

10 February 2005

HIGHLIGHTS

- OECD total industry oil stocks fell by 85 mb in December, closing at 2577 mb or 52 mb above year-ago levels. With the December downturn, days of forward demand cover fell back to 51 days. In the fourth quarter of 2004, OECD industry oil stocks fell by 190 kb/d, less than the five-year average draw of 950 kb/d.
- The estimate for global oil demand growth is revised slightly higher for 2004 to 2.68 mb/d and to 1.52 mb/d for 2005. Fourth quarter demand in 2004 was stronger than expected in North America, the FSU, China, and non-OECD Asia, but weaker in OECD Asia. China and non-OECD Asia 2005 growth estimates are revised slightly upwards.
- World oil supply fell by 645 kb/d in January to 83.6 mb/d mainly on declines in OPEC supply. Non-OPEC supply from Canada, Norway and the US Gulf of Mexico remained curtailed and Russian output fell for a fourth month. Lower Russian expectations and prolonged OECD disruptions cut the 2005 non-OPEC supply forecast by 175 kb/d.
- OPEC crude supply fell by 770 kb/d to 28.8 mb/d as Arab Gulf members cut production following December pledges. Iraqi supply fell 160 kb/d amid continuing export disruption. The 2005 first quarter call on OPEC crude and stock change is now above OPEC supply. The call is revised up to 28.3 mb/d for 2005. OPEC capacity in 2005 could rise by 1 mb/d versus average 2004 levels.
- Crude oil futures prices strengthened for most of January with a weather related rally pushing NYMEX WTI close to \$50/bbl. Cold weather in the US, Europe and Asia spurred demand for middle distillates but market attention shifted from heating oil to gasoline with non-commercial players raising their net-long positions.

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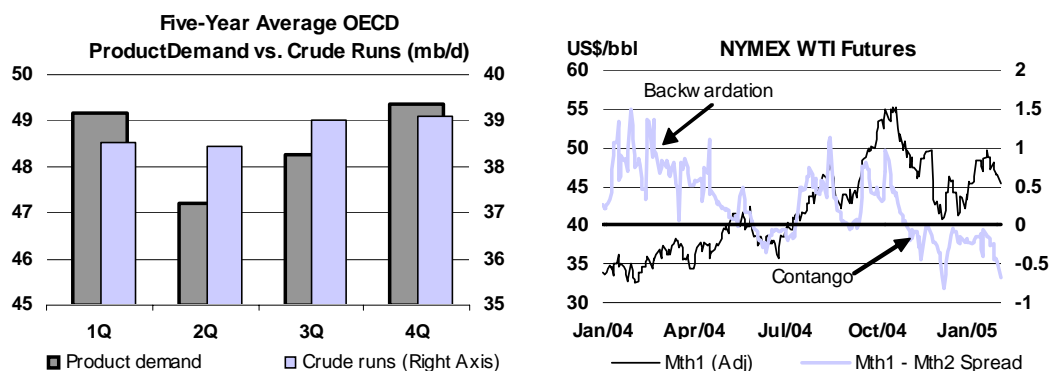
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KNOWN UNKNOWNNS

While 2004 was characterised by surprises in demand, 2005 has begun with changes to the expected supply outlook. This Report has made downward revisions to Canadian and Russian output following on from downward revisions to North Sea production and continuing problems in the US in recent months. Non-OPEC production growth is expected to slow to 0.9 mb/d in 2005, leading to a tightening of the market from initial forecasts. While this will be supplemented by growth in non-conventional supplies and OPEC NGLs, in terms of the call on OPEC, the outlook is similar to 2004.

Other things change however. OECD crude and product stocks have regained a more comfortable position. Total OPEC capacity should average 1 mb/d higher in 2005 than in 2004. US gasoline stocks are at the high end of their seasonal range and lighter Atlantic Basin refinery maintenance this year could help to prevent the now almost traditional spring spike in gasoline markets. Heating oil stocks remain in the lower half of their normal range in the US but have been building in Europe. Forecasts suggest milder weather through to mid-February in the US North East and the end of winter is in sight.

Developments in the Middle East bring some hope that the geopolitical environment could improve. But the road is more likely to be long, with considerable short-term risks. Supply-side uncertainties remain, as recent non-OPEC revisions and disruptions in Iraq and Nigeria highlight. The 2005 call on OPEC has now moved to 28.3 mb/d, fractionally higher than 2004's average call of 28.2 mb/d: a year when producers pumped nearly 29 mb/d for six months to meet world demand growth, seeing spare capacity dwindle in the process.



While some OPEC members remain concerned about the normal seasonal dip in second quarter demand, this has to be seen in context. The projected dip in *product* demand may seem significant at 2.1 mb/d, but this has to be offset against an anticipated first quarter stock draw and the high annual call on OPEC over the year. Furthermore, seasonal dips in product demand do not equate to corresponding reductions in *crude* demand. OECD crude throughput has, on average, only fallen by 0.11 mb/d between the first and second quarters over the past five years. Weaker OECD Asian demand is offset by post maintenance ramp-up by Atlantic Basin refineries. Last year, OECD crude throughput actually rose by 150 kb/d in the second quarter.

OPEC's January decision to leave targets unchanged was recognition that prevailing high prices reflect market tightness. Comments from some ministers suggest tacit acceptance that there has to be a bigger stock buffer to accommodate rising demand and continued uncertainties.

To some, the co-existence of strong growth and high oil prices in 2004, lead to the conclusion that high prices have little economic impact. Oil prices are but one component of the economic equation and do not exclusively dictate growth. But the impact of the rise in price over the past year has been felt (especially by importing developing nations), and will continue to be felt in 2005. And there remains the risk of feeding core price and wage inflation if high prices are sustained.

The existence of a contango market in WTI and Brent for the past three months reflects both modest inventory gains and the onset of refinery maintenance. Furthermore, the contango provides a financial incentive to build inventories. Higher inventories in turn give the market greater ability to respond to unanticipated events and remain the best means to ensure greater market stability. But the high market clearing price of over \$40/barrel continues to reflect underlying tightness in the supply and demand balance and broader geopolitical uncertainties.

DEMAND

Summary

- The projection of global oil demand growth in 2004 is increased to 2.68 mb/d, up 30 kb/d versus last month's Report. Upward revisions to fourth quarter demand were roughly balanced by downward revisions to second and third quarter data from Austria and Belgium so that overall 2004 demand growth is largely unchanged.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q03	80.4	3.2	2.5	-
2Q03	77.3	1.5	1.1	-
3Q03	79.4	2.2	1.7	-
4Q03	82.1	2.5	2.0	-
1Q04	82.4	2.6	2.1	-
2Q04	81.1	5.0	3.8	-0.1
3Q04	81.9	3.2	2.5	-
4Q04	84.4	2.7	2.2	0.2
1Q05	84.3	2.3	1.9	0.1
2Q05	82.4	1.5	1.2	-0.1
3Q05	83.4	1.9	1.5	0.1
4Q05	85.9	1.8	1.5	0.3
2003	79.8	2.4	1.9	-
2004	82.5	3.4	2.7	-
2005	84.0	1.8	1.5	0.1

* year-on-year change

- The assessment of fourth quarter demand is increased by 200 kb/d. Overall, the OECD accounts for only 20 kb/d as upward revisions to North American and European demand are balanced by downward revisions to estimates for OECD Asia-Pacific. Extraordinarily warm December weather was responsible for most of the downward revision to Asian demand.

Estimated Annual World Oil Demand Growth 2000-2005

(million barrels per day)

	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.47	0.60	0.24
Latin America	0.00	0.00	-0.04	-0.09	0.16	0.10
FSU	0.08	0.00	-0.20	0.12	0.14	0.11
Europe	-0.12	0.21	0.00	0.20	0.25	0.10
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.16	-0.04
China	0.26	0.12	0.30	0.55	0.86	0.40
Other Asia	0.09	0.18	0.27	0.22	0.45	0.23
Subtotal, Asia	0.31	0.23	0.53	0.91	1.15	0.60
Middle East	0.12	0.17	0.17	0.20	0.32	0.28
Africa	0.00	0.13	0.08	0.04	0.07	0.09
World	0.66	0.67	0.63	1.85	2.68	1.52

- Fourth quarter 2004 estimates of apparent demand for the FSU and China were revised upwards. The FSU revision is in large part related to a downward reassessment of December crude exports, which led to an increase in apparent demand. Chinese net product imports were down by some 250 kb/d in December when compared to November, but this was balanced by an increase in crude runs putting year-on-year demand growth at an estimated 10.5% in December. Demand estimates for non-OECD Asia were also revised upwards with evidence of stronger demand growth in Southeast Asia. Taken together, fourth quarter non-OECD demand is revised upwards by approximately 180 kb/d.

- The 2005 demand growth forecast has been raised by 80 kb/d, to 1.52 mb/d. Asian demand growth has been revised upwards by some 90 kb/d versus last month's Report due in large part to a somewhat more robust outlook for Chinese naphtha demand and Southeast Asian demand growth in general. In addition, assuming normal weather patterns in 2005, fourth quarter 2005 OECD Asia demand growth should be higher than expected because fourth quarter 2004 demand was unexpectedly weak due to mild temperatures.
- Preliminary market reports suggest that Chinese January 2005 crude imports were down substantially versus January 2004. This is in line with indications of weakening apparent demand in late December and early January.

Global Oil Demand by Region

(million barrels per day)

	Demand		Annual Change		Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.17	0.47	0.60	0.24	2.0	2.4	0.9
Europe	16.45	0.20	0.25	0.10	1.2	1.5	0.6
OECD Pacific	8.62	0.14	-0.16	-0.04	1.7	-1.8	-0.5
China	6.38	0.55	0.86	0.40	11.0	15.6	6.3
Other Asia	8.55	0.22	0.45	0.23	2.8	5.5	2.7
Subtotal Asia	23.55	0.91	1.15	0.60	4.2	5.1	2.5
FSU	3.71	0.12	0.14	0.11	3.5	3.8	3.0
Middle East	5.88	0.20	0.32	0.28	3.7	5.7	4.7
Africa	2.81	0.04	0.07	0.09	1.7	2.4	3.3
Latin America	4.90	-0.09	0.16	0.10	-1.9	3.5	2.1
World	82.46	1.85	2.68	1.52	2.4	3.4	1.8

- FSU 2005 demand growth has been revised downwards by 30 kb/d. This is in part due to an upward revision in the 2004 base level apparent demand. It is also due to lower projected 2005 production, which has an impact upon apparent demand.
- Relatively high oil prices have contributed to an upward revision of GDP growth estimates for the Middle East. Because wealth and income effects associated with higher GDP growth will encourage a rise in consumption in areas such as transport fuels, 2005 demand growth has been revised upwards by 10 kb/d.

OECD

Early Indications of Current Demand

Viewing the OECD as a whole, demand is projected to grow by only 0.7%, or 340 kb/d, in December 2004 versus December 2003. This is far below the 4.0% year-on-year growth seen in November 2004. However, it should be noted that the strength observed in November 2004 may be attributed to a short-lived demand contraction of 1.5% in November 2003. This contrasts with more robust 2.3% demand growth in December 2003, so a comparison between months is somewhat distorted. Overall, this month's revisions to OECD demand are relatively minor. Fourth quarter 2004 demand is revised downwards by approximately 20 kb/d and the 2005 demand projection is revised upwards by 30 kb/d.

Preliminary Inland Deliveries – December 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.21	2.2	1.68	-5.5	3.01	10.9	1.28	-3.4	0.81	1.6	4.97	-1.9	20.95	1.3
Canada	0.74	6.4	0.10	0.0	0.43	9.2	0.14	-0.7	0.18	-4.3	0.28	19.5	1.85	6.7
Mexico	0.71	5.9	0.06	3.4	0.32	2.6	0.00	na	0.27	-13.1	0.44	-0.5	1.80	0.4
Japan	1.12	0.0	0.88	-12.2	0.70	0.6	0.57	-6.3	0.43	-17.3	1.70	-6.2	5.40	-6.2
Korea	0.17	4.9	0.07	6.3	0.45	5.3	0.22	-14.3	0.30	-16.9	1.13	-1.1	2.34	-3.1
France	0.26	-3.9	0.12	0.8	0.64	3.5	0.43	9.4	0.07	5.8	0.49	1.7	2.02	3.1
Germany	0.57	-1.3	0.14	11.3	0.58	8.8	0.65	15.2	0.11	-3.7	0.51	11.7	2.57	8.0
Italy	0.34	-6.0	0.07	-2.2	0.49	6.8	0.17	-0.4	0.19	-21.2	0.41	-2.3	1.66	-3.1
Total	13.12	2.0	3.13	-6.0	6.60	7.6	3.45	0.1	2.36	-9.2	9.92	-1.2	38.58	0.4

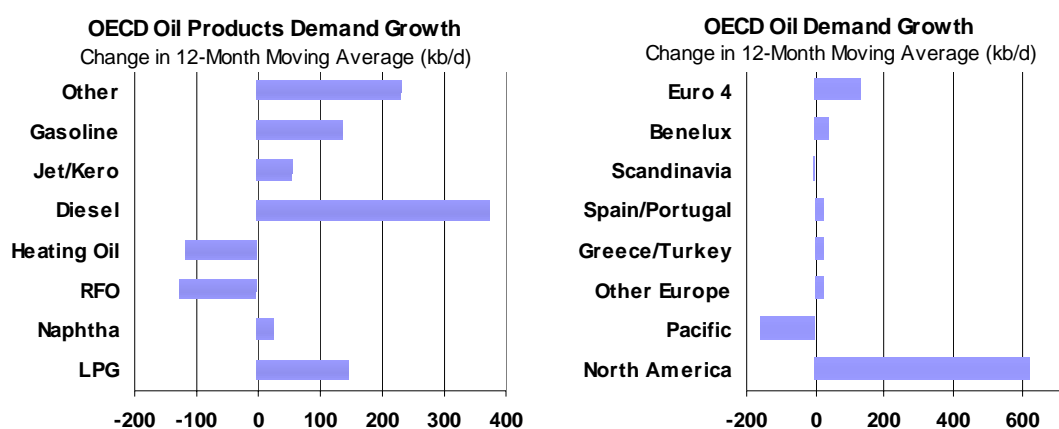
Sources: US EIA, Statistics Canada, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry

¹ excludes refinery fuel and bunkers (except US)

² includes direct use of crude oil

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

Preliminary inland oil delivery data for selected major OECD economies, including the three North American economies, France, Germany, Italy, Japan and Korea present a mixed picture. For these countries deliveries increased on average by a relatively subdued 0.4%, or 160 kb/d, in December 2004 when compared to December 2003.



The table on the previous page highlights variations across countries and products. Among the more striking developments is that gasoline demand increased by approximately 290 kb/d in North America versus a decline of about 40 kb/d in the European countries. Diesel demand expanded briskly in the European countries and North America. This reflects continuing dieselisation of the vehicle fleet in Europe, and robust cargo trade buoying truck deliveries in the US. Japan's consumption of jet fuel/kerosene is closely tied to winter weather patterns and extraordinarily mild December weather contributed to an approximate 120 kb/d decline in demand.

The year-on-year slide in residual fuel oil stands out in December. Taken together, consumption of residual fuel oil was down by some 240 kb/d versus the same month a year ago. The decline may be partly attributed to mild weather but other factors are at work as well. Japan's nuclear power problems continued to subside in December, thereby reducing the need for oil in power generation. In addition, where possible, countries like Korea and Italy maintained their trend of substituting other fuels such as natural gas for residual fuel oil.

Moving Annual Average Change in Oil Demand* – December 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
United States**	3.1%	7.1%	1.4%	3.2%	6.7%	-4.3%	3.4%	1.9%	2.4%	479
Canada	5.2%	13.7%	1.5%	8.5%	-3.8%	8.1%	-3.3%	7.7%	3.9%	86
Mexico	1.6%	-33.5%	5.9%	6.5%	2.1%	2.1%	-4.6%	0.9%	1.2%	24
Japan	-5.0%	0.1%	1.7%	-3.4%	0.4%	-4.2%	-11.1%	-3.2%	-2.7%	-150
Korea	-1.9%	4.1%	-4.7%	-10.5%	3.1%	-10.2%	-3.8%	-12.5%	-1.2%	-27
France	0.9%	-6.6%	-5.6%	2.8%	1.6%	-1.1%	2.4%	2.4%	-0.6%	-12
Germany	1.4%	4.7%	-2.7%	1.5%	2.2%	-8.7%	-1.5%	26.7%	-0.3%	-8
Italy	0.8%	5.8%	-3.0%	1.4%	4.0%	8.9%	-9.2%	8.2%	0.3%	6
Total	1.5%	2.4%	1.1%	0.8%	4.1%	-3.0%	-4.0%	2.6%	1.0%	397
kb/d	58	64	139	24	240	-99	-128	98	397	

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

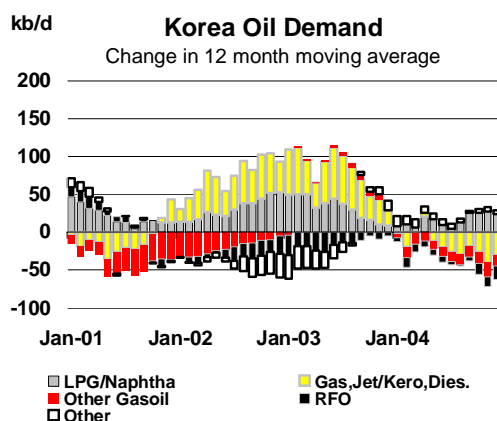
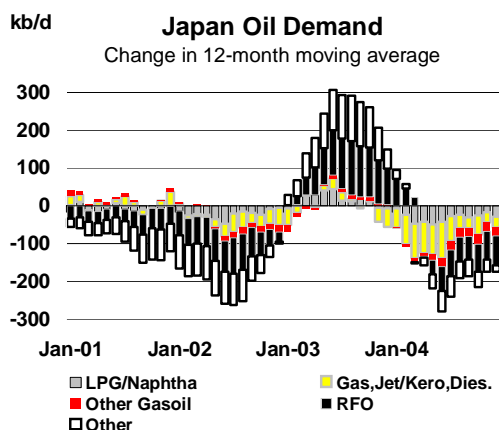
Pacific

Preliminary data indicate that Japanese oil consumption was down by approximately 400 kb/d in December 2004 versus the same month a year ago. This decline can be traced largely to unseasonably warm weather, which cut the consumption of jet fuel/kerosene that is used for heating by some 120 kb/d. Demand for residual fuel oil was also down by just under 120 kb/d, as continued recovery in nuclear power generation reduced the need for oil-fired power generation.

However, two recent incidents illustrate that safety concerns surrounding nuclear facilities persist and could still have an impact on future demand. Earlier concerns arose due to a controversy over inspection records at nuclear plants at Tokyo Electric Power Co. (TEPCO) and an accident at a Kansai

Electric Power Co. (KEPCO). On 4 February TEPCO reported that it was shutting down a nuclear power generator (Unit No. 1) at its Kashiwazaki-Kariwa plant in Nigata due to a steam leak and KEPCO reported that it was closing a unit due to a water leak at the Mihama plant (Unit No. 1) where the accident occurred last August. No radiation was leaked in either incident.

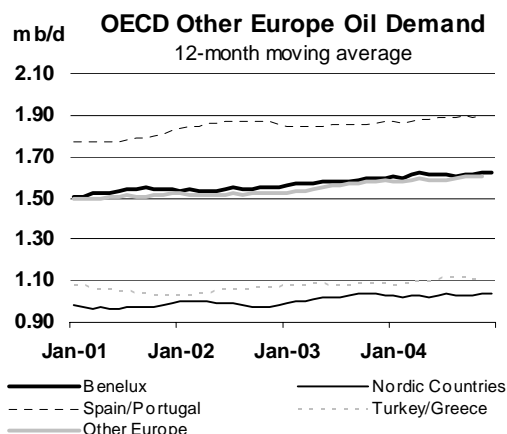
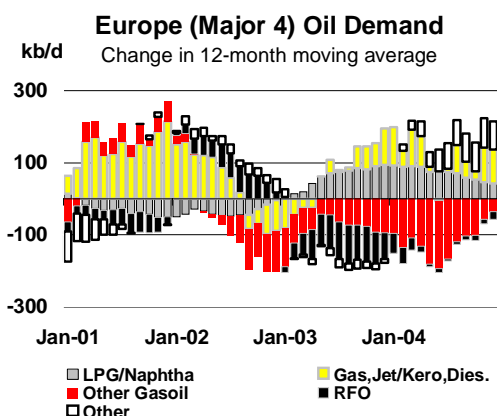
In addition to the recent outages, TEPCO's Fukushima-Daiichi Units No. 2 and No. 4, and KEPCO's Mihama Unit No 3 are shutdown for unplanned inspections and maintenance related to safety concerns. Because the recent unplanned shutdowns are outside the summer peak power demand season, at this point they are projected to have limited impact on incremental oil consumption in the power sector.



Korea's preliminary December 2004 demand for products is down by about 60 kb/d versus December 2003. This is indicative of the broader downward trend in 2004, where demand declined by 1.2% against 2003. Korea's first contraction in demand since the Asian financial crisis of 1997-1998 may be attributed to the impact of relatively high oil prices, which has contributed to the substitution of LNG for oil, and also comparatively lacklustre economic growth. The outlook for 2005 is relatively similar as the economy continues to mature. Demand is projected to grow by approximately 0.9% in 2005.

Europe

European demand projections remain broadly unchanged from last month. Changes to historical data for Belgium and Austria led to revisions to historical demand in the fourth quarter of 2003 and second and third quarter of 2004. In addition, provisional December demand is somewhat higher than anticipated for countries such as Germany, where demand was about 100 kb/d above last month's estimate. In sum, European demand was adjusted upwards by approximately 40 kb/d in the fourth quarter of 2004 and downwards by 20 kb/d for 2004 as a whole.



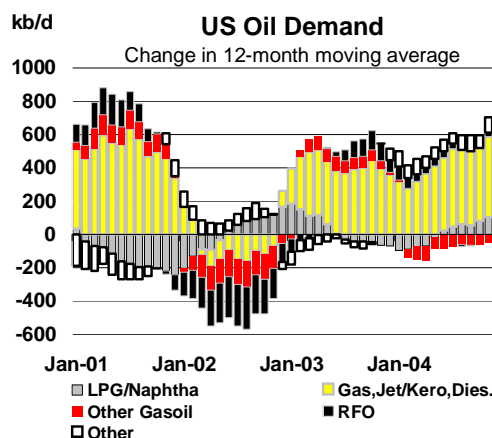
Although demand in 2004 for OECD Europe was adjusted slightly downwards due to historical revisions, overall 2004 demand growth was healthy in the face of relatively high prices. Incorporating the provisional December data, demand grew by 230 kb/d in 2004. In 2005 regional demand growth is projected to slow to 80 kb/d as high prices and a possible easing of regional economic growth mitigate demand prospects.

Focusing attention on some of the major consumers in the region, temperatures were slightly colder than normal in December. This had a marginal impact on demand in France and Germany, where an uptick in heating oil deliveries was observed. Italy continued its pattern of stagnant to declining demand as fuel oil consumption dropped by some 70 kb/d in December. Recent relatively high output of hydroelectricity and a general pattern of substitution of natural gas for oil in power generation are behind this decline. In addition, the long-term decline in gasoline consumption continued in France, Germany and Italy.

North America

Revisions in Mexican and US preliminary demand estimates for November contribute to an approximate 110 kb/d upward revision in North American fourth quarter 2004 demand. Mexico's November gasoline demand has been revised upwards by 30 kb/d and the demand estimate for residual fuel oil was revised upwards by a substantial 140 kb/d. In sum, November Mexican demand has been revised upwards by approximately 160 kb/d.

The US November demand estimate has been revised upwards by approximately 180 kb/d, with gasoline accounting for about 80 kb/d of the revision. Preliminary data for December indicate that year-on-year US demand growth was fairly flat, at about 1.6% for all products, led by diesel. The overall picture is similar in January, with year-on-year demand growth of 1.6%. However, January 2004 was exceptionally cold so year-on-year growth for January 2005 needs to be viewed against a higher baseline. US heating oil demand is projected down by 140 kb/d.



