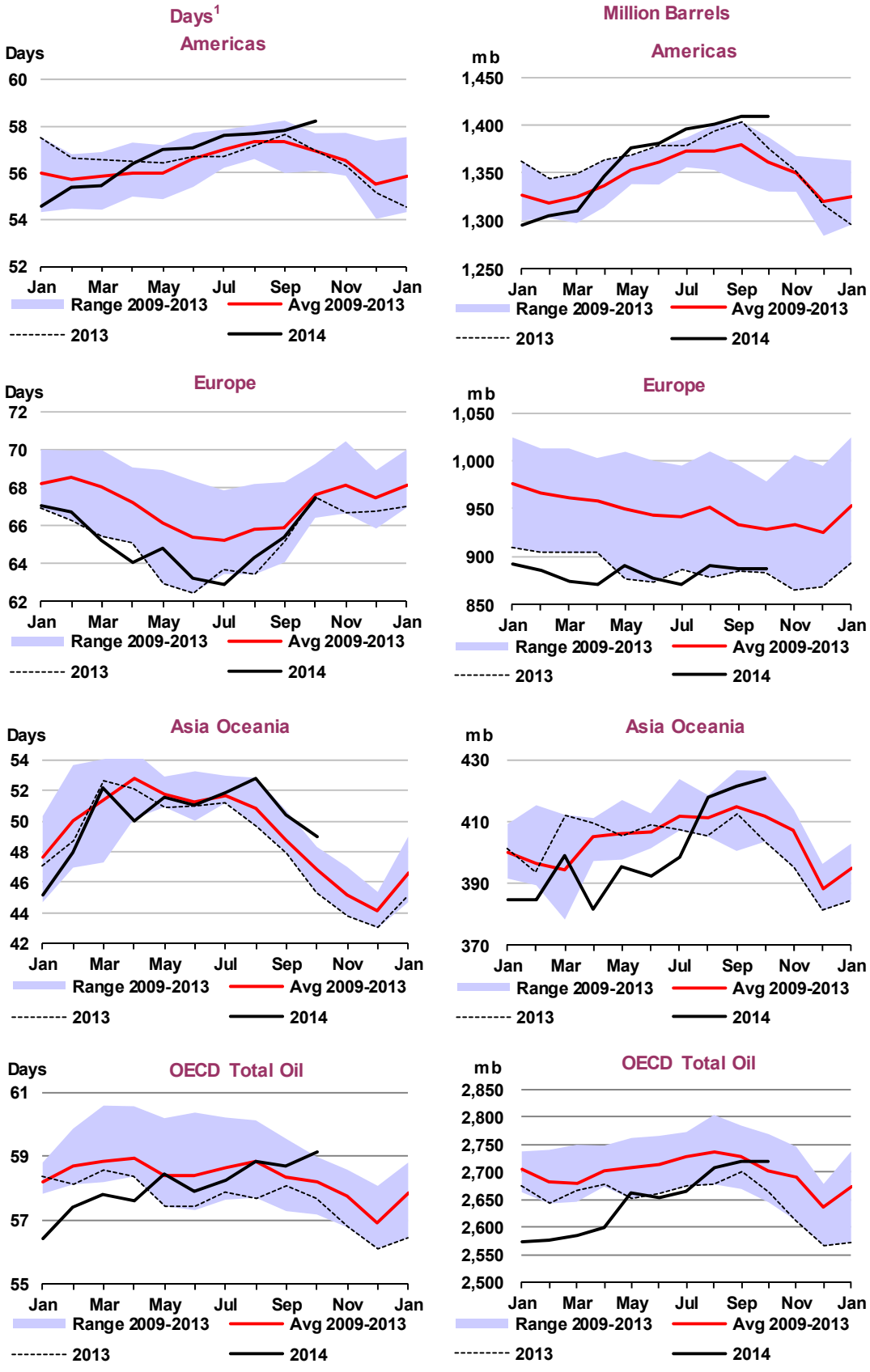


*Since August 2010, COGP only reports percentage stock change

Data from *China Oil, Gas and Petrochemicals* (*China OGP*) indicate the Chinese commercial crude inventories fell by an equivalent 1.9 mb (data are reported in terms of percentage stock change) in October. Preliminary data also indicate that the filling of the SPR may have stopped. Following a 1.0 mb/d decrease in crude imports, the gap between crude supply (production + net imports) and refinery runs slipped into negative territory in October, which suggests an unreported draw. However, initial data suggest that this may have been temporary since Chinese crude imports rebounded to over 6.0 mb/d in November. *OGP* data also indicate that refined product inventories fell by a combined 8.3 mb with gasoil, gasoline and kerosene stocks losing 3.3 mb, 3.1 mb and 1.8 mb, respectively.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

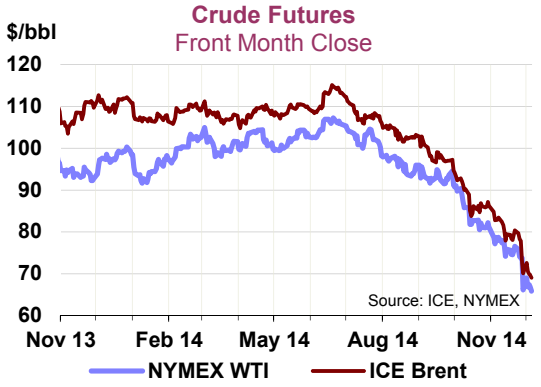
Summary

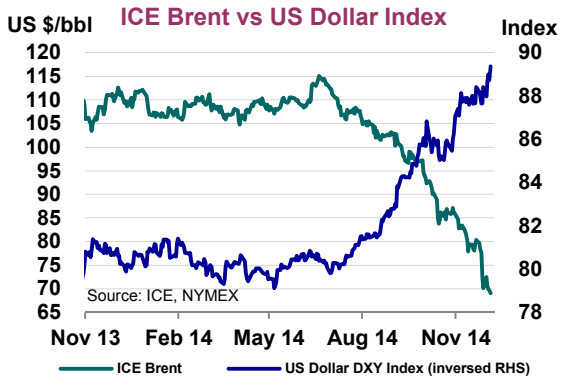
- **Oil's decline gained pace through November and into early December, with Brent diving to a five-year low below $65/bbl.** OPEC's decision to maintain its output target despite some calls for supply cuts triggered heavy selling as many market participants had apparently counted on the producer group to balance the market. At the time of writing, ICE Brent was trading at a five-year low of $64.05/bbl, down more than 40% from June, while NYMEX WTI was at $60.45/bbl.

- **Downward price pressure deepened after top exporter Saudi Arabia in early December cut monthly formula prices to Asia and the US, a move some analysts interpreted as a sign that Riyadh is seeking to keep up oil sales amid growing competition.** Weighed by ample supply, the world's main benchmark crudes – North Sea Brent, Middle East Dubai and US WTI – have all sunk into contango, where prompt oil is cheaper than future deliveries.

- **Spot product prices plummeted in tandem with tumbling crude prices and higher refiner activity in November and by early-December stood at their lowest levels in over four years**. Crack spreads in the US and Europe were negatively affected by the weaker product prices while those in Asia generally strengthened on weakening Dubai.

- **Freight rates had an overall robust month, particularly for product tankers in the Atlantic basin.** Earnings for product vessels triangulating between the UK, US Atlantic and US Gulf more than doubled, with charterers shipping gasoline to the US and diesel back to Europe, as the arbitrage opportunity widened.





Market overview

Oil buckled under the weight of mounting supply and expectations of further stock builds, with Brent crude now down more than 40% from a mid-June peak above $115/bbl. Prices fell heavily after OPEC agreed to maintain its 30 mb/d supply target and effectively let the market rebalance itself. Brent has shed more than $10/bbl since the 27 November decision, slumping to a five-year low below $65/bbl.

Markets are expecting a substantial build-up of supply in 1H15 since OPEC opted not to cut output and further pressure was added after Saudi Arabia, the group's top producer, made steep reductions in its monthly formula prices for Asia and smaller cuts to the US. Some analysts say the cuts to price differentials, the fifth in a row for buyers in the US, suggest Riyadh is acting to preserve its market share. Another damper was a deal agreed on 2 December between Iraq's federal government and the Kurdistan Regional Government (KRG) that promises to add more Iraqi crude to markets that already look well supplied (see *Supply*).

A rally in the US dollar – highs unseen in five and a half years were scaled in early December – also piled on the pressure. A robust dollar makes oil and other commodities priced in dollars more expensive for buyers using other currencies, which can reduce demand.

Global benchmarks Brent and WTI posted month-on-month (m-o-m) losses of more than 10% for a second straight month in November. ICE Brent futures tumbled $8.42/bbl from October to an average $79.63/bbl in November, for a 10.6% m-o-m decline. NYMEX WTI fell $8.53/bbl from October to an average $75.81/bbl, for a m-o-m drop of 11.3%. ICE Brent was last at $64.05/bbl after averaging around $110/bbl from 2011 to 2013. NYMEX WTI was at $60.45/bbl.

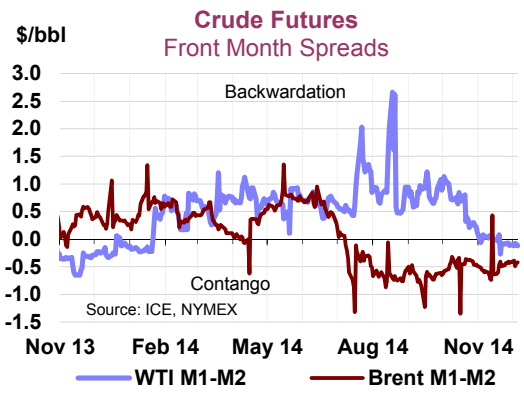
Prompt Month Oil Futures Prices

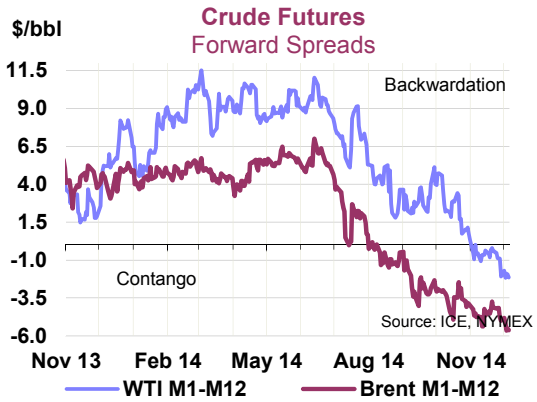
(monthly and weekly averages, $/bbl)

	Sep	Oct	Nov	Nov-Oct Avg Chg	% Chg	Week Commencing: 03 Nov	10 Nov	17 Nov	24 Nov	01 Dec
NYMEX										
Light Sweet Crude Oil	93.03	84.34	75.81	-8.53	-11.3	78.24	76.51	75.38	72.43	67.18
RBOB	108.80	94.61	86.44	-8.16	-9.4	88.60	86.99	85.66	84.04	76.17
No.2 Heating Oil	115.29	106.37	101.33	-5.04	-5.0	103.57	102.17	100.20	98.88	90.10
No.2 Heating Oil ($/mmbtu)	20.33	18.76	17.87	-0.89	-5.0	18.27	18.02	17.67	17.44	15.89
Henry Hub Natural Gas ($/mmbtu)	3.92	3.80	4.24	0.43	10.2	4.24	4.14	4.34	4.22	3.83
ICE										
Brent	98.57	88.05	79.63	-8.42	-10.6	83.36	80.34	79.11	75.70	70.34
Gasoil	111.73	101.19	94.98	-6.21	-6.5	98.46	96.52	93.78	91.16	84.89
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-5.54	-3.71	-3.82	-0.11		-5.12	-3.83	-3.73	-3.27	-3.16
NYMEX No.2 Heating Oil - WTI	22.26	22.03	25.52	3.49		25.33	25.66	24.82	26.45	22.92
NYMEX RBOB - WTI	15.77	10.27	10.63	0.37		10.36	10.48	10.28	11.61	8.99
NYMEX 3-2-1 Crack (RBOB)	17.93	14.19	15.59	1.41		15.35	15.54	15.13	16.56	13.63
NYMEX No.2 - Natural Gas ($/mmbtu)	16.41	14.96	13.64	-1.32		14.03	13.88	13.33	13.22	12.06
ICE Gasoil - ICE Brent	13.16	13.14	15.35	2.21		15.10	16.18	14.67	15.46	14.55

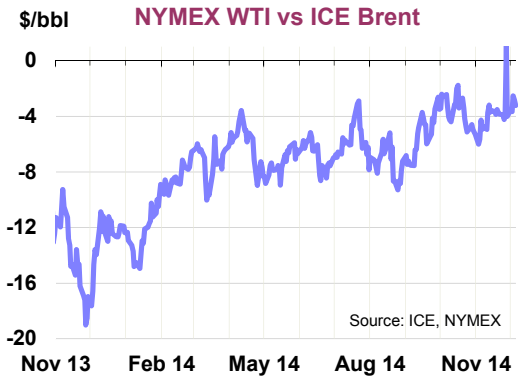
Source: ICE, NYMEX.

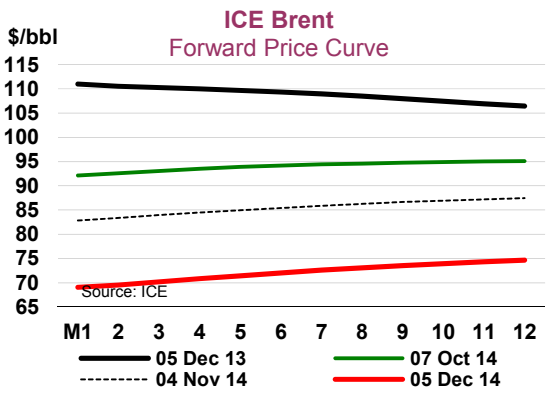
NYMEX WTI flipped into a slim contango during November as crude oil inventories at the trading hub of Cushing, Oklahoma continued to rise. The NYMEX WTI M1-M2 spread averaged -$0.02/bbl in November versus backwardation – where oil trades at a premium to future months – of $0.60/bbl in October. Brent remained in a solid contango structure, which developed in July. The ICE Brent M1-M2 contract spread held steady in November at -$0.49/bbl versus -$0.48/bbl in October.





Forward curves were also in contango, with the Brent M1-M12 contract spread widening in November to -$4.50/bbl versus -$3.50/bbl during October. November saw the WTI M1-M12 contract spread shift into contango for the first time since February 2013, with the forward curve at -$0.68/bbl versus backwardation of $2.45/bbl during October. A steeper decline on NYMEX WTI widened out the front-month spread with ICE Brent in November to an average $3.82/bbl versus $3.71/bbl in October.

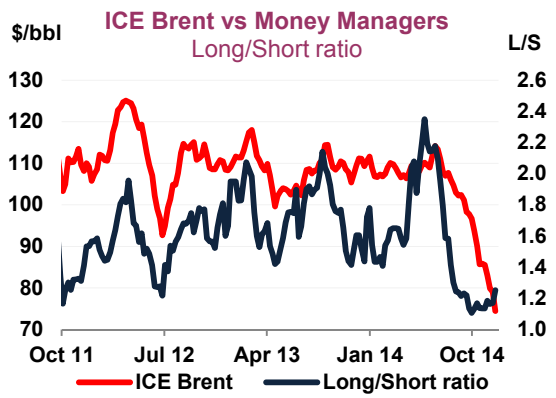


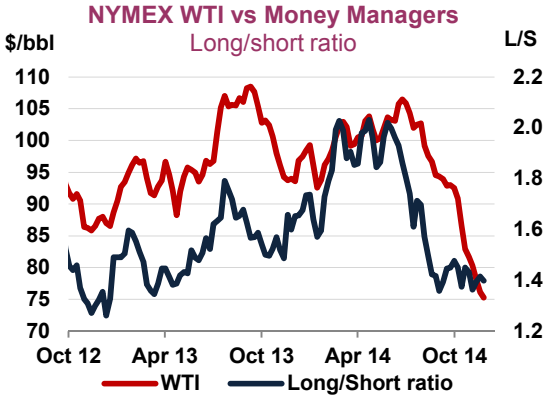


Financial markets

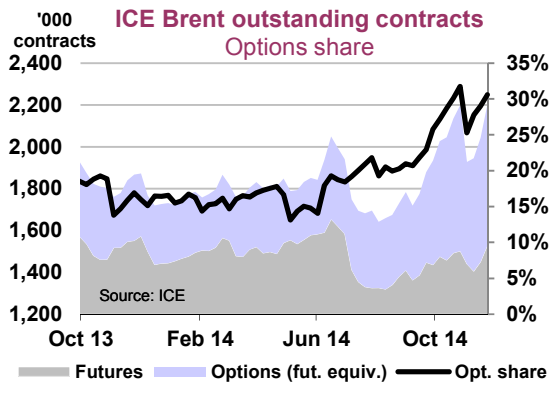
Market activity

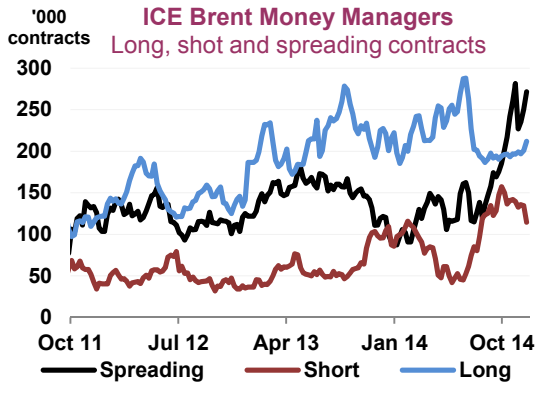
Hedge funds' exposure towards global oil markets appears to have stabilised and to have finally found a floor, after the dramatic reversal on the back of plummeting crude prices. The '*long-to-short ratio*' of money managers' futures and options contracts, an indicator of funds' overall sentiment towards crude markets, showed some timid signs of recovery in early December, inching up towards 1.2, the highest since mid-September, but still very subdued by historical standards.





A closer look at the data suggests that financial markets see uncertainty ahead. The share of option contracts in the overall London Brent options and futures market rose to its highest historically, as the number of traded 'options futures-equivalent' more than doubled from June to November. Option contracts now account for about 30% of ICE Brent open interest, a staggering increase from an historical average of about 15%. The number of funds' '*spreading*' positions also doubled, surpassing unhedged net longs and reaching historical highs. This indicates that funds are taking much less un-hedged positions, further suggesting a prudent stance towards an uncertain future.





