

13 February 2007

HIGHLIGHTS

- **Oil prices** rebounded to \$60/bbl from mid-January on colder weather and higher implied demand, tighter OPEC supply and increased geopolitical tensions. Product prices benefited from the onset of seasonal refinery maintenance, with naphtha and fuel oil cracks gaining due to tighter supplies.
- **Total OECD industry oil inventories** fell by 40.2 mb in December, as the fall in crude exceeded product stock builds despite a temperate start to winter in the US and Europe. Forward demand cover fell by one day from end-November to 53 days, but remains one day higher on the year.
- **Global oil product demand** is raised by 111 kb/d in 2006 to 84.5 mb/d and by 273 kb/d in 2007 to 86.0 mb/d following revisions to China. Despite a milder-than-normal start to winter, 4Q06 world demand was 1.3 mb/d higher than a year earlier.
- **Chinese apparent demand** reaches 7.1 mb/d in 2006 and 7.6 mb/d in 2007 after incorporation of annual data for 2005 and more comprehensive refinery data. This lifts non-OECD demand growth to 3.6% in 2006 and 3.2% in 2007.
- **World oil supply** grew by 175 kb/d in January to 85.5 mb/d, with higher output in the FSU and other non-OECD producers. Non-OPEC supply growth (+ OPEC NGLs but excluding Angola) amounts to 0.7 mb/d in 2006 and 1.2 mb/d in 2007 amid lower expectations for the Americas and China.
- **January OPEC crude supply** fell by 180 kb/d from December to 30.2 mb/d (adjusted for Angola). The 'call on OPEC crude and stock change' is revised up to 30.6 mb/d for 2007 versus 30.3 mb/d in 2006 and remains above existing OPEC production. Additional OPEC-10 supply cuts could markedly tighten the market.
- **Economic refinery run** cuts tempered seasonal gains in OECD throughputs, which averaged 39.6 mb/d in December, up 0.7 mb/d on the month. Seasonal maintenance cuts OECD refinery runs to an estimated 39.0 mb/d in January and an average of 38.4 mb/d in February and March.

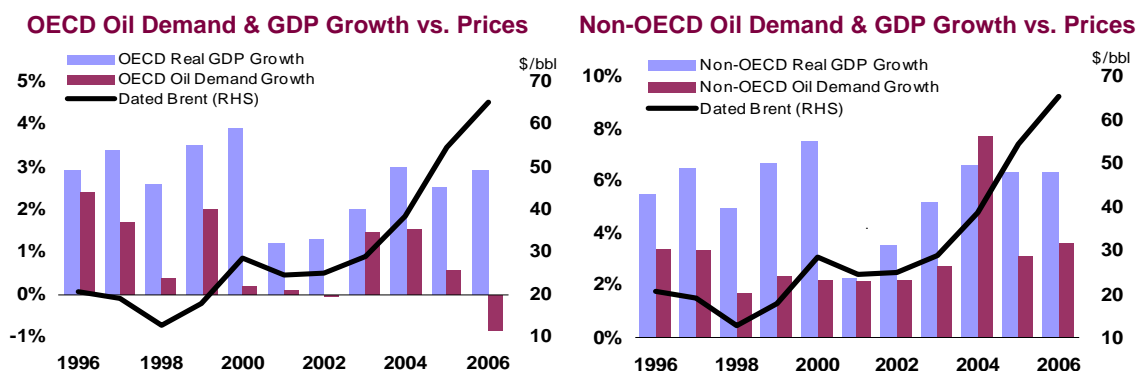
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SOFTER DEMAND GROWTH MASKING THE TREND

For the first time since 1985, OECD oil demand recorded its first significant drop - no doubt a reaction to high prices, but the drop does not imply a change in the longer-term trend.



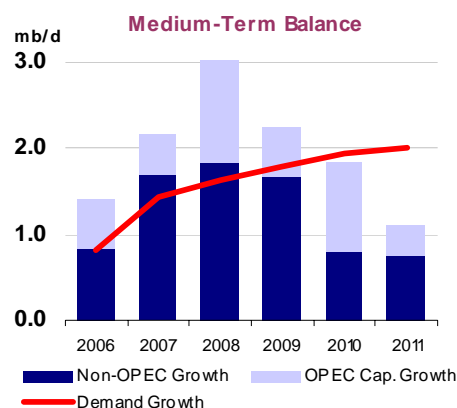
While OECD oil demand growth has fallen, in non-OECD it has been robust. Exclude the strong demand from China and the Middle East though and elsewhere demand growth has been less inspiring. However, with a number of highly populous countries making the transition between subsistence and consumer status, the point where energy demand typically accelerates, this lull in demand growth is only temporary.

It should come as no surprise that high prices have accelerated the structural global decline in domestic heating oil and fuel oil in power generation. China has been aggressively switching to non-oil power generation capacity, while the US and Europe have continued the shift towards natural gas, and to some extent coal. However, there have also been shifts in the transportation sector.

Japanese gasoline demand declined in 2006, and across the OECD as a whole in the past two years, transportation fuel demand growth has fallen to 1.3% from 1.8% between 1996 and 2004 - despite constant average real rates of GDP growth. In Japan, there has been a clear switch towards smaller, more efficient vehicles and while it may be some time before the average US commuter drives around in a 'super mini', a shift away from some of the light truck-based SUVs has been seen.

Many countries have power plants with dual-fuel capabilities, or spare capacity that can use fuel oil, which makes it the ideal fuel in the event of sudden demand spikes, price shifts (of natural gas), or supply disruptions. Examples of this are manifold: in Japan following the nuclear shutdown in 2003, in the US following Hurricanes Katrina and Rita and in Italy after the Russia/Ukraine dispute in early 2006. Much of China's oil demand surge in 2004 came from utilities in an effort to fill a severe domestic power shortage.

In Europe (and other countries), there is growing competition for limited, and possibly falling, gas supplies from Russia. Fuel oil could fill this gap, either providing supplementary support for power generation, or (more likely) Russia will burn more fuel oil to displace domestic gas consumption - either way more fuel oil could be used at some point in the future. Furthermore, fuel oil's structural decline has masked a higher underlying growth rate in transport - without fuel oil's decline, oil demand growth would be much higher.



On the transportation side, if prices do not keep on rising, many consumers will quickly acclimatise to the new levels, possibly rolling back some of the marginal economy measures seen recently. This, however, can be offset if government policies maintain the recent trend towards