After robust December growth estimated at some 100 kb/d overall, Canadian demand is expected to stagnate in January. Like the US, Canada also experienced unusually cold temperatures in January 2004, and thus January 2005 must be viewed against a higher baseline. January 2005 year-on-year petroleum demand is projected to grow by 0.9%.

Overall, 2005 North American demand is revised upwards by 30 kb/d, in part due to the revisions to the fourth quarter reference period discussed above. In addition, the second half of January was colder than anticipated at the time of last month's Report, and as a consequence first quarter demand is revised upwards by 50 kb/d.

Non-OECD

China

Preliminary data suggest that Chinese apparent demand, which is defined as the sum of domestic refinery output and net product imports (plus adjustments for direct crude burning, smuggling and unreported refinery output), posted year-on-year growth of approximately 10.5% in December. In spite of this relatively strong demand picture, growth appeared to slow somewhat in the latter part of December and the first part of January. This is consistent with preliminary market reports suggesting that January 2004 crude oil imports dropped substantially versus January 2003. Chinese net imports of products were also down by some 250 kb/d in December versus the previous month and Sinopec and Petrochina reportedly scheduled no gasoil imports for January or February. The largest portion of the December import decline may be attributed to a sharp drop-off in fuel oil imports, which were down by approximately 190 kb/d versus November. There are indications that fuel oil imports rebounded in January, but the share of straight-run fuel oil has fallen as the private refineries that often refine straight-run fuel oil into off-specification gasoil face lower margins.

There is anecdotal evidence that the softness in the market was short-lived as buying picked up just prior to the February 9th Lunar New Year holiday. Typically individuals, businesses, and specific sectors such as air transport build storage for use during the holiday, but this year's buying appears to have come later than expected. Apparent demand normally ebbs during the Lunar New Year as factories close, but it is expected to rebound in March.

China Crude & Product Trade

(thousand barrels per day)

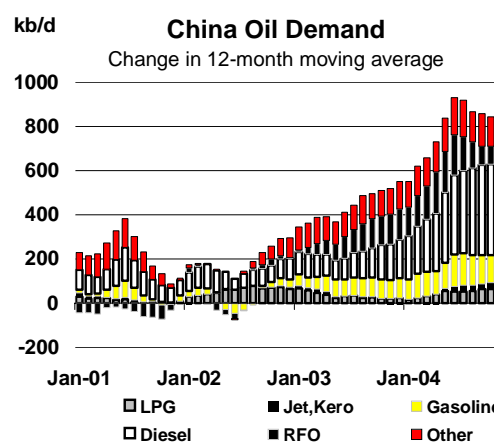
	2003	2004	1Q04	2Q04	3Q04	4Q04	Oct 04	Nov 04	Dec 04	Latest month vs. Nov 04	Dec 03
Net Imports/(Exports) of:											
Crude Oil	1664	2346	2290	2371	2232	2491	2117	2699	2665	-34	708
Products & Feedstocks	442	663	600	849	545	661	598	819	572	-246	158
Gasoil/Diesel	-28	43	22	50	21	79	39	80	118	38	132
Gasoline	-175	-125	-95	-141	-146	-117	-102	-113	-136	-23	42
Heavy Fuel Oil	407	506	448	653	412	515	425	658	466	-192	87
LPG	202	201	172	227	222	184	201	205	147	-58	-93
Naphtha	-22	-33	-21	-11	-48	-51	-20	-73	-60	13	-34
Jet & Kerosene	1	16	21	15	19	8	13	14	-2	-15	40
Other	58	54	54	56	64	43	43	48	39	-9	-17
Total	2106	3010	2890	3220	2777	3153	2715	3518	3237	-281	866

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Because preliminary data indicate that December demand was somewhat stronger than previously anticipated, fourth quarter demand is revised upwards by approximately 50 kb/d. This change also contributes to a slight reassessment of 2005 demand. Overall, projected 2005 demand is increased by 50 kb/d.

The majority of the upward revision to Chinese demand in 2005 is centred around a more robust view of naphtha consumption as several new ethylene plants are poised to begin production in 2005. Chinese ethylene demand grew by approximately 9.8% to 17.8 million tonnes in 2004, and it is projected to grow by a similar amount in 2005. Meanwhile, 2004 domestic production capacity was only about 5.6 million tonnes, so increased ethylene production will find a readily available market.

By early 2005, China ethylene production capacity is expected to reach 7.5 million tonnes and by the end of 2005, 8.5 million tonnes of capacity is scheduled to be in place. Although some gasoil will be used, naphtha will be the primary feedstock for the incremental capacity. Naphtha throughput is expected to increase by at least 100 kb/d over the course of 2005. This development has the potential to turn China into a net importer of naphtha.



FSU

FSU apparent demand is defined as the difference between crude production and net exports. Year-on-year growth in December exports has been revised downwards from approximately 835 kb/d to 595 kb/d, which in turn has contributed to an upward revision of apparent demand to 3.85 mb/d. Fourth quarter 2004 demand has been revised upwards by 90 kb/d.

Preliminary estimates for January 2005 production indicate a decline of approximately 115 kb/d versus December 2004, but this is outweighed by an apparent dip in exports based on provisional estimates of seaborne trade. The net result is a year-on-year increase in January apparent demand of 12.7%, or about 480 kb/d. However, subsequent revisions to export data may well point to lower implied January demand consistent with mild January weather. February exports are projected to return to a more normal 7.65 mb/d. It should be noted that FSU 2005 production estimates have been revised downwards in this month's Report, contributing to 10 kb/d reduction in 2005 apparent demand.

Other Non-OECD

Indian demand went through some twists and turns at the end of 2004. November demand fell by an estimated 3.1% when the government raised gasoline prices by 6.0% and diesel prices by 19.0%. In contrast, the demand reported by state-run firms in December increased by some 9.3% versus November. This is unusual because December demand is typically lower than November levels. Overall, however, state-run firms' December 2004 demand was reported to be up by only 0.2% versus a year ago.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Sep 04	Oct 04	Nov 04 ¹	Latest month vs. Oct 04 Nov 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1943	1938	2090	2013	2075	1903	1671	-232	-253
(by Public Oil Cos)	1088	1243	1379	1105	1312	1214	1154	1206	888	-318	-502
Products & Feedstocks	-83	-152	-91	-132	-173	-178	-201	-192	-316	-125	-138
Gasoil/Diesel	-53	-119	-99	-137	-135	-122	-188	-156	-183	-27	-56
Gasoline	-48	-72	-62	-77	-67	-75	-63	-86	-81	5	-35
Heavy Fuel Oil	6	5	-8	-12	13	-5	3	-7	-55	-49	-31
LPG	22	55	79	90	39	86	118	119	137	18	74
Naphtha	4	-1	30	19	10	-29	-21	-13	-42	-29	-34
Jet & Kerosene	10	-22	-42	-29	-44	-43	-66	-62	-102	-40	-53
Other	-23	1	11	14	12	9	15	12	9	-3	-4
Total	1005	1712	1852	1807	1917	1834	1875	1711	1355	-356	-392

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are unavailable.

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

Preliminary estimates indicate that fourth quarter Indian demand grew by only 0.9%, sharply down from first quarter growth of 6.6% and second quarter growth of 8.8%. The fourth quarter slowdown is most likely a temporary phenomenon related to higher domestic product prices, the continued substitution of compressed natural gas (CNG) for diesel, and the rise of liquefied natural gas (LNG) imports.

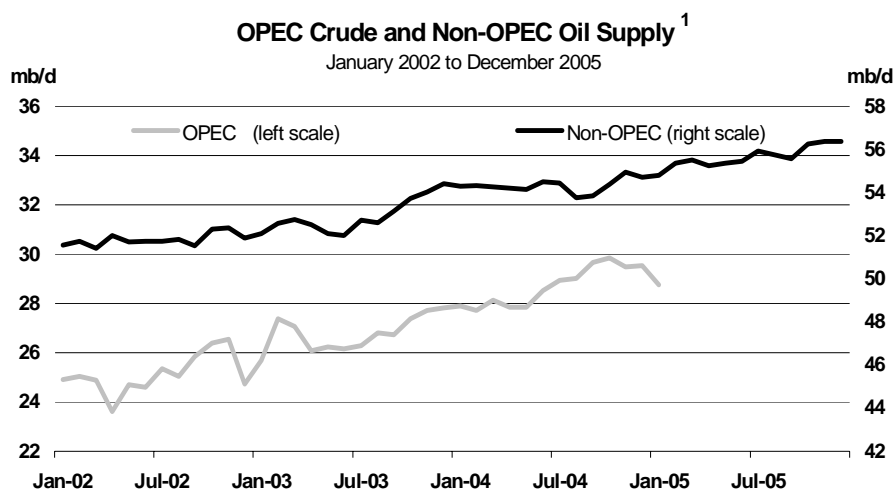
In some cases LNG is being used in place of relatively high-priced naphtha. Historically, Indian domestic gas prices have been set at relatively low levels, which created a shortage and pushed some users to alternative fuels, such as naphtha. Now that LNG is available in larger quantities, there is substitution away from naphtha where it is economically viable. Although interfuel substitution will continue to be a drag on growth in 2005, this should be short-lived. For the third and fourth quarters of 2005, growth of 3.0-4.0% is projected.

The outlook for non-OECD Asia petroleum product demand in 2005 has been revised upwards by 30 kb/d due to a more robust demand outlook for key Southeast Asian countries, including Indonesia and Vietnam. Likewise, the Middle East incremental demand assessment has been revised upwards in the second half of 2005 as relatively high oil prices are projected to have a longer lasting impact on GDP growth. This in turn leads to increased petroleum consumption.

SUPPLY

Summary

- **World oil supply** fell by 645 kb/d in January, to 83.6 mb/d. OPEC crude supply was cut by 770 kb/d, with non-OPEC output down by 30 kb/d. OPEC other liquids supply was up by 155 kb/d. Latest available data point to only minimal changes to last month's estimates for October and November world supply. However, the estimate for December is revised down by 180 kb/d to 84.2 mb/d. January supply levels stand 1.4 mb/d above year-ago. OPEC crude is 860 kb/d above January 2004, OPEC other liquids are 345 kb/d higher, with non-OPEC production up by 160 kb/d.
- **Non-OPEC supply** continues to lag earlier expectations. December production is revised down by 200 kb/d after disappointing performance from Mexico and more modest downward adjustments for Norway and Yemen. January saw ongoing disruption to supply from Canada, Norway and the US Gulf of Mexico. Provisional Russian data showed a fourth month of decline. Sustained OECD supply disruptions plus lower expectations for Russia cut the forecast for 2005 non-OPEC supply by 175 kb/d. The impact is most keenly felt in the first two quarters, when supply is adjusted down by 300 kb/d and 245 kb/d respectively. Non-OPEC supply now averages 50.9 mb/d in 2005, 910 kb/d up on 2004, while OPEC other liquids supply gains 455 kb/d to 4.8 mb/d.
- **OPEC crude supply** fell by 770 kb/d in January to 28.8 mb/d. Iraqi production was off by 160 kb/d at 1.79 mb/d, and net output was curbed due to repeated disruptions to internal refinery operations, combined with northern pipeline problems and loading delays at southern ports. Saudi Arabia, Kuwait and UAE enacted cuts of 350 kb/d, 100 kb/d and 90 kb/d respectively, in line with December pledges. More modest reductions came from Iran, Qatar, Libya, Indonesia and Venezuela, although Venezuelan synthetic crude output increased. Nigerian output partially recovered from December disruptions.
- **OPEC-10 supply** (excluding Iraq) was cut by 610 kb/d and averaged 27.0 mb/d in January. This brought output into line with the target in force since November. OPEC's Extraordinary Meeting in Vienna on 30 January left this target unchanged, but hinted at potential ministerial consultations ahead of the next scheduled meeting in Iran on 16 March if market conditions warrant. The meeting announced the temporary suspension of the \$22-\$28/bbl price band for the OPEC basket.
- **The 'call on OPEC crude and stock change'** is revised up by 100 kb/d for 2004 and by 300 kb/d for 2005, averaging 28.2 mb/d and 28.3 mb/d respectively. Further revisions to winter quarter supply and demand drive these adjustments. The seasonal uptick in fourth quarter demand for both years is now more pronounced than in last month's Report. For the current quarter, lower expectations for non-OPEC supply are the key reason behind the higher call. Furthermore, the first quarter call is now running some 300 kb/d above January's observed OPEC output.



¹ Non-OPEC Oil Supply includes OPEC NGLs, condensate and non-conventional oil

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

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

OPEC

There were signs of key OPEC producers following through with pledged cuts in production in January. Total supply fell by 770 kb/d, with Saudi Arabia cutting output by some 350 kb/d to 9.1 mb/d, Kuwait cutting by 100 kb/d to 2.3 mb/d and the UAE trimming supply by 90 kb/d to 2.4 mb/d. Iraqi net production fell by 160 kb/d to 1.79 mb/d as exports and domestic refinery runs remained hampered by weather-related loading delays and by sabotage in the run-up to 31 January elections. Reductions of 10-50 kb/d each were also recorded by Iran, Qatar, Venezuela, Indonesia and Libya (although Venezuela did see a 65 kb/d increase in synthetic crude output, counted here outside conventional crude supply). Only Algeria and Nigeria boosted conventional crude supply, the latter seeing partial recovery from facilities earlier shut-in by civil unrest during December.

Production by the OPEC-10 (excluding Iraq) averaged 27.0 mb/d during January, in line with the collective production target set from 1 November. However, with Indonesia, Venezuela and Iran producing below their own targets, a number of other producers continue to exceed theirs. In most cases the degree of over-shoot is within 5-10%, although Algerian production of 1.3 mb/d is 50% above target. In the current market environment, individual over-production is not really an issue and greater focus lies on collective output versus the perceived call on the Organisation's crude. However, quota readjustment may again become an issue if OPEC feels the need to reduce production targets again in future.

OPEC Crude Production

(million barrels per day)

	1 Nov 2004 Target	Jan 2005 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Jan 2005 Production	Production vs. Target
Algeria	0.86	1.31	1.35	0.04	0.45
Indonesia	1.40	0.96	1.00	0.05	-0.44
Iran	3.96	3.95	4.00	0.05	-0.01
Kuwait ²	2.17	2.34	2.50	0.16	0.17
Libya	1.45	1.60	1.62	0.02	0.16
Nigeria	2.22	2.32	2.40	0.08	0.10
Qatar	0.70	0.77	0.80	0.03	0.07
Saudi Arabia ^{2,3}	8.78	9.10	10.0-10.5	0.90-1.40	0.32
UAE	2.36	2.43	2.55	0.13	0.07
Venezuela ⁴	3.11	2.20	2.25	0.05	-0.91
Subtotal	27.00	26.97	28.47-28.97	1.50-2.00	-0.03
Iraq		1.79	2.50	0.72	
Total		28.75	30.97-31.47	2.22-2.72	
<i>(excluding Iraq, Nigeria, Venezuela, Indonesia)</i>				<i>1.32-1.82</i>	

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

2. Includes half of Neutral Zone Production

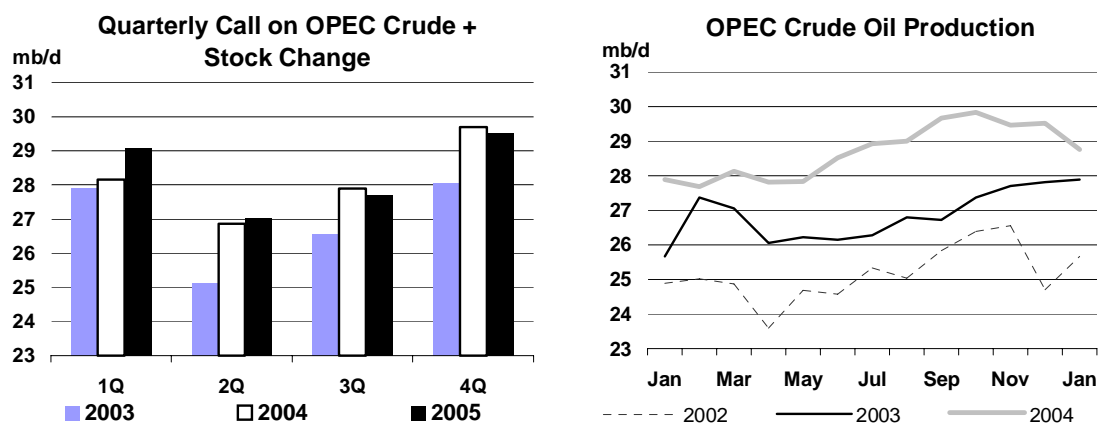
3. Saudi Arabian capacity shown as a range since a delay may be incurred before higher level can be achieved

4. Excludes upgraded Orinoco extra-heavy oil which averaged 558 kb/d in January

OPEC's Extraordinary Meeting in Vienna on 31 January resulted in no change to the official production target of 27.0 mb/d. However, the conference noted a likely downturn in second quarter demand and suggested the OPEC President would engage in consultations if necessary ahead of the next ordinary meeting in Iran on 16 March. This was widely perceived as signalling the potential for further output cuts either from early-March or early-April if inventories build, or prices fall, too far in the interim in OPEC's view. The significance of pre-meeting consultations is that since OPEC export nominations are generally made in early-month for one month ahead, a decision to curb production agreed on 16 March would not come into effect until 1 May. Of course, talk of further cuts may prove academic if supply from Iraq falls further or the tail-end of the winter proves colder than normal. It is also worth noting that this February's Report is the first since December 2002 in which

the assessed current quarter call on OPEC crude and stock change has moved ahead of observed OPEC output. With the potential first quarter stock-draw this implies, talk of further production curbs in the short term may be premature.

The conference also noted the disparity over the past year between actual prices and OPEC's reference price band of \$22-\$28/bbl. As a result, the price band mechanism was 'temporarily suspended'. There is no indication of when or at what level a future band will be put in place. However, there does appear to be a groundswell of opinion amongst OPEC members in favour of a higher 'floor' for prices, with some indications that this may be around \$35/bbl for the OPEC Basket. Crucially, the Vienna meeting seems to have marked the first open acknowledgement by Saudi Arabia that it might be prepared to see a higher 'target' price level. Nevertheless, statements from several OPEC representatives suggesting that the global economy has become immune to any negative impact from higher crude prices look disingenuous.



Net production from **Iraq** is assessed to have fallen by 160 kb/d in January to 1.79 mb/d. This is net of re-injection and deliveries into storage of between 150 kb/d and 200 kb/d. In gross terms, northern production, centred on the Kirkuk field, was reported to be averaging 300 kb/d. Disrupted operations at the Daura and Baiji refineries and the continued outage on the Ceyhan export pipeline curtailed wellhead production in the area. In the south, production was assessed to have averaged just under 1.7 mb/d in January, with reports of corrosion problems and falling reservoir pressure at the Rumaila complex due to longstanding problems with water injection.

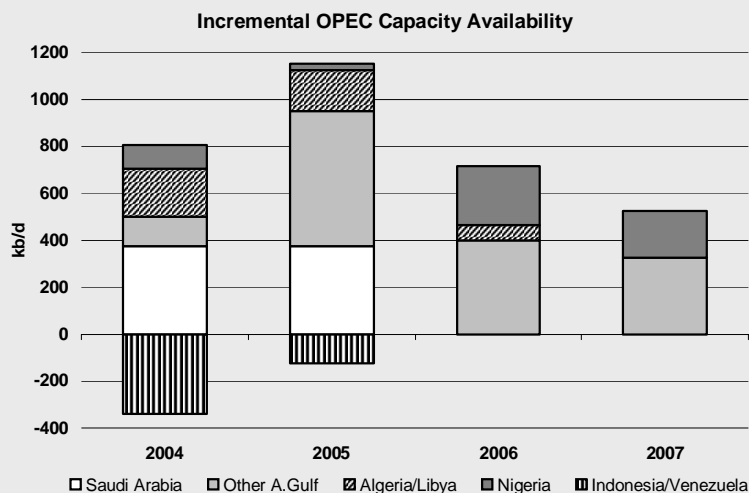
Total crude exports averaged 1.39 mb/d in January compared to 1.55 mb/d in December. Pipeline flows from northern oilfields to Ceyhan in Turkey were stopped in the third week of December and recent indications are that no resumption is likely until around mid-February. With minimal crude in storage at Ceyhan, no tanker liftings were made from Ceyhan in January and pipeline deliveries to Turkish refiner Tupras will likely have first call on any crude sent to Ceyhan in the near future. Renewed tanker liftings from Ceyhan could therefore be deferred. Southern exports fell by nearly 100 kb/d to 1.38 mb/d, although this was due more to weather-related loading delays at Basrah than to sabotage on facilities.

Industry operations in Iraq remain highly variable, with production, refining and export activity constantly prone to disruption from attacks by insurgents, notably on power generation infrastructure. However, it appears that operating rates in January exceeded the more pessimistic prognoses put forward by those anticipating a sharp rise in insurgent activity in the run-up to the country's elections on 31 January. Whether January represents a bottoming-out in production and exports remains to be seen. However, there were some signs of progress towards renewed oilfield appraisal and development activity in the course of January:

- Completion of a technical reservoir study on the southern **Subha-Luhais** field is expected in the first quarter;
- BP was awarded the contract in January for a reservoir evaluation study on the **South Rumaila** field, which will be conducted outside the country and take roughly one year to complete;
- Exploration Consultants Ltd, in conjunction with Royal Dutch/Shell, will evaluate the northern **Kirkuk** field in a similar manner and;
- An Iraqi-Turkish-British consortium has been awarded a development contract for the **Khurmala Dome** project, part of the Kirkuk field.

OPEC Capacity on a Rising Trend

Oil markets have been on edge for the past two years, not least because of a slim margin of spare capacity amongst OPEC producers. However, investments in new capacity which has recently come onstream and those planned for the next couple of years suggest that this tightness could ease. Average capacity at mid-year 2004 for the OPEC-11 stood at 30.5 mb/d, barely 500 kb/d above mid-2003. Mid-year 2005 capacity should average 31.5 mb/d, a rise of 1.0 mb/d, brought about by a number of new field development projects entering service in second half 2004 and in 2005. A further 1.2 mb/d of new capacity on a net basis will be brought onstream by mid-2007.



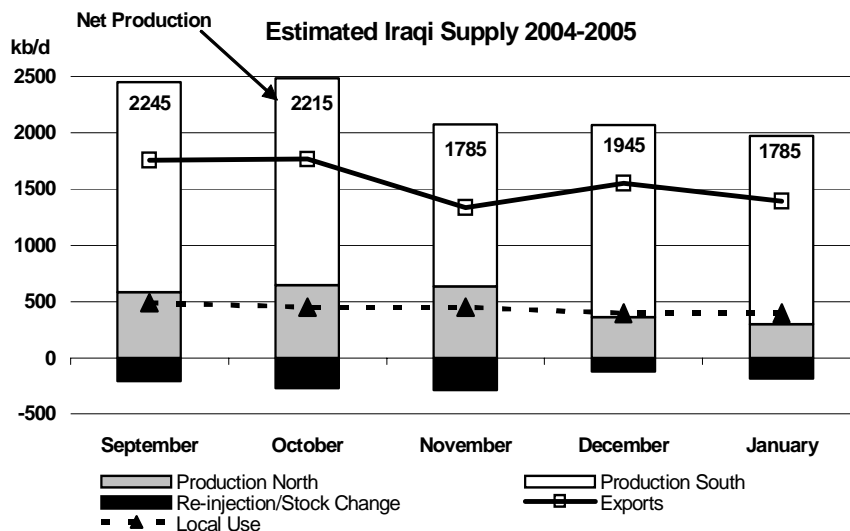
Saudi Arabia's recent boost in capacity from the Qatif and Abu Safah fields, plus incremental drilling and recovery elsewhere, is well documented. These led to the raising of this Report's assessment of sustainable capacity to 10.0-10.5 mb/d. Upcoming increments to capacity will focus on Arab Light and Arab Medium. First up is likely to be the Haradh expansion project, adding 300 kb/d to capacity from 2006. This will be followed by 500 kb/d from the Abu Hadriyah, al-Fadhili and Khursaniyah (AFK) fields from 2007. Longer-term expansions at the Shaybah (Arab Extra Light) and Khurais fields could add an extra 1.5 mb/d before 2010. But natural decline may cap the increase in total capacity at 1.0-1.5 mb/d unless major investment is forthcoming to help sustain production from mature reservoirs.