Positions on ICE Brent Crude Futures and Options

Thousand Contracts

02 December 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	548.3	890.2	-341.8	*Short*	↓ -17.5	↓ -18.6
Swap Dealers' Positions	814.9	483.4	331.5	*Long*	↓ -15.3	↓ -20.7
Money Managers' Positions	483.4	386.2	97.3	*Long*	↑ 31.3	↑ 42.6
Others' Positions	289.2	368.6	-79.4	*Short*	↑ 1.3	↓ -6.2
Non-Reportable Positions	63.3	70.9	-7.5	*Short*	↑ 0.1	↑ 3.0
Open Interest			**2199.2**		↑ 156.8	↑ 64.5

Source: ICE

Positions on Light Sweet Crude Oil (WTI) Futures and Options

Thousand Contracts

25 November 2014	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	247.6	297.8	-50.2	*Short*	↓ -1.0	↓ -5.4
Swap Dealers' Positions	436.7	677.9	-241.2	*Short*	↑ 10.0	↑ 17.2
Money Managers' Positions	568.5	406.5	162.0	*Long*	↓ -13.0	↓ -24.8
Others' Positions	709.2	601.2	108.0	*Long*	↑ 6.8	↑ 4.6
Non-Reportable Positions	90.3	69.0	21.3	*Long*	↓ -2.8	↑ 8.4
Open Interest			**2052.4**		↓ -22.2	↓ -126.9

Source: CFTC

Regulation

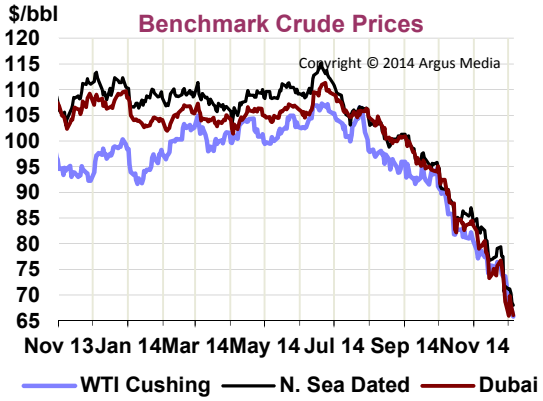
US regulator the Commodity Futures Trading Commission (CFTC) delayed the cross-border enforcement of new swaps trading rules to 30 September 2015. Early in December, the CFTC reopened public comment period for the much-debated position-limits rules for further 45 days.

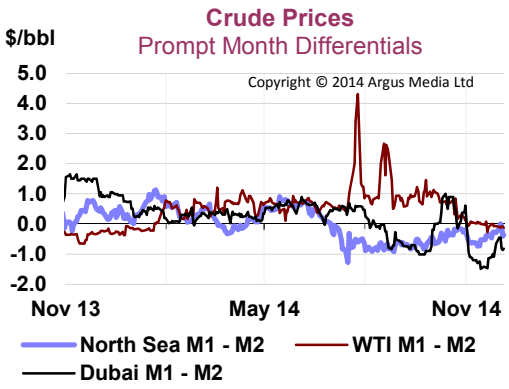
The European Securities and Markets Authority (ESMA) released its final draft technical standards for off-exchange swaps clearing on 1 October. Comments from public consultation were published on 7 November. The start-up date for mandatory clearing will depend on the approval from the European Commission and the European Parliament, and is expected to be in early 2015. The phase-in will last three years for large energy and industrial groups.

Spot crude oil prices

Spot crude oil markets tracked the descent of futures but there was some support in Europe due to surprisingly strong refining activity and lower exports from Russia and Libya. After OPEC opted to maintain its official target in the face of rising unconventional production in North America and sluggish demand growth, Saudi Arabia made sharp cuts to its monthly formula prices to Asia and smaller reductions to the US. Spot markets sagged as some analysts say the move indicates that Riyadh is keen to keep up its oil sales through competitive pricing. Iraq and Kuwait followed Saudi Arabia's pricing lead and lowered their formula prices. Iran is also expected to make price cuts.

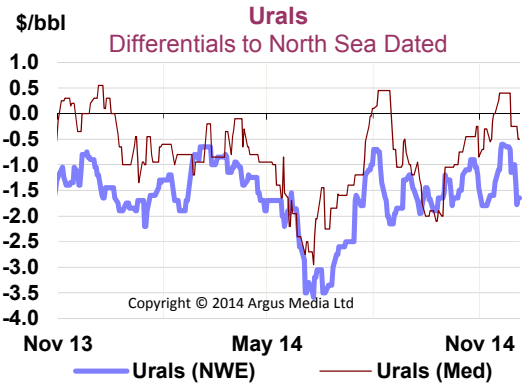
As demand drops seasonally in the first half of the year, the oil market could grow more crowded when Iraq starts to export more oil after Baghdad and the KRG agreed to export 250 kb/d from the northern Kurdish region via Turkey and 300 kb/d of oil from Kirkuk. The early December deal aims to overcome a long-running feud over oil exports and payments. Iraqi state oil marketer Somo has reportedly sold two-thirds of the 150 kb/d it plans to load from the Turkish Mediterranean port of Ceyhan in December.

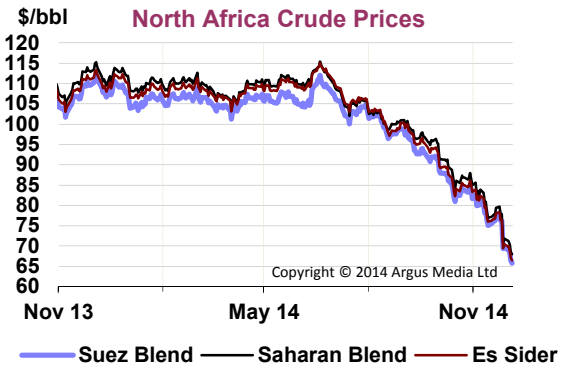




Dated Brent sank to $78.94/bbl during November, a loss of $8.48/bbl versus October. By early December, the North Sea grade had slumped to $68.59/bbl – its lowest since May 2010. US WTI dropped $8.06/bbl to average $76.34/bbl during November. Dubai took the biggest hit, falling $10.13/bbl versus October to an average $76.40/bbl.

Russian Urals held up best, shedding $7.76/bbl versus October to average $78.92/bbl. The sour grade was supported by a substantial drop in scheduled Russian crude shipments for December as Russian exporters hold back in anticipation of a sharp cut in the crude export duty in January, not only due to lower crude prices but also due to new export rates (see *Putin signs tax manoeuver into law* in *Refining*). The Urals discount to Dated Brent in the Mediterranean shrank to just $0.02/bbl in November versus $0.74/bbl in October. Saudi Aramco's increase in its January Arab Light price to Europe may have partly reflected the relatively stronger Urals market.

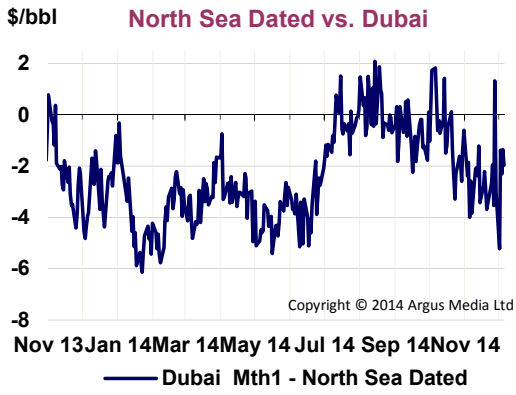


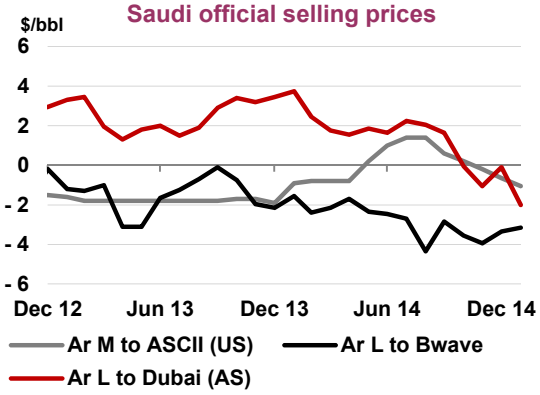


A drop in Libyan exports during November meanwhile lent some support to light sweet Caspian and North Sea grades. Unrest shut in the two biggest supply sources in western Libya – the El Sharara and Elephant oil fields. El Sharara is due to be restarted once a pipeline blockage is cleared and Elephant is back on line. By early December, Caspian light sweet CPC Blend and Algerian Saharan Blend slipped versus Dated Brent as cargoes struggled to find outlets. Libya's Es Sider, trading at a discount of up to $0.50/bbl to its December official selling price, was viewed as competitively priced. Barrels from West Africa continued to move eastward, with China stocking up on Angolan grades. A leak forced Nigeria's Trans—Niger Pipeline offline, but the impact on exports of Bonny Light reportedly has been minor.

In Asia, traders are expecting to see sustained flows of Middle East crude following OPEC's decision to maintain its production target. As a result, the Brent/Dubai premium has widened out to more than $2/bbl. Saudi Aramco cut the January price for its Arab Light grade for shipments to Asia by $1.90/bbl from December to a discount of $2/bbl to the Oman/Dubai average. Market participants had expected a cut of this magnitude given the sharply weaker structure in the Dubai crude market during November.

For a fifth month running, Saudi Aramco cut its price differential for the US market. The Arab Light official selling price (OSP) to the US was set at a premium of $0.90/bbl to the Argus Sour Crude Index (ASCI) for January, down $0.70/bbl from the previous month. Saudi exports to the US have fallen to less than 900 kb/d so far in the fourth quarter versus 1.5 mb/d at the start of the year.





US crude was under pressure from higher stocks, falling slightly further relative to Dated Brent. LLS has moved from a premium to discount, closing an arbitrage play that had allowed for some imports. The price differential between Western Canada Select and WTI is set to shrink as more pipeline projects come online and growing volumes of heavy Canadian crude head south to US gulf coast refineries.

Spot Crude Oil Prices and Differentials

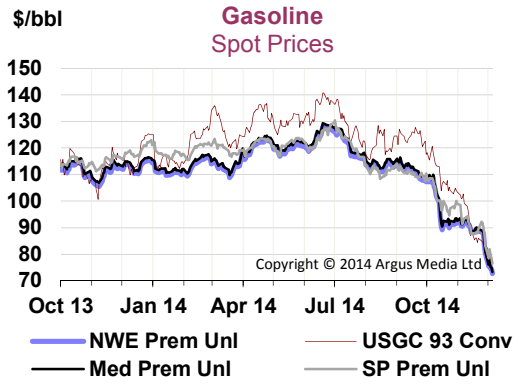
(monthly and weekly averages, $/bbl)

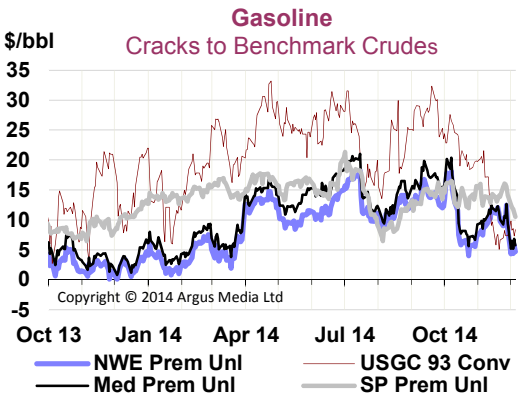
	Sep	Oct	Nov	Nov-Oct		Week Commencing:				
				Avg Chg	%	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec
Crudes										
North Sea Dated	97.29	87.42	78.94	-8.48	-9.7	83.11	79.62	77.65	75.37	69.85
Brent (Asia) Mth 1	98.16	87.69	79.54	-8.15	-9.3	82.85	80.43	78.07	76.81	70.00
WTI (Cushing) Mth 1	93.21	84.40	76.34	-8.06	-9.6	78.24	76.51	75.36	74.52	67.18
Urals (Mediterranean)	95.65	86.68	78.92	-7.76	-8.9	82.65	79.38	78.02	75.64	69.50
Dubai	96.55	86.53	76.40	-10.13	-11.7	80.18	77.38	74.63	73.40	67.40
Tapis (Dated)	94.52	84.98	75.92	-9.06	-10.7	80.31	76.82	74.57	71.99	66.25
Differential to North Sea Dated										
WTI (Cushing)	-4.08	-3.02	-2.60	0.42		-4.86	-3.11	-2.29	-0.85	-2.66
Urals (Mediterranean)	-1.64	-0.74	-0.02	0.73		-0.46	-0.24	0.37	0.27	-0.35
Dubai	-0.74	-0.89	-2.54	-1.65		-2.93	-2.24	-3.02	-1.97	-2.44
Tapis (Dated)	-2.76	-2.44	-3.02	-0.58		-2.80	-2.80	-3.08	-3.38	-3.60
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2	-0.66	-0.35	-0.50	-0.16		-0.61	-0.65	-0.43	-0.31	-0.20
Forward WTI Cushing Mth1-Mth2	0.92	0.64	-0.01	-0.65		0.02	0.03	-0.07	-0.03	-0.10
Forward Dubai Mth1-Mth2	-0.81	0.39	-1.18	-1.57		-1.09	-1.30	-1.38	-0.94	-0.68

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Spot product prices

Spot product prices plummeted in tandem with tumbling crude prices in November and as fundamentals loosened from mid-month onwards, fell further so that by early-December they stood at their lowest levels in over four years. Cracks in the US and Europe were negatively affected by the weaker product prices but cracks in Asia generally strengthened on comparatively weak Dubai crude.





Products at the light end of the barrel posted steep price declines over November amid ample supply in Europe and the US after refiners continued to increase throughputs. In particular, US gasoline prices tumbled from their previous high level as reports of weak seasonal demand combined with near record throughputs and large stock builds. Consequently, the US Gulf super unleaded crack plummeted by $9.99/bbl over the month to stand on a par with gasoline cracks in other refining centres. Prices and cracks in the US Gulf for the cheaper, lower specification unleaded gasoline were likely buttressed by increased shipments to Venezuela in light of refinery problems there

Spot Product Prices

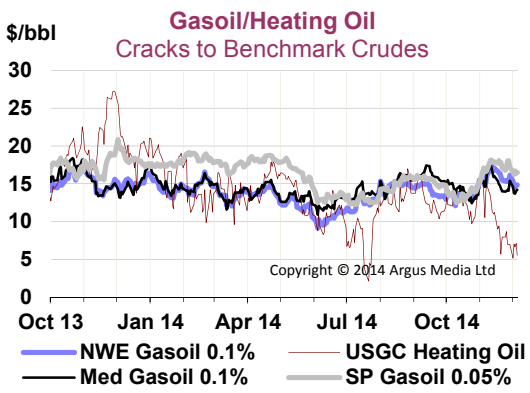
(monthly and weekly averages, $/bbl)

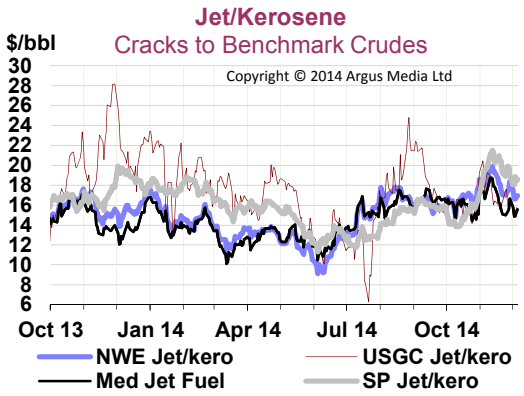
	Sep	Oct	Nov	Nov-Oct		Week Commencing:					Sep	Oct	Nov	Chg
				Chg	%	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec				
Rotterdam, Barges FOB											**Differential to Dated Brent**			
Premium Unl 10 ppm	111.13	97.03	89.01	-8.01	-8.3	91.43	90.34	88.81	85.48	74.81	13.84	9.61	10.08	0.47
Naphtha	94.52	80.00	70.78	-9.22	-11.5	73.44	69.34	70.75	69.57	62.84	-2.77	-7.42	-8.16	-0.73
Jet/Kerosene	113.34	104.03	97.30	-6.73	-6.5	101.56	99.21	95.54	92.90	86.75	16.05	16.61	18.37	1.76
ULSD 10ppm	113.88	104.22	98.05	-6.17	-5.9	102.07	100.69	96.48	92.96	86.82	16.60	16.80	19.11	2.31
Gasoil 0.1%	111.44	100.98	94.94	-6.04	-6.0	98.40	96.63	93.83	90.90	84.65	14.16	13.56	16.01	2.45
LSFO 1%	87.27	75.79	65.90	-9.89	-13.0	69.11	67.17	64.50	62.83	57.37	-10.02	-11.63	-13.03	-1.40
HSFO 3.5%	83.86	72.85	63.00	-9.85	-13.5	66.21	64.33	61.55	59.91	53.89	-13.43	-14.57	-15.94	-1.37
Mediterranean, FOB Cargoes											**Differential to Urals**			
Premium Unl 10 ppm	112.44	98.17	89.69	-8.48	-8.6	92.22	91.00	89.44	86.10	75.39	16.79	11.49	10.77	-0.72
Naphtha	92.43	77.36	67.67	-9.68	-12.5	70.33	66.35	67.67	66.34	59.41	-3.22	-9.32	-11.25	-1.93
Jet Aviation fuel	112.27	102.50	95.69	-6.81	-6.6	99.83	97.74	94.00	91.18	84.79	16.62	15.82	16.77	0.95
ULSD 10ppm	114.05	103.97	97.44	-6.54	-6.3	101.30	99.44	96.03	92.98	85.79	18.40	17.30	18.52	1.22
Gasoil 0.1%	111.71	100.71	94.14	-6.57	-6.5	97.87	96.02	92.71	89.97	83.56	16.06	14.03	15.22	1.19
LSFO 1%	88.58	76.91	67.13	-9.78	-12.7	70.53	68.56	65.66	63.79	58.35	-7.07	-9.76	-11.79	-2.02
HSFO 3.5%	83.33	72.50	62.55	-9.95	-13.7	65.94	63.97	61.05	59.23	53.27	-12.32	-14.18	-16.37	-2.19
US Gulf, FOB Pipeline											**Differential to LLS**			
Super Unleaded	124.14	109.50	91.64	-17.86	-16.3	101.23	92.43	85.61	84.39	78.15	27.85	21.98	11.99	-9.99
Unleaded	109.71	91.18	81.99	-9.19	-10.1	87.54	83.07	78.19	77.25	69.01	13.42	3.66	2.34	-1.32
Jet/Kerosene	114.56	103.36	96.97	-6.39	-6.2	100.43	97.28	95.08	93.87	85.32	18.27	15.84	17.33	1.48
ULSD 10ppm	113.73	105.17	97.66	-7.51	-7.1	101.93	98.72	94.97	93.26	83.94	17.43	17.65	18.01	0.36
Heating Oil	108.92	100.00	90.34	-9.66	-9.7	95.25	91.95	87.19	84.70	75.95	12.63	12.48	10.69	-1.79
No. 6 3%*	85.90	73.17	64.32	-8.85	-12.1	66.87	64.56	62.77	62.27	55.91	-10.39	-14.35	-15.33	-0.98
Singapore, FOB Cargoes											**Differential to Dubai**			
Premium Unleaded	110.62	100.80	90.56	-10.24	-10.2	94.04	91.05	88.27	88.86	79.06	14.07	14.27	14.16	-0.11
Naphtha	94.77	80.21	72.15	-8.05	-10.0	74.72	71.19	71.59	71.11	65.25	-1.78	-6.32	-4.24	2.08
Jet/Kerosene	112.52	101.65	96.41	-5.24	-5.2	99.55	98.45	94.91	92.74	85.81	15.97	15.12	20.02	4.90
Gasoil 0.05%	111.97	100.23	93.87	-6.36	-6.3	96.97	95.36	92.31	90.83	83.89	15.42	13.70	17.47	3.77
LSWR Cracked	100.55	84.67	76.10	-8.57	-10.1	78.99	78.09	74.17	73.13	69.76	4.00	-1.86	-0.30	1.56
HSFO 180 CST	90.97	79.11	71.76	-7.35	-9.3	73.88	73.43	70.42	69.32	63.65	-5.58	-7.42	-4.63	2.79
HSFO 380 CST 4%	89.94	78.06	70.99	-7.07	-9.1	72.60	72.68	69.88	68.80	63.18	-6.61	-8.47	-5.40	3.06