A steady stream of capacity expansions, if realised on time, could boost sustainable capacity elsewhere in the Gulf by 300-500 kb/d each year through 2007. In **Kuwait**, the recently re-instated gathering centre 15 at the Raudhatain field will boost capacity from 100 kb/d to 300 kb/d, while work has begun on refurbishing facilities at the western Minagish field and expanding capacity at Burgan in the south. Kuwaiti capacity could rise to 2.8-3.0 mb/d by 2007. Capacity in the **UAE** could reach 2.75 mb/d by end-2007 based on developments in Abu Dhabi, including expansion at Adco's Bab, Rumaitha, Shanayel and al-Dabbiya fields. **Iran** will also add capacity with the delayed Soroush/Nowruz expansion and at the Darkhovin field. Total capacity should reach at least 4.3 mb/d by 2007. **Iraqi** capacity is assumed flat at 2.5 mb/d through 2007. The completion of recently-awarded reservoir evaluation projects in a year, and the evolving security situation, will test the feasibility of this assumption.

Several projects are building to maximum capacity in **Algeria & Libya**. These include the ROD and MLN fields in Algeria, and rising crude supplies from the Elephant and El Shaharah fields and West Libya Gas Project in Libya. End-2007 capacity is estimated at 1.45 mb/d and 1.65 mb/d respectively. A target of 4.0 mb/d capacity for end-2007 for **Nigeria** looks ambitious, with signs that damage to facilities from civil unrest over the past two years may be more extensive than first thought. However, start-up in 2005 of the deepwater Bonga field, plus Okwori in 2005 and Erha in 2006, should push capacity close to 3.0 mb/d by end-2007. Developments such as Tomoporo and Corocoro in **Venezuela**, and Belanak and Cepu in **Indonesia** will counteract mature field decline, at best, leaving conventional crude capacity unchanged. The long term outlook for both is less optimistic unless new investment can be encouraged.

Clearly, uncertainty surrounds the precise timing of new field additions as well as prevailing decline rates amongst the OPEC producers (which these estimates attempt to account for). Spare capacity is also a function of another uncertain factor, actual OPEC output, which this Report does not attempt to forecast. But world liquids supply excluding OPEC crude could rise by an average 1.3 mb/d per annum over 2005-2007. In such a supply scenario, assuming world demand growth at or below 2% per annum, OPEC spare capacity should regain levels of 2-3 mb/d over the medium term.

However, major upstream remedial work, let alone capacity expansion, will likely take some time to come to fruition. Any near-term injection of finance to the oil sector is likely to be concentrated in the first instance in the refining sector to help alleviate chronic products shortages. Furthermore, the extent of foreign company involvement in the upstream has yet to be decided, with an ongoing debate within Iraq on likely future oil industry structure and participation. Indeed, it could be late-2005 or 2006 before these issues are decided.



Continued civil unrest remains a check on **Nigerian** crude supply, although average January production increased by 50 kb/d to 2.32 mb/d. Last month saw Shell progressively re-instate 100 kb/d of output in Rivers state which had been shut-in during December. However, separately the company halted 35 kb/d of production on 25 January in Abia state after a blockade of flow stations following disputes over political representation. In the latest instance of unrest, demonstrators attempted unsuccessfully to shut down the 400 kb/d Escravos oil export terminal in early February. There were also further threats of localised strike action in January involving a drilling company based near Port Harcourt.

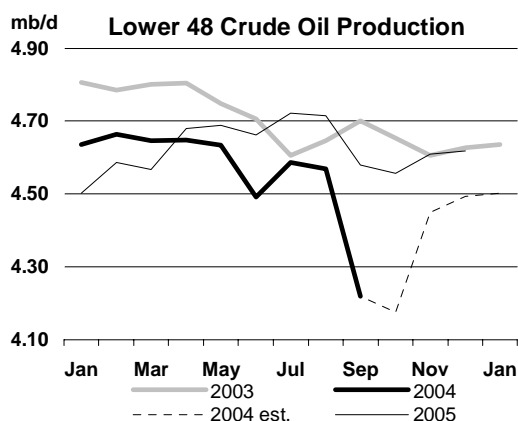
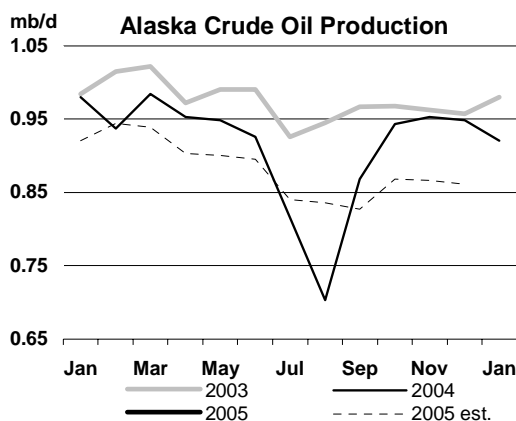
Production from **Indonesia** resumed a downward trend, slipping in January by 20 kb/d to 955 kb/d. The Mines and Energy Minister said in early February that a review of the country's membership of OPEC was being undertaken. However, he suggested that the country remained a net exporter of crude despite the recent decline in production. From 1.36 mb/d in 1997, crude production fell to an estimated 970 kb/d in 2004, although production appeared to level out during the course of last year. Rising supply from the West Seno, Belanak and Oyong fields in 2005 may at best offset ongoing decline at older fields.

OECD

North America

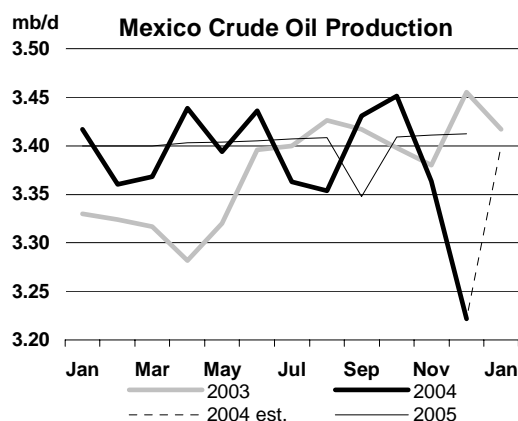
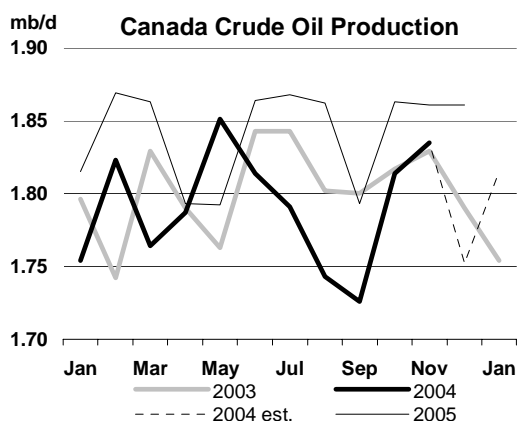
US – January Alaska actual, others estimated: Weekly data for January suggest oil production running around 100 kb/d below levels expected in last month's Report. Crude output has struggled to regain 5.4 mb/d in the past three months as against the 5.6 mb/d seen in spring 2004. Slower than expected recovery from the Gulf of Mexico (GOM) and further disruptions to Alaskan supply continued to be the key constraints on total supply.

In **Alaska** crude production slipped to 920 kb/d in January from 950 kb/d in December. Alaskan North Slope production was curbed due to high winds during 8-11 January. Compressor problems hit output from the 75 kb/d Northstar field, as did a 13 January power failure. A power outage also hampered supply from the Alpine field on 26 January. State proposals to increase tax levels on certain satellite fields to Prudhoe Bay were announced with producer companies suggesting this might lead to a review of future development projects.



Production from the **Gulf of Mexico** continued to suffer, with an average of 125 kb/d remaining shut-in during January after Hurricane Ivan. With similar volumes reportedly still offline in early-February the assumed recovery pattern through June 2005 has again been slowed. This Report now assumes 100 kb/d remaining offline in February and March and 75 kb/d for April-June, before normal operations resume in July. This is a slightly more conservative forecast than the latest report from the US Minerals Management Service, which envisages normal oil and gas production resuming by June. However, GOM production should rise to 1.7 mb/d by third quarter from a low of 1.3 mb/d in fourth quarter 2004. Coinciding with post-hurricane recovery are several new field start-ups, including BP's Mad Dog in January. GOM supply is seen rising by 220 kb/d in 2005, offsetting declines in other areas and leading to the first annual increase in US oil production since 1997.

Canada – November actual: Data through November (December for offshore Newfoundland) point to a 20 kb/d upward revision to 4Q 2004 Canadian oil supply. Both Alberta bitumen output and production from Saskatchewan are running slightly higher than estimated in last month's Report. However, sharp downward adjustments to expected syncrude production of some 100 kb/d for the first half of 2005 cut the forecast of Canadian oil supply by 35 kb/d overall. While conventional crude production is now expected to increase by 55 kb/d in 2005 and average 1.84 mb/d, declines are likely for both syncrude and NGL supply, amounting to a combined 75 kb/d.



Last month's Report highlighted the sequence of unscheduled outages affecting Canada's three main synthetic crude plants in January. These are now thought to have cut syncrude production in January to as low as 375 kb/d compared to full production levels nearer 650 kb/d. There are now signs that disruption will be more extensive and protracted than earlier estimated:

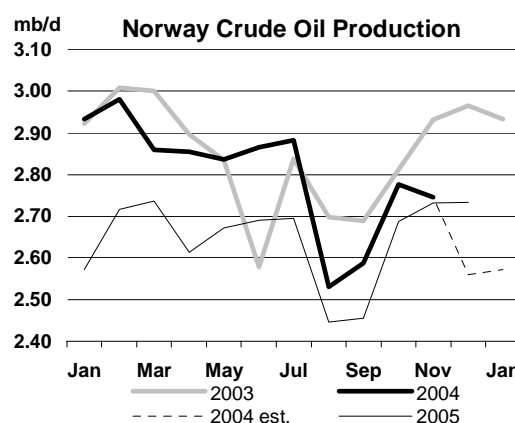
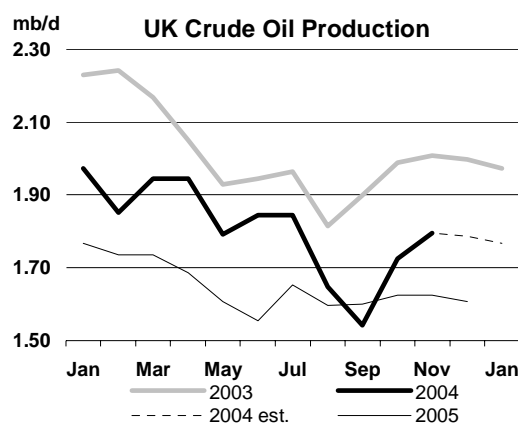
- Fire damage at the Suncor plant will restrict operating rates to around 110 kb/d until the third quarter, when normal 230 kb/d production should resume;
- Syncrude has cut first quarter output expectations by 5 mb, equivalent to a reduction of 85 kb/d in January and February, from 250 kb/d capacity and;
- Shell reported its 160 kb/d Scotford plant was back at full capacity in early February after four months of reduced operations.

Owing to these unplanned outages, syncrude production, the source of 90 kb/d of output growth in 2004, is now seen dropping by 65 kb/d in 2005 to average 540 kb/d.

Mexico – December actual: Crude production fell by 140 kb/d in December to average 3.22 mb/d, the lowest level since late-2002. This unscheduled drop is assumed to have been due to a temporary outage affecting the Cantarell field, source of the bulk of Mexico's heavy Maya crude which took the bulk of December's fall. However, exports remained unaffected by the fall in production, rising 25 kb/d to 1.98 mb/d, as sales out of storage rose to compensate. Some 20 kb/d is shaved off average 2004 and 2005 production, with crude now expected to average 3.4 mb/d this year, up from 3.38 mb/d in 2004. Pemex in January announced that \$3 billion of investment is needed in the next six years to upgrade the country's pipeline network. It is unclear whether Pemex will be able to obtain extra government funds for this work or whether it will come at the expense of upstream investment.

North Sea

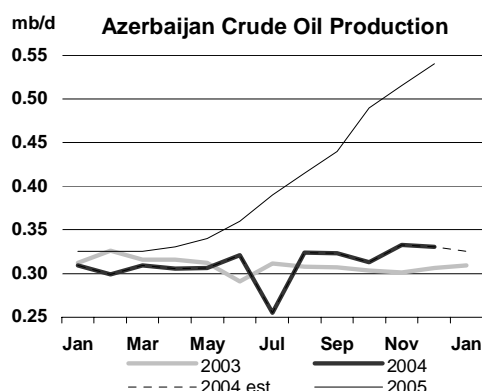
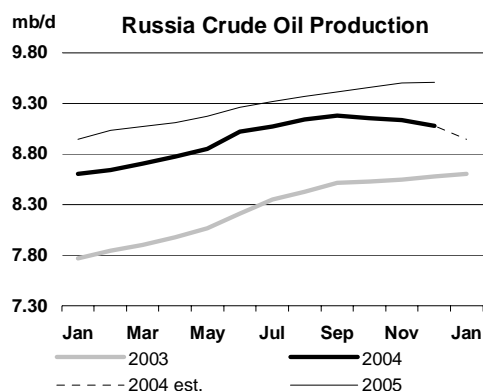
UK – November actual: November UK oil production was up by 100 kb/d from October, with offshore crude production accounting for 70 kb/d of the increase. A combination of loading schedules for the main production systems in January and February, plus the late-year addition of the offshore loaded Pict field boosts expected UK 2005 production by 15 kb/d compared to last month's Report. However, the impact is negligible on the overall trend in UK production. Oil production is expected to decline by 155 kb/d this year to 1.9 mb/d. Only the modest increments expected from the Farragon, Clair, Glenelg and Pict fields moderate the 200 kb/d-plus declines seen in the past two years.



Norway – November actual, December provisional: Production of crude from Norway fell to 2.75 mb/d in November and 2.55 mb/d in December. The forecast for total oil production in 2005 is trimmed by a further 25 kb/d, after a 15 kb/d downward reduction for 2004. Disruptions to production from the Snorre and Vigdis fields after an earlier gas leak continued through January as adverse weather hampered restoration, although production is seen recovering in February. Bad weather also delayed the restart of the Draugen field, although normal operations had resumed in the third week of January after a one week outage. These unscheduled stoppages kept January oil production largely flat from December levels. The Norwegian Petroleum Directorate also cut its forecast for 2005 crude oil production, now expecting a modest 40 kb/d drop to 2.76 mb/d having earlier forecast rising supply. This Report takes a slightly more conservative view, crude output slipping by 140 kb/d to 2.65 mb/d for 2005, with less in the way of scheduled new field start-ups to compensate for decline at older fields than was the case in 2004. However, increased condensate and NGL supply partly counteracts lower crude output, total oil production falling by 55 kb/d to 3.1 mb/d in 2005, after a decline of 95 kb/d in 2004.

Former Soviet Union (FSU)

Azerbaijan – December provisional: Production from Azerbaijan in December came in 10 kb/d higher than expected, total output averaging 335 kb/d. Overall, 2004 production was unchanged from 2003, at around 315 kb/d, despite mid-year maintenance at the 150 kb/d offshore Chirag field which cut output by half in July. As noted before, Azerbaijan's production should increase by around 90 kb/d in 2005 with the imminent start-up of the Baku-Tbilisi-Ceyhan (BTC) pipeline. This will carry rising volumes of output from the Azeri-Chirag-Guneshli (ACG) complex of fields to the Mediterranean. Incremental production from these fields should begin to build up from April, although first liftings of crude from Ceyhan in Turkey are not expected until the second half of 2005.



Russia – December final, January provisional: Total Russian oil production fell 55 kb/d in December to 9.37 mb/d and by a provisional 110 kb/d in January to 9.26 mb/d. Production has now declined for four straight months from September's peak of 9.46 mb/d. Declines from Yukos, and a seasonal dip from the Sakhalin project underpin the fall. However, weaker production levels have also been recorded in recent months from Sibneft, Bashneft and Tyumen Oil Company (TNK). The outlook for production this year is discussed in more detail below, but after rising by 600-800 kb/d each year since 2001, output growth may now slow to closer to 350 kb/d in 2005.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2003	2004	1Q04	2Q04	3Q04	4Q04	Oct 04	Nov 04	Revised Dec 04	Latest month vs. Nov 04	Dec 03
Black Sea Exports	2.80	2.84	2.81	2.75	2.87	2.91	2.99	2.67	3.07	0.40	0.30
Baltic/Arctic Exports	2.41	3.05	3.00	3.11	3.11	2.98	2.99	2.95	3.00	0.05	0.37
Total Seaborne	5.21	5.89	5.80	5.87	5.98	5.90	5.98	5.62	6.07	0.45	0.67
Druzhba Pipeline	1.06	1.07	1.08	1.04	1.08	1.09	1.08	1.11	1.09	-0.02	0.01
Other Routes	0.48	0.52	0.47	0.53	0.55	0.54	0.55	0.64	0.42	-0.23	-0.09
Total Exports	6.75	7.48	7.36	7.43	7.62	7.52	7.61	7.37	7.58	0.21	0.59
Imports	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.00	0.01	0.00	0.00
Total Net Exports	6.73	7.47	7.35	7.42	7.61	7.52	7.60	7.37	7.58	0.21	0.59
Crude	4.70	5.21	5.08	5.18	5.26	5.31	5.49	5.22	5.22	0.00	0.27
<i>of which: Russian Crude</i>	<i>3.48</i>	<i>3.74</i>	<i>3.61</i>	<i>3.82</i>	<i>3.71</i>	<i>3.83</i>	<i>3.89</i>	<i>3.85</i>	<i>3.74</i>	<i>-0.11</i>	<i>0.24</i>
Products	2.05	2.28	2.28	2.25	2.36	2.21	2.12	2.15	2.36	0.21	0.32

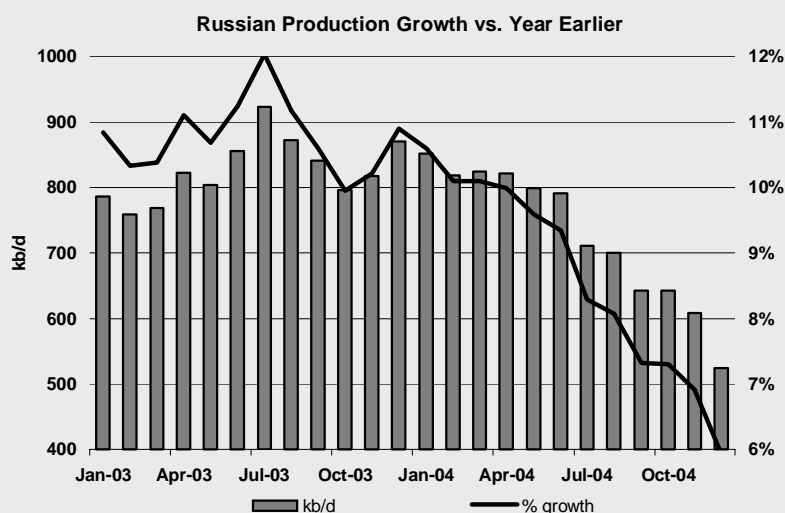
Sources: Petro-Logistics, IEA estimates

Revised data for December net FSU exports show a much shallower rebound from low November levels than indicated in last month's Report. While seaborne shipments did increase by 450 kb/d, there was a 250 kb/d fall in exports using other routes. Druzhba pipeline shipments into Europe eased by 20 kb/d while, more significantly, volumes moving by rail, barge and via non-Transneft routes declined by 230 kb/d. Early-January seaborne exports of crude and products, notably from Black Sea ports, showed a marked reduction, and suggest sharply lower January exports overall. However, this data is subject to consolidation and with January temperatures in the region having remained milder than normal, provisional indications of lower exports and higher internal demand may ultimately be revised. Loading schedules for crude exports in February contain no mention of Yukos volumes. The company's two remaining production subsidiaries will divert supplies to the company's refineries. Former Yuganskneftegaz volumes appear to have been wholly transferred to its new owner, Rosneft.

Russian Supply Revised Down for 2005

Russia has been the motor for non-OPEC supply growth in recent years, accounting for 65% of growth in 2001, 50% in 2002, 95% in 2003 and 75% last year. Recent months however have seen a sharp tailing off in growth which, if continued, points to a less pre-eminent role for Russian supply growth for 2005. Year-on-year growth peaked in summer 2003 at 12%, or nearly 1 mb/d. It remained at around 10% through spring 2004 but has been on a sharply declining trend since then. By December 2004 the pace of growth had slowed to some 6% or 525 kb/d.

Simple extrapolation of the recent slow-down points to growth in supply during 2005 averaging less than 350 kb/d versus the expectation of 430 kb/d contained in last month's Report. Of course this on its own is not a sufficient basis for adjusting the forecast, but the trend in recent months has at least highlighted the potential for weaker performance in 2005. This is now backed up by tentative 2005 production plans for the main producers. Considering recent indications from Lukoil, TNK-BP, Sibneft, Slavneft, Surgutneftegaz, Tatneft and Bashneft, the trend towards slower growth in 2005 seems clear. Production from Yukos' remaining assets has been held flat at January levels as a working assumption, though clearly there is some downside risk here too. Output from Rosneft, Gazprom and others has been assumed to grow at or below the rates seen in 2004. In all, Russian production is now seen averaging 9.58 mb/d for the year, an increase of 350 kb/d, or 3.8% (compared to 8.7% in 2004).



Some analysts point to export capacity constraints as the key element underpinning slower production growth in 2005. However, with higher BPS capacity availability, increasing rail shipments to China, Russian access to the CPC pipeline and greater use of smaller proprietary routes, there is the potential for crude exports to increase by as much as 400-500 kb/d on average in 2005. Nor should resource depletion in the mature producing areas of western Siberia and the Volga-Urals, undoubtedly of concern mid-term, be a driving factor just yet in stemming supply.

Rather, 2005 could mark a year of consolidation for the Russian upstream, borne of a still-uncertain regulatory and fiscal environment. Increased 2005 production taxes, a still-to-be decided subsoil law and the potential for greater enforcement of compliance with existing production licenses are all major concerns. Until these measures are clarified, potentially in the second half of 2005, producers may indeed curb investment, with a corresponding slow-down in production. In a broader context, there are concerns that the state's tightening grip on production and exports, after the laissez faire privatisation of the 1990s, may still have further to run. A draft government economic programme for 2005-2008 appears to recognise the likelihood of slower production growth (citing a 2.1%-5.0% range) and that exploration in new areas such as Timan Pechora and Eastern Siberia needs to be encouraged. Stronger production growth could return when the shape of Russia's upstream investment/operating environment becomes clearer. But for 2005, Russia may see growth rates lagging those of producers like Azerbaijan, Kazakhstan, Brazil and Angola.

Revisions to other non-OPEC estimates: Chinese production is revised up 10 kb/d for 2005, with higher Tarim Basin output now expected. Sinopec began output in January from a 30 kb/d expansion phase at the Tahe oilfield. Output from **Kazakhstan** is also revised up by around 10 kb/d to 1.27 mb/d, with increased supplies of Karachaganak condensate countering a flatter profile in 2005 from the Tengiz field. Production for **Oman** is revised down by 15 kb/d for 2005, to 725 kb/d, after indications that build up from PDO's Harweel cluster of fields will be slower than anticipated in earlier issues of this Report. A plateau from enhanced oil recovery at the fields is not now expected until 2008. Data from **Yemen's** Petroleum Exploration and Production Authority suggest lower output from the Marib and Masila fields. This cuts 2004's production estimate by 10 kb/d to 410 kb/d. The country's budget for 2005 also forecasts a 25 kb/d decline in national output, which is now reflected in this Report's projection.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last Month's OMR			This Month's OMR			This Month vs. Last Month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.60	14.78	0.18	14.59	14.70	0.12	-0.01	-0.07	-0.06
Europe	6.07	5.87	-0.21	6.06	5.86	-0.20	-0.01	-0.01	0.01
Pacific	0.57	0.53	-0.04	0.57	0.54	-0.03	0.00	0.01	0.01
Total OECD	21.24	21.18	-0.07	21.22	21.10	-0.12	-0.03	-0.07	-0.05
Former USSR	11.18	11.78	0.60	11.18	11.71	0.53	0.00	-0.07	-0.07
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.49	3.53	0.03	3.49	3.54	0.04	0.00	0.01	0.01
Other Asia	2.74	2.71	-0.04	2.74	2.71	-0.03	0.00	0.00	0.00
Latin America	4.03	4.30	0.27	4.04	4.30	0.27	0.01	0.01	0.00
Middle East	1.89	1.84	-0.05	1.88	1.79	-0.09	-0.01	-0.05	-0.04
Africa	3.43	3.72	0.29	3.43	3.72	0.29	0.00	0.00	0.00
Total Non-OECD	26.94	28.03	1.10	26.94	27.93	1.00	0.00	-0.10	-0.10
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.01	51.07	1.05	49.99	50.90	0.91	-0.03	-0.17	-0.15

OMR = Oil Market Report

OECD STOCKS

Summary

- **OECD total industry oil stocks** in December fell 2.7 mb/d or by 85 mb. End-December oil stocks closed at 2577 mb or 52 mb above year-ago levels. Both crude and product inventories declined with draws in crude oil centred in Europe and the Pacific. Product stocks drew with seasonally declining middle distillates, but a large component of the draw was accounted for by the less reliable 'other products' category in North America. With the sharp December downturn, days of forward demand cover by oil stocks fell back to 51 days. OECD oil stocks in the fourth quarter of 2004 however fell by 190 kb/d, below the five-year average draw of 950 kb/d.

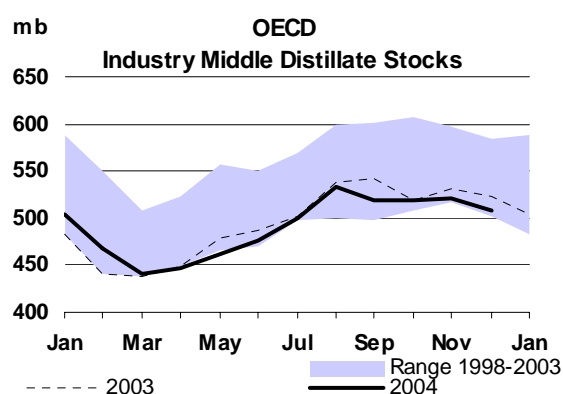
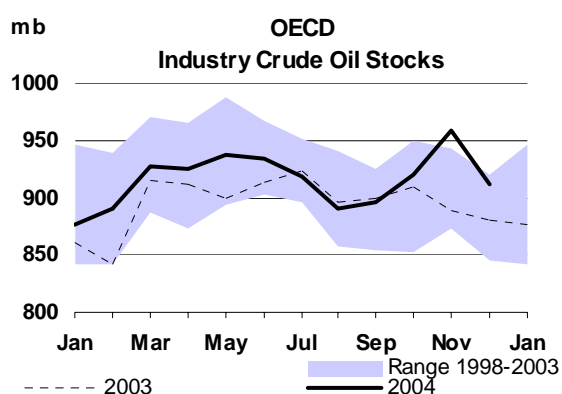
Preliminary Industry Stock Change in December 2004 and Fourth Quarter 2004

(million barrels per day)

	December (preliminary)				Fourth Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.07	-0.85	-0.59	-1.52	0.19	-0.07	0.06	0.18
Gasoline	0.24	-0.08	-0.06	0.10	0.14	-0.02	-0.01	0.11
Distillates	0.09	-0.18	-0.32	-0.41	0.09	-0.20	-0.02	-0.12
Residual Fuel Oil	-0.05	-0.05	-0.04	-0.14	0.09	-0.08	0.01	0.02
Other Products	-0.47	-0.02	-0.08	-0.58	-0.25	0.01	0.01	-0.23
Total Products	-0.20	-0.33	-0.50	-1.02	0.07	-0.28	-0.01	-0.22
Other Oils ¹	-0.09	-0.03	-0.08	-0.20	-0.12	0.01	-0.03	-0.14
Total Oil	-0.36	-1.20	-1.17	-2.74	0.14	-0.34	0.02	-0.19

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** fell by 47 mb in December with Europe leading the draw followed by the Pacific. In contrast, North American inventories posted a modest decline. European stocks fell mainly in Northwest Europe, albeit from an upwardly revised November base. In the Pacific, stocks declined as refinery runs reached their seasonal peak and imports fell after earlier heavy arrivals in late September and November. US-50 crude stocks dipped in December as runs continued to firm and imports fell, but closed higher in January as these trends reversed.
- **OECD industry distillate stocks** fell by 13 mb in December, putting the fourth quarter draw at 120 kb/d, below the five-year average draw of 200 kb/d. Mild temperatures delayed into January the seasonal uptick in winter fuel demand. The main draw came in Japan and Korea on declining kerosene stocks. In the US-50, distillate inventories built in December and early January on higher diesel stocks. Independent storage of gasoil in Amsterdam-Rotterdam-Antwerp (ARA) rose in December and remained relatively high through January on heavy arrivals of Baltic supplies.
- **OECD industry gasoline stocks** rose by 3 mb in December. The increase came with a build in US inventories outpacing modest declines in Europe and the Pacific. US gasoline stocks rose in December as demand growth eased under 1% for the fourth quarter from rates above 2% in the first half of the year. At the same time, average domestic production of finished product hit yearly highs and imports were firm in December. US gasoline stocks rose with falling demand in January, typically a seasonally weaker month for deliveries.



OECD Industry Stock Changes in December 2004

OECD industry oil stocks fell 2.7 mb/d in December or by 85 mb to close at 2577 mb. Both products and crude fell heavily, wiping out gains made in November. Declines in inventory were centred in Europe and the Pacific, leaving OECD industry oil stocks 52 mb above their year-ago position. Both regions saw oil stocks fall about 1.2 mb/d. Changes in North America were, in comparison, less pronounced, with crude stocks only marginally lower and product inventories mainly falling due to a decline in the less reliable 'other products' category (which includes among others naphtha and LPG). Despite the downturn in December, the preliminary fourth quarter stock change posted a draw of only 190 kb/d, below the five-year average of 950 kb/d. However, with winter demand peaking in the first quarter, the December stock draw resulted in a fall in days of forward demand cover to 51 days.

OECD industry crude stocks fell by 47 mb in December but ended higher over the fourth quarter. Most of the December draw came in Europe and the Pacific. The European decline of some 26 mb was centred in Northwest Europe with the UK and Netherlands leading the draw, followed by France. While higher runs and falling freight rates out of the North Sea put downward pressure on supplies, sour crude availability was high. Urals supplies were ample both from the Baltics and into the Mediterranean with Urals in Northwest Europe materially weakening against dated Brent. The Brent forward cash market in turn did not appear to reflect the magnitude of the preliminary December draw. Near-month spreads were in contango in November and balanced in December. In Japan and Korea, crude stocks declined in near equal amounts as refinery utilisation rates peaked while crude imports fell back. Crude stocks were marginally lower in the US in December but rebounded into the upper half of their normal range in January as crude runs weakened with the beginning of scheduled refinery maintenance. Stocks at Cushing, the delivery point for NYMEX's WTI futures contract, reached 17.5 mb at end-January, the highest level since data began to be published. This supported a contango in near-month futures prices, albeit at uncommonly high outright levels.

OECD industry distillate stocks fell in December, the Pacific and Europe leading the draw. Stocks in Japan and Korea came in lower as draws in kerosene outpaced a rise in gasoil. The European draw was at odds with rising regional output. The decline came in Germany where demand growth, delays in refinery restarts and reduced barge deliveries on the Rhine reduced supplies. Jet fuel in Europe was well supplied, trading significantly below diesel. In January, weaker distillate cash premiums against IPE gasoil futures suggested more ample distillate supply and a smooth transition to a lower sulphur EU mandate for 2005. Independent storage of gasoil in ARA rose in December, and held about even in January, supported by inflows of Russian material from the Baltics. Gasoline stocks in the Atlantic Basin edged higher on gains in US inventories. In Europe stocks ended marginally lower, at odds with rising levels of independent storage in the ARA area from December to January. US gasoline stocks built in January and heavy arrivals of European material should support inventory levels in February. US gasoline stocks were better positioned at the start of scheduled maintenance than last year, posting a surplus at end-January of 10 mb against 2003 levels. Domestic output is unlikely to fall strongly in light of strong crack spreads and a widening contango on NYMEX futures. Product yield is also likely to benefit from lower maintenance on catalytic cracker units during February.

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

Revisions to OECD product and crude stocks for November broadly offset each other. Crude stocks were revised up by 12.5 mb, mainly in Europe (the UK, France and Italy). Downward revisions in products were also centred in Europe and mainly in distillate fuels (Germany). Main product categories in North America and the Pacific were little changed in comparison.

Revisions Versus 18 January 2005 Oil Market Report

(million barrels)

	North America		Europe		Pacific		OECD	
	Oct 04	Nov 04	Oct 04	Nov 04	Oct 04	Nov 04	Oct 04	Nov 04
Crude Oil	-0.6	-3.3	-3.7	13.8	0.0	2.0	-4.3	12.5
Gasoline	-1.2	1.0	-0.1	-2.6	0.0	0.2	-1.3	-1.4
Distillates	-4.8	0.3	3.5	-9.2	0.0	-1.4	-1.3	-10.2
Residual Fuel Oil	-0.2	0.2	-0.1	-3.2	0.0	0.0	-0.3	-3.0
Other Products	-1.8	2.8	0.2	1.4	0.0	-0.4	-1.5	3.8
Total Products	-8.0	4.3	3.6	-13.6	0.0	-1.6	-4.4	-10.8
Other Oils ¹	0.0	-3.9	-0.5	1.7	0.0	-0.7	-0.5	-2.9
Total Oil	-8.6	-2.9	-0.6	2.0	0.0	-0.3	-9.2	-1.2

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-on-Year Industry Stock Comparisons for December 2004

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
Crude Oil	29.6	7.7	-6.0	31.3	Total Oil	2.2	-1.0	-0.3	0.7
Total Products	21.7	-19.8	1.5	3.4	<i>Versus 2002</i>	0.9	-0.2	4.1	1.2
Other Oils ¹	15.9	0.8	0.6	17.3	<i>Versus 2001</i>	-4.1	-2.6	-2.2	-3.3
Total Oil	67.2	-11.3	-3.9	52.0	Total Products	0.6	-1.4	0.2	-0.1
<i>Versus 2002</i>	59.2	16.6	21.3	97.1	<i>Versus 2002</i>	-0.2	-2.0	1.6	-0.3
<i>Versus 2001</i>	-28.9	-14.6	-11.9	-55.5	<i>Versus 2001</i>	-2.5	-2.8	-0.7	-2.2

¹ other oils includes NGLs, feedstocks and other hydrocarbons

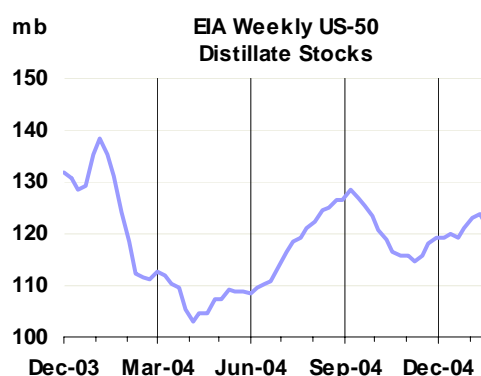
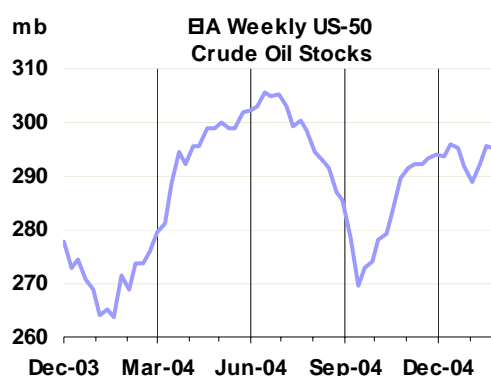
Crude inventories ended above a year-ago in the Atlantic Basin with most of this surplus located in North America. The Pacific bucked this trend as high refinery demand drove inventories lower. Products were well supplied in the OECD with the exception of Europe. The 85 mb draw in OECD industry oil stocks in December more than offset a 50 mb build in November, reducing demand cover before peak winter demand. Days of forward demand cover by OECD oil stocks fell to 51 days. Cover in North America came to 49 days, 58 days in Europe and 46 days in the Pacific.

OECD Regional Stock Developments

North America

US-50 crude stocks dipped 2 mb in December as crude runs continued to edge higher to maximise distillate output while imports fell back. Inventories fell mainly on the Gulf Coast. However in January, imports bounced back as tankers delayed for end-year inventory management purposes arrived and refinery utilisation rates fell with the beginning of scheduled maintenance. Crude stocks built about 3.5 mb in January, closing at 295 mb or over 25 mb above year-ago levels.

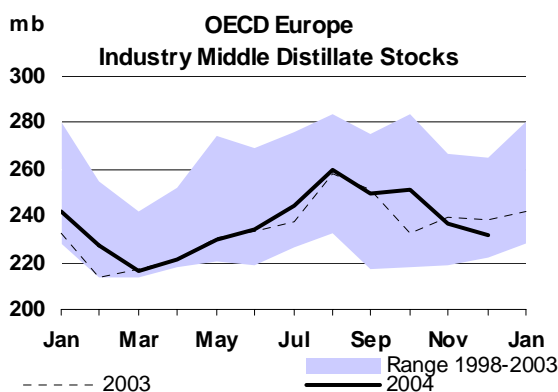
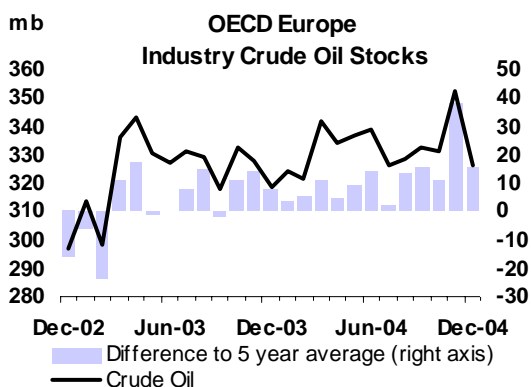
Crude runs were reduced with the start of refinery maintenance combined possibly with discretionary cuts on the Gulf Coast due to emerging local product surpluses. The Gulf Coast area saw pipeline constraints limiting northbound delivery of product with the Colonial pipeline allocating several shipment cycles. With product accumulating in December and early January and weaker cash prices against futures, refiners may have been encouraged to deepen planned run cuts. Crude inventories are expected to fall in February on lower imports, these driven lower by reduced crude requirements and an outstanding 125 kb/d post Hurricane Ivan shortfall in Gulf of Mexico production. The extent of the draw will depend on how much maintenance work refiners can postpone. Strong futures crack spreads on gasoline in the first half February are supportive of maintaining runs where possible.



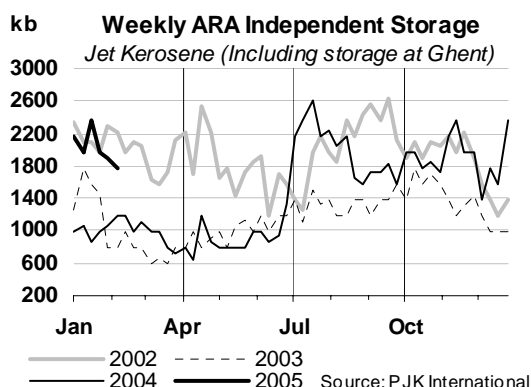
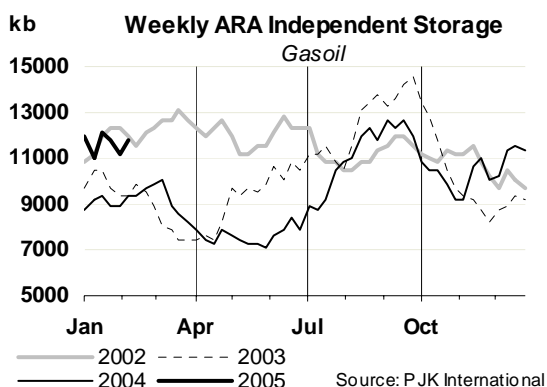
Distillate stocks rose in December and at the beginning of January on gains in diesel inventories. The second half of January saw colder temperatures lifting heating demand and reducing heating oil stocks. Heating oil stocks held relatively stable during December before declining seasonally in January by some 5 mb to 45 mb, or 10 mb below year-ago levels. The draw was mitigated by a recovery in distillate yield at end-month. While winter has not yet ended, increases in distillate fuel oil production this year have played a role in supporting stock levels. These have come close to matching growth in deliveries for the product, mitigating earlier expectations for the need of higher imports.

Europe

European industry crude stocks fell 26 mb in December from a 14 mb upwardly revised November base. Crude stocks closed at an estimated 326 mb, or about 8 mb above their year-earlier position. Most of the draw came in Northwest Europe with the Netherlands falling back 7 mb, France by 5 mb and Germany by nearly 4 mb. North Sea countries saw divergent trends with Norwegian inventories that were little changed and stocks in the UK falling a striking 8 mb. While a post-maintenance rise in refinery runs puts downward pressure on inventories, forward Brent prices did not appear to reflect the heavy preliminary downturn in crude stocks. Arbitrage of North Sea cargoes may have picked up by end-December with falling VLCC freight rates but Urals availability remained high. Despite the draw, crude inventories closed 16 mb above their five-year average for the month.



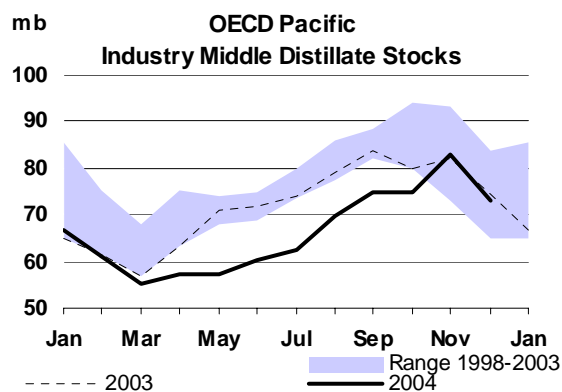
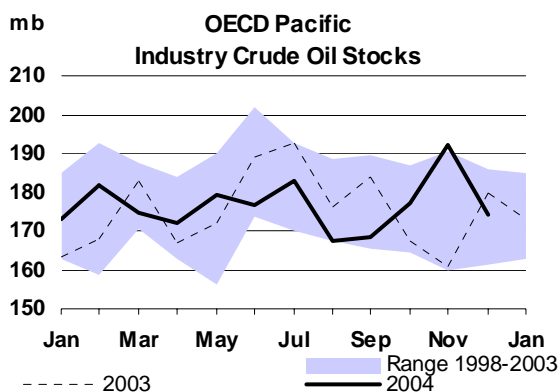
European industry distillate stocks fell 5 mb in December to 232 mb while November stock levels were revised downwards. Inland heating oil deliveries saw an uptick as gasoil prices dipped early in the month. The draw was centred in Germany. The decline there was prompted by strong demand growth coupled with delays in refinery restarts and reduced barge deliveries due to low Rhine water levels. French stocks were tentatively unchanged. However, given an apparently smooth transition to lower sulphur product requirements, relatively mild weather and rising regional output, the European distillate position may yet prove to be more comfortable. Jet fuel storage was supported by prompt prices trading below forward swap prices and the arrival of Middle Eastern material. Jet stocks likely rose in December only to fall back slightly in January as refiners focused yields on diesel instead. Physical premiums against IPE gasoil futures in January for low sulphur diesel and 0.2% gasoil suggested comfortable supply. Gasoil in independent storage in the ARA area rose on the arrival of Russian material in December and held about level in January. Heating oil demand remained weak and arbitrage for larger vessels from the Baltics to US was limited for most of the month.



Industry gasoline stocks in Europe fell just over 2 mb in December, mainly in France, Germany and Norway. Yet, rising output, greater naphtha reforming and demand contraction would have suggested otherwise. Exports of surplus in December were limited by closed spot arbitrage to the US due to high freight rates although some product from ARA, the UK and Scandinavian countries was shipped in December to free storage space. However, the bulk of cargoes headed to the US left in January with an estimated 2.5 million tonnes moving west. Independent storage of gasoline in the ARA area rose in December and January. Despite January transatlantic shipments and deliveries to Nigeria, supplies in independent storage remained high, supported by a wide contango in gasoline swap prices.

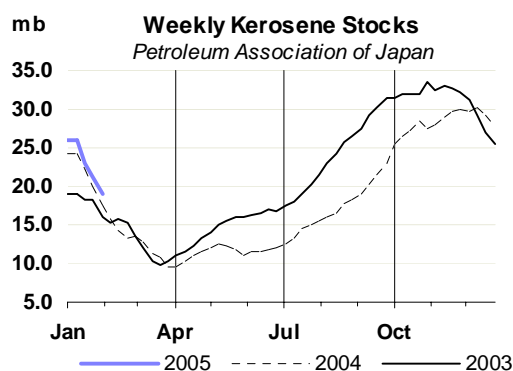
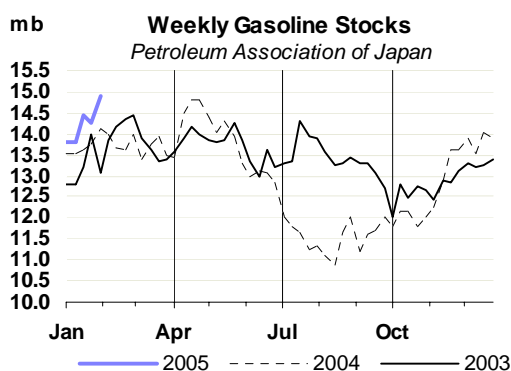
Pacific

Pacific crude stocks fell heavily in December from high November levels, closing at 174 mb, near the middle of their five-year range. Stocks in Japan and Korea each pulled back about 9 mb as refinery activity peaked seasonally at the high end of the range, with Korea close to maximum capacity. The preliminary estimate for Japan excludes changes in volumes onboard tankers in ports that have yet to be cleared by customs. These typically rise towards the end of the year, suggesting a slightly weaker draw in Japan. The crude decline stemmed however from lower imports in both countries after heavy arrivals in November. Preliminary weekly figures for Japan show a slight progression of onshore crude inventories despite relatively firm runs, suggesting a rebound in imports.



Distillate inventories in the Pacific entered their seasonal downward trend, with a fall in kerosene inventories in both Korea and Japan outpacing gains in diesel. Inland deliveries of kerosene, used as heating fuel, jumped on a monthly basis, putting downward pressure on stocks. Mild temperatures in December did buffer against strong draws in storage as inland deliveries from refineries were weaker on a yearly basis. Absolute levels of stocks ended within seasonal norms before colder temperatures set in during January. At the same time, the absence of more typical temperatures in December also tempered Japanese overall distillate production, with output of jet fuel stable on the month.