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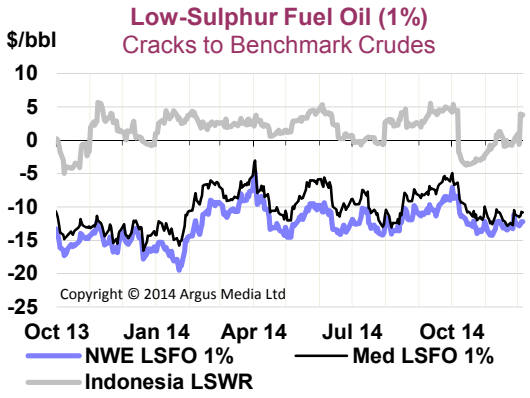
Cracks for products in the middle of the barrel were buoyed across all surveyed regions by seasonal demand for heating fuels. The biggest beneficiary was the Singapore market where fundamentals for gasoil and kerosene remained tight with support also coming from draws in Singapore middle distillates

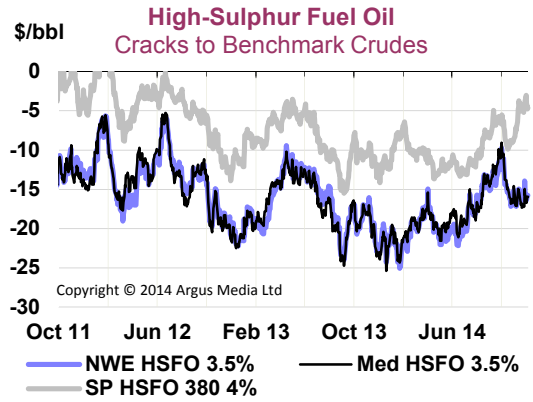
inventories and lower Japanese exports. Cracks there were also boosted by the very weak Dubai market. In the US, after initially strengthening on tight supply following refinery maintenance, the US Gulf gasoil crack collapsed from mid-month onwards as refinery throughputs rebounded with PADD 3 stocks consequently building. Meanwhile in Europe, gasoil cracks strengthened on a monthly average basis as regional demand, ahead of an expected 1Q15 increase in the use of gasoil as a bunker fuel, remained sufficient to soak up extra supplies arriving from the US and Russia.





At the bottom of the barrel, Singapore HSFO cracks rose to their highest levels since February 2013. However, this was more a function of weak Dubai crude prices rather than of a strong fuel oil market with HSFO prices retreating despite reports of firm early-month bunkering demand as marine fuel prices also touched four year-lows. In Europe, reportedly weak bunkering demand ahead the introduction of new sulphur regulations in the region saw fuel oil prices post the steepest losses in both absolute and percentage terms.



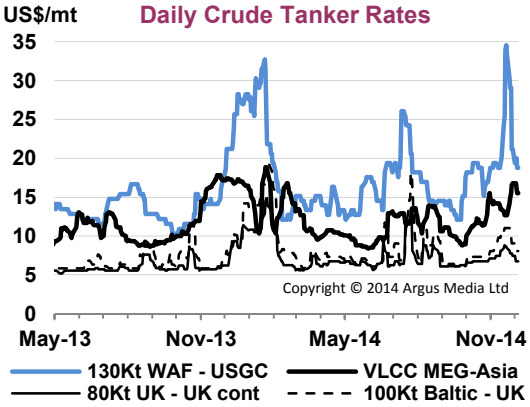


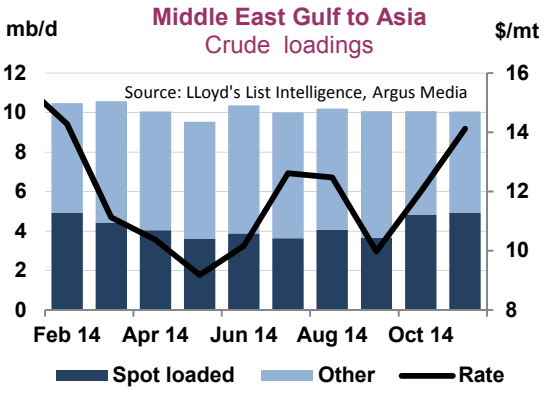
Freight

Surveyed crude freight rates were up in November, showing strength in the second and third week of the month. **Very large crude carriers** (VLCC) rates on Middle East Gulf to Asia routes seesawed through the month, to settle at their highest since January, as spot inquiry picked up at the end of the month.

Suezmaxes out of West Africa had a remarkable spike in the third week of November, with rates almost doubling across destinations, and hitting their highest since 2008, on strong inquiry from Mediterranean and Asian markets. Delays of three to five days in the Bosporus added to the upwards pressure, as well as high rates from competing Aframaxes. The spike was relatively short-lived, delays eased and VLCC carriers came in, and prices closed at early-month levels.

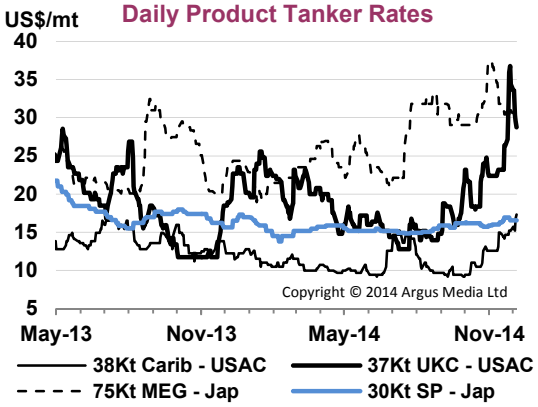
Aframax freight rates remained subdued in the North Sea and Baltic markets, with an uptick of activity in mid-month. Rates eased by the end of the month as activity slowed down.

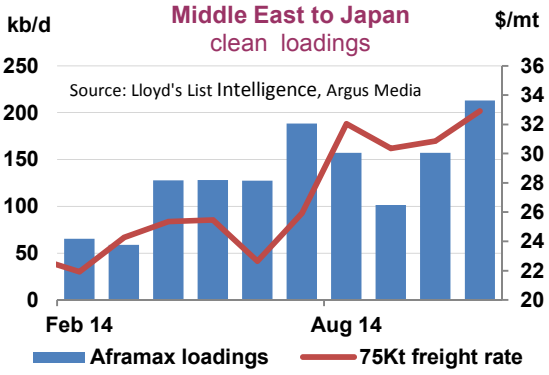




Product freight rates had an exceptionally strong month in the Atlantic basin. Earnings for product vessels triangulating between **UK-US Atlantic** and **US Gulf – UK** more than doubled, with charterers shipping gasoline to the US and diesel back to Europe, as arbitrage opportunity opened. Strong activity in the US Gulf and in the Caribbean sent rates for the **37Kt UKC – USAC route** to highs unseen since 2008, at over $35/mt, in the last week of November. Additionally, extensive refinery outages in Venezuela (See '*Refining*') prompted extra product tonnage to be shipped into the country, propping up **clean rates for discharge in the Caribbean** up in November.

The **75Kt Middle East – Japan** product rate reached its highest since 2011 in late October at about $35/mt, as volumes were the highest in 3 years in November. The rate then eased towards $30/mt.





REFINING

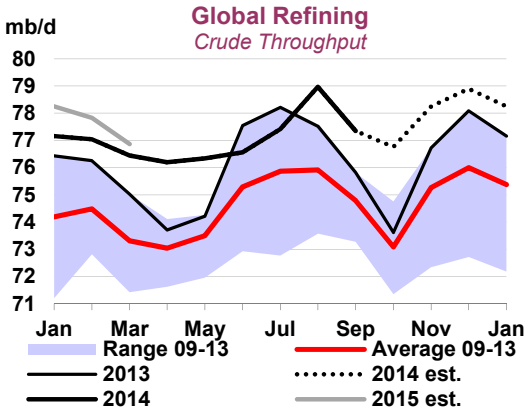
Summary

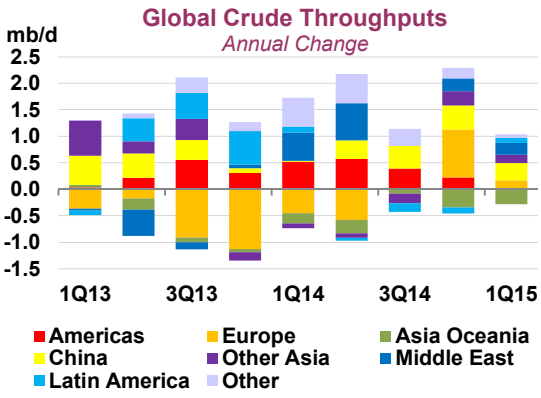
- **Global refinery crude throughputs reached a seasonal low of 76.8 mb/d in October, falling 0.6 mb/d from a month earlier, but stood 3.2 mb/d above the year earlier.** Annual gains were particularly steep in Europe, the FSU and non-OECD Asia, as refiners took advantage of healthy margins and pushed runs higher ahead of new capacity start-ups early next year. Runs rebounded sharply in November, by 1.5 mb/d. In all, 4Q14 global crude runs are estimated at 78 mb/d, up 0.5 mb/d on last month's *Report*, easing to 77.6 mb/d in 1Q15.

- **OECD crude throughputs showed strength over October and November, posting annual gains of 1.5 mb/d and 0.6 mb/d, respectively, on robust European runs and continued gains in the US.** Indeed, European refiners increased throughputs counter-seasonally in October, in contrast to last year's plunge to 25-year lows in the same month. OECD runs nevertheless plunged 1.1 mb/d in October, to a seasonal low of 36.0 mb/d, before rebounding by 1.3 mb/d a month later.

- **After starting November strongly, refinery margins retreated quickly** as high throughputs pushed extra products onto already saturated markets. Clear differences were apparent across markets however, as average monthly margins in Europe, the US Midcontinent and Singapore generally firmed while those in the Gulf Coast softened.

- **New non-OECD refinery capacity is expected to put additional downward pressure on margins.** Several refineries have just started operations or are nearing completion, including Saudi Arabia's Yanbu plant, Brazil's Abreu e Lima refinery, the UAE's Ruwais expansion, IOC's Paradip refinery in India, and Colombia's expanded Cartagena plant. Once fully operational, sometime early next year, these plants will add a combined 1.4 mb/d of new crude processing capacity.





Global refinery overview

The seasonal downturn in global refinery activity was less severe than expected in October as global throughputs declined by 0.6 mb/d from a month earlier, to 76.8 mb/d. While scheduled turnarounds underpinned sharply lower US and Japanese runs, maintenance-related declines in other regions were more muted. In Europe and Asia, refinery activity was also supported by a sustained improvement in margins, with European runs even rising counter-seasonally. As a result, global refinery runs stood an impressive 3.2 mb/d above the previous year. Annual gains in European rates were particularly high compared to an exceptionally weak October last year. The region accounted for nearly half the increase. Russia and China added another 0.5 mb/d each, while other non-OECD Asian countries lifted runs by 430 kb/d, with few outages reported.

Preliminary data suggest that global refinery activity rose by a steep 1.5 mb/d month-on-month (m-o-m) in November, as refiners raised runs in response to improved margins following the completion of autumn turnarounds. US refiners processed a record amount of crude in the week ending 5 December, when total refinery inputs nearly reached the 17 mb/d mark. As increased product supplies outpaced product demand growth, product prices and margins collapsed in the second half of November and early December.

Global Refinery Crude Throughput[1]

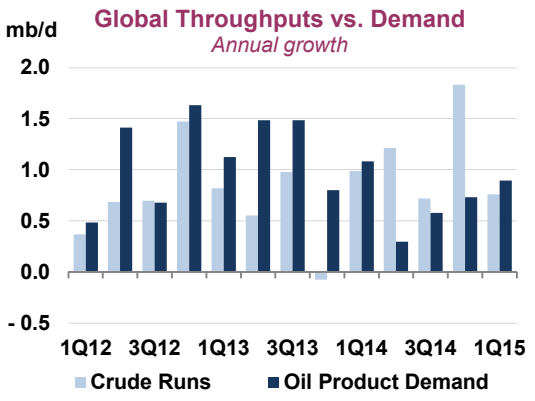
(million barrels per day)

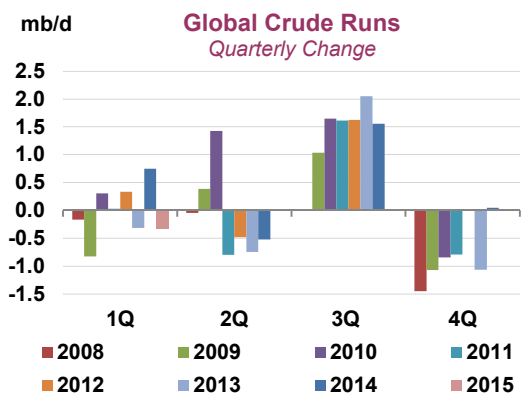
	Aug 14	Sep 14	**3Q2014**	Oct 14	Nov 14	Dec 14	**4Q2014**	Jan 15	Feb 15	Mar 15	**1Q2015**
Americas	19.5	18.9	**19.4**	18.1	19.0	19.1	**18.7**	18.5	18.1	18.1	**18.2**
Europe	12.0	11.6	**11.7**	11.8	11.8	11.6	**11.7**	11.5	11.4	11.1	**11.3**
Asia Oceania	6.8	6.5	**6.6**	6.1	6.4	6.6	**6.4**	6.7	6.7	6.4	**6.6**
Total OECD	38.3	37.0	**37.6**	36.0	37.3	37.4	**36.9**	36.6	36.2	35.6	**36.1**
FSU	7.3	6.9	**7.1**	7.0	7.3	7.1	**7.1**	7.0	7.2	7.1	**7.1**
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	9.7	10.2	**9.9**	10.2	10.2	10.3	**10.3**	10.2	10.1	10.1	**10.1**
Other Asia	9.9	9.8	**9.7**	9.9	9.9	10.0	**9.9**	10.1	10.2	10.1	**10.1**
Latin America	4.8	4.7	**4.8**	4.8	4.5	4.9	**4.7**	4.9	5.0	4.9	**4.9**
Middle East	6.2	6.1	**6.1**	6.3	6.4	6.5	**6.4**	6.7	6.5	6.3	**6.5**
Africa	2.2	2.2	**2.2**	2.2	2.1	2.1	**2.1**	2.2	2.2	2.2	**2.2**
Total Non-OECD	40.7	40.3	**40.3**	40.8	41.0	41.5	**41.1**	41.6	41.6	41.2	**41.5**
Total	79.0	77.4	**77.9**	76.8	78.3	78.9	**78.0**	78.3	77.8	76.9	**77.6**

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

Margins will likely come under renewed pressure in early 2015 as new refinery capacity comes on line. November saw the start-up of Saudi Arabia's 400 kb/d Yasref refinery in Yanbu, a Saudi Aramco-Sinopec joint-venture, and in Brazil Petrobras commissioned the first phase of its long-delayed Abreu e Lima refinery in early December. The plant is expected to reach its full 230 kb/d capacity by May 2015, when a second 115 kb/d crude unit is commissioned. Early next year, the UAE's 420 kb/d Ruwais refinery and India's new 300 kb/d Paradip refinery built by IOC are expected to start operations. Colombia's expanded 165 kb/d Cartagena refinery, which has been shut since March, is also nearing completion, taking total capacity additions over this period to 1.4 mb/d.

In comparison, global demand is expected to grow by a more modest 0.8 mb/d y-o-y over 4Q14 and 1Q15, suggesting refiners will have to scale back throughputs to avoid a further deterioration in margins and swelling product inventories. In all, we forecast global crude runs growth to ease to 0.8 mb/d in 1Q15, from 1.8 mb/d in 4Q14.