Weekly January figures for Japan suggest kerosene stocks drew at average rates as temperatures kept within normal winter levels. The decline in Korean kerosene in December also resulted in part from refinery yields skewed towards diesel production. Korean diesel output rose above year-ago levels to supply rising exports. This trend apparently held through January, but in February, domestic refiners reverted to maximising kerosene supplies for the domestic market, prompting a reduction in Korean gasoil exports in February.

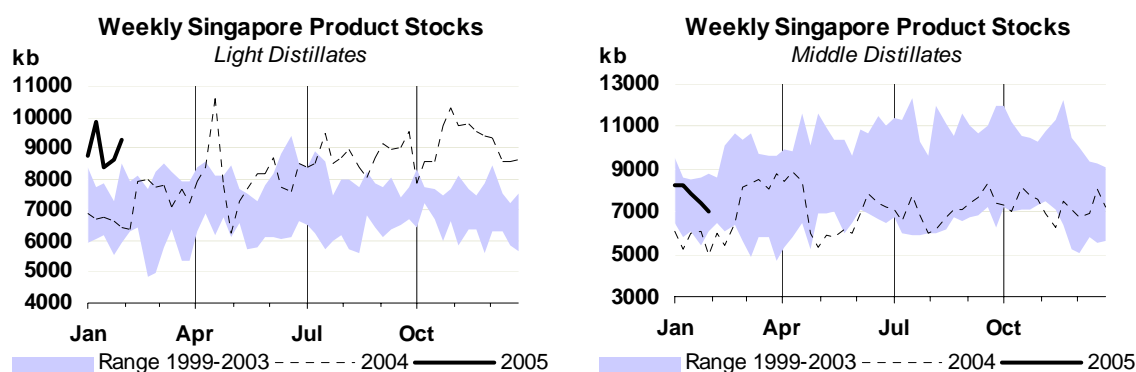


With high runs, lighter products stocks such as naphtha and gasoline ended December at about year-ago levels. Japan saw naphtha output rise on a monthly basis by over 25% and by nearly 6% against 2003, while that in Korea held even against November but around 15% over that in 2003. The growth in naphtha supplies in the case of Japan likely prompted a strong rebound in finished gasoline stocks in January. Greater naphtha reforming increased gasoline supplies while at the same, surplus naphtha supplies may have also induced lower imports from the petrochemical sector.

Singapore Stock Developments in January

Total product inventories in Singapore, surveyed by International Enterprise, were up in January on gains in light product stocks. Residual fuel oil stocks edged higher and middle distillates stocks were slightly lower, but not materially changed from end-December levels.

Light product stocks (comprised of gasoline and naphtha) rose about half a million barrels in January. It is likely that naphtha drove most of the gains on ample regional supply. Demand in turn proved weaker as stocks of traditional importers like Japan and Taiwan were reportedly high due to strong domestic refinery activity. The ample availability of regional naphtha supply translated into a widening of the contango in Singapore paper quotes. In contrast, the region saw firm gasoline demand from Indonesia. State oil company Pertamina was seeking lower octane material above its normal intake and at premiums to Singapore prices. Competing demand came also from Vietnam and India, offsetting lower than expected interest from Australia and New Zealand. Gasoline supply in the region was also tighter on lower Chinese exports in recent months.



Middle distillate stocks, after building in the first half of January, fell back on tightening jet/kerosene and gasoil supplies. Diesel stocks were likely up in the first half of the month as import interest from China ahead of the February Lunar New Year holiday period was weaker than expected. However, just as with gasoline, Indonesia and Vietnam supported demand taking in spot barrels at discounted prices early in the month. India also raised its demand for gasoil ahead of 1 April implementation of cleaner fuels in major cities. Jet/kerosene stocks tightened on colder temperatures in Northeast Asia (where kerosene is used as a heating fuel) in January. Jet fuel supplies were also reduced as Middle Eastern suppliers targeted product exports towards Europe. February looks to see a further reduction in distillate supplies as cold temperatures support kerosene demand. While gasoil demand from Indonesia and India is expected to remain firm, February supplies from Korea, a main exporter, are expected to be down as refiners there focus on kerosene production to meet domestic requirements.

Residual fuel oil stocks were marginally higher as arbitrated product, mainly from Europe and the Caribbean, filled Singapore tanks. Trader reports indicated that about 2.7 million tonnes were due to arrive in January. Chinese demand for Singapore barrels continued to remain weak. Market reports suggested a shift in procurement towards straight-run Russian and Korean material, leaving a smaller amount of spot requirements to be met from Singapore cracked fuel oil.

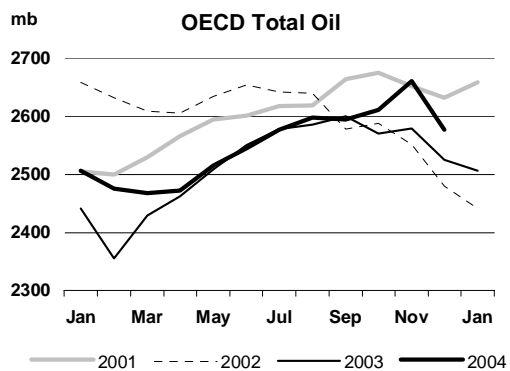
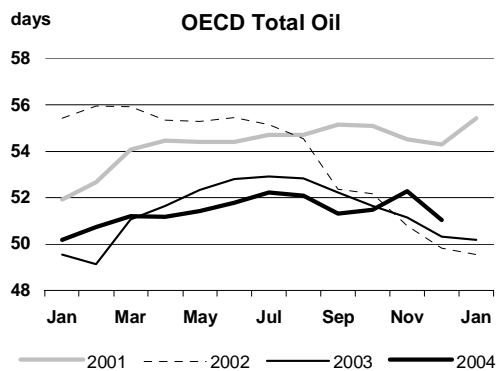
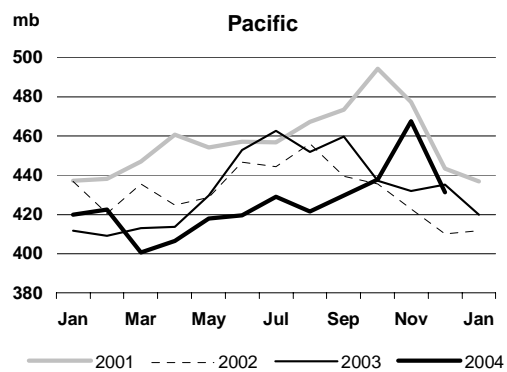
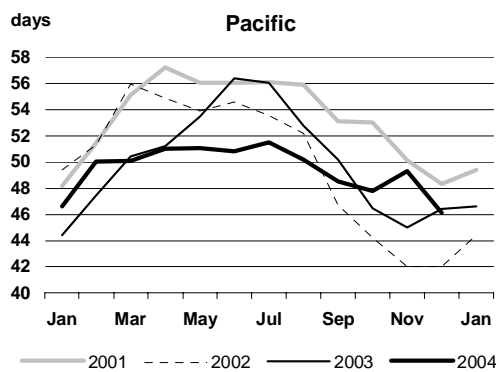
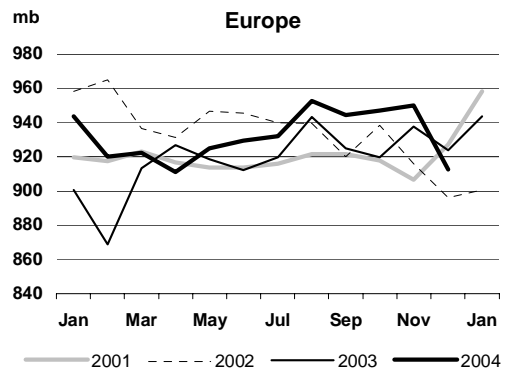
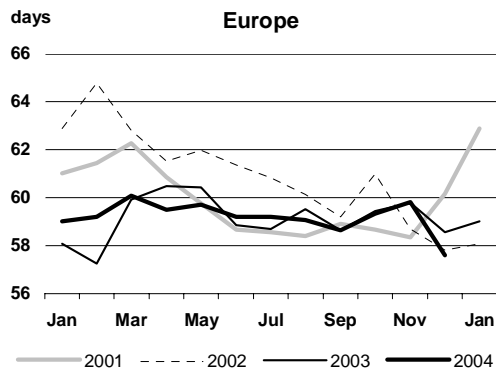
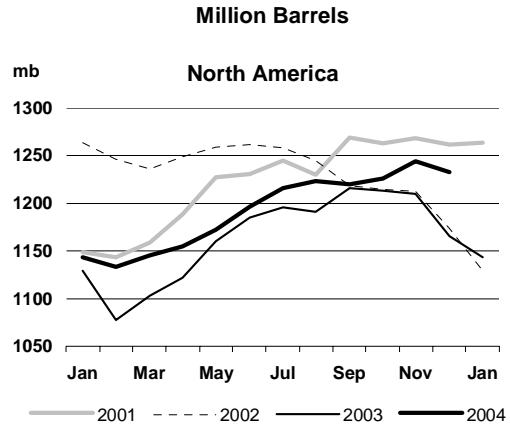
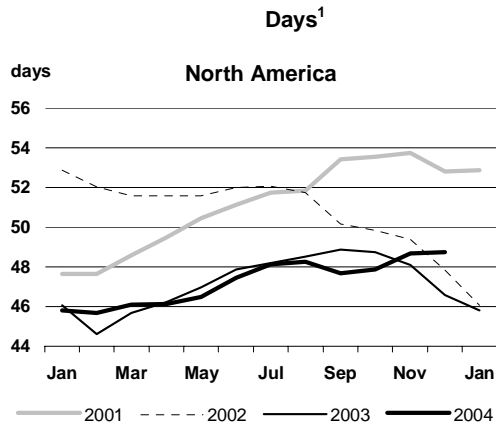
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2003	2004	1Q04	2Q04	3Q04	4Q04	Oct 04	Nov 04	Dec 04	Latest month vs. Nov 04	Dec 03
Crude Oil	755	815	777	696	727	1059	1303	1139	736	-402	-63
Products & Feedstocks	-96	-136	-64	-150	-118	-211	-107	-216	-309	-93	-267
Gasoil/Diesel	-170	-182	-133	-206	-181	-206	-181	-180	-256	-75	-8
Gasoline	-83	-96	-88	-119	-79	-98	-128	-104	-62	42	52
Heavy Fuel Oil	320	276	304	289	238	272	371	195	247	53	-185
LPG	-22	-22	-24	-21	-20	-24	-24	-24	-24	0	-3
Naphtha	13	31	38	24	42	21	33	26	4	-22	-62
Jet & Kerosene	-99	-86	-99	-50	-92	-102	-110	-67	-127	-60	-44
Other	-55	-57	-62	-67	-26	-74	-68	-61	-92	-30	-18
Total	659	679	713	546	609	848	1196	923	427	-496	-330

Source: International Enterprise, IEA estimates

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

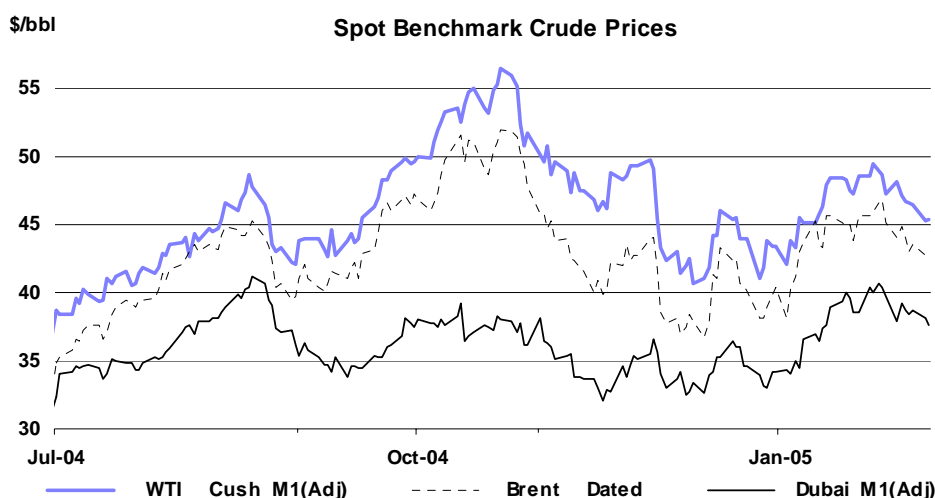


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark NYMEX light crude** rallied close to \$50.00/bbl in mid-January, driven by cold weather in the US Northeast, Europe and Asia and improved refinery margins. However, milder conditions, the passing of the Iraqi elections and OPEC's decision to keep production targets unchanged contributed to a decline to \$45.00/bbl in the early part of February. Despite strong gasoline differentials and US refinery maintenance, which often increase light/sweet crude demand, reduced OPEC output continued to narrow the premium of light/sweet over heavy/sour crudes.
- **Heating oil and fuel oil differentials** to benchmark crudes rose on improved weather-related demand. They were however outperformed by **gasoline**, which saw a US-led rally as first quarter maintenance and unplanned refinery outages were expected to tighten supplies. Strong US prices encouraged large arbitrage shipments of gasoline to the US in January and February. Asian gasoline prices rose on strong demand from Vietnam and Indonesia and lower exports from China.
- **The rise in US gasoline prices** was accompanied by a sharp increase in non-commercial activity on NYMEX unleaded gasoline futures. Speculators have increased net-long positions in NYMEX gasoline and light crude futures to a combined level near 50,000 lots from a net-short position in early December. The speculative interest partly stems from the seasonal tendency of gasoline prices to rise in the spring. However, US gasoline stocks at the high-end of the range and lighter-than-normal refinery maintenance could dampen the pattern this year.
- **VLCC freight rates** nearly doubled on some routes at the end of January (albeit from low levels) as Asian buying improved and OPEC kept output targets unchanged. The gains in mid-sized tankers were not as significant. Reduced refiner interest in North Sea crudes and improved supply in the Mediterranean partly offset improved West African demand. Clean freight rates perked-up in the Atlantic Basin in January as product arbitrages for gasoline and gasoil to the US opened.
- **Refinery margins** recovered from early January lows as cold weather lifted utility demand for fuel oil (particularly in Asia) and bolstered consumer heating oil demand. The US-led rally in gasoline cracks helped sophisticated coking and catalytic cracking margins outperform simple hydroskimming margins, while the persistently wide light/sweet-heavy/sour differential continue to support sour crude refining margins.
- **OECD refinery throughput** rose sharply in December, led by post-maintenance gains in Europe and increased throughput in OECD Asia. Significant upward revisions were also seen to November data in Europe and North America, despite fourth quarter maintenance. European refinery maintenance is expected to be between 60 and 70% of year ago levels.



Overview

Cold weather in the US Northeast, Europe and Asia and lower OPEC output helped to push NYMEX light crude futures (WTI) close to \$50 per barrel in mid-January. Heating oil and fuel oil differentials to crude benchmarks rallied as a result of increased utility and consumer demand. However, these product differentials were outperformed by gasoline, highlighting the switch in market concerns away from winter and towards the summer driving season.

Strong gasoline cracks were largely a function of an anticipated tightening of supplies during first quarter maintenance. Speculators also increased net-long positions in NYMEX unleaded gasoline, anticipating a repeat of one of the now frequent spring price spikes.

Stronger product prices contributed to a sharp improvement in refinery margins in most of the regions covered from low January levels. Indeed several European refiners announced moderate economic cutbacks as a result of the low margins in the region. This also impacted demand for North Sea crude at the same time that some weather-related and technical disruptions lessened.

Crude Oil Prices

Spot Crude Prices and Differentials

The return of North Sea crude supplies from Vigdis and Snorre and the lessening of weather-related supply disruptions contributed to a weakening of regional crudes. A reluctance of European refiners to buy heavily, coupled with rising freight rates and US maintenance, contributed to easing prices, particularly for nearby availabilities. Several European refiners also indicated cuts in refinery throughput in January due to poor margins.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Nov 04	Dec 04	Jan 05	Jan-Dec		Week Commencing:				
				Change	%	03 Jan	10 Jan	17 Jan	24 Jan	31 Jan
Crudes										
Brent Dated	42.84	39.53	44.23	4.70	11.9	41.28	44.68	44.94	46.05	43.94
WTI Cushing 1 month (adjusted)	48.44	43.20	46.83	3.63	8.4	44.01	46.74	47.91	48.60	47.01
Urals (Mediterranean)	38.24	36.17	40.22	4.05	11.2	37.96	40.69	40.93	41.41	39.38
Dubai 1 month (adjusted)	34.87	34.20	37.92	3.72	10.9	34.86	37.50	39.41	40.22	38.58
Tapis	47.08	39.03	46.35	7.32	18.8	42.31	46.07	47.78	49.27	48.04
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	5.59	3.67	2.60	-1.07		2.74	2.06	2.97	2.55	3.07
Urals (Mediterranean)	-4.60	-3.36	-4.01	-0.65		-3.32	-3.99	-4.01	-4.64	-4.56
Dubai	-7.97	-5.33	-6.31	-0.98		-6.42	-7.18	-5.53	-5.83	-5.36
Tapis	4.24	-0.50	2.12	2.62		1.03	1.39	2.85	3.22	4.10
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	-0.38	-0.23	-0.01	0.22		0.14	-0.11	-0.12	-0.12	-0.30
WTI Cushing 1mth-2mth (adjusted)	-0.09	-0.30	-0.19	-0.40		-0.15	-0.19	-0.21	-0.36	-0.58

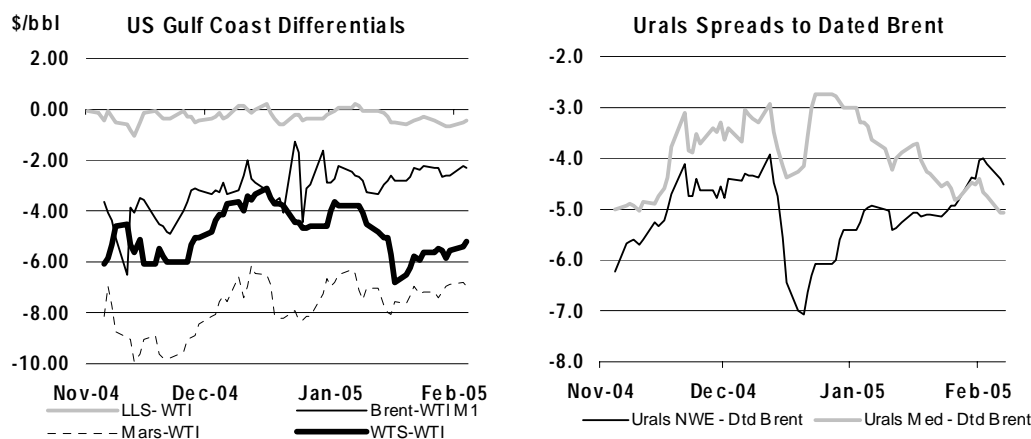
* Weekly data for Brent and WTI 1st month and 2nd month are unadjusted

Urals crude differentials to dated Brent followed divergent trends. Urals values in Northwest Europe moved to a premium over Mediterranean values in early February, for the first time since October 2004. This reversed the normal discount for northern supplies due to the need for more expensive ice-class tankers. The end-January easing of weather-related Black Sea loading restrictions, coupled with competition from Middle East and CPC grades (despite the continued absence of Iraqi crude from Ceyhan and reduced OPEC output) put pressure on Mediterranean crude. A sharp improvement in Urals refining margins in early February, prompted by a further bout of cold weather in central Europe, increased buying interest in both regions.

West African crudes outperformed dated Brent from mid-January. Brent weakness and regional protests in Nigeria were underlying features that bolstered differentials. However, it should also be noted that Nigerian domestic refineries were reported to have increased throughput to 250 kb/d in January, which if confirmed, would represent a substantial improvement on the 50 kb/d processed early in the fourth quarter last year. While such an increase would still only represent a 55% operating rate of the 455 kb/d capacity, an improvement in problematic Nigerian refinery operations would reduce the country's reliance on large product imports. Asian interest has been temperate in both January and February with reports suggesting Chinese refiners are drawing down stocks over the

Lunar New Year. But Chinese activity picked up in the first week of February, with at least 11 March loading cargoes of West African crude booked, just one short of the February total.

Supply problems pushed Canadian Syncrude to a record premium to WTI, but in turn also pulled WTI prices higher. Ample availability of West African crudes in the Gulf of Mexico contributed to LLS returning to a discount to WTI. WTS also came under pressure as fluid catalytic cracker maintenance and strong demand for gasoline increased the demand for sweet crudes over sour. Strong gasoline cracks and higher-than-expected refinery throughput have contributed to the strength of WTI relative to dated Brent. US refinery throughput in the past four weeks was 3.3% higher than in the same period last year. A leak on the 195 kb/d Mid-Valley pipeline caused a disruption in supplies to at least one Midwestern refinery, forcing a temporary dip in throughput.



Reduced Middle Eastern supplies and cold weather increased Asian demand for regional crudes, despite lower freight rates in early January. Tapis and Minas crudes saw their differentials to dated Brent improve throughout January. However, increased West African interest for March-loading cargoes prompted a dip in differentials to dated Brent in early March. The short-term demand outlook for crude is relatively moderate. Chinese refiners have indicated plans to increase throughput in February, while refiners in Japan and Korea plan reduced throughputs in preparation for the end of the winter heating season, following the normal seasonal pattern. Recent cold weather does not appear to have changed these plans as a mild first half of the winter, coupled with high fourth quarter run-rates, has left kerosene stocks above year-ago levels. Planned February throughput reductions are expected to be below those seen in the same month last year.

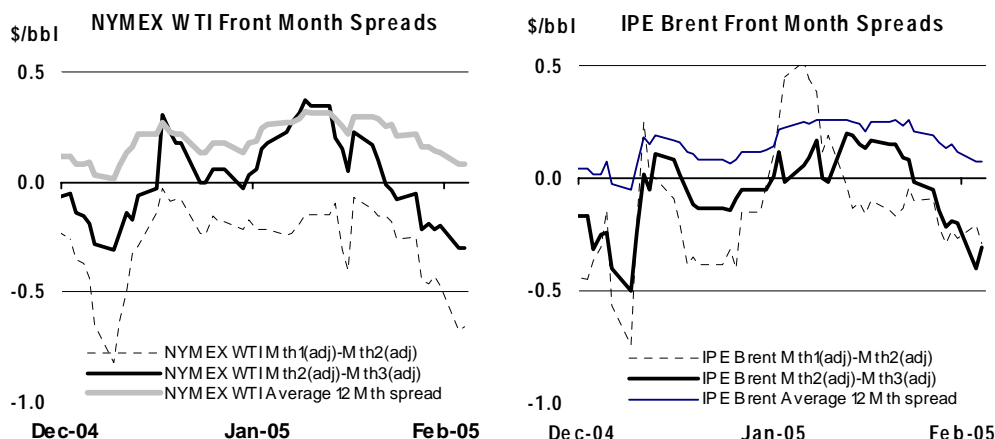
Crude Futures

Front month crude futures have rarely been out of a contango structure for the past three months, yet prices remain persistently high. To some observers this appears to be an anomaly – an understandable conclusion when historically the forward crude market has been in backwardation for 70% to 80% of the time. While backwardation is associated with markets in short supply, it is wrong to assume that a contango market suggests over-supply and falling prices.

Commodities trade in contango under 'normal' market conditions as well as in amply supplied markets. It is quite common to see base metals trade in contango during the start of a major upturn in prices. One of the functions of a contango market is to attract material into storage, or to encourage higher production. This is seen regularly in the heating oil and gasoline markets, where switches between contango and backwardation are more a reflection of seasonality and grade changes than relative market tightness.

Even a contango market can reveal a degree of tightness. A full contango represents the cost of finance, storage and insurance for a commodity, but a commodity is described as being in contango when it might only be partially contributing towards these costs.

Forward market spreads can be revealing about the relative tightness of a commodity, but these relationships are very much secondary effects. The basic economic theory that the market price represents the level where supply and demand are matched must not be overlooked. The persistence of high prices would appear to reflect the expectation of continued geopolitical uncertainty and tight market conditions while the contango is more of a reflection of short-term demand as refiners move into maintenance.



Delivered Crude Prices in November

Delivered crude prices fell by \$2.97/bbl in IEA countries in November to an average \$41.31/bbl. The fall is broadly in line with declines in benchmark crudes: dated Brent fell by \$6.80, and second month Dubai fell by \$3.14/bbl over the period. North American prices fell by \$3.13 to \$41.53, while in Europe they declined by \$4.92 to \$41.12. The larger fall in Europe relates to the persistence of high freight rates throughout November and relative weakness of Dated Brent to WTI Cushing. OECD Pacific prices, which tend to lag trends in the Atlantic Basin, rose by \$0.53 to \$41.29/bbl.

Product Prices

Spot Product Prices

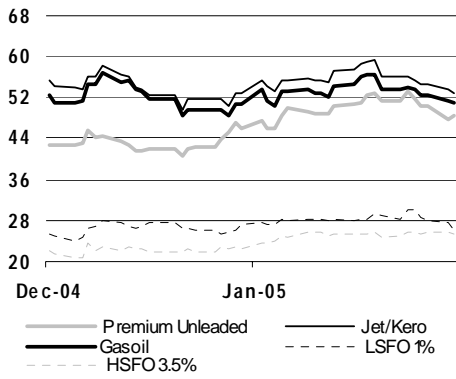
US-led gasoline strength led global prices higher in January. Although planned US refinery maintenance was expected to be lighter than a year ago, there remained concern that a high level of catalytic cracker (FCC) maintenance would tighten supplies. Unplanned FCC maintenance at the 250 kb/d Alliance refinery in Louisiana and 330 kb/d Philadelphia refinery contributed to an out-performance of gasoline crack spreads over other middle and light-end products on average during January. However, an increase in European imports, together with a surprise build in US stocks, contributed to a late weakening in gasoline premiums to WTI at the end of January.

NWE gasoline prices outperformed New York values towards the end of January as surplus stocks were shipped to Europe and European refiners looked to buy product ahead of maintenance. High US prices attracted an estimated 2.5 mt of arbitrage shipments to the US from Europe in January. Although a rise in freight rates has made transatlantic trade less attractive, traders still expect shipments in February to be as high as 1.8 mt. Strong demand was reported into the East Mediterranean and traders anticipated buying to fulfil a contract to supply 1 mt to Iran by the end of April. High oil prices have contributed to strong GDP growth in the Middle East and an associated improvement in gasoline demand.

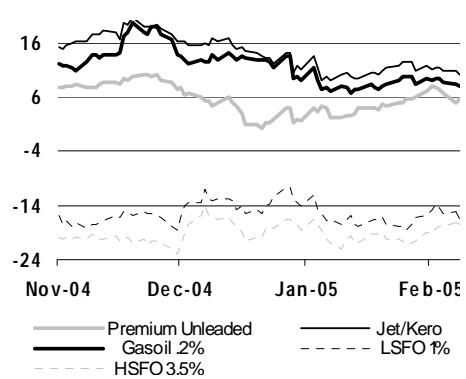
Singapore gasoline prices moved closer to European levels at the end of January as strong demand from Vietnam and Indonesia was compounded by tighter supplies. Chinese gasoline exports are expected to fall to around 370,000 tonnes in February, down from around 420,000 tonnes in January and 500,000 tonnes in December. Reduced refinery throughput from South Korean refiners could also contribute to firmer premiums to benchmark crudes. There are also expectations that Indian buying of lower sulphur material will be seen to comply with lower sulphur regulations planned in 14 cities from 1 April.

Naphtha prices broadly underperformed gasoline in both Europe and Asia. The Mediterranean market was said to be relatively well supplied. Strong gasoline demand helped to limit declines in reformer-grade material, but petrochemical demand was reportedly weak. In Asia, petrochemical crackers were said to be running down stocks, while additional supplies from the Middle East and India pressured differentials to Duabi.

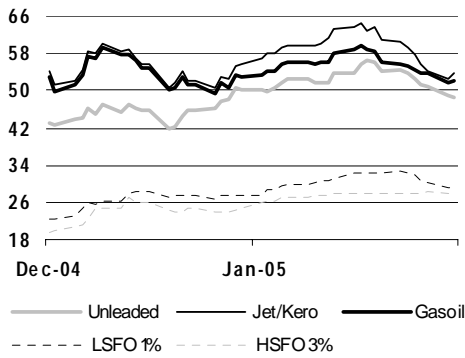
\$/bbl Rotterdam Spot Product Prices



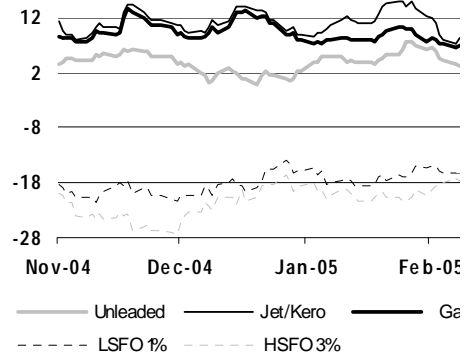
\$/bbl Rotterdam Spreads to Dated Brent



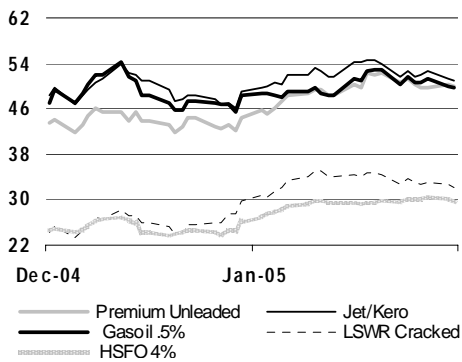
\$/bbl New York Harbour Spot Product Prices



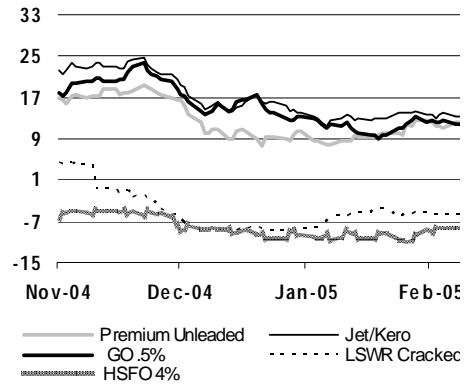
\$/bbl New York Harbour Spreads to WTI



\$/bbl Singapore Spot Product Prices



\$/bbl Singapore Spreads to Dubai



Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Nov	Dec	Jan	Jan-Dec		Week Commencing:					Nov	Dec	Jan		
				Change	%	03 Jan	10 Jan	17 Jan	24 Jan	31 Jan					
Rotterdam, Barges FOB													Differential to Brent		
Premium Unleaded (Cargo)	51.53	43.30	48.70	5.40	12.5	45.43	47.53	49.14	51.56	51.31	8.69	3.77	4.47		
Regular Unleaded	50.87	42.61	47.94	5.33	12.5	44.71	46.78	48.37	50.76	50.51	8.03	3.08	3.71		
Naphtha	47.54	42.24	43.18	0.94	2.2	42.12	42.53	42.74	44.84	44.74	4.70	2.71	-1.05		
Jet/Kerosene	60.47	54.20	55.20	1.00	1.8	51.81	54.53	55.60	58.01	55.28	17.63	14.67	10.97		
Gasoil	57.79	52.07	52.75	0.67	1.3	49.79	52.14	52.94	55.36	53.11	14.95	12.54	8.52		
Fuel Oil 1.0%S	26.22	25.95	27.74	1.80	6.9	26.14	27.66	28.22	28.54	29.04	-16.62	-13.59	-16.49		
Fuel Oil 3.5%	22.41	21.82	24.55	2.72	12.5	22.71	24.08	25.59	25.33	25.51	-20.44	-17.71	-19.68		
Mediterranean – Basis Italy, Cargoes FOB													Differential to Urals		
Premium Leaded (0.15 g/l)	50.29	41.15	47.26	6.11	14.9	43.66	45.84	47.80	50.54	50.19	12.05	4.98	7.04		
Premium Unleaded	49.57	40.43	46.54	6.11	15.1	42.94	45.13	47.08	49.82	49.47	11.33	4.26	6.32		
Naphtha	45.37	39.71	41.41	1.70	4.3	40.28	41.15	40.96	42.82	42.59	7.13	3.54	1.19		
Jet/Kerosene	57.48	51.04	53.03	1.98	3.9	49.87	52.87	53.41	55.31	53.01	19.25	14.87	12.81		
Gasoil	57.36	51.56	51.84	0.29	0.6	48.24	50.91	52.91	54.56	51.67	19.12	15.39	11.62		
Fuel Oil 1.0%S	27.78	26.67	29.83	3.16	11.8	27.92	29.49	30.54	30.79	31.14	-10.46	-9.50	-10.39		
Fuel Oil 3.5%S	19.45	19.42	22.73	3.31	17.1	20.60	22.03	23.78	23.97	24.19	-18.79	-16.76	-17.49		
NY Harbour, Barges													Differential to WTI		
Super Unleaded *	54.70	46.60	54.34	7.75	16.6	51.03	53.36	54.96	57.62	55.33	6.27	3.40	7.52		
Regular Unleaded *	53.33	44.87	51.87	7.01	15.6	48.54	50.91	52.27	55.31	52.60	4.89	1.67	5.05		
Jet/Kerosene	59.23	54.46	58.97	4.50	8.3	53.51	58.40	60.98	63.06	57.42	10.79	11.27	12.14		
No.2 Heating Oil	58.18	53.45	55.34	1.88	3.5	51.60	54.75	56.62	58.52	54.69	9.74	10.26	8.51		
Fuel Oil 1.0%S (Cargo)	28.78	25.22	29.86	4.64	18.4	27.28	28.80	30.66	32.28	31.60	-19.65	-17.98	-16.97		
Fuel Oil 3.0%S (Cargo)	24.31	22.46	26.65	4.19	18.7	24.34	26.58	27.69	27.95	28.10	-24.13	-20.74	-20.18		
Singapore, Cargoes													Differential to Dubai		
Premium Unleaded 95	52.45	44.81	47.57	2.75	6.1	43.07	46.54	49.00	51.34	50.37	17.58	10.61	9.65		
Naphtha	47.46	42.78	41.34	-1.45	-3.4	39.21	40.61	41.07	44.15	42.54	12.59	8.58	3.42		
Jet/Kerosene	57.64	50.07	51.10	1.03	2.1	47.39	50.54	52.28	54.34	52.08	22.77	15.86	13.18		
Gasoil	55.22	49.25	49.23	-0.03	-0.1	46.93	48.60	48.93	52.17	50.96	20.35	15.05	11.31		
LSWR (0.3%S)	34.59	25.65	31.94	6.28	24.5	27.39	31.73	34.53	34.48	33.04	-0.28	-8.55	-5.98		
HSFO (3.5%S 180cst)	30.53	27.59	28.88	1.29	4.7	26.54	28.51	30.13	30.37	30.36	-4.34	-6.62	-9.04		
HSFO 4%S	29.34	25.16	27.89	2.73	10.9	24.66	27.83	29.54	29.55	30.05	-5.53	-9.05	-10.03		

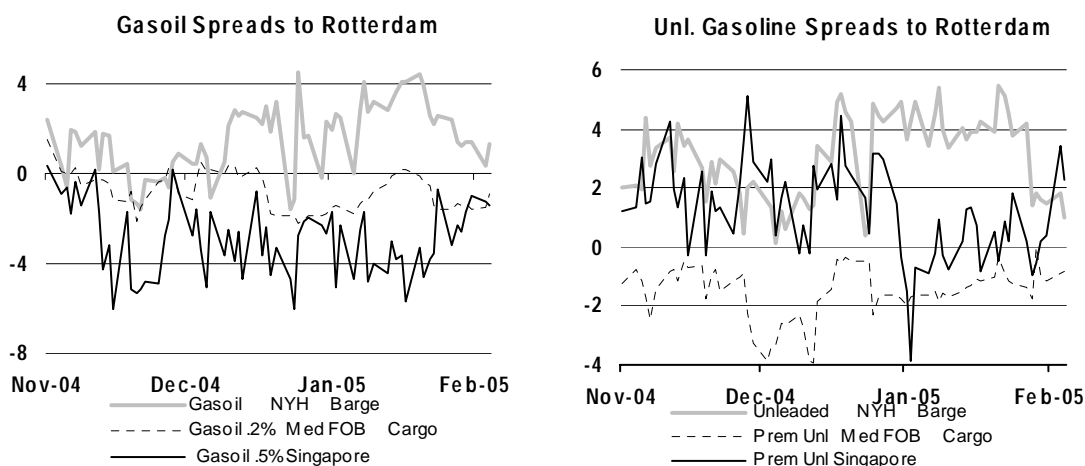
* From 1 November, assessments for NYH are for Max 0.3% MTBE

Distillate stocks were drawn down by cold weather in the US, Europe and Asia in January. US distillate demand rose to 4.5 mb/d in the second half of January, from an average of 4.2 mb/d in November and December as temperatures turned lower. Maintenance-reduced supplies and lower yields as refiners switched focus to spring gasoline requirements were supplemented by increased imports from Europe and the FSU. Stocks have moved back down to the lower half of the average range but, as of mid-February, temperatures in the key Northeast region are expected to be mild. The chances of a weather-related demand surge, while still possible, are less likely.

Europe, however, saw a colder January followed by below-normal temperatures in the first part of February. The Mediterranean region has been particularly cold, prompting strong heating oil demand from Spain in particular. Forecast lows suggest that there could be a surge in demand from Italy in mid-February. Sub-zero peak daily temperatures have also been seen recently in Eastern Europe. This could dampen the export flow out of the FSU, which was high in January following an unusually mild winter so far. Exports in January were strong out of the Baltics, with weather-related and Turkish strait shipping delays limiting flows from the Black Sea for much of the month. However, with shipping costs rising, the options for shipping surplus material have decreased. Nevertheless, traders estimate that at least 400,000 tonnes of gasoil has been booked for US shipment in February. Consumers in inland Europe seem set to maintain this season's hand-to-mouth buying pattern for heating oil. Domestic tanks remain relatively low, but such consumer behaviour is rational given both high and volatile oil prices. Bargain hunting would also be expected to emerge on any dip in prices.

Cold weather has also been a feature in the Northeast Asian kerosene-based heating market in January. Japanese stocks have fallen by 11.7 mb since mid December, while Singapore middle distillate stocks have fallen by 2.0 mb since the start of the year. Gasoil cracks started to pick up in Asia towards the end of January, rising to over \$13/bbl against Dubai. However, stocks remain on a par with year ago levels contributing to the seasonal narrowing of the regrade (the premium of jet/kerosene over gasoil). This would suggest that, despite the cold weather, there is a general feeling that supplies will be ample to see out the winter months.

Heating demand has also increased in China, compounding the impact of reduced imports during January and February. This has allowed the depletion of domestic stocks resulting from high imports in the fourth quarter. Traders are expecting Chinese distillate imports to increase after the Lunar New



Year holidays. Volumes will be tempered though by the expectation of warmer spring weather, higher refinery throughput and a slowdown of the pace of year-on-year growth. Regional diesel demand is expected to be boosted by milder weather and the start of the regional fishing season.

Plans to lower the sulphur content of transport fuels in India's 14 largest cities from 1 April have the potential to temporarily alter trade patterns. India's status as a net diesel exporter would be expected to persist, but it would be likely to increase its exports of higher sulphur material in exchange for new specification imports until refinery upgrades are complete. Indonesian import demand has also improved, with Pertamina tendering to buy 6.6 mb in February, up from 6 mb in January.

The fuel oil arbitrage from Europe to Asia reopened at the end of January, helping to clear brimming tanks in Northwest Europe. At least two VLCCs were fixed, but the window of opportunity proved brief as dirty freight rates rose. Weather-related demand for low sulphur material perked up in the Mediterranean. Spanish power use was up 15% in January, and colder weather is expected to persist in the Mediterranean. Long-range forecasters are calling for a mild end to the northern European winter, but continued cool temperatures in the Mediterranean.

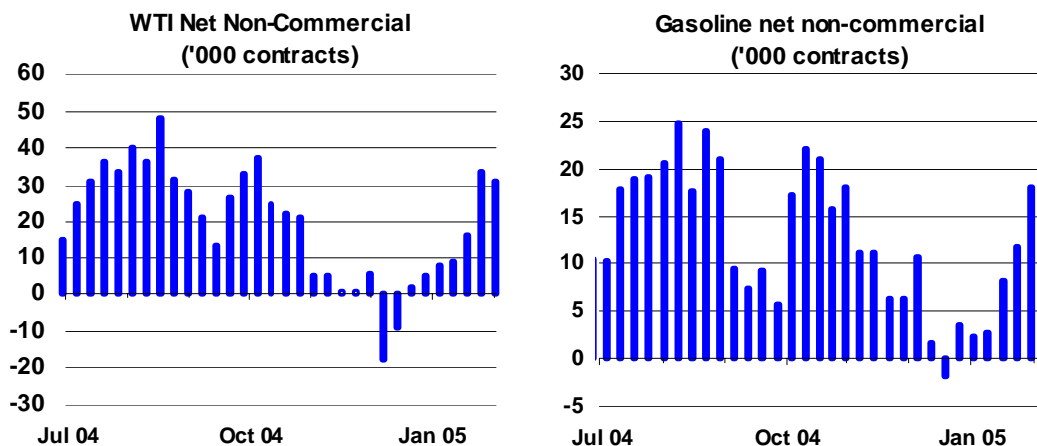
US residual fuel oil demand perked up briefly towards the end of January, averaging over 1 mb/d in the last three weeks of the month, in contrast to 800 kb/d in December. US demand in January was broadly flat with year ago levels. In Asia the viscous 380 centistoke (cst) market, has been tight due to a lack of European arbitrage material, good bunker demand and the removal of 300,000 tonnes of high sodium content material. The less viscous 180cst material, that had been in tight supply late last year, has been relatively amply supplied. Asian LSWR differentials to crude and high sulphur fuel oil improved as cold weather caused a pick up in utility demand.

Product Futures

Speculators have moved 18,022 lots net long of the NYMEX gasoline contract, looking to take advantage of the now 'traditional' spring rise in prices. Gasoline prices have rallied (to varying degrees) ahead of the driving season every year since 1997. Last year that move was dramatic, with prices rising from a low of 92.93 cents per gallon on 5 January to a peak of 147.00 cents by 20 May. Gasoline crack spreads widened from \$6.20 per barrel to over \$20 in the process. When crack spreads widen to that degree, crude prices, particularly gasoline-rich light sweet crudes, rise as well. It is little surprise that the rise in speculative interest in gasoline contracts has been mirrored in the more liquid NYMEX light crude contract (WTI). Net non-commercial positions in WTI have moved from 17,440 lots net-short in early December to 30,952 lots long.

This year, such speculation might be premature. Although the seasonal maintenance-induced draw in gasoline does not typically start until February there is reason to believe that gasoline inventories will be in a healthy state by the start of the driving season. Lower first quarter maintenance levels, coupled with stocks at the upper-end of seasonal norms suggest that the seasonal stock draw could be lower-than-normal. Refiners and traders can also draw on last year's experience of producing MTBE-free fuel for some states, reducing the 'unknowns' in the market. West Coast refiners have started to increase output of RBOB (reformulated blendstock required for blending with ethanol) ahead of the switch to summer specification gasoline prices in early February.

Some concerns have been expressed that the move of US refiners to 90 ppm sulphur limits reduce the number of exporters capable of meeting US specification fuels. Similar concerns were expressed last year and proved to be largely unfounded. The move of Europe to 50 ppm material and the upgrading of many FSU refineries to meet EU standards reduce this risk.



End-User Product Prices in January

Retail prices for all petroleum products continued December's broad fall, in both national currency and dollar denominated terms. However, the recovery in the dollar from 1.31 to the euro from 1.34 the previous month has been an offsetting influence on the decline in European prices.

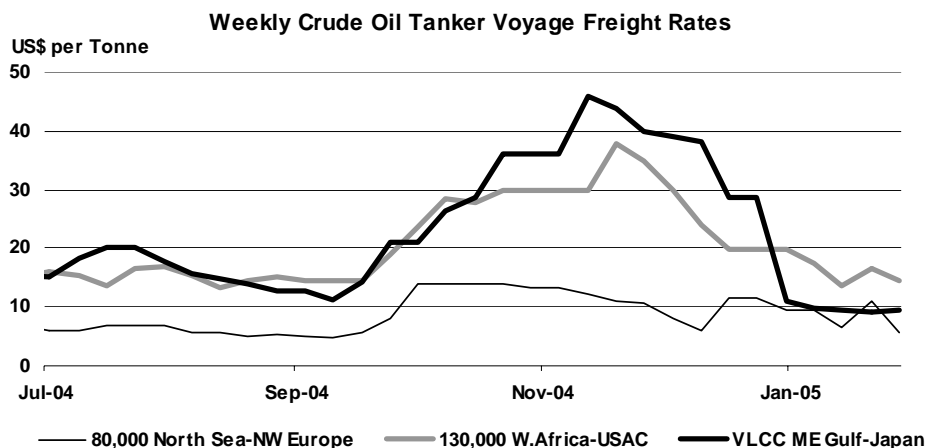
There were large inter-regional price differences in gasoline price movements in Europe. Pump prices fell by 2.9% in dollar terms in Germany but by 6.1% in the UK. In national currency terms the falls were 0.6% and 3.5% respectively, and on an ex-tax dollar denominated basis were 4.3% and 13.1% down on the month. US gasoline prices declined by 2.6%, and fell 1.7% in Japan, while values actually rose by 2.9% in Canada. It was a similar picture in diesel and heating oil, with retail prices broadly reflecting trends in the international market and currency fluctuations. Changes in ex-tax dollar denominated low sulphur fuel oil prices in Europe were high, rising by 2.2% in France, but falling by 10.1% in the UK.

Freight

Volatility in dirty freight rates continues. Having reached 30-year highs in October, dirty freight rates fell to the lowest December level since 2001 before surging at the end of January. While there was little crude price reaction to the 30 January OPEC meeting, concern of a further output cut had clearly weighed on tanker freight rates. OPEC's decision to leave target production levels unchanged coincided with a near-doubling of rates on some VLCC routes.

Tanker availability tightened for end-February VLCC loadings as post-Lunar New Year buying interest perked up. There was also an increase in Chinese interest in West African crudes which helped to support mid-sized tankers. Improved weather conditions in the Black Sea and Bosphorus helped loading conditions at the end of January and contributed to an easing of rates in the Mediterranean. Lower refiner interest from both Europe and the US tempered rates for mid-sized tankers in the North Sea.

Clean rates were supported by transatlantic movement of gasoline and gasoil cargoes from Europe to the US in mid-January. However, while significant volumes of gasoline are expected to be shipped to the US in early February, the gasoil arbitrage has become less attractive. Asian Pacific product trade has been tempered by the Lunar New Year holidays, but traders expect increased activity to emerge towards the end of February.



Refining Margins

Strong gasoline prices helped refining margins to recover in all of the six centres covered from early January lows. However, average monthly returns were below those of December for all but the US Gulf Coast and Oman and Kern margins on the US West Coast.