IEA/KBC Global Indicator Refining Margins[1]

($/bbl)

	Monthly Average				Change	Average for week ending:				
	Aug 14	Sep 14	Oct 14	Nov 14	Nov 14-Oct 14	07 Nov	14 Nov	21 Nov	28 Nov	05 Dec
NW Europe										
Brent (Cracking)	4.55	5.86	4.56	5.93	1.37	4.98	7.04	6.05	5.64	3.80
Urals (Cracking)	5.28	6.42	5.04	6.24	1.21	5.85	7.69	5.95	5.48	4.53
Brent (Hydroskimming)	-1.02	0.38	-0.69	0.13	0.83	-0.75	1.17	0.10	0.02	-1.00
Urals (Hydroskimming)	-1.07	0.05	-1.01	-0.39	0.62	-0.73	0.94	-0.85	-0.94	-1.20
Mediterranean										
Es Sider (Cracking)	6.85	8.11	6.90	7.44	0.54	6.94	8.55	6.98	7.28	6.63
Urals (Cracking)	5.22	7.37	5.89	6.71	0.82	6.21	7.81	6.51	6.29	5.34
Es Sider (Hydroskimming)	1.60	3.18	1.78	1.67	-0.12	1.17	2.73	1.13	1.64	1.42
Urals (Hydroskimming)	-2.31	0.20	-1.36	-1.42	-0.06	-1.92	-0.39	-1.71	-1.66	-2.24
US Gulf Coast										
50/50 HLS/LLS (Cracking)	10.42	10.63	5.62	3.94	-1.68	7.12	4.62	0.97	2.44	1.91
Mars (Cracking)	3.86	4.59	0.19	-0.87	-1.06	1.76	-0.28	-3.08	-2.56	-2.74
ASCI (Cracking)	3.73	4.72	0.24	-1.01	-1.25	1.42	-0.60	-3.27	-1.97	-2.38
50/50 HLS/LLS (Coking)	12.36	12.41	7.22	5.82	-1.40	9.15	6.57	2.76	4.14	3.54
50/50 Maya/Mars (Coking)	7.34	7.24	4.32	3.56	-0.76	6.02	4.28	1.51	1.71	2.13
ASCI (Coking)	8.64	9.01	5.59	4.92	-0.67	7.81	5.58	2.31	3.34	2.46
US Midcon										
WTI (Cracking)	15.31	16.84	12.65	12.73	0.08	15.82	14.44	10.21	8.93	6.53
30/70 WCS/Bakken (Cracking)	21.67	20.36	15.88	15.93	0.04	19.78	18.12	12.17	12.11	10.10
Bakken (Cracking)	24.70	24.11	20.35	20.25	-0.11	24.95	23.28	15.63	15.06	12.72
WTI (Coking)	17.57	19.13	14.93	15.60	0.67	18.96	17.47	12.91	11.37	8.71
30/70 WCS/Bakken (Coking)	24.79	23.35	20.10	21.60	1.50	26.19	24.18	17.36	16.71	14.02
Bakken (Coking)	25.42	24.88	21.14	21.33	0.19	26.20	24.47	16.60	15.89	13.45
Singapore										
Dubai (Hydroskimming)	-3.13	-0.72	-1.98	1.02	3.01	-0.58	1.36	1.85	1.46	1.04
Tapis (Hydroskimming)	2.54	3.42	1.97	3.48	1.51	2.18	4.19	3.46	4.07	3.18
Dubai (Hydrocracking)	2.23	4.50	3.66	6.51	2.85	5.22	6.67	7.27	6.87	5.84
Tapis (Hydrocracking)	4.68	5.81	5.58	7.08	1.50	5.79	7.58	7.15	7.79	5.87

1 Global Indicator Refining Margins are calculated for various complexity configurations, each optimised for processing the specific crude(s) in a specific refining centre. Margins include energy cost, but exclude other variable costs, depreciation and amortisation. 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 crude for pricing purposes.

Source: IEA, KBC Advanced Technologies (KBC)

OECD refinery throughput

OECD refinery crude intake plunged by 1.1 mb/d in October, to 36 mb/d. In the Americas, maintenance curbed throughputs by 0.8 mb/d, to 18.1 mb/d on average, while Asian refiners saw runs slide by 0.5 mb/d. In Europe, on the other hand, preliminary data suggest operators raised runs counter seasonally, to 11.8 mb/d, an astounding 1.5 mb/d above the previous year. An earlier peak to the maintenance season this year, and relatively healthy margins provided unexpected support to runs. It also helped that European runs had been exceptionally low in the previous year.

Preliminary data suggest runs rebounded in November by 1.3 mb/d to 37.3 mb/d on average. On the completion of maintenance, US and Japanese refiners lifted runs by 750 kb/d and 370 kb/d, respectively, while European throughputs increased further according to the latest Euroilstock data, on a sustained margin recovery.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

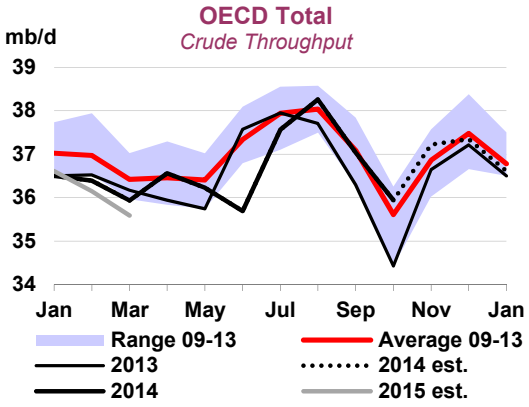
	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Change from Sep 14	Change from Oct 13	Utilisation rate[1] Oct 14	Utilisation rate[1] Oct 13
US[2]	15.94	15.82	16.53	16.46	16.06	15.32	-0.74	0.33	0.85	0.84
Canada	1.71	1.86	1.76	1.76	1.45	1.54	0.08	-0.04	0.84	0.86
Chile	0.18	0.17	0.17	0.18	0.17	0.17	-0.01	0.01	0.75	0.72
Mexico	1.13	1.22	1.18	1.15	1.19	1.09	-0.10	0.00	0.66	0.66
OECD Americas	**18.96**	**19.07**	**19.64**	**19.55**	**18.88**	**18.12**	**-0.76**	**0.30**	**0.84**	**0.82**
France	1.01	1.05	1.16	1.21	1.18	1.19	0.01	0.26	0.85	0.66
Germany	1.80	1.63	1.80	1.99	1.90	1.90	0.00	-0.06	0.94	0.97
Italy	1.17	1.19	1.25	1.31	1.21	1.15	-0.07	-0.09	0.62	0.65
Netherlands	0.98	0.90	0.95	0.98	1.09	1.04	-0.04	0.28	0.81	0.59
Spain	1.25	1.23	1.17	1.27	1.10	1.21	0.10	0.14	0.80	0.70
United Kingdom	1.14	1.05	1.13	1.14	1.15	1.15	0.00	0.19	0.83	0.61
Other OECD Europe	3.89	3.76	4.03	4.06	3.99	4.15	0.16	0.78	0.83	0.68
OECD Europe	**11.25**	**10.81**	**11.49**	**11.96**	**11.62**	**11.79**	**0.16**	**1.50**	**0.82**	**0.70**
Japan	2.80	2.52	2.96	3.14	3.17	2.78	-0.39	-0.10	0.69	0.64
South Korea	2.41	2.43	2.59	2.70	2.52	2.44	-0.08	-0.07	0.74	0.82
Other Asia Oceania	0.80	0.86	0.90	0.92	0.84	0.84	-0.01	-0.09	0.76	0.76
OECD Asia Oceania	**6.02**	**5.81**	**6.45**	**6.76**	**6.53**	**6.06**	**-0.48**	**-0.26**	**0.72**	**0.72**
OECD Total	**36.23**	**35.69**	**37.57**	**38.26**	**37.04**	**35.96**	**-1.08**	**1.53**	**0.81**	**0.76**

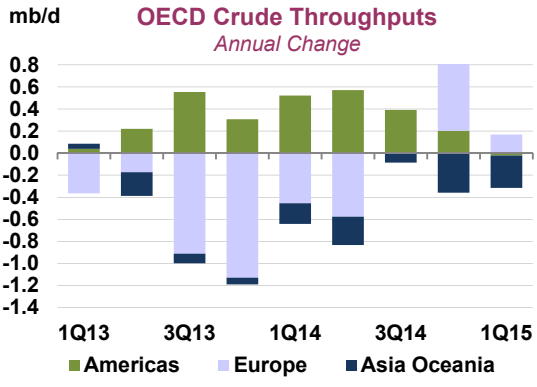
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

3 OECD Americas includes Chile and OECD Asia Oceania includes Israel. OECD Europe includes Slovenia and Estonia, though neither country has a refinery

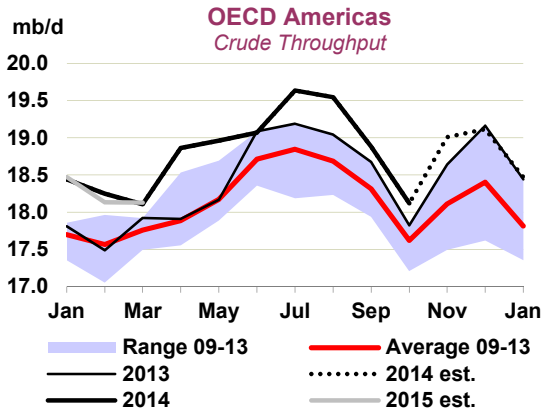
In all, 4Q14 OECD throughputs are estimated at 36.9 mb/d, up 0.6 mb/d on last month's *Report*, thanks to the strong recovery in European rates. Annual gains are now seen at a net 765 kb/d in total, with Europe adding 905 kb/d, the Americas 205 kb/d and Asia Oceania contracting by 340 kb/d. OECD throughputs are expected to resume their structural decline in 1Q15 and contract by 125 kb/d y-o-y, to 36.1 mb/d. Both Asian and European refinery activity will come under renewed pressure from subdued regional demand and competition from other regions, while US refiners will show more modest growth compared with annual gains of 675 kb/d in 1Q14.

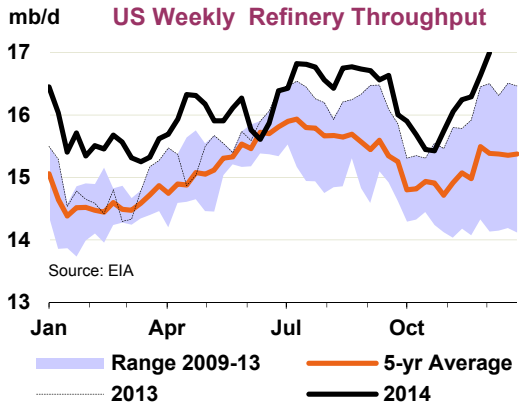




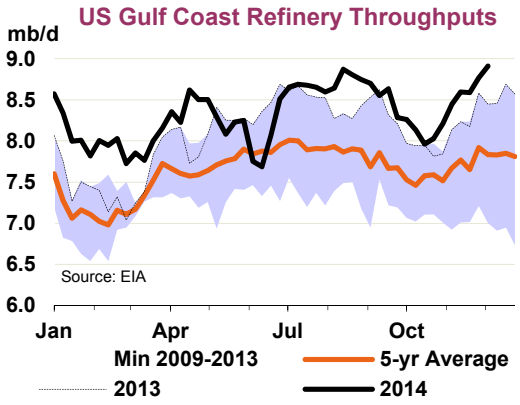
After hitting its seasonal low in October, refinery activity in the **OECD Americas** rebounded sharply in November, with Canadian and US throughputs higher. Preliminary data suggest regional runs rose to 19 mb/d, after US refiner crude intake surged more than 1.1 mb/d from end-October, to reach a new

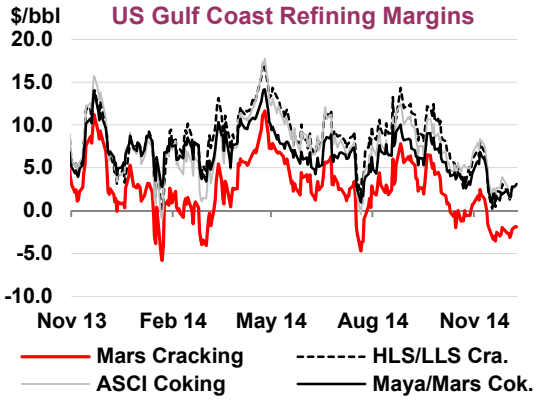
record-high 16.6 mb/d by early December. On a monthly basis, US runs were 750 kb/d higher, with US Gulf Coast refiners accounting for two-thirds of the gain. Canadian runs also rose, as maintenance at Imperial's Edmonton, KNOC's Newfoundland and Suncor's Montreal refineries was concluded.





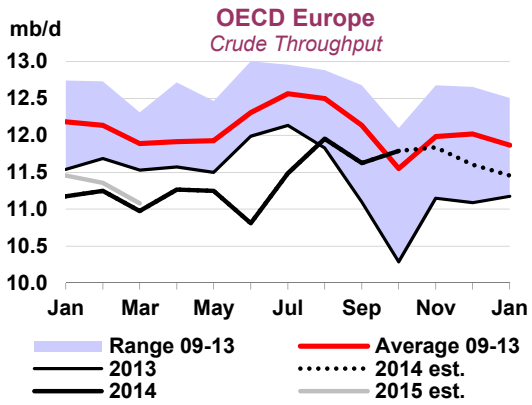
The sharp increase in throughputs saw product inventories swell, and caused US Gulf Coast margins to plummet in the second half of November, turning negative for some grades in early December. While margins were only down $1.13/bbl from October on a monthly average basis, cracking margins for grades such as HLS/LLS have plunged by more than $12/bbl in less than two months. In contrast, Midcontinent margins were boosted by record-low regional distillate inventories while crudes such as WTI and WCS weakened versus waterborne grades used on the Gulf Coast.

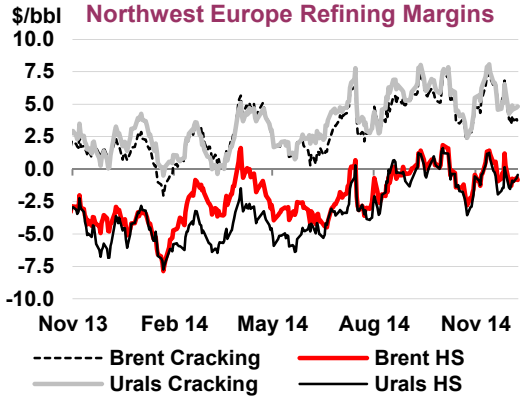




For a third month running, **European** refinery crude intake stood above year-earlier levels in October, after posting a counter seasonal increase of 165 kb/d from the previous month. Depleted product inventories at the start of summer, and sharp falls in crude prices, provided support to margins and runs. At 11.8 mb/d, regional throughputs stood an impressive 1.5 mb/d above the previous year, when regional runs had hit a 25-year low. Particularly steep annual gains were recorded for Belgium (+285 kb/d), France (+265 kb/d), the Netherlands (+280 kb/d), Sweden (+210 kb/d) and the UK (+195 kb/d). Regional throughputs even exceeded their previous five-year average for the first time since 2008. As highlighted above, the respite is expected to be temporary and runs are forecast to ease again through 1Q15. Indeed, margins started coming down in early December, on signs of weak underlying demand and increased inflows of products from competing markets.

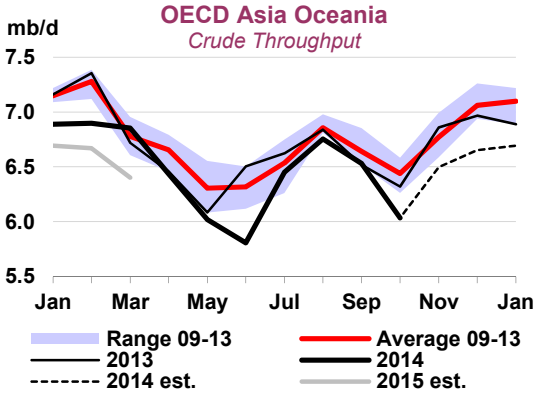
As in the US, European margins eased in the second half of November as product prices fell faster than those of crude. Sophisticated refiners with high middle-distillate yields benefited as gasoil prices were buttressed by heating and low-sulphur bunker fuel demand. In contrast, simple refiners saw their margins once again fall near or cross into negative territory, dragged lower by their higher exposure to the top and bottom of the barrel where prices fell sharply.

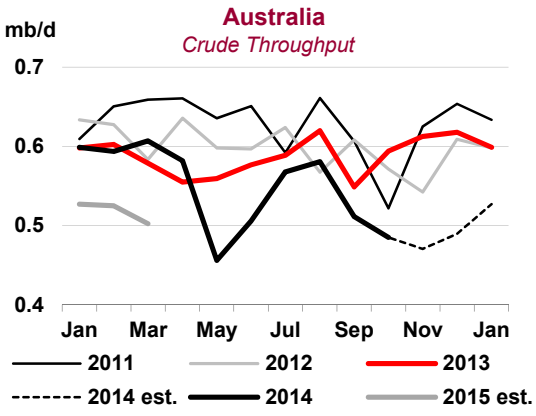




The European refining industry continued its restructuring, with French company Total shedding further capacity from its downstream portfolio. In early December, Russia's Rosneft agreed to buy Total's 16.67% share of the 240 kb/d Schwedt refinery in Germany. Ruhr Oel, Shell and Eni hold the remaining 37.5%, 37.5 and 8.33%, respectively. Rosneft had bought a 50% share of Ruhr Oel in 2011, which comprises shares in four German refineries (Gelsenkirchen, Bayernoil, Miro and PCK).

Refinery activity in **OECD Asia Oceania** fell by a sharp 0.5 mb/d in October, to 6.1 mb/d on average as seasonal maintenance peaked. **Japanese** refiners curbed runs by 390 kb/d, to 2.8 mb/d, some 100 kb/d below the previous year. Preliminary weekly data from the Petroleum Association of Japan show runs rebounded in November, retracing earlier declines. Reductions in Japanese capacity earlier this year, to 3.95 mb/d, let Japanese refinery utilisation rates reach their highest since March 2012, at 87.6%.