Changes and Revisions to Margin Calculations

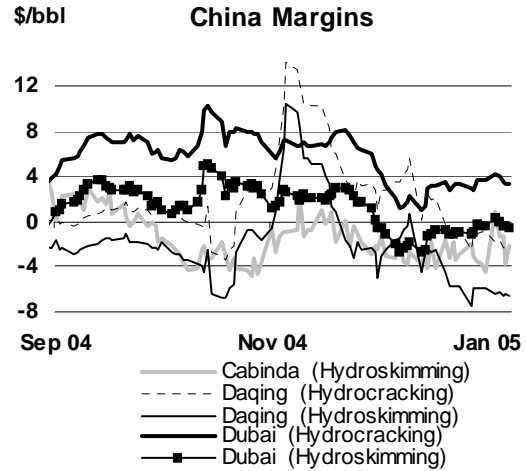
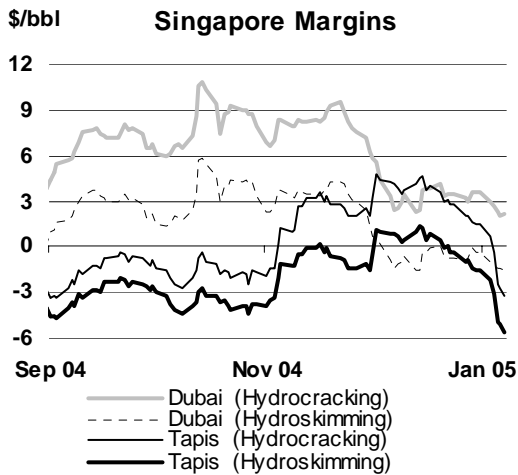
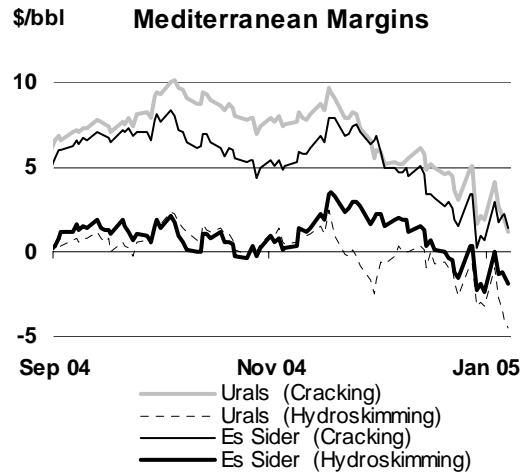
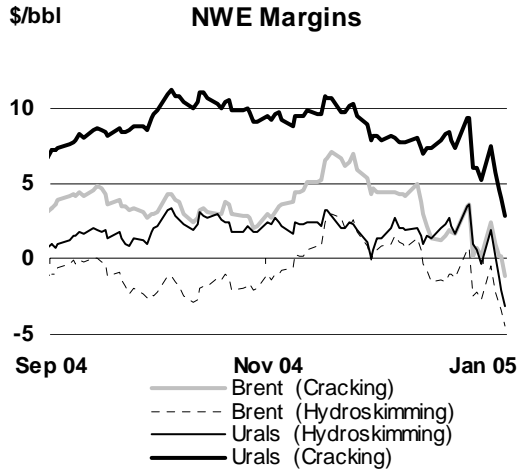
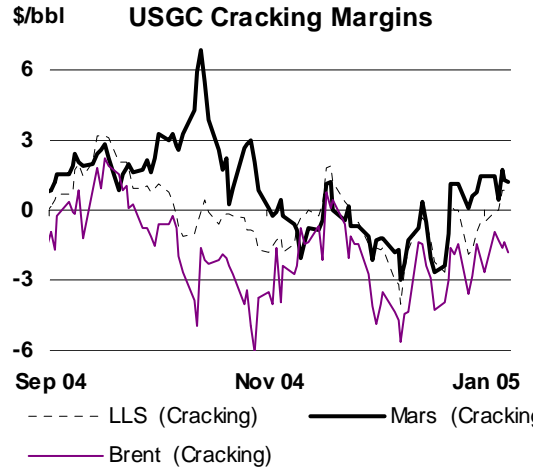
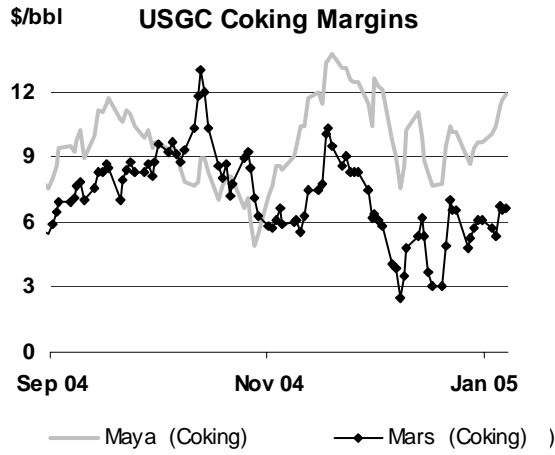
This month sees the annual historical revisions for our refinery margin calculations, in conjunction with industry consultants Purvin & Gertz Inc. The process involves, among other issues described below, a harmonisation of price data (which can vary slightly according to the assessor used) and the inclusion of ongoing periodic updates for various fixed and variable cost inputs, based on industry statistics which are in arrears of current calculations.

Most importantly, our US, Northwest Europe and Mediterranean yield vectors and operating costs have been adjusted for 2005 to take account of the regulatory changes in gasoline and diesel fuel sulphur contents for these regions. US gasoline quality now reflects 30 ppm limits and the European products reflect a shift to 50 ppm maximum sulphur limits for transport fuels in these regions.

We have also incorporated a one-time update and historical re-indexation to our West Coast yardstick models to better reflect current regional refining operations and product blending requirements. These changes mainly relate to some unit utilisation assumptions in the previous models, which generated a less than optimal representation of most recent trends. Historical adjustments were also needed to maintain a consistent benchmark. The models are being updated historically, and all historical data will be available in a spreadsheet that can shortly be downloaded from our web site www.oilmarketreport.org.

Brent and Urals hydroskimming margins were strongly negative in Northwest Europe in early January, prompting some refiners to indicate economic run cuts. It was a similar picture for Brent cracking margins and hydroskimming margins in the Med, but Urals crackers continued to make healthy returns due to the crude's discount to light sweet crudes.

Rising fuel oil cracks played a significant part in the recovery of margins throughout last month, despite a build-up in regional stocks. European margins extended their gains in early February, lifting cracking margins to attractive levels and paring losses on hydroskimming margins to more manageable levels.



In the US, the trend in product cracks and refining margins diverged from the strong performance of Europe in early February. High imports of European gasoline and gasoil and stronger crude prices have weighed on US premiums in recent weeks, but it was the end of the cold weather and weaker heating oil and fuel oil that had the greatest impact. However, seasonal refinery maintenance is expected to lend support to product cracks over the coming months.

Key Refining Margins in Major Refining Centres

	Monthly Average			Change		Week Ending:			
	Nov 04	Dec 04	Jan 04	Jan 05-Dec 04	07 Jan	14 Jan	21 Jan	28 Jan	04 Feb
NW Europe									
Brent (Cracking)	5.12	2.96	1.22	-1.75	0.20	0.31	1.01	1.68	3.02
Brent (Hydroskimming)	0.83	-0.20	-2.68	-2.47	-3.45	-3.62	-3.07	-2.45	-1.32
Mediterranean									
Urals (Cracking)	8.11	4.78	3.88	-0.90	2.49	2.55	3.93	5.01	5.87
Urals (Hydroskimming)	0.60	-0.92	-2.60	-1.67	-3.69	-3.93	-2.79	-1.95	-0.53
US Gulf Coast									
Brent (Cracking)	-1.64	-3.39	-1.41	1.98	-2.34	-1.45	-1.26	-1.05	-2.62
LLS (Cracking)	-0.33	-1.46	0.55	2.01	0.81	0.15	0.79	1.30	-0.06
Maya (Coking)	11.37	9.66	12.79	3.13	11.83	12.94	14.07	14.27	12.25
Singapore									
Tapis (Hydroskimming)	-1.16	0.23	-5.14	-5.36	-5.74	-5.58	-5.30	-4.86	-5.28
Dubai (Hydrocracking)	8.10	3.70	2.10	-1.60	2.02	1.45	1.71	3.36	2.38
Tapis (Hydrocracking)	1.93	3.60	-2.90	-6.50	-3.38	-3.55	-3.38	-2.45	-2.96
China*									
Cabinda (Hydroskimming)	-0.91	-3.07	-4.04	-0.97	-4.54	-4.73	-4.76	-2.84	-3.60
Daqing (Hydrocracking)	6.88	0.82	-2.48	-3.30	-3.30	-2.72	-1.69	-1.77	-1.26

For the purposes of this Report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability for a given refining centre. No attempt is made to model or otherwise comment upon the relative economics of specific refineries running individual crude slates and producing custom product sales, nor are these calculations intended to infer the marginal values of crudes for pricing purposes.

* The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations. A full list of refining margins and gross product worth can be found in table 15 on www.oilmarketreport.org.

Sources: IEA, Purvin & Gertz Inc.

The recovery in Singapore margins was less pronounced than in Europe or the US despite the cold weather in Northeast Asia in January. Product trading activity diminished as regional importers consumed stocks built up ahead of the Chinese New Year. Regional crude prices such as Tapis also dried up as refiners increased their preference for short-haul crudes to compensate for reduced OPEC volumes. The discount for Dubai over regional crudes widened in January as a result, bolstering Dubai hydrocracking margins in both Singapore and China.

Refinery Throughput

OECD refinery throughput rose sharply in December to 40.48 mb/d as European refiners came out of maintenance and OECD Asian refiners build up winter kerosene inventories. Big upward revisions were also made to November data, with Canada and US up 195 kb/d and Europe up 120 kb/d. Japan was revised down by 82 kb/d.

The post-maintenance surge in European output in December was lower than expected, largely due to upward revisions for Italy, Spain and the Czech Republic, offset slightly by downward revisions for Greece. Historical revisions were received to data back to January 2004 for Austria and back to June for Belgium, averaging a drop of around 9.5 kb/d over the respective periods. However, there were also some unresolved refinery issues in northern Europe, which reduced throughput. The return of these refineries should help to keep January throughput from dipping too low, despite weaker refining margins that prompted planned run cuts at two smaller refineries.

The European first half refinery 2005 maintenance picture is becoming clearer. Work will be concentrated in the usual seasonal March and April period. Beyond April, there is still insufficient data to assess the workload in the tail-end of the maintenance season, but details for the first four months of the year suggest that maintenance will run at around 60-70% of year ago levels.

Refinery Crude Throughput and Utilisation in OECD Countries

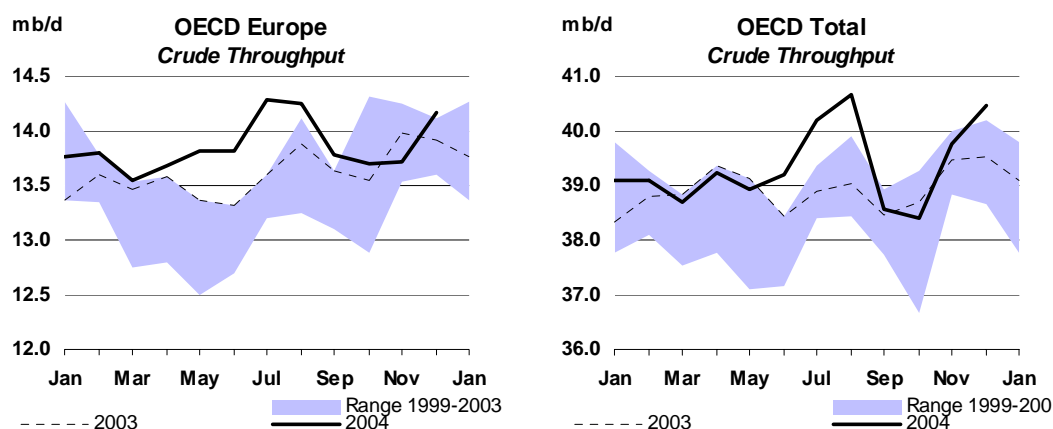
	million barrels per day						Change from Dec 03		Utilisation rate ²	
	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04	Dec 04	mb/d	%	Dec 04	Dec 03
OECD North America										
US ³	16.14	16.14	14.98	14.95	15.67	15.69	0.35	2.3	92.9	91.6
Canada	1.88	1.82	1.88	1.80	1.86	1.78	0.00	0.3	89.5	89.5
Mexico	1.30	1.27	1.23	1.11	1.16	1.24	0.03	2.1	73.4	72.0
Total	19.31	19.23	18.09	17.87	18.69	18.71	0.38	2.1	91.0	89.7
OECD Europe										
France	1.81	1.78	1.77	1.76	1.71	1.84	-0.04	-2.1	94.4	98.8
Germany	2.39	2.36	2.29	2.40	2.24	2.33	0.05	2.2	92.1	90.1
Italy	1.84	1.95	1.93	1.81	1.74	1.88	0.03	1.5	81.1	80.3
Netherlands	1.11	1.08	0.93	0.81	0.93	1.06	0.01	0.9	86.8	87.0
Spain	1.21	1.23	1.17	1.12	1.22	1.15	0.03	2.4	90.6	85.1
UK	1.76	1.73	1.66	1.75	1.76	1.77	0.13	7.6	97.5	92.0
Other OECD Europe	4.15	4.13	4.03	4.04	4.11	4.14	0.05	1.2	88.5	87.7
Total	14.28	14.26	13.78	13.70	13.71	14.17	0.25	1.8	89.8	88.6
OECD Pacific										
Japan	3.88	4.24	3.73	3.72	4.16	4.39	0.13	3.1	93.3	89.2
Korea	1.92	2.18	2.20	2.35	2.46	2.48	0.16	7.1	97.4	90.4
Other OECD Pacific	0.79	0.74	0.74	0.75	0.75	0.74	0.01	1.2	86.2	76.7
Total	6.60	7.17	6.68	6.82	7.38	7.60	0.31	4.2	93.8	88.1
OECD Total	40.18	40.66	38.55	38.39	39.78	40.48	0.93	2.4	91.1	89.0

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US50

OECD North American throughput was broadly flat in December from November at 18.7 mb/d, with US throughputs following a broadly similar pattern. The start of refinery maintenance in January has reduced throughput by nearly 400 kb/d, on average during the month – around half the level of planned maintenance. However, refiners were operating around 1.5 mb/d below capacity in December, leaving plenty of room to compensate for maintenance work.



OECD Pacific throughput rose by 300 kb/d in December to 7.6 mb/d as refiners cranked up runs to meet seasonal heating needs. However, mild weather meant that Japanese kerosene stocks rose above year-ago levels by the end of the month. Provisional data shows end-January Japanese refinery throughput slowing to 87.3% capacity, down from 92% in the middle of the month. Indications from refiners suggest that this decline will continue in February as part of the normal seasonal trend.

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.2	24.8	24.9	24.6	25.0	24.9	25.2	25.6	25.2	25.3	25.0	25.5	25.8	25.4
Europe	15.3	15.3	15.5	15.2	15.5	15.8	15.5	15.8	15.4	15.7	16.1	15.7	15.8	15.5	15.8	16.1	15.8
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.3	8.9	8.6	9.4	7.9	8.1	9.0	8.6
Total OECD	48.0	48.1	49.8	47.6	48.3	49.8	48.9	50.2	48.2	49.2	50.6	49.5	50.5	48.4	49.4	50.9	49.8
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.4	3.9	3.6	3.5	3.7	3.7	3.9	3.7	3.9	3.6	3.8	4.0	3.8
Europe	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.2	6.5	6.4	6.6	6.8	6.8	7.0	6.8
Other Asia	7.6	7.9	8.0	7.9	8.0	8.5	8.1	8.5	8.6	8.4	8.8	8.6	8.7	8.8	8.6	9.1	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.9	5.0	5.0	4.9	4.8	5.0	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	5.9	5.9	6.1	6.1	6.3	6.2	6.2
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.3	29.9	30.6	29.7	31.1	32.3	30.9	32.3	32.9	32.7	33.8	32.9	33.8	33.9	34.0	35.0	34.2
Total Demand¹	77.3	77.9	80.4	77.3	79.4	82.1	79.8	82.4	81.1	81.9	84.4	82.5	84.3	82.4	83.4	85.9	84.0
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.4	14.4	14.6	14.6	14.6	14.7	14.8	14.7
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	5.7	6.0	6.1	6.0	5.8	5.7	5.9	5.9
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.0	21.3	21.3	21.8	21.6	21.8	21.5	20.7	21.0	21.2	21.1	21.0	21.0	21.3	21.1
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.4	11.5	11.2	11.4	11.6	11.8	12.1	11.7
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	4.0	4.0	3.9	4.0	4.1	4.0	4.0	4.0	4.1	4.1	4.0	4.2	4.3	4.3	4.3	4.3
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.8	1.8
Africa	2.8	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.4	3.5	3.6	3.4	3.6	3.7	3.8	3.8	3.7
Total Non-OECD	23.2	24.5	25.1	25.3	25.7	26.3	25.6	26.4	26.7	27.2	27.5	26.9	27.6	27.8	28.1	28.3	27.9
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.8	49.9	49.0	50.0	50.0	49.7	50.3	50.0	50.5	50.6	50.9	51.5	50.9
OPEC																	
Crude ³	27.0	25.1	26.7	26.1	26.6	27.6	26.8	27.9	28.1	29.2	29.6	28.7					
NGLs	3.4	3.7	3.5	3.9	4.0	4.2	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.0	30.6	31.8	30.7	32.2	32.3	33.5	34.0	33.0					
Total Supply⁴	77.2	76.9	79.1	78.3	79.4	81.7	79.6	82.2	82.3	83.2	84.3	83.0					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.6	0.9	0.5	-0.2	0.1					
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1					
Total	0.3	-0.3	-0.5	1.4	0.7	-0.5	0.3	-0.5	0.9	0.6	-0.1	0.2					
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1	0.2	0.1	0.0					
Miscellaneous to balance ⁵	-0.4	-0.7	-1.1	-0.4	-0.7	-0.2	-0.6	0.5	0.4	0.5	-0.1	0.3					
Total Stock Ch. & Misc	-0.1	-1.0	-1.2	1.0	0.0	-0.4	-0.1	-0.2	1.2	1.3	-0.1	0.5					
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.9	25.1	26.6	28.1	26.9	28.1	26.9	27.9	29.7	28.2	29.1	27.0	27.7	29.5	28.3
Total Demand ex. FSU	73.6	74.5	76.5	74.1	75.9	78.3	76.2	79.0	77.5	78.2	80.4	78.8	80.4	78.7	79.6	81.9	80.2
Total demand exc. FSU (% ch) ⁷	0.0	1.1	0.0	0.0	0.0	0.0	2.3	3.2	4.5	3.0	2.8	3.3	1.8	1.6	1.9	1.8	1.8

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

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

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

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

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

⁶ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

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

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	-	-	0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.2	-	0.1	-	0.1	0.2	0.1
Total Demand	-	-	-	-	-	-	-	-	-0.1	-	0.2	-	0.1	-0.1	0.1	0.3	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-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	-0.1	-0.1	-0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.3	-0.2	-0.1	-0.1	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.4	0.2	0.2	0.3	0.3
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	0.1	-	0.1	0.3	0.1

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

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.15	24.76	24.87	24.58	25.03	24.85	25.22	25.59	25.17	25.30	25.01	25.50	25.82	25.41
Europe	15.32	15.50	15.24	15.50	15.77	15.50	15.77	15.35	15.70	16.10	15.73	15.85	15.49	15.81	16.11	15.81
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	8.00	8.25	8.86	8.62	9.35	7.94	8.08	8.96	8.58
Total OECD	48.06	49.78	47.58	48.29	49.79	48.86	50.18	48.20	49.17	50.55	49.53	50.49	48.44	49.40	50.89	49.80
FSU	3.45	3.81	3.19	3.45	3.85	3.57	3.47	3.68	3.74	3.94	3.71	3.89	3.62	3.79	3.99	3.82
Europe	0.69	0.76	0.70	0.65	0.71	0.70	0.77	0.71	0.67	0.73	0.72	0.79	0.73	0.69	0.75	0.74
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.25	6.54	6.38	6.62	6.78	6.77	6.95	6.78
Other Asia	7.88	7.98	7.87	8.04	8.53	8.10	8.47	8.57	8.36	8.80	8.55	8.69	8.79	8.60	9.06	8.78
Latin America	4.82	4.50	4.68	4.84	4.89	4.73	4.70	4.89	5.00	4.99	4.90	4.82	4.99	5.11	5.08	5.00
Middle East	5.36	5.54	5.32	5.68	5.69	5.56	5.81	5.78	5.98	5.94	5.88	6.10	6.07	6.25	6.20	6.15
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.81	2.84	2.73	2.86	2.81	2.91	2.94	2.82	2.94	2.90
Total Non-OECD	29.87	30.58	29.72	31.06	32.32	30.93	32.26	32.95	32.73	33.81	32.94	33.81	33.92	34.02	34.96	34.18
World	77.93	80.36	77.31	79.35	82.11	79.79	82.44	81.15	81.90	84.36	82.46	84.31	82.36	83.42	85.85	83.99
of which:																
US	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.58	20.85	20.51	20.55	20.39	20.79	21.03	20.69
Euro4	8.34	8.33	8.27	8.32	8.42	8.33	8.51	8.23	8.45	8.63	8.46	8.56	8.31	8.47	8.54	8.47
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.20	5.50	5.43	5.98	4.87	5.01	5.51	5.34
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.99	2.27	2.14	2.31	2.02	1.99	2.33	2.16
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.02	2.09	2.04	2.11	2.03	2.06	2.09	2.07
Canada	2.08	2.17	2.16	2.20	2.25	2.19	2.27	2.25	2.28	2.30	2.28	2.27	2.27	2.31	2.34	2.30
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.13	2.20	2.16	2.14	2.12	2.15	2.23	2.19	2.17
India	2.32	2.38	2.30	2.26	2.45	2.35	2.53	2.51	2.33	2.47	2.46	2.58	2.57	2.40	2.56	2.53
Annual Change (% per annum)																
North America	0.4	2.6	0.7	2.1	2.4	2.0	2.0	2.9	1.8	2.9	2.4	1.1	0.7	1.1	0.9	0.9
Europe	-0.1	0.6	2.2	0.6	1.5	1.2	1.8	0.7	1.3	2.1	1.5	0.5	0.9	0.7	0.1	0.5
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	2.8	-3.2	-1.8	-0.3	-0.7	-2.0	1.1	-0.5
Total OECD	0.1	2.7	2.0	0.9	1.1	1.7	0.8	1.3	1.8	1.5	1.4	0.6	0.5	0.5	0.7	0.6
FSU	-5.5	9.3	2.6	2.2	0.2	3.5	-8.9	15.4	8.6	2.2	3.8	11.9	-1.6	1.3	1.2	3.0
Europe	1.4	1.8	1.6	1.6	1.7	1.7	1.8	1.9	2.4	2.8	2.2	2.5	2.6	2.9	3.1	2.8
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	8.6	11.5	15.6	6.2	4.6	8.3	6.3	6.3
Other Asia	3.5	3.0	-0.5	2.9	5.6	2.8	6.2	9.0	4.1	3.2	5.5	2.6	2.6	2.8	3.0	2.7
Latin America	-0.9	-4.4	-3.0	-1.1	0.8	-1.9	4.3	4.4	3.4	2.1	3.5	2.7	2.1	2.0	1.7	2.1
Middle East	3.3	4.4	1.6	4.1	4.7	3.7	4.9	8.5	5.2	4.5	5.7	4.9	5.1	4.6	4.3	4.7
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.4	2.7	2.8	2.6	2.4	3.7	3.6	3.1	2.8	3.3
Total Non-OECD	2.0	4.2	0.7	4.4	4.8	3.5	5.5	10.8	5.4	4.6	6.5	4.8	3.0	3.9	3.4	3.8
World	0.8	3.2	1.5	2.2	2.5	2.4	2.6	5.0	3.2	2.7	3.4	2.3	1.5	1.9	1.8	1.8
Annual Change (mb/d)																
North America	0.10	0.63	0.18	0.50	0.58	0.47	0.50	0.70	0.46	0.72	0.60	0.27	0.16	0.28	0.23	0.24
Europe	-0.01	0.09	0.33	0.09	0.23	0.18	0.28	0.11	0.20	0.33	0.23	0.07	0.13	0.12	0.01	0.08
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.22	-0.30	-0.16	-0.03	-0.06	-0.17	0.10	-0.04
Total OECD	0.06	1.30	0.92	0.44	0.55	0.80	0.40	0.61	0.88	0.76	0.67	0.31	0.24	0.23	0.34	0.28
FSU	-0.20	0.33	0.08	0.07	0.01	0.12	-0.34	0.49	0.30	0.09	0.14	0.41	-0.06	0.05	0.05	0.11
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.50	0.67	0.86	0.38	0.30	0.52	0.41	0.40
Other Asia	0.27	0.23	-0.04	0.23	0.46	0.22	0.49	0.70	0.33	0.28	0.45	0.22	0.22	0.23	0.26	0.23
Latin America	-0.04	-0.21	-0.14	-0.05	0.04	-0.09	0.19	0.20	0.16	0.10	0.16	0.13	0.10	0.10	0.08	0.10
Middle East	0.17	0.23	0.08	0.23	0.26	0.20	0.27	0.45	0.30	0.25	0.32	0.29	0.29	0.28	0.25	0.28
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.04	0.07	0.08	0.07	0.07	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.57	1.22	0.20	1.30	1.48	1.05	1.68	3.22	1.67	1.48	2.01	1.56	0.98	1.29	1.16	1.24
World	0.63	2.52	1.13	1.74	2.03	1.85	2.08	3.84	2.55	2.25	2.68	1.87	1.22	1.52	1.50	1.52
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	-	-	0.11	0.03	0.05	-	-	0.09	0.03
Europe	-	-	-	-	-0.01	-	-	-0.05	-0.05	0.04	-0.02	0.01	-0.04	-0.05	0.04	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-0.13	-0.03	0.01	-	-	-0.01	-
Total OECD	-	-	-	-	-0.01	-	-	-0.05	-0.04	0.02	-0.02	0.07	-0.05	-0.04	0.12	0.03
FSU	-	-	-	-	-	-	-	-	-	0.09	0.02	0.05	-0.07	0.02	-0.03	-0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.05	0.01	0.01	0.03	0.06	0.11	0.05
Other Asia	-	-	-	-	-	-	-	-	-	0.03	0.01	0.02	0.03	0.01	0.06	0.03
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.03	0.01
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.18	0.05	0.07	-0.01	0.12	0.17	0.09
World	-	-	-	-	-0.01	-	-	-0.05	-0.04	0.20	0.03	0.14	-0.05	0.07	0.29	0.11