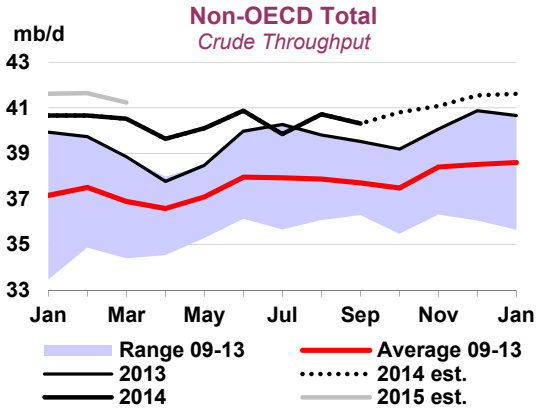


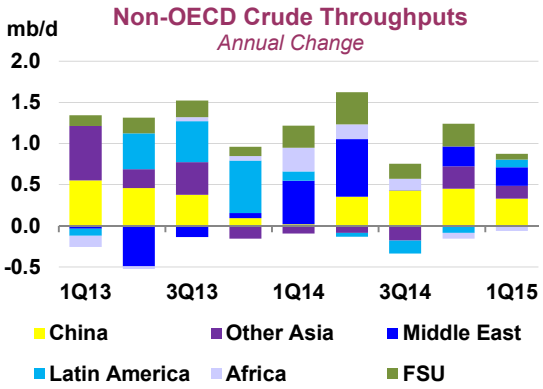
Despite a 80 kb/d decline in South Korean refinery throughputs in October, the country's product exports rose to 1.33 mb/d, a 16% increase from the previous year. Surging exports to China, of naphtha and gasoil in particular, underpinned the increase. Product exports to Australia also doubled from a year earlier, to 160 kb/d, as the country's refinery restructuring continues. Caltex completed the conversion of its 135 kb/d Kurnell refinery to a terminal in October. BP is in the process of shutting its 102 kb/d Bulwer Island refinery in Brisbane by mid-2015, curbing Australian capacity further. Australian refinery runs averaged 485 kb/d in October, 130 kb/d lower than end-2013.

Non-OECD refinery throughput

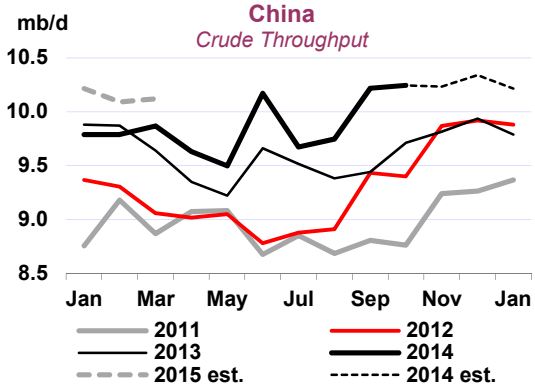
Non-OECD refinery throughputs eased in September by 400 kb/d, as steep seasonal declines in the FSU and smaller drops in 'Other Asia', the Middle East and Latin America, were partly offset by higher Chinese refinery activity. Preliminary data suggest overall activity levels rebounded in October and runs likely rose further in November and December, supported by capacity start-ups and healthy margins and as maintenance eased further. The full effect of Saudi Arabia's Yasref refinery, Petrobras' Abreu e Lima

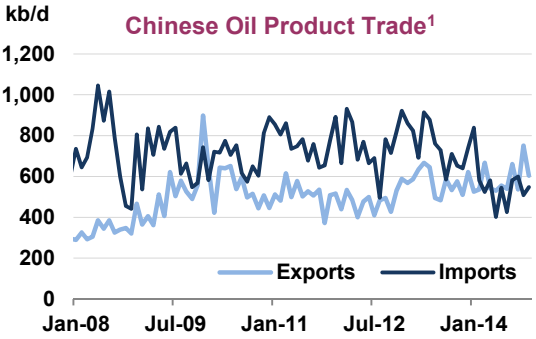
plant will likely only be felt on product markets in early 2015, when India's Paradip refinery and UAE's Ruwais plants will be commissioned, and Colombia's expanded Cartagena refinery is restarted. Once fully operational, these plants will raise non-OECD crude distillation capacity by a combined 1.4 mb/d.





Chinese refinery throughputs averaged 10.25 mb/d in October, largely unchanged from a month earlier, but 530 kb/d above the previous year. The relatively robust runs came despite significant maintenance shutdowns, with Sinopec's 260 kb/d Gaoqiao refinery, PetroChina's 100 kb/d Huabei refinery, and CNOOC's 240 kb/d Huizhou refinery shut for most of the month. The former two resumed runs in November while Huizhou was still shut in early December.



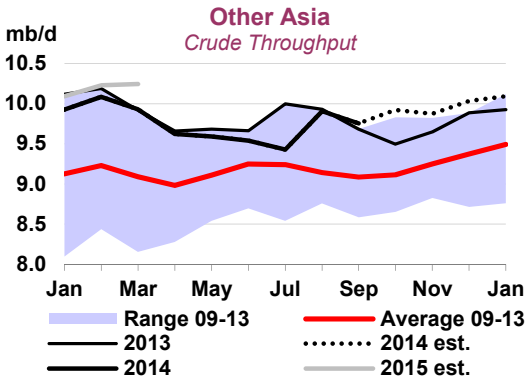


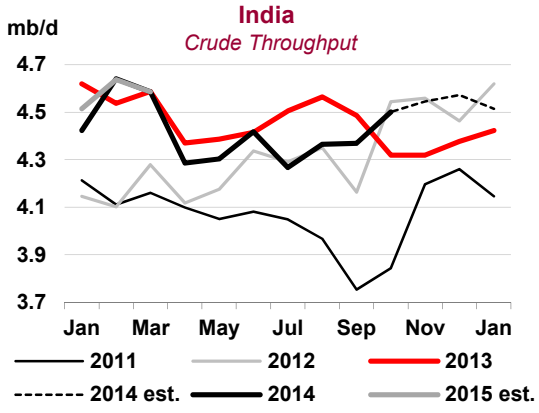
Source: General Administration of Customs
1. Includes only Main Products, excludes LPG

The most recent customs data show that China imported 6.18 mb/d of crude in November, compared with 5.7 mb/d in both the previous month and the previous year. Some market observers have suggested the crude was likely put into storage, though it could also have supported higher runs. PetroChina and Sinopec have earlier said they planned to refine 630 kb/d more crude in the fourth quarter than they did a year earlier, which would imply throughputs 180 kb/d above our current forecast for the quarter. So far this year, Chinese refiners have lifted throughputs by an average 295 kb/d y-o-y.

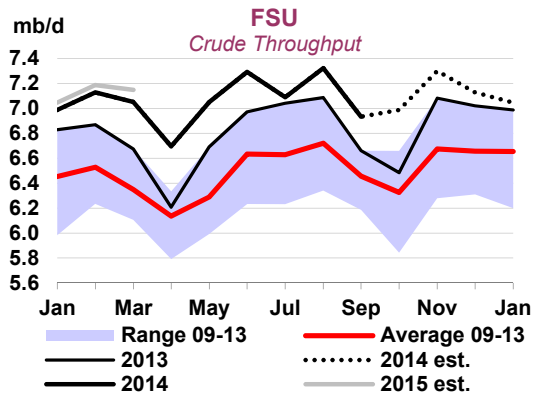
While November throughput data was not available at the time of writing, product trade information suggests refinery output exceeded demand growth. China was a net product exporter of main products (and excluding LPG and other gases) for a second month, on a combination of lower imports and rising exports. Net exports fell to 70 thousand mt, however, after the previous months record 860 thousand metric tons (250 kb/d). Much of the decline in imports is due to lower fuel oil purchases by independent refineries, as these increasingly process crude oil, or have been crowded out by surplus capacity from the country's main refineries.

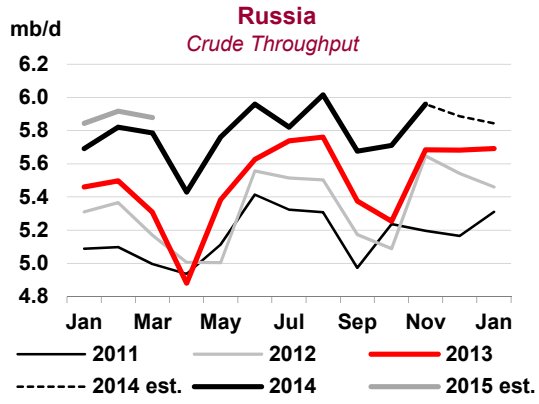
In '**Other Asia'**, **Indian** refinery crude runs recovered to 4.5 mb/d in October, its highest level since March, following the restart of BPCL's Bathinda refinery. The 180 kb/d plant had been closed since June following a fire and subsequent maintenance work. IOC's Panipat refinery also raised crude intake as maintenance wound down. Providing a partial offset, HPCL's Visakh refinery reduced runs as a cyclone caused damage to the facility in October. IOC's 300 kb/d Paradip refinery is expected to start up in 1Q15, ramping up throughputs only in 2Q15.





In the **FSU**, Russian throughputs had averaged 5.7 mb/d over September and October as maintenance curbed runs. So far this year, Russian throughputs are up 340 kb/d y-o-y , with the October gain of 455 kb/d particularly steep. Preliminary data show Russian refiners raised throughputs by 250 kb/d in November from a month earlier, to 5.96 mb/d. Rosneft's Achinsk refinery in eastern Siberia had reportedly resumed normal operations by mid-November, after a fire affected output since mid-June. In Kazakhstan, a fire at the end of October reduced throughputs at the 144 kb/d Pavlodar refinery.





President Putin signs tax manoeuver into law

On 22 November, Russian President Vladimir Putin signed into law long-awaited, and much-debated, amendments to Russian oil tax laws. The changes to the law, known as the "tax manoeuver", come into force in January 2015 and will both reduce crude oil export duties and increase the mineral extraction tax from current levels. They will also align export duties for fuel oil with those of crude oil (currently fuel oil export duties are set at 66% of crude export duties). They will, however, keep export duties for diesel and other light products at 63% of those for crude, thus providing an incentive for refiners to produce and export maximum amounts of light oil products. At the same time, the changes to the law will make simple refineries - those with high fuel oil yields - far less profitable, thus forcing thoughput cuts at those plants.

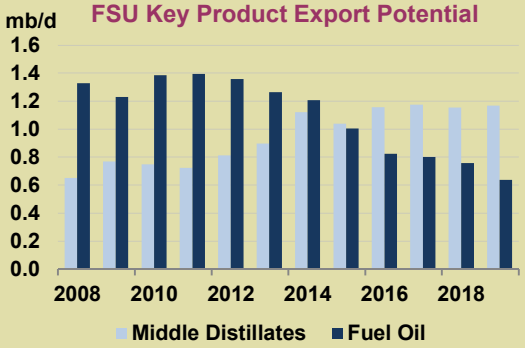
The tax changes, first outlined in October 2011, were in part spurred by domestic gasoline shortages after years of underinvestment in refinery modernisations and upgrades. Russian refineries are among the least complex in the world, with output of low-value fuel oil accounting for 30% of total product supplies.

President Putin signs tax manoeuver into law (continued)

Since the changes were announced, the Russian refinery industry set out on a massive spending programme. As much as $55 billion has been invested in 130 new units to increase the plants' light-product yields and improve the quality of their products. While several units have already been commissioned, such as hydrocrackers at Surgut's Kirishi, Alliance Oil's Khabarovsk and Taneko's Nizhnekamsk refineries, it has become apparent that the upgrading plans have fallen behind targets. As such, the government revised its initial timeline, from full fuel oil-crude parity in export duties as of 1 January 2015, to a gradual increase in fuel oil duties towards 2017.

As outlined in the June 2014 *Medium-Term Oil Market Report*, the tax changes and refinery upgrades could be transformative for the Russian downstream and global product markets. FSU fuel oil exports, used mostly as bunker fuel or as refinery feedstock in Europe or Asia, could plummet to just over 0.6 mb/d by 2019, from 1.3 mb/d in 2013. Including vacuum gas oil, exports were 1.6 mb/d in 2013. On the flip side, potential exports of middle distillates are set to rise to almost 1.2 mb/d in 2019 from 0.9 mb/d in 2013.

FSU Key Product Export Potential



Source MTOMR, June 2014. Assuming fuel oil duties equal crude oil duties from 1 Jan 2015

The delays to refinery upgrades and the revised timing of the fuel oil duty rates will likely blunt their impact on refinery activity and trade flows in 2015 and 2016 compared with earlier projections. We now forecast Russian refiners to maintain high throughput levels next year, as despite the reduction in export duties of crude and the increase in fuel oil duties, it will still be more profitable for oil companies to export refined products. How international sanctions on Russia, a weaker economic outlook and slowing oil demand may affect investments in the Russian downstream and Russian product flows post 2016 remains to be seen, and will be adressed in the next edition of the *Medium-Term Oil Market Report,* which will be released on 10 Feburay 2015.

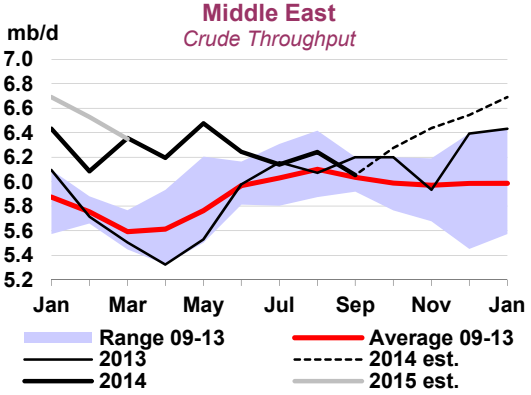
Russian Oil Taxes and Duties

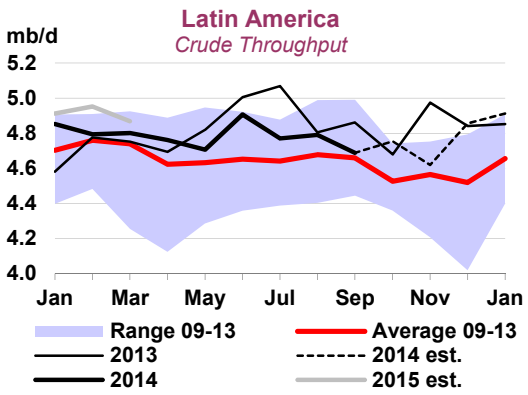
	2014	2015	2016	2017
Oil mineral extraction tax (MET), roubles per tonne	493	765	856	918
Crude oil export duty rate	59	42	36	30
Gasoline export duty rate, % of crude oil duty	90	78	61	30
Diesel export duty rate, % of crude oil duty	65	58	40	30
Light product export duty rate	66	48	40	30
Fuel oil export duty rate, % of crude oil duty	66	76	82	100
Naphtha oil export duty rate, % of crude oil duty	90	85	71	55
Excise tax, roubles per tonne				
Gasoline, Euro 4	9916	7300	7530	5830
Gasoline, Euro 5	6450	5530	7530	5830
Diesel	5427	3450	4150	3950

Source: Reuters, based on Russian Parliament Website

In the **Middle East**, refinery throughputs eased in September, by 185 kb/d, on lower Kuwaiti and Saudi run rates. Iraqi throughputs also remained constrained as the country's largest refinery, the 320 kb/d Baiji plant stayed offline. The plant was retaken by the Iraqi army in November, after IS insurgents had forced it shut in June. The refinery is still being checked according to sources after repeated attacks by IS. One report suggested the plant might start up at 120 kb/d initially, assuming the feeder pipeline from Kirkuk, which was attacked by IS at the end of November, can be repaired. Iraqi supplies to main refineries averaged 440 kb/d in October, down from 600 kb/d in May, prior to the shutdown of Baiji. Another 160 kb/d of crude is estimated to be processed at refineries and small teapots in the KRG region.

In Saudi Arabia, recent news reports suggest the new Yasref refinery will only start exporting products in early 2015, later than the previously announced end-2014 date. The plant is now reportedly in its final stages of commissioning after having started trial runs in September. News reports also claim delays have hit the 400 kb/d Jizan refinery project, due allegedly to a contract disagreement between a contractor and Saudi Aramco. The plant, which originally had been slated for completion in 2016, already fell behind schedule last year, by up to 12 months, due to delays to the construction of associated infrastructure, and could see further delays. In our most recent *Medium Term Oil Market Report*, we had projected that the plant would be completed in 2018.





Latin American refinery runs continue to trend below year earlier levels. Most recently, power outages caused Venezuela's massive Paraguana refining complex to halt operations for several days in November. The complex, which includes the 645 kb/d Amuay and 310 kb/d Cardon plants, subsequently ran at reduced rates through end-November at least, prompting PDVSA to increase its diesel and gasoline purchases. The company was looking to buy two cargoes of ULSD and six cargoes of gasoline in early November. Long-term shutdowns in Colombia and Ecuador had already curbed throughputs this year. In Colombia, Ecopetrol's 80 kb/d Cartagena refinery has been shut since March as the company nears completion of the upgrade and expansion of the plant, to 165 kb/d. Ecuador's 110 kb/d Esmeralda refinery was also shut in October for a 40-day maintenance period. The refinery had already been running at reduced rates since September 2013 as the plants FCC is being overhauled.

Petrobras reaches downstream milestone

After nearly 10 years of construction Petrobras started operations of its Abreu e Lima refinery on 6 December – its first new refinery in 34 years. The project has led to controversy in Brazil, not only due to recent corruption scandals, but also due to huge cost overruns and delays. Petrobras has spent nearly $18 billion on the plant, compared with original cost estimates of $2.5 billion. The cost overruns, along with financing issues, led Venezuela's PDVSA to renege on initial plans to take a 40% stake in the project.

The refinery is expected to start up its second 115 kb/d crude distillation tower in May 2015, taking the plant to its 230 kb/d nameplate capacity. It is designed to process heavier Brazilian crude from the Campos Basin, whereas the existing refinery park mostly processes lighter Brazilian grades. The plant will have the largest diesel production capacity of any of the Brazilian refineries, with ULSD output of nearly 70%, and will significantly cut Brazilian fuel imports.

Brazilian refineries processed 2.1 mb/d of crude in October, 50 kb/d more than a month earlier and 200 kb/d above the same month a year earlier.

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

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas[1]	24.0	23.6	23.8	23.9	24.3	24.3	24.1	23.9	23.6	24.2	24.4	24.0	23.9	23.8	24.3	24.5	24.1
Europe[2]	14.3	13.8	13.2	13.8	14.0	13.6	13.6	13.0	13.4	13.9	13.6	13.5	13.1	13.4	13.7	13.4	13.4
Asia Oceania[3]	8.2	8.5	8.9	7.8	8.0	8.6	8.3	8.8	7.7	7.7	8.4	8.1	8.6	7.5	7.7	8.2	8.0
Total OECD	46.4	45.9	45.9	45.5	46.3	46.5	46.1	45.7	44.7	45.8	46.3	45.6	45.7	44.7	45.7	46.1	45.6
NON-OECD DEMAND																	
FSU	4.5	4.6	4.5	4.6	4.9	4.9	4.7	4.6	4.8	5.0	4.9	4.8	4.5	4.6	4.8	4.7	4.6
Europe	0.7	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	9.4	9.8	9.9	10.1	10.2	10.3	10.1	10.1	10.3	10.4	10.6	10.3	10.4	10.6	10.7	10.8	10.6
Other Asia	11.2	11.6	11.9	11.9	11.6	12.0	11.9	12.2	12.2	11.9	12.3	12.1	12.6	12.5	12.3	12.7	12.5
Americas	6.2	6.4	6.4	6.6	6.8	6.8	6.6	6.6	6.8	6.9	6.9	6.8	6.7	6.9	7.0	7.0	6.9
Middle East	7.5	7.7	7.5	7.9	8.4	7.7	7.9	7.8	8.2	8.6	7.8	8.1	7.9	8.4	8.8	8.2	8.3
Africa	3.6	3.8	3.9	3.9	3.7	3.8	3.8	3.9	3.9	3.8	4.0	3.9	4.1	4.1	4.0	4.2	4.1
Total Non-OECD	43.1	44.6	44.7	45.7	46.2	46.3	45.7	45.9	46.8	47.3	47.2	46.8	46.9	47.8	48.2	48.3	47.8
Total Demand[4]	**89.5**	**90.5**	**90.6**	**91.2**	**92.5**	**92.8**	**91.8**	**91.6**	**91.5**	**93.1**	**93.5**	**92.4**	**92.5**	**92.5**	**94.0**	**94.4**	**93.3**
OECD SUPPLY																	
Americas[1,7]	14.6	15.8	16.8	16.6	17.3	17.8	17.1	18.1	18.6	18.8	19.2	18.7	19.5	19.6	19.6	20.2	19.7
Europe[2]	3.8	3.5	3.4	3.4	3.2	3.4	3.3	3.5	3.3	3.1	3.4	3.3	3.3	3.1	3.1	3.4	3.2
Asia Oceania[3]	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
Total OECD	18.9	19.8	20.6	20.5	21.0	21.6	20.9	22.1	22.4	22.5	23.1	22.5	23.3	23.3	23.3	24.1	23.5
NON-OECD SUPPLY																	
FSU	13.6	13.7	13.9	13.8	13.8	14.0	13.9	14.0	13.8	13.8	13.9	13.9	14.0	13.8	13.7	13.7	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	4.1	4.2	4.2	4.2	4.0	4.2	4.2	4.2	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.2
Other Asia[5]	3.7	3.6	3.6	3.5	3.4	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.5	3.4	3.5	3.5	3.5
Americas[5,7]	4.2	4.2	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.5	4.4	4.6	4.7	4.7	4.7	4.7
Middle East	1.7	1.5	1.4	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Africa[5]	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Non-OECD	29.9	29.5	29.5	29.4	29.3	29.9	29.5	29.8	29.6	29.5	29.7	29.6	30.0	29.9	29.8	29.9	29.9
Processing gains[6]	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[7]	1.9	1.9	1.5	2.0	2.4	2.2	2.0	1.7	2.3	2.5	2.2	2.2	1.8	2.3	2.6	2.3	2.3
Total Non-OPEC[5]	52.8	53.3	53.8	54.1	54.8	55.8	54.6	55.7	56.4	56.7	57.2	56.5	57.3	57.7	57.9	58.4	57.8
OPEC																	
Crude[8]	29.9	31.3	30.5	30.9	30.6	29.8	30.5	30.0	30.1	30.5							
NGLs	5.9	6.2	6.2	6.3	6.3	6.3	6.3	6.3	6.4	6.5	6.5	6.4	6.6	6.7	6.7	6.7	6.7
Total OPEC[5]	35.8	37.5	36.7	37.2	36.9	36.1	36.7	36.3	36.4	37.0							
Total Supply[9]	**88.6**	**90.8**	**90.5**	**91.3**	**91.8**	**91.9**	**91.4**	**92.1**	**92.8**	**93.7**							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.2	0.2	0.2	0.0	0.4	-1.5	-0.2	0.2	0.7	0.7							
Government	-0.1	0.0	0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0							
Total	-0.3	0.2	0.3	-0.1	0.5	-1.4	-0.2	0.2	0.7	0.7							
Floating storage/Oil in transit	-0.1	0.0	0.2	-0.1	0.2	0.3	0.1	0.3	-0.3	0.3							
Miscellaneous to balance[10]	-0.6	0.1	-0.5	0.3	-1.4	0.3	-0.3	0.0	1.0	-0.4							
Total Stock Ch. & Misc	**-0.9**	**0.2**	**-0.1**	**0.1**	**-0.7**	**-0.9**	**-0.4**	**0.4**	**1.3**	**0.7**							
Memo items:																	
Call on OPEC crude + Stock ch.[11]	30.8	31.1	30.5	30.9	31.4	30.7	30.9	29.6	28.8	29.9	29.8	29.5	28.6	28.1	29.4	29.3	28.9

3 As of August 2012 OMR, OECD Asia Oceania includes Israel.
4 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.
5 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.
Total OPEC comprises all countries which were OPEC members at 1 January 2009.
6 Net volumetric gains and losses in the refining process and marine transportation losses.
7 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
8 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.
9 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
10 Includes changes in non-reported stocks in OECD and non-OECD areas.
11 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

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

(million barrels per day)

	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
OECD DEMAND																	
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.3	-0.3	-0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.1	-0.2	-0.3	-0.3	-0.2
Total Demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-0.1**	**-0.2**	**-0.3**	**-0.3**	**-0.2**
OECD SUPPLY																	
Americas	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Non-OPEC	-	-	-	-	-	-	-	-	0.1	0.1	0.3	0.1	0.2	0.2	0.1	0.2	0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-							
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1
Total OPEC	-	-	-	-	-	-	-	-	-	-							
Total Supply	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	-0.1							
Floating storage/Oil in transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	-	-	-	-	-	-	-	-	0.1	0.2							
Total Stock Ch. & Misc	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.3	-0.1	-0.2	-0.4	-0.3	-0.4	-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

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Demand (mb/d)																
Americas[1]	23.60	23.80	23.87	24.32	24.34	24.08	23.86	23.64	24.20	24.40	24.03	23.93	23.85	24.26	24.46	24.13
Europe[2]	13.80	13.20	13.83	13.99	13.57	13.65	13.02	13.40	13.90	13.56	13.47	13.15	13.39	13.74	13.39	13.42
Asia Oceania[3]	8.52	8.86	7.83	8.02	8.60	8.33	8.84	7.65	7.67	8.35	8.13	8.61	7.48	7.74	8.25	8.02
Total OECD	45.92	45.86	45.53	46.33	46.51	46.06	45.73	44.69	45.77	46.31	45.63	45.68	44.72	45.74	46.10	45.56
Asia	21.42	21.82	21.98	21.73	22.32	21.96	22.35	22.46	22.27	22.87	22.48	22.95	23.12	22.92	23.58	23.14
Middle East	7.75	7.54	7.94	8.38	7.74	7.90	7.81	8.20	8.56	7.84	8.10	7.94	8.38	8.80	8.17	8.32
Americas	6.42	6.37	6.59	6.75	6.77	6.62	6.57	6.76	6.91	6.92	6.79	6.71	6.89	7.02	7.02	6.91
FSU	4.61	4.46	4.65	4.93	4.93	4.74	4.61	4.81	5.04	4.91	4.84	4.52	4.60	4.77	4.66	4.64
Africa	3.78	3.89	3.88	3.73	3.82	3.83	3.93	3.95	3.84	3.98	3.92	4.08	4.11	4.02	4.17	4.10
Europe	0.65	0.62	0.65	0.66	0.68	0.65	0.65	0.65	0.67	0.68	0.67	0.66	0.68	0.68	0.70	0.68
Total Non-OECD	44.63	44.70	45.69	46.18	46.27	45.71	45.91	46.82	47.31	47.21	46.82	46.85	47.77	48.21	48.29	47.79
World	**90.55**	**90.56**	**91.22**	**92.50**	**92.78**	**91.77**	**91.64**	**91.51**	**93.08**	**93.51**	**92.44**	**92.53**	**92.49**	**93.96**	**94.38**	**93.35**
of which: US50	18.52	18.64	18.72	19.21	19.26	18.96	18.83	18.70	19.17	19.28	19.00	18.92	18.89	19.22	19.37	19.10
Europe 5*	8.36	8.05	8.33	8.31	8.10	8.20	7.90	7.93	8.25	8.07	8.04	7.95	7.93	8.08	7.90	7.96
China	9.82	9.87	10.09	10.16	10.28	10.10	10.13	10.28	10.39	10.58	10.35	10.37	10.57	10.65	10.84	10.61
Japan	4.69	5.05	4.08	4.28	4.72	4.53	5.02	3.87	3.88	4.44	4.30	4.71	3.74	3.91	4.31	4.17
India	3.75	3.87	3.85	3.55	3.82	3.77	3.96	3.96	3.69	3.84	3.86	4.06	4.10	3.81	4.03	4.00
Russia	3.40	3.33	3.44	3.69	3.61	3.52	3.47	3.59	3.80	3.58	3.61	3.38	3.40	3.55	3.38	3.43
Brazil	2.97	2.96	3.06	3.14	3.19	3.09	3.10	3.16	3.27	3.30	3.21	3.19	3.27	3.36	3.37	3.30
Saudi Arabia	2.97	2.75	3.09	3.33	2.88	3.01	2.86	3.30	3.56	2.94	3.17	2.97	3.39	3.65	3.11	3.28
Canada	2.35	2.45	2.42	2.44	2.43	2.43	2.43	2.35	2.45	2.44	2.42	2.39	2.35	2.43	2.41	2.40
Korea	2.32	2.33	2.29	2.27	2.40	2.32	2.36	2.32	2.33	2.41	2.36	2.41	2.27	2.34	2.43	2.36
Mexico	2.09	2.05	2.08	2.03	2.02	2.04	1.95	1.97	1.96	2.03	1.98	1.96	1.98	1.97	2.03	1.99
Iran	1.79	1.80	1.81	1.81	1.81	1.80	1.84	1.79	1.82	1.83	1.82	1.87	1.86	1.86	1.86	1.86
Total	**63.03**	**63.15**	**63.26**	**64.23**	**64.50**	**63.79**	**63.84**	**63.24**	**64.57**	**64.76**	**64.11**	**64.18**	**63.75**	**64.84**	**65.04**	**64.45**
% of World	69.6%	69.7%	69.4%	69.4%	69.5%	69.5%	69.7%	69.1%	69.4%	69.3%	69.3%	69.4%	68.9%	69.0%	68.9%	69.0%
Annual Change (% per annum)																
Americas[1]	-1.7	2.0	1.3	2.5	2.4	2.1	0.3	-0.9	-0.5	0.2	-0.2	0.3	0.9	0.3	0.3	0.4
Europe[2]	-3.2	-4.0	-0.2	0.8	-1.1	-1.1	-1.4	-3.1	-0.6	-0.1	-1.3	0.9	-0.1	-1.2	-1.3	-0.4
Asia Oceania[3]	4.5	-2.7	-2.1	-2.8	-1.5	-2.3	-0.2	-2.3	-4.3	-2.9	-2.4	-2.7	-2.3	0.9	-1.2	-1.4
Total OECD	-1.07	-0.71	0.27	1.04	0.60	0.30	-0.29	-1.83	-1.20	-0.44	-0.94	-0.10	0.05	-0.07	-0.45	-0.14
Asia	4.0	3.6	3.5	2.4	0.7	2.5	2.4	2.2	2.5	2.4	2.4	2.7	2.9	2.9	3.1	2.9
Middle East	3.7	4.9	2.3	1.0	0.0	2.0	3.5	3.2	2.2	1.3	2.5	1.7	2.3	2.8	4.1	2.7
Americas	3.3	3.0	3.4	3.4	2.7	3.1	3.3	2.5	2.4	2.2	2.6	2.0	1.9	1.6	1.5	1.7
FSU	1.4	0.8	2.2	3.9	4.3	2.9	3.2	3.5	2.4	-0.4	2.1	-1.9	-4.3	-5.5	-5.3	-4.3
Africa	5.5	3.9	3.5	-0.3	-1.2	1.4	0.9	1.6	3.1	4.2	2.5	3.8	4.1	4.7	4.9	4.4
Europe	-3.4	-4.3	-0.6	2.7	4.4	0.6	5.2	0.9	2.4	1.0	2.3	2.3	3.8	0.8	1.9	2.2
Total Non-OECD	3.59	3.36	3.08	2.24	1.14	2.44	2.71	2.47	2.45	2.03	2.41	2.05	2.03	1.91	2.29	2.07
World	**1.2**	**1.3**	**1.7**	**1.6**	**0.9**	**1.4**	**1.2**	**0.3**	**0.6**	**0.8**	**0.7**	**1.0**	**1.1**	**0.9**	**0.9**	**1.0**
Annual Change (mb/d)																
Americas[1]	-0.40	0.46	0.31	0.60	0.56	0.49	0.07	-0.23	-0.12	0.05	-0.06	0.07	0.21	0.07	0.07	0.10
Europe[2]	-0.46	-0.55	-0.03	0.11	-0.16	-0.15	-0.18	-0.42	-0.09	-0.01	-0.17	0.12	-0.01	-0.16	-0.17	-0.06
Asia Oceania[3]	0.37	-0.24	-0.17	-0.23	-0.13	-0.19	-0.02	-0.18	-0.35	-0.25	-0.20	-0.24	-0.18	0.07	-0.10	-0.11
Total OECD	-0.50	-0.33	0.12	0.48	0.28	0.14	-0.13	-0.83	-0.55	-0.21	-0.43	-0.05	0.02	-0.03	-0.21	-0.07
Asia	0.82	0.76	0.74	0.51	0.16	0.54	0.53	0.48	0.54	0.54	0.52	0.61	0.66	0.65	0.71	0.66
Middle East	0.28	0.36	0.18	0.08	0.00	0.15	0.27	0.25	0.18	0.10	0.20	0.13	0.18	0.24	0.32	0.22
Americas	0.21	0.18	0.22	0.22	0.18	0.20	0.21	0.16	0.16	0.15	0.17	0.13	0.13	0.11	0.10	0.12
FSU	0.06	0.03	0.10	0.19	0.21	0.13	0.14	0.16	0.12	-0.02	0.10	-0.09	-0.21	-0.28	-0.26	-0.21
Africa	0.20	0.15	0.13	-0.01	-0.05	0.05	0.04	0.06	0.12	0.16	0.09	0.15	0.16	0.18	0.19	0.17
Europe	-0.02	-0.03	0.00	0.02	0.03	0.00	0.03	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.01	0.01
Total Non-OECD	1.55	1.45	1.36	1.01	0.52	1.09	1.21	1.13	1.13	0.94	1.10	0.94	0.95	0.90	1.08	0.97
World	**1.05**	**1.13**	**1.48**	**1.49**	**0.80**	**1.23**	**1.08**	**0.30**	**0.58**	**0.73**	**0.67**	**0.89**	**0.97**	**0.87**	**0.87**	**0.90**
Revisions to Oil Demand from Last Month's Report (mb/d)																
Americas[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.02	0.01	0.00	0.04	0.01	0.03	0.03	0.03
Europe[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.02	0.00	-0.02	-0.02	0.00	0.01	-0.01
Asia Oceania[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	-0.01	-0.01	0.00	0.00	0.00	0.00
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.03	-0.02	-0.01	0.01	-0.01	0.03	0.04	0.02
Asia	0.00	0.01	0.01	0.01	0.00	0.01	0.03	0.00	-0.02	-0.06	-0.01	0.01	0.02	0.01	0.01	0.01
Middle East	0.00	0.00	0.00	0.00	0.01	0.00	0.00	-0.01	0.06	-0.01	0.01	0.00	0.00	0.00	-0.01	0.00
Americas	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	0.00	0.03	0.00	-0.02	-0.01	-0.01	-0.01	-0.01
FSU	0.00	0.01	0.01	0.00	0.00	0.01	0.01	0.01	0.01	0.04	0.02	-0.10	-0.22	-0.29	-0.32	-0.23
Africa	0.00	0.00	-0.01	-0.01	-0.01	-0.01	0.00	-0.01	0.00	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
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	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.02	0.01	0.00	0.01	0.01	0.05	-0.02	0.05	-0.02	0.02	-0.12	-0.22	-0.30	-0.34	-0.25
World	**0.00**	**0.02**	**0.02**	**0.00**	**0.01**	**0.01**	**0.04**	**-0.03**	**0.03**	**-0.03**	**0.00**	**-0.11**	**-0.23**	**-0.27**	**-0.31**	**-0.23**
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.02	0.02	0.00	0.01	0.01	0.02	-0.05	0.03	-0.04	-0.01	-0.15	-0.20	-0.29	-0.27	-0.23

1 As of the August 2012 OMR, includes Chile.
2 As of the August 2012 OMR, includes Estonia and Slovenia.
3 As of the August 2012 OMR, includes Israel.
* France, Germany, Italy, Spain and UK

Table 2a
OECD REGIONAL OIL DEMAND[1]
(million barrels per day)