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	3Q04	4Q04	1Q05	2Q05	3Q05	Nov 04	Dec 04	Jan 05
OPEC											
Crude Oil											
Saudi Arabia	8.48	8.75		9.12	9.23				9.25	9.15	8.80
Iran	3.78	3.93		3.89	3.96				4.02	4.00	3.95
Iraq	1.33	1.99		1.92	1.98				1.79	1.95	1.79
UAE	2.29	2.35		2.44	2.45				2.42	2.52	2.43
Kuwait	1.87	2.05		2.07	2.14				2.14	2.14	2.04
Neutral Zone	0.60	0.60		0.61	0.60				0.61	0.60	0.60
Qatar	0.72	0.78		0.80	0.80				0.80	0.80	0.77
Nigeria	2.15	2.33		2.35	2.33				2.35	2.27	2.32
Libya	1.42	1.55		1.59	1.61				1.61	1.61	1.60
Algeria	1.11	1.21		1.24	1.28				1.29	1.29	1.31
Venezuela	2.01	2.21		2.21	2.24				2.25	2.23	2.20
Indonesia	1.01	0.97		0.96	0.97				0.97	0.98	0.96
Total Crude Oil	26.77	28.70		29.19	29.61				29.47	29.53	28.75
Total NGLs ¹	3.90	4.32	4.77	4.32	4.38	4.67	4.71	4.84	4.35	4.47	4.63
Total OPEC	30.67	33.01		33.51	33.99				33.82	34.00	33.38
NON-OPEC²											
OECD											
North America											
United States	7.82	7.68	7.79	7.51	7.61	7.77	7.80	7.81	7.70	7.75	7.70
Mexico	3.79	3.83	3.85	3.82	3.78	3.85	3.85	3.84	3.80	3.66	3.85
Canada	3.00	3.09	3.07	3.07	3.06	2.99	3.00	3.09	3.12	3.02	2.89
Europe											
UK	2.28	2.05	1.90	1.89	1.99	2.01	1.87	1.83	2.02	2.03	2.03
Norway	3.26	3.16	3.10	2.95	3.12	3.10	3.10	3.00	3.20	2.97	2.99
Others	0.80	0.85	0.85	0.85	0.86	0.85	0.85	0.85	0.86	0.87	0.85
Pacific											
Australia	0.61	0.53	0.50	0.54	0.51	0.51	0.49	0.50	0.52	0.53	0.51
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.04	0.04
Total OECD	21.59	21.22	21.09	20.68	20.97	21.12	20.99	20.97	21.25	20.86	20.86
NON-OECD											
Former USSR											
Russia	8.49	9.23	9.58	9.40	9.41	9.33	9.49	9.68	9.43	9.37	9.26
Others	1.82	1.96	2.13	1.95	2.05	2.05	2.07	2.15	2.07	2.06	2.05
Asia											
China	3.41	3.49	3.54	3.54	3.54	3.57	3.55	3.53	3.57	3.57	3.58
Malaysia	0.83	0.86	0.82	0.86	0.87	0.86	0.83	0.81	0.88	0.86	0.87
India	0.79	0.80	0.79	0.77	0.81	0.80	0.79	0.78	0.82	0.81	0.81
Others	1.01	1.09	1.10	1.09	1.14	1.11	1.10	1.10	1.14	1.15	1.11
Europe											
0.17	0.17	0.16	0.17	0.17	0.16	0.16	0.16	0.16	0.17	0.17	0.16
Latin America											
Brazil	1.77	1.77	2.00	1.80	1.79	1.94	1.99	2.03	1.74	1.83	1.88
Argentina	0.83	0.78	0.74	0.78	0.77	0.76	0.75	0.74	0.76	0.78	0.76
Colombia	0.55	0.54	0.52	0.55	0.54	0.53	0.52	0.51	0.54	0.54	0.53
Ecuador	0.43	0.53	0.57	0.54	0.54	0.55	0.57	0.58	0.54	0.55	0.55
Others	0.42	0.42	0.47	0.41	0.44	0.45	0.48	0.48	0.44	0.43	0.44
Middle East³											
Oman	0.82	0.76	0.72	0.76	0.75	0.74	0.73	0.72	0.75	0.75	0.75
Syria	0.53	0.51	0.48	0.50	0.50	0.49	0.48	0.47	0.50	0.49	0.49
Yemen	0.45	0.41	0.39	0.40	0.40	0.39	0.39	0.39	0.40	0.40	0.39
Africa											
Egypt	0.75	0.71	0.71	0.71	0.70	0.71	0.72	0.72	0.70	0.68	0.70
Angola	0.88	0.99	1.15	0.99	1.11	1.13	1.16	1.16	1.11	1.11	1.11
Gabon	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.24	0.23	0.23	0.23
Others	1.20	1.50	1.62	1.56	1.54	1.55	1.58	1.66	1.54	1.54	1.55
Total Non-OECD	25.58	26.94	27.93	27.18	27.47	27.55	27.79	28.09	27.49	27.50	27.43
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.85	1.88	1.85	1.84	1.85	1.85	1.88
TOTAL NON-OPEC	48.98	49.99	50.89	49.68	50.29	50.55	50.64	50.89	50.60	50.21	50.17
TOTAL SUPPLY	79.64	83.00		83.19	84.27				84.42	84.21	83.55

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Aug2004	Sep2004	Oct2004	Nov2004	Dec2004*	Dec2001	Dec2002	Dec2003	1Q2004	2Q2004	3Q2004	4Q2004
North America												
Crude	394.9	393.8	410.7	413.7	411.4	422.0	386.7	381.8	0.32	0.08	-0.26	0.19
Motor Gasoline	240.3	236.3	234.3	241.6	249.0	241.2	240.4	234.0	-0.02	0.07	-0.02	0.14
Middle Distillate	203.8	194.9	191.6	200.6	203.3	222.5	207.5	209.7	-0.44	0.14	0.14	0.09
Residual Fuel Oil	44.6	41.0	44.7	50.9	49.3	49.3	40.2	45.7	0.02	-0.03	-0.05	0.09
Total Products ³	672.6	660.6	653.8	672.9	666.8	688.7	652.2	645.1	-0.52	0.41	0.28	0.07
Total ⁴	1223.5	1220.4	1226.0	1244.2	1232.9	1261.8	1173.7	1165.7	-0.22	0.57	0.26	0.14
Europe												
Crude	328.5	332.7	331.5	352.4	326.1	319.5	297.0	318.4	0.26	-0.03	-0.07	-0.07
Motor Gasoline	114.8	112.3	114.9	112.9	110.6	126.1	117.0	115.4	0.00	-0.06	0.02	-0.02
Middle Distillate	259.8	249.7	251.2	237.1	231.6	230.5	239.6	238.4	-0.25	0.20	0.17	-0.20
Residual Fuel Oil	78.4	76.9	75.3	71.3	69.7	74.6	78.6	78.8	-0.04	0.03	0.00	-0.08
Total Products ³	557.6	541.5	545.2	525.6	515.5	544.0	535.5	535.3	-0.34	0.18	0.23	-0.28
Total ⁴	952.4	944.2	947.1	949.8	912.5	927.1	895.9	923.8	-0.02	0.08	0.16	-0.34
Pacific												
Crude	167.5	168.7	177.1	192.3	173.9	176.0	161.1	179.9	-0.06	0.02	-0.09	0.06
Motor Gasoline	23.3	23.9	23.3	24.8	22.9	22.3	23.6	22.4	0.03	-0.01	-0.01	-0.01
Middle Distillate	69.6	74.8	75.0	82.9	73.0	76.2	65.1	74.2	-0.21	0.06	0.16	-0.02
Residual Fuel Oil	23.3	21.3	21.1	23.7	22.5	23.2	22.0	22.8	-0.03	0.03	-0.01	0.01
Total Products ³	182.2	186.2	188.8	200.9	185.4	188.0	177.9	183.9	-0.28	0.15	0.15	-0.01
Total ⁴	421.6	429.6	438.0	467.6	431.4	443.3	410.1	435.3	-0.38	0.21	0.11	0.02
Total OECD												
Crude	891.0	895.1	919.3	958.4	911.4	917.5	844.8	880.1	0.52	0.07	-0.42	0.18
Motor Gasoline	378.4	372.4	372.5	379.4	382.5	389.5	380.9	371.7	0.01	0.00	-0.01	0.11
Middle Distillate	533.2	519.4	517.9	520.6	508.0	529.2	512.2	522.3	-0.90	0.40	0.46	-0.12
Residual Fuel Oil	146.3	139.2	141.1	145.8	141.5	147.1	140.9	147.3	-0.05	0.03	-0.06	0.02
Total Products ³	1412.3	1388.3	1387.8	1399.4	1367.7	1420.7	1365.6	1364.3	-1.15	0.74	0.67	-0.22
Total ⁴	2597.6	2594.2	2611.0	2661.6	2576.8	2632.3	2479.7	2524.8	-0.62	0.85	0.53	-0.19

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

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Aug2004	Sep2004	Oct2004	Nov2004	Dec2004*	Dec2001	Dec2002	Dec2003	1Q2004	2Q2004	3Q2004	4Q2004
North America												
Crude	669.0	670.3	670.3	672.8	674.9	550.2	599.1	638.4	0.15	0.11	0.09	0.05
Products ⁷	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	158.0	157.8	158.8	160.6	160.6	141.4	157.1	157.4	0.01	0.00	0.00	0.03
Products	205.9	205.4	202.9	203.6	203.6	210.9	196.3	212.5	-0.03	-0.05	0.00	-0.02
Pacific												
Crude	386.7	384.9	382.5	382.5	384.5	372.4	379.6	384.7	0.02	0.00	-0.02	0.00
Products	11.2	11.2	11.2	11.2	11.2	7.3	9.5	11.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1213.6	1213.0	1211.6	1215.8	1219.9	1064.1	1135.8	1180.5	0.18	0.11	0.06	0.08
Products	219.1	218.6	216.0	216.7	216.7	220.2	207.8	225.6	-0.03	-0.05	0.01	-0.02
Total ⁴	1433.7	1432.6	1428.6	1433.6	1437.7	1285.3	1344.6	1407.1	0.15	0.06	0.07	0.06

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
(millions of barrels¹ and days²)

	End December 2003		End March 2004		End June 2004		End September 2004		End December 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	174.6	77	170.4	76	168.8	74	183.8	-	-	-
Mexico	39.0	19	38.9	19	39.5	20	41.4	-	-	-
United States ⁴	1570.3	77	1568.2	77	1630.9	79	1645.3	-	-	-
Total ⁵	1806.1	72	1799.6	72	1861.3	74	1892.7	74	1909.8	75
Pacific										
Australia	32.4	37	33.8	39	34.9	39	34.3	-	-	-
Japan	636.3	105	614.4	124	622.0	120	632.0	-	-	-
Korea	154.5	67	142.9	71	152.9	77	152.1	-	-	-
New Zealand	7.9	49	7.5	48	7.7	50	7.3	-	-	-
Total	831.1	89	798.5	100	817.4	99	825.7	93	827.1	88
Europe⁶										
Austria	19.5	76	21.0	77	20.3	68	19.9	-	-	-
Belgium	27.7	42	24.6	45	26.5	49	27.7	-	-	-
Czech Republic	16.4	95	15.6	74	15.9	70	16.9	-	-	-
Denmark	16.8	87	15.9	88	15.8	90	19.4	-	-	-
Finland	26.5	120	27.8	133	23.4	108	24.0	-	-	-
France	185.3	87	176.4	90	183.5	92	188.5	-	-	-
Germany	272.6	103	269.8	106	266.9	98	264.3	-	-	-
Greece	27.5	57	29.4	77	30.8	78	34.1	-	-	-
Hungary	16.8	143	19.5	153	20.1	153	18.7	-	-	-
Ireland	12.0	63	11.5	69	10.7	63	11.1	-	-	-
Italy	135.2	72	135.6	73	134.6	71	138.7	-	-	-
Luxembourg	1.0	17	0.8	13	1.0	16	0.9	-	-	-
Netherlands	100.1	105	108.2	111	102.3	108	110.2	-	-	-
Norway	27.2	99	28.5	116	30.0	118	23.3	-	-	-
Poland	28.7	64	29.7	62	30.1	59	31.1	-	-	-
Portugal	25.3	81	24.4	74	26.2	76	25.0	-	-	-
Slovak Republic	5.0	74	5.8	82	6.5	87	5.6	-	-	-
Spain	122.4	78	123.5	79	127.3	82	126.8	-	-	-
Sweden	35.9	101	31.8	89	31.1	91	31.5	-	-	-
Switzerland	36.1	138	35.4	149	37.5	144	37.8	-	-	-
Turkey	54.9	84	54.9	79	54.8	77	55.2	-	-	-
United Kingdom	101.9	55	100.7	54	97.6	53	97.7	-	-	-
Total	1294.7	82	1290.7	84	1293.0	82	1308.4	81	1277.6	81
Total OECD	3931.8	78	3888.7	81	3971.7	81	4026.7	80	4014.4	80
DAYS OF IEA Net Imports⁷	-	112	-	111	-	113	-	114	-	-

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

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

3 End December 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled		Industry	Total	Government ¹ controlled	
		Millions of Barrels				Days of Fwd. Demand ²	
4Q2001	3918	1285	2632	81	27	54	
1Q2002	3912	1304	2609	84	28	56	
2Q2002	3969	1316	2654	83	27	55	
3Q2002	3899	1321	2579	79	27	52	
4Q2002	3824	1345	2480	77	27	50	
1Q2003	3788	1359	2429	80	29	51	
2Q2003	3913	1362	2550	81	28	53	
3Q2003	3981	1380	2600	80	28	52	
4Q2003	3932	1407	2525	78	28	50	
1Q2004	3889	1421	2468	81	29	51	
2Q2004	3972	1426	2546	81	29	52	
3Q2004	4027	1433	2594	80	28	51	
4Q2004	4014	1438	2577	80	28	51	

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

2 Days of forward demand calculated using actual demand except in 4Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	4Q03	1Q04	2Q04	3Q04	Sep 04	Oct 04	Nov 04	Year Earlier	
											Nov 03	change
Saudi Light & Extra Light												
North America	0.69	0.64	0.64	0.66	0.55	0.56	0.56	0.53	0.58	0.52	0.62	-0.10
Europe	0.92	0.92	1.00	0.95	0.96	1.05	1.04	1.07	1.05	1.03	0.98	0.05
Pacific	1.22	1.22	1.18	1.12	1.14	1.13	1.23	1.28	1.34	1.47	1.10	0.36
Saudi Medium												
North America	0.73	0.70	0.83	0.71	0.72	0.73	0.86	0.80	0.78	0.93	0.80	0.13
Europe	0.15	0.11	0.11	0.07	0.08	0.07	0.11	0.16	0.12	0.18	0.08	0.10
Pacific	0.17	0.16	0.24	0.30	0.31	0.20	0.18	0.19	0.23	0.25	0.34	-0.09
Saudi Heavy												
North America	0.21	0.20	0.30	0.19	0.19	0.14	0.30	0.29	0.31	0.24	0.21	0.03
Europe	0.14	0.09	0.19	0.16	0.16	0.26	0.31	0.28	0.23	0.22	0.17	0.05
Pacific	0.15	0.12	0.16	0.15	0.13	0.13	0.16	0.18	0.15	0.23	0.16	0.07
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.82	0.75	0.74	0.68	0.72	0.65	0.61	0.65	-0.04
Europe	0.15	0.08	0.09	0.15	0.22	0.27	0.21	0.19	0.10	0.13	0.17	-0.04
Pacific	0.01	0.02	0.03	0.11	0.14	0.08	0.12	0.10	0.21	0.17	0.13	0.04
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	0.04	0.01	0.03	0.03	..	..	..
Europe	0.31	0.32	0.12	..	0.04	0.07	0.03	0.07	0.09	0.20	..	..
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.18	0.20	0.23	0.23	0.25	0.36	0.17	0.13	0.04
Pacific	0.13	0.12	0.17	0.17	0.18	0.13	0.16	0.17	0.14	0.16	0.15	0.01
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.55	0.50	0.61	0.65	0.67	0.56	0.47	0.58	-0.12
Pacific	0.63	0.54	0.69	0.74	0.73	0.65	0.58	0.57	0.65	0.58	0.69	-0.12
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.84	0.63	0.78	0.64	0.66	0.57	0.51	0.73	-0.22
Europe	0.07	0.08	0.02	0.01	..	0.02	0.02	0.01	0.02	..	..	..
Pacific	0.00	0.00	0.00	0.00	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.73	0.81	0.91	0.86	0.75	0.93	0.91	0.75	0.16
Europe	0.07	0.05	0.06	0.09	0.05	0.07	0.06	0.04	0.05	0.06	0.08	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.37	1.31	1.43	1.34	1.33	1.44	1.40	1.40	0.00
Europe	0.14	0.17	0.16	0.13	0.14	0.19	0.20	0.21	0.15	0.13	0.14	-0.01
Pacific	0.01	0.00	0.00	..	0.01	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	0.00	..	..	..	..	0.03	0.03	..	..
Pacific	0.01	0.01	0.00	..	0.01	..	..	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	..	0.01	0.14	0.12	0.02	0.20	0.25	..	..
Europe	1.10	1.32	1.62	1.75	2.14	1.98	1.78	1.55	1.49	1.72	1.82	-0.09
Pacific	0.01	0.01	0.00	0.01	0.00	0.01	0.01	..	..	..	0.01	..
Nigerian Light⁴												
North America	0.50	0.38	0.63	0.67	0.80	0.90	0.78	0.79	0.68	0.82	0.57	0.25
Europe	0.38	0.32	0.41	0.38	0.32	0.22	0.30	0.29	0.32	0.26	0.45	-0.19
Pacific	0.02	0.06	0.08	0.09	0.12	0.10	0.09	0.08	0.06	0.17	0.12	0.05
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.26	0.21	0.22	0.16	0.24	0.17	0.16	0.01
Europe	0.10	0.06	0.06	0.09	0.03	0.04	0.05	0.09	0.01	0.02	0.06	-0.04
Pacific	0.00	0.01	0.01	..	0.02	..	..	..	..	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary, Poland and the Slovak Republic.

IEA Pacific data includes Australia, New Zealand, Korea and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	4Q2003	1Q2004	2Q2004	3Q2004	Sep-04	Oct-04	Nov-04	Year Earlier	
											Nov-03	% change
Crude Oil												
North America	8020	7584	8069	7971	8027	8557	8547	7966	8351	8473	7662	10%
Europe	8691	8725	9087	9155	9395	9499	9654	9729	9842	10528	9098	14%
Pacific	6895	6422	6711	6683	7011	6170	6457	6415	6745	7609	6473	15%
Total OECD	23605	22731	23867	23808	24433	24226	24658	24110	24937	26610	23233	13%
LPG												
North America	28	39	27	33	29	10	25	31	32	54	34	36%
Europe	252	226	198	227	252	195	215	263	295	263	221	16%
Pacific	546	553	541	523	550	585	469	439	570	583	571	2%
Total OECD	825	818	765	783	832	790	709	732	897	900	826	8%
Naphtha												
North America	59	42	67	56	53	49	96	122	151	123	42	66%
Europe	298	298	311	323	310	318	233	205	237	237	309	-30%
Pacific	647	705	770	761	782	761	787	791	715	714	670	6%
Total OECD	1004	1045	1148	1140	1145	1128	1116	1118	1103	1074	1021	5%
Gasoline³												
North America	673	680	703	569	673	896	854	782	833	809	590	27%
Europe	131	150	147	156	218	157	140	110	212	235	124	47%
Pacific	36	58	70	75	105	118	90	103	89	109	79	28%
Total OECD	840	889	919	800	996	1171	1084	994	1133	1152	793	31%
Jet & Kerosene												
North America	139	97	97	63	45	102	88	55	114	132	34	74%
Europe	247	217	211	228	173	234	309	332	224	296	300	-1%
Pacific	73	97	102	132	92	60	52	62	95	114	119	-4%
Total OECD	459	411	410	422	310	395	449	449	434	542	453	17%
Gasoil/Diesel												
North America	186	102	126	76	199	92	108	66	87	124	55	56%
Europe	575	655	653	629	679	654	772	757	888	785	661	16%
Pacific	31	53	73	73	56	92	79	85	61	67	55	18%
Total OECD	791	810	851	779	934	838	959	907	1036	976	771	21%
Heavy Fuel Oil												
North America	314	237	326	324	364	317	346	346	585	564	333	41%
Europe	397	471	394	446	365	435	449	500	437	418	456	-9%
Pacific	81	89	88	80	76	77	87	90	64	93	58	38%
Total OECD	793	797	808	850	806	829	882	935	1086	1075	847	21%
Other Products												
North America	703	689	680	603	869	701	951	933	725	798	685	14%
Europe	736	735	685	704	665	702	711	699	694	789	735	7%
Pacific	218	256	236	218	249	266	261	287	223	225	174	23%
Total OECD	1657	1680	1601	1524	1782	1669	1922	1919	1643	1811	1594	12%
Total Products												
North America	2103	1887	2026	1724	2233	2165	2467	2334	2527	2602	1773	32%
Europe	2636	2751	2598	2713	2661	2696	2829	2865	2988	3023	2806	7%
Pacific	1631	1811	1879	1862	1910	1960	1825	1856	1816	1905	1726	9%
Total OECD	6369	6449	6503	6299	6804	6821	7121	7055	7331	7530	6305	16%
Total Oil												
North America	10122	9471	10095	9694	10260	10722	11014	10300	10878	11076	9435	15%
Europe	11326	11476	11684	11868	12057	12195	12483	12594	12830	13551	11904	12%
Pacific	8526	8233	8590	8545	8921	8130	8282	8270	8561	9513	8199	14%
Total OECD	29974	29179	30369	30107	31237	31047	31779	31164	32269	34140	29538	13%

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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Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2004), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2005 Platt's - a division of McGraw-Hill Inc.).

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