	2012	2013	4Q13	1Q14	2Q14	3Q14	Jul 14	Aug 14	Sep 14 [2]	Latest month vs. Aug 14	Latest month vs. Sep 13
Americas[3]											
LPG and ethane	3.11	3.34	3.62	3.54	2.86	2.99	2.83	3.07	3.06	0.00	-0.01
Naphtha	0.34	0.38	0.37	0.36	0.34	0.35	0.38	0.34	0.34	0.00	-0.03
Motor gasoline	10.38	10.55	10.55	10.21	10.73	10.84	11.00	11.02	10.49	-0.54	-0.16
Jet and kerosene	1.62	1.66	1.66	1.63	1.69	1.76	1.79	1.77	1.71	-0.05	0.07
Gasoil/diesel oil	4.98	5.08	5.21	5.44	5.14	5.13	5.14	5.06	5.20	0.14	0.26
Residual fuel oil	0.78	0.69	0.57	0.54	0.56	0.57	0.59	0.54	0.57	0.02	-0.12
Other products	2.40	2.38	2.37	2.15	2.33	2.56	2.57	2.47	2.66	0.19	-0.15
Total	**23.60**	**24.08**	**24.34**	**23.86**	**23.64**	**24.20**	**24.30**	**24.26**	**24.03**	**-0.23**	**-0.13**
Europe[4]											
LPG and ethane	0.94	1.04	0.98	1.01	1.08	1.11	1.11	1.10	1.12	0.02	0.09
Naphtha	1.21	1.18	1.14	1.31	1.20	1.12	1.19	1.18	0.99	-0.19	-0.13
Motor gasoline	2.01	1.95	1.92	1.81	1.97	2.01	2.05	2.00	1.99	-0.01	-0.02
Jet and kerosene	1.21	1.21	1.19	1.12	1.23	1.38	1.37	1.43	1.34	-0.08	0.00
Gasoil/diesel oil	5.95	5.97	6.12	5.73	5.76	6.03	6.05	5.72	6.34	0.62	0.29
Residual fuel oil	1.11	1.00	0.95	0.96	0.90	0.92	0.92	0.90	0.93	0.03	-0.05
Other products	1.38	1.29	1.26	1.09	1.26	1.33	1.37	1.25	1.36	0.12	-0.01
Total	**13.80**	**13.65**	**13.57**	**13.02**	**13.40**	**13.90**	**14.06**	**13.57**	**14.08**	**0.51**	**0.18**
Asia Oceania[5]											
LPG and ethane	0.89	0.85	0.85	0.88	0.82	0.78	0.82	0.75	0.76	0.01	0.00
Naphtha	1.80	1.84	1.93	1.97	1.74	1.80	1.74	1.90	1.76	-0.13	-0.07
Motor gasoline	1.63	1.61	1.60	1.54	1.51	1.59	1.55	1.67	1.56	-0.11	-0.03
Jet and kerosene	0.89	0.89	1.01	1.13	0.71	0.68	0.67	0.66	0.72	0.06	0.00
Gasoil/diesel oil	1.76	1.76	1.84	1.82	1.72	1.70	1.71	1.65	1.73	0.08	0.06
Residual fuel oil	0.90	0.76	0.74	0.83	0.63	0.58	0.62	0.55	0.56	0.01	-0.10
Other products	0.67	0.62	0.63	0.67	0.53	0.54	0.61	0.55	0.46	-0.09	-0.10
Total	**8.52**	**8.33**	**8.60**	**8.84**	**7.65**	**7.67**	**7.72**	**7.73**	**7.56**	**-0.17**	**-0.24**
OECD											
LPG and ethane	4.93	5.23	5.46	5.43	4.76	4.87	4.76	4.91	4.94	0.03	0.09
Naphtha	3.35	3.40	3.44	3.65	3.28	3.27	3.31	3.41	3.09	-0.32	-0.23
Motor gasoline	14.01	14.11	14.07	13.56	14.20	14.45	14.60	14.69	14.04	-0.65	-0.21
Jet and kerosene	3.72	3.77	3.87	3.88	3.63	3.82	3.83	3.85	3.78	-0.07	0.07
Gasoil/diesel oil	12.68	12.81	13.16	12.99	12.62	12.86	12.89	12.43	13.27	0.84	0.61
Residual fuel oil	2.78	2.45	2.26	2.33	2.09	2.07	2.14	2.00	2.06	0.06	-0.27
Other products	4.44	4.29	4.26	3.90	4.12	4.43	4.55	4.27	4.49	0.22	-0.25
Total	**45.92**	**46.06**	**46.51**	**45.73**	**44.69**	**45.77**	**46.07**	**45.57**	**45.68**	**0.11**	**-0.19**

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).
3 As of the August 2012 OMR, includes Chile.
4 As of the August 2012 OMR, includes Estonia and Slovenia.
5 As of the August 2012 OMR, includes Israel.

Table 2b
OIL DEMAND IN SELECTED OECD COUNTRIES[1]
(million barrels per day)

	2012	2013	4Q13	1Q14	2Q14	3Q14	Jul 14	Aug 14	Sep 14 [2]	Latest month vs. Aug 14	Latest month vs. Sep 13
United States[3]											
LPG and ethane	2.26	2.44	2.71	2.64	2.04	2.21	2.07	2.31	2.26	-0.05	-0.01
Naphtha	0.24	0.27	0.26	0.24	0.20	0.23	0.24	0.22	0.23	0.01	-0.03
Motor gasoline	8.69	8.84	8.84	8.53	9.00	9.10	9.22	9.29	8.78	-0.51	-0.17
Jet and kerosene	1.41	1.44	1.44	1.41	1.47	1.52	1.56	1.52	1.49	-0.03	0.07
Gasoil/diesel oil	3.74	3.83	3.94	4.16	3.92	3.86	3.86	3.82	3.92	0.10	0.19
Residual fuel oil	0.37	0.32	0.27	0.24	0.25	0.24	0.24	0.21	0.26	0.05	-0.11
Other products	1.82	1.82	1.80	1.62	1.82	2.00	1.98	1.91	2.10	0.18	-0.15
Total	**18.52**	**18.96**	**19.26**	**18.83**	**18.70**	**19.17**	**19.17**	**19.29**	**19.05**	**-0.24**	**-0.20**
Japan											
LPG and ethane	0.53	0.50	0.50	0.56	0.47	0.43	0.45	0.41	0.42	0.01	0.01
Naphtha	0.72	0.77	0.82	0.81	0.65	0.68	0.67	0.71	0.65	-0.06	-0.10
Motor gasoline	0.98	0.96	0.96	0.92	0.88	0.95	0.91	1.01	0.92	-0.09	-0.05
Jet and kerosene	0.55	0.54	0.64	0.77	0.37	0.35	0.34	0.32	0.39	0.07	0.00
Diesel	0.42	0.42	0.45	0.44	0.41	0.39	0.39	0.38	0.40	0.03	-0.01
Other gasoil	0.40	0.40	0.42	0.46	0.35	0.35	0.35	0.34	0.37	0.03	0.01
Residual fuel oil	0.55	0.45	0.44	0.52	0.35	0.33	0.36	0.33	0.32	-0.01	-0.07
Other products	0.55	0.49	0.49	0.54	0.40	0.40	0.46	0.42	0.33	-0.09	-0.10
Total	**4.69**	**4.53**	**4.72**	**5.02**	**3.87**	**3.88**	**3.93**	**3.90**	**3.80**	**-0.10**	**-0.32**
Germany											
LPG and ethane	0.10	0.11	0.10	0.09	0.10	0.10	0.10	0.10	0.09	-0.01	-0.02
Naphtha	0.38	0.40	0.39	0.43	0.41	0.42	0.45	0.42	0.38	-0.04	0.02
Motor gasoline	0.43	0.43	0.42	0.41	0.43	0.45	0.47	0.44	0.45	0.01	0.00
Jet and kerosene	0.19	0.18	0.18	0.17	0.19	0.21	0.21	0.23	0.20	-0.03	0.00
Diesel	0.67	0.68	0.69	0.68	0.71	0.78	0.78	0.74	0.81	0.06	0.08
Other gasoil	0.40	0.41	0.40	0.38	0.31	0.35	0.32	0.34	0.40	0.05	-0.01
Residual fuel oil	0.13	0.13	0.12	0.12	0.10	0.12	0.11	0.12	0.12	0.00	0.01
Other products	0.08	0.07	0.07	0.05	0.06	0.06	0.06	0.06	0.07	0.01	-0.02
Total	**2.39**	**2.40**	**2.37**	**2.33**	**2.32**	**2.49**	**2.50**	**2.46**	**2.52**	**0.07**	**0.08**
Italy											
LPG and ethane	0.10	0.11	0.11	0.10	0.09	0.09	0.09	0.08	0.10	0.01	0.01
Naphtha	0.08	0.08	0.06	0.07	0.06	0.06	0.06	0.07	0.05	-0.02	0.00
Motor gasoline	0.22	0.21	0.22	0.20	0.21	0.21	0.21	0.20	0.20	0.00	-0.02
Jet and kerosene	0.09	0.09	0.09	0.08	0.10	0.11	0.11	0.12	0.11	-0.01	0.01
Diesel	0.47	0.45	0.45	0.44	0.48	0.51	0.55	0.45	0.53	0.07	0.07
Other gasoil	0.10	0.11	0.12	0.08	0.06	0.05	0.05	0.05	0.05	0.01	-0.06
Residual fuel oil	0.11	0.08	0.08	0.07	0.06	0.07	0.07	0.07	0.07	0.01	-0.01
Other products	0.21	0.19	0.20	0.15	0.16	0.16	0.17	0.15	0.17	0.03	-0.05
Total	**1.37**	**1.32**	**1.33**	**1.21**	**1.22**	**1.26**	**1.32**	**1.19**	**1.28**	**0.10**	**-0.05**
France											
LPG and ethane	0.11	0.11	0.11	0.12	0.09	0.09	0.08	0.08	0.10	0.01	0.01
Naphtha	0.14	0.15	0.11	0.17	0.16	0.15	0.17	0.17	0.12	-0.06	-0.02
Motor gasoline	0.18	0.17	0.17	0.16	0.18	0.19	0.20	0.18	0.19	0.00	0.01
Jet and kerosene	0.15	0.15	0.15	0.14	0.15	0.16	0.17	0.17	0.14	-0.03	-0.02
Diesel	0.69	0.69	0.70	0.66	0.70	0.71	0.75	0.64	0.74	0.09	0.04
Other gasoil	0.27	0.29	0.29	0.28	0.21	0.25	0.23	0.22	0.30	0.08	0.02
Residual fuel oil	0.07	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.00	0.00
Other products	0.15	0.15	0.13	0.11	0.14	0.17	0.19	0.15	0.16	0.01	0.00
Total	**1.77**	**1.77**	**1.71**	**1.69**	**1.69**	**1.77**	**1.84**	**1.68**	**1.78**	**0.11**	**0.03**
United Kingdom											
LPG and ethane	0.11	0.11	0.09	0.12	0.12	0.10	0.12	0.09	0.09	0.00	-0.02
Naphtha	0.03	0.03	0.02	0.02	0.02	0.03	0.04	0.04	0.01	-0.02	-0.01
Motor gasoline	0.32	0.31	0.30	0.29	0.31	0.30	0.29	0.31	0.30	-0.01	-0.01
Jet and kerosene	0.31	0.31	0.33	0.32	0.29	0.32	0.29	0.33	0.34	0.01	0.00
Diesel	0.45	0.46	0.48	0.46	0.49	0.48	0.47	0.49	0.48	-0.01	0.01
Other gasoil	0.13	0.12	0.11	0.11	0.12	0.12	0.12	0.12	0.12	0.00	0.00
Residual fuel oil	0.05	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.00	-0.01
Other products	0.14	0.13	0.12	0.12	0.13	0.13	0.14	0.12	0.13	0.01	0.02
Total	**1.53**	**1.51**	**1.48**	**1.47**	**1.51**	**1.51**	**1.50**	**1.53**	**1.51**	**-0.02**	**-0.04**
Canada											
LPG and ethane	0.40	0.45	0.46	0.44	0.39	0.34	0.33	0.33	0.36	0.04	0.00
Naphtha	0.09	0.09	0.08	0.09	0.10	0.10	0.10	0.10	0.09	-0.01	0.01
Motor gasoline	0.79	0.82	0.80	0.81	0.85	0.88	0.90	0.87	0.85	-0.03	-0.02
Jet and kerosene	0.10	0.10	0.10	0.10	0.09	0.11	0.11	0.11	0.10	-0.01	-0.01
Diesel	0.30	0.29	0.27	0.29	0.29	0.28	0.28	0.27	0.29	0.02	0.00
Other gasoil	0.27	0.31	0.34	0.34	0.29	0.35	0.33	0.33	0.38	0.04	0.03
Residual fuel oil	0.06	0.06	0.05	0.07	0.05	0.06	0.07	0.06	0.05	-0.01	0.00
Other products	0.34	0.32	0.33	0.29	0.29	0.34	0.35	0.34	0.35	0.01	0.01
Total	**2.35**	**2.43**	**2.43**	**2.43**	**2.35**	**2.45**	**2.46**	**2.41**	**2.46**	**0.05**	**0.02**

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)

	2013	2014	2015	2Q14	3Q14	4Q14	1Q15	2Q15	Sep 14	Oct 14	Nov 14
OPEC											
Crude Oil											
Saudi Arabia	9.40			9.50	9.62				9.53	9.56	9.51
Iran	2.68			2.84	2.78				2.78	2.76	2.76
Iraq	3.08			3.33	3.21				3.36	3.32	3.38
UAE	2.76			2.74	2.81				2.78	2.74	2.71
Kuwait	2.55			2.58	2.65				2.67	2.70	2.66
Neutral Zone	0.52			0.43	0.38				0.40	0.24	0.20
Qatar	0.73			0.71	0.72				0.69	0.69	0.68
Angola	1.72			1.63	1.71				1.72	1.75	1.69
Nigeria	1.95			1.91	1.89				1.89	1.88	1.92
Libya	0.90			0.23	0.57				0.78	0.87	0.69
Algeria	1.15			1.14	1.15				1.13	1.13	1.13
Ecuador	0.52			0.55	0.56				0.56	0.54	0.55
Venezuela	2.50			2.48	2.48				2.48	2.46	2.44
Total Crude Oil	30.46			30.08	30.51				30.75	30.63	30.32
Total NGLs[1]	6.26	6.42	6.65	6.36	6.48	6.50	6.61	6.66	6.48	6.50	6.50
Total OPEC	**36.72**			**36.44**	**36.99**				**37.23**	**37.13**	**36.81**
NON-OPEC[2]											
OECD											
Americas[6]	17.11	18.68	19.73	18.62	18.83	19.18	19.48	19.62	18.94	19.16	19.21
United States[b]	10.24	11.71	12.68	11.69	11.91	12.25	12.42	12.64	12.01	12.21	12.35
Mexico	2.89	2.78	2.62	2.85	2.76	2.66	2.67	2.65	2.76	2.72	2.64
Canada	3.97	4.18	4.41	4.08	4.15	4.27	4.39	4.33	4.16	4.22	4.21
Chile	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Europe[7]	3.35	3.31	3.24	3.25	3.13	3.36	3.31	3.14	3.15	3.34	3.38
UK	0.89	0.87	0.88	0.90	0.71	0.90	0.89	0.87	0.81	0.81	0.95
Norway	1.85	1.87	1.81	1.79	1.85	1.88	1.85	1.72	1.78	1.95	1.85
Others	0.61	0.57	0.55	0.56	0.58	0.58	0.57	0.55	0.57	0.58	0.58
Asia Oceania[8]	0.48	0.50	0.54	0.49	0.51	0.52	0.53	0.55	0.52	0.52	0.52
Australia	0.40	0.42	0.46	0.41	0.43	0.44	0.45	0.47	0.44	0.43	0.44
Others	0.08	0.08	0.08	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.08
Total OECD	**20.93**	**22.49**	**23.51**	**22.37**	**22.47**	**23.06**	**23.33**	**23.32**	**22.61**	**23.01**	**23.10**
NON-OECD											
Former USSR	13.88	13.90	13.81	13.84	13.81	13.93	13.98	13.84	13.89	13.90	13.86
Russia	10.88	10.93	10.82	10.92	10.84	10.97	10.95	10.85	10.96	10.96	10.95
Others	3.00	2.97	3.00	2.91	2.97	2.97	3.03	2.98	2.93	2.94	2.91
Asia	7.67	7.60	7.65	7.66	7.54	7.52	7.63	7.63	7.61	7.46	7.54
China	4.18	4.19	4.18	4.23	4.17	4.11	4.17	4.18	4.22	4.08	4.13
Malaysia	0.64	0.65	0.69	0.66	0.63	0.66	0.69	0.69	0.65	0.63	0.67
India	0.88	0.87	0.87	0.87	0.86	0.87	0.87	0.87	0.86	0.87	0.87
Indonesia	0.87	0.83	0.80	0.84	0.83	0.81	0.81	0.78	0.82	0.82	0.81
Others	1.10	1.06	1.11	1.06	1.05	1.07	1.09	1.11	1.06	1.06	1.07
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Americas	4.17	4.36	4.67	4.28	4.43	4.51	4.57	4.68	4.48	4.54	4.49
Brazil[b]	2.12	2.33	2.50	2.28	2.39	2.46	2.44	2.52	2.43	2.47	2.46
Argentina	0.63	0.62	0.63	0.62	0.62	0.62	0.64	0.63	0.63	0.63	0.62
Colombia	1.01	0.99	1.11	0.97	1.00	1.00	1.08	1.11	1.00	1.01	1.00
Others	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.43	0.42
Middle East[3]	1.35	1.32	1.27	1.32	1.31	1.30	1.29	1.27	1.32	1.30	1.29
Oman	0.95	0.95	0.94	0.95	0.95	0.94	0.95	0.94	0.96	0.94	0.94
Syria	0.06	0.03	0.03	0.03	0.04	0.04	0.03	0.03	0.04	0.04	0.03
Yemen	0.15	0.15	0.11	0.15	0.13	0.13	0.12	0.12	0.13	0.13	0.13
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.30	2.32	2.33	2.31	2.30	2.30	2.35	2.33	2.30	2.30	2.30
Egypt	0.73	0.70	0.68	0.70	0.69	0.68	0.68	0.68	0.69	0.68	0.68
Gabon	0.24	0.24	0.23	0.24	0.23	0.24	0.23	0.23	0.24	0.24	0.24
Others	1.33	1.38	1.41	1.36	1.38	1.39	1.43	1.41	1.37	1.38	1.38
Total Non-OECD	**29.52**	**29.64**	**29.87**	**29.56**	**29.53**	**29.70**	**29.95**	**29.89**	**29.75**	**29.66**	**29.63**
Processing gains[4]	2.18	2.21	2.22	2.19	2.24	2.22	2.22	2.22	2.24	2.22	2.22
Global Biofuels[b]	2.01	2.18	2.26	2.29	2.50	2.24	1.85	2.27	2.46	2.42	2.33
TOTAL NON-OPEC	**54.64**	**56.53**	**57.84**	**56.40**	**56.75**	**57.23**	**57.34**	**57.69**	**57.06**	**57.30**	**57.28**
TOTAL SUPPLY	**91.36**			**92.83**	**93.74**				**94.29**	**94.43**	**94.09**

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 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 As of the August 2012 OMR, includes Chile.
7 As of the August 2012 OMR, includes Estonia and Slovenia.
8 As of the August 2012 OMR, includes Israel.

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			
	Jun2014	Jul2014	Aug2014	Sep2014	Oct2014*	Oct2011	Oct2012	Oct2013	4Q2013	1Q2014	2Q2014	3Q2014
OECD Americas												
Crude	529.8	519.3	511.3	510.5	534.1	475.6	514.4	534.2	-0.25	0.26	0.08	-0.21
Motor Gasoline	252.6	251.9	245.1	245.7	239.8	242.7	238.8	246.6	0.08	-0.02	-0.07	-0.07
Middle Distillate	191.3	194.8	198.2	203.3	192.6	220.1	195.1	187.6	-0.10	-0.13	0.06	0.13
Residual Fuel Oil	44.8	44.6	46.0	44.4	43.9	45.5	47.2	43.5	0.03	-0.03	0.01	0.00
Total Products[3]	684.5	703.2	713.1	719.5	693.6	684.7	682.4	676.4	-0.47	-0.37	0.51	0.38
Total[4]	1381.5	1395.2	1400.6	1410.0	1408.4	1330.7	1369.0	1375.5	-0.95	-0.06	0.78	0.31
OECD Europe												
Crude	316.4	308.9	301.1	304.2	307.3	302.2	312.1	324.9	-0.04	0.05	0.04	-0.13
Motor Gasoline	82.9	81.5	86.1	86.4	88.1	91.7	91.9	87.5	-0.02	0.05	-0.09	0.04
Middle Distillate	247.2	251.9	265.6	265.2	260.0	257.1	251.5	248.6	-0.09	-0.02	-0.01	0.20
Residual Fuel Oil	68.0	66.9	69.2	63.3	62.4	77.8	79.5	68.6	-0.06	-0.06	0.08	-0.05
Total Products[3]	490.1	493.6	517.0	512.9	509.6	536.0	521.0	493.9	-0.16	-0.04	-0.01	0.25
Total[4]	878.4	871.2	890.6	887.3	887.6	904.4	899.3	884.1	-0.16	0.05	0.04	0.10
OECD Asia Oceania												
Crude	165.3	163.3	167.1	163.8	171.7	156.0	166.1	151.7	-0.14	0.28	-0.05	-0.02
Motor Gasoline	24.4	23.2	22.6	22.8	22.8	24.5	27.7	24.7	-0.01	0.02	-0.01	-0.02
Middle Distillate	53.8	58.6	69.4	70.3	70.7	67.9	70.6	68.1	-0.02	-0.13	-0.02	0.18
Residual Fuel Oil	21.1	23.0	24.2	22.9	21.3	19.9	20.4	19.4	-0.01	0.02	0.00	0.02
Total Products[3]	156.9	165.4	179.5	183.1	181.6	182.4	186.7	180.5	-0.14	-0.10	-0.04	0.29
Total[4]	392.2	398.6	417.6	421.3	424.0	409.8	426.4	403.5	-0.34	0.20	-0.07	0.32
Total OECD												
Crude	1011.5	991.5	979.5	978.6	1013.0	933.7	992.7	1010.7	-0.42	0.59	0.07	-0.36
Motor Gasoline	360.0	356.6	353.8	354.9	350.7	358.9	358.5	358.8	0.05	0.04	-0.18	-0.06
Middle Distillate	492.3	505.4	533.2	538.7	523.3	545.1	517.1	504.3	-0.21	-0.29	0.03	0.50
Residual Fuel Oil	133.8	134.5	139.4	130.5	127.6	143.1	147.0	131.5	-0.03	-0.07	0.09	-0.04
Total Products[3]	1331.5	1362.1	1409.6	1415.5	1384.8	1403.1	1390.1	1350.8	-0.78	-0.51	0.47	0.91
Total[4]	2652.1	2665.0	2708.9	2718.5	2720.0	2644.9	2694.7	2663.1	-1.46	0.19	0.75	0.72

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			
	Jun2014	Jul2014	Aug2014	Sep2014	Oct2014*	Oct2011	Oct2012	Oct2013	4Q2013	1Q2014	2Q2014	3Q2014
OECD Americas												
Crude	691.0	691.0	691.0	691.0	691.0	696.0	695.0	696.0	0.00	0.00	-0.05	0.00
Products	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.00	0.00	0.00	0.00
OECD Europe												
Crude	207.8	209.1	209.0	208.2	209.2	182.8	195.7	204.2	0.01	-0.03	0.05	0.00
Products	259.0	258.0	258.7	257.6	256.8	239.4	234.7	261.6	-0.03	0.03	-0.05	-0.01
OECD Asia Oceania												
Crude	387.6	387.7	387.6	385.7	385.7	391.1	393.5	385.7	0.02	0.01	0.00	-0.02
Products	31.0	31.0	31.0	31.0	31.0	20.0	20.0	29.9	0.02	0.00	0.00	0.00
Total OECD												
Crude	1286.5	1287.7	1287.6	1284.9	1285.9	1269.9	1284.2	1285.9	0.03	-0.01	-0.01	-0.02
Products	291.0	290.0	290.7	289.6	288.8	259.4	255.7	292.6	-0.01	0.04	-0.04	-0.01
Total[4]	1581.3	1582.0	1582.5	1579.7	1579.5	1530.6	1541.1	1582.2	0.02	0.02	-0.05	-0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]
('millions of barrels' and 'days')

	End September 2013		End December 2013		End March 2014		End June 2014		End September 2014 [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
OECD Americas										
Canada	182.9	75	170.0	70	174.2	75	178.8	73	185.0	-
Chile	11.2	35	9.8	30	9.5	30	10.6	33	10.1	-
Mexico	50.0	25	48.7	25	47.6	24	47.3	24	48.8	-
United States[4]	1834.4	95	1762.4	94	1754.0	94	1814.7	95	1836.0	-
Total[4]	2100.6	86	2013.0	84	2007.5	85	2073.5	86	2101.9	86
OECD Asia Oceania										
Australia	36.6	33	36.8	34	36.8	34	36.3	34	38.2	-
Israel	-	-	-	-	-	-	-	-	-	-
Japan	590.7	125	575.3	115	585.8	151	585.1	151	604.1	-
Korea	190.7	80	177.8	75	186.5	80	180.3	77	186.7	-
New Zealand	7.6	48	8.3	51	8.1	55	9.2	63	9.0	-
Total	825.7	96	798.2	90	817.3	107	810.9	106	838.0	100
OECD Europe[5]										
Austria	20.6	79	21.6	91	22.7	85	21.1	76	21.5	-
Belgium	39.4	66	41.0	66	42.5	70	43.7	70	43.8	-
Czech Republic	20.3	103	20.0	110	19.3	95	18.9	88	19.5	-
Denmark	21.3	138	23.7	157	19.6	126	23.1	146	22.4	-
Estonia	1.4	47	1.6	55	1.7	56	1.7	50	1.8	-
Finland	41.0	206	39.0	211	37.9	194	39.0	191	38.7	-
France	166.1	97	167.5	99	167.2	99	168.1	95	171.3	-
Germany	286.3	121	289.9	124	289.2	125	291.7	117	287.1	-
Greece	26.7	95	25.6	101	24.9	92	25.6	83	29.7	-
Hungary	16.5	118	16.2	129	16.0	115	16.2	114	16.7	-
Ireland	10.7	76	10.0	70	11.0	80	9.6	70	9.6	-
Italy	130.8	99	125.1	104	122.5	100	121.6	96	123.0	-
Luxembourg	0.7	11	0.7	13	0.7	12	0.8	15	0.8	-
Netherlands	120.7	122	115.5	121	122.5	119	127.4	131	126.8	-
Norway	27.9	121	28.7	123	28.6	121	27.4	121	24.5	-
Poland	61.9	118	60.4	129	60.2	119	58.5	109	61.1	-
Portugal	22.1	89	23.1	105	23.8	98	22.5	87	21.4	-
Slovak Republic	8.3	104	8.8	127	9.6	136	8.8	111	8.9	-
Slovenia	4.9	89	4.7	103	4.9	102	4.8	92	4.8	-
Spain	120.3	99	111.6	93	117.4	99	118.2	97	122.7	-
Sweden	25.8	94	28.2	104	27.5	90	26.4	83	27.5	-
Switzerland	37.2	129	35.9	165	36.4	159	36.2	146	37.0	-
Turkey	63.2	87	62.3	98	62.7	87	62.5	84	62.6	-
United Kingdom	81.8	55	77.9	53	76.6	51	75.2	50	74.9	-
Total	1355.9	100	1339.2	103	1345.3	100	1349.0	97	1358.2	100
Total OECD	**4282.2**	**92**	**4150.3**	**91**	**4170.1**	**93**	**4233.4**	**93**	**4298.2**	**93**
DAYS OF IEA Net Imports[6]	**-**	**161**	**-**	**157**	**-**	**157**	**-**	**170**	**-**	**172**

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 2014 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]		
3Q2011	4199	1529	2669	90	33	57
4Q2011	4141	1536	2605	90	33	56
1Q2012	4193	1536	2657	92	34	59
2Q2012	4226	1539	2687	92	34	59
3Q2012	4271	1542	2728	92	33	59
4Q2012	4210	1547	2663	92	34	58
1Q2013	4246	1581	2665	93	35	59
2Q2013	4238	1577	2661	91	34	57
3Q2013	4282	1582	2700	92	34	58
4Q2013	4150	1584	2566	91	35	56
1Q2014	4170	1586	2584	93	35	58
2Q2014	4233	1581	2652	93	35	58
3Q2014	4298	1580	2719	93	34	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 3Q2014 (when latest forecasts are used).

Table 6
IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]
(million barrels per day)

											Year Earlier	
	2011	2012	2013	4Q13	1Q14	2Q14	3Q14	Jul 14	Aug 14	Sep 14	Sep 13	change
Saudi Light & Extra Light												
Americas	0.69	0.76	0.74	0.76	0.79	0.75	0.47	0.42	0.43	0.56	0.95	-0.39
Europe	0.83	0.85	0.79	0.77	0.73	0.87	0.93	0.80	0.98	1.00	0.91	0.09
Asia Oceania	1.24	1.26	1.21	1.25	1.27	1.17	1.08	1.07	1.05	1.11	1.08	0.03
Saudi Medium												
Americas	0.37	0.44	0.45	0.47	0.44	0.40	0.36	0.45	0.32	0.31	0.42	-0.10
Europe	0.02	0.05	0.01	0.02	0.01	0.01	0.05	0.03	0.02	0.11	0.00	0.10
Asia Oceania	0.40	0.45	0.43	0.45	0.45	0.40	0.50	0.57	0.47	0.47	0.48	-0.01
Iraqi Basrah Light[2]												
Americas	0.29	0.49	0.38	0.31	0.37	0.33	0.49	0.60	0.57	0.29	0.41	-0.12
Europe	0.11	0.26	0.25	0.22	0.29	0.51	0.50	0.49	0.51	0.52	0.24	0.28
Asia Oceania	0.34	0.33	0.31	0.24	0.28	0.20	0.21	0.15	0.26	0.23	0.31	-0.09
Kuwait Blend												
Americas	0.08	0.22	0.28	0.30	0.33	0.29	0.25	0.32	0.25	0.17	0.25	-0.08
Europe	0.08	0.09	0.10	0.07	0.07	0.12	0.04	0.05	0.06	0.00	0.06	-0.06
Asia Oceania	0.57	0.65	0.64	0.65	0.71	0.56	0.62	0.60	0.63	0.62	0.69	-0.07
Iranian Light												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.23	0.12	0.08	0.05	0.10	0.06	0.11	0.12	0.12	0.11	0.05	0.06
Asia Oceania	0.04	0.02	0.00	-	0.01	-	0.03	-	0.05	0.03	-	-
Iranian Heavy[3]												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.55	0.16	0.03	0.03	0.00	0.04	0.01	0.01	0.01	-	0.04	-
Asia Oceania	0.51	0.33	0.30	0.24	0.33	0.26	0.28	0.26	0.28	0.31	0.39	-0.08
Venezuelan 22 API and heavier												
Americas	0.76	0.69	0.61	0.62	0.62	0.62	0.71	0.70	0.74	0.69	0.65	0.04
Europe	0.05	0.08	0.07	0.04	0.08	0.08	0.09	0.09	0.11	0.07	0.11	-0.04
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
Americas	0.82	0.73	0.70	0.79	0.64	0.66	0.67	0.61	0.73	0.65	0.69	-0.04
Europe	0.12	0.14	0.14	0.13	0.15	0.13	0.13	0.13	0.13	0.13	0.13	0.00
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Canada Heavy												
Americas	1.25	1.41	1.49	1.53	1.56	1.67	1.81	1.76	1.74	1.93	1.49	0.44
Europe	-	-	-	-	0.00	0.01	-	-	-	-	-	-
Asia Oceania	0.00	-	-	-	-	-	0.00	-	-	0.01	-	-
BFOE												
Americas	0.06	0.02	0.03	0.01	0.02	-	-	-	-	-	0.04	-
Europe	0.64	0.55	0.47	0.46	0.53	0.58	0.53	0.45	0.56	0.58	0.54	0.04
Asia Oceania	0.02	0.07	0.06	0.05	0.16	0.07	-	-	-	-	-	-
Russian Urals												
Americas	0.01	0.00	0.00	-	-	-	-	-	-	-	-	-
Europe	1.69	1.86	1.79	1.76	1.74	1.68	1.53	1.66	1.50	1.42	1.59	-0.17
Asia Oceania	-	-	-	-	-	-	-	-	-	-	-	-
Kazakhstan												
Americas	0.06	0.07	0.06	0.05	0.02	-	-	-	-	-	0.07	-
Europe	0.62	0.53	0.59	0.57	0.60	0.71	0.58	0.63	0.45	0.64	0.58	0.06
Asia Oceania	-	-	0.00	-	0.02	0.01	0.05	0.03	0.04	0.07	-	-
Libya Light and Medium												
Americas	-	0.03	0.00	-	-	-	-	-	-	-	-	-
Europe	0.29	0.88	0.57	0.22	0.23	0.13	0.34	0.09	0.27	0.69	0.13	0.55
Asia Oceania	0.01	0.04	0.03	0.02	-	0.02	0.03	0.01	0.05	0.02	-	-
Nigerian Light[4]												
Americas	0.53	0.24	0.07	-	0.01	-	-	-	-	-	-	-
Europe	0.45	0.58	0.53	0.57	0.58	0.51	0.59	0.61	0.64	0.51	0.51	0.00
Asia Oceania	0.05	0.04	0.03	0.02	0.03	0.04	0.03	0.03	0.04	0.01	0.03	-0.02

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA Americas includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Estonia, Hungary and Slovenia.
IEA Asia Oceania 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)

	2011	2012	2013	4Q13	1Q14	2Q14	3Q14	Jul 14	Aug 14	Sep 14	Year Earlier Sep 13	Year Earlier % change
Crude Oil												
Americas	6870	6101	5130	4670	4385	4331	4312	4624	4293	4011	5432	-26%
Europe	8988	9346	8921	8399	8201	8480	9007	8812	9043	9170	8705	5%
Asia Oceania	6609	6761	6553	6519	6954	5931	6316	6284	6352	6312	6693	-6%
Total OECD	22468	22208	20604	19588	19540	18742	19635	19720	19688	19493	20830	-6%
LPG												
Americas	30	20	17	14	19	9	7	8	3	9	6	53%
Europe	318	287	382	412	386	410	475	405	502	520	379	37%
Asia Oceania	568	620	546	517	544	532	514	565	518	457	506	-10%
Total OECD	916	927	945	942	949	950	996	979	1023	987	891	11%
Naphtha												
Americas	42	20	17	11	28	23	16	19	14	13	16	-18%
Europe	298	381	313	323	342	360	301	318	285	301	331	-9%
Asia Oceania	884	900	927	949	1040	891	912	877	862	999	885	13%
Total OECD	1224	1301	1257	1284	1410	1274	1228	1214	1160	1314	1232	7%
Gasoline[3]												
Americas	762	730	659	583	567	769	661	681	728	571	536	7%
Europe	222	212	106	92	152	124	113	85	70	186	107	74%
Asia Oceania	95	86	83	72	89	95	67	56	63	83	84	-1%
Total OECD	1079	1028	848	747	807	988	841	823	861	841	728	16%
Jet & Kerosene												
Americas	77	73	81	99	81	121	94	83	60	139	73	90%
Europe	397	398	446	512	384	454	583	619	511	620	453	37%
Asia Oceania	58	62	74	82	57	50	44	38	41	53	46	14%
Total OECD	532	533	602	693	521	625	720	740	612	811	572	42%
Gasoil/Diesel												
Americas	72	59	58	21	200	62	41	19	48	54	16	243%
Europe	1044	984	1120	1278	1095	1098	1175	1143	1109	1276	1342	-5%
Asia Oceania	147	185	162	170	152	221	180	214	133	195	145	35%
Total OECD	1263	1227	1340	1468	1447	1381	1396	1376	1290	1525	1502	2%
Heavy Fuel Oil												
Americas	268	206	165	155	127	132	134	142	121	140	188	-26%
Europe	537	521	552	539	595	648	665	613	740	641	645	-1%
Asia Oceania	153	224	242	290	304	205	183	186	198	165	172	-4%
Total OECD	958	951	959	985	1025	985	983	942	1059	946	1005	-6%
Other Products												
Americas	871	813	812	746	619	728	682	726	682	638	935	-32%
Europe	700	636	792	800	755	796	699	637	777	682	672	1%
Asia Oceania	366	356	385	382	461	353	375	407	398	318	437	-27%
Total OECD	1937	1805	1989	1928	1834	1877	1756	1769	1857	1637	2044	-20%
Total Products												
Americas	2122	1921	1810	1629	1640	1844	1634	1679	1657	1564	1770	-12%
Europe	3516	3419	3710	3955	3708	3889	4011	3821	3993	4226	3928	8%
Asia Oceania	2271	2432	2420	2463	2646	2347	2276	2344	2213	2270	2276	0%
Total OECD	7909	7773	7940	8048	7994	8080	7921	7844	7863	8061	7974	1%
Total Oil												
Americas	8993	8022	6940	6300	6025	6175	5947	6303	5950	5575	7202	-23%
Europe	12504	12765	12631	12354	11909	12369	13018	12633	13036	13397	12633	6%
Asia Oceania	8880	9194	8973	8982	9600	8278	8592	8628	8565	8582	8969	-4%
Total OECD	30377	29981	28544	27635	27534	26822	27556	27563	27551	27554	28804	-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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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2014), 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 Argus prices, converted when appropriate to US$ per barrel according to the Argus specification of products (Copyright © 2014 Argus Media Limited - all rights reserved).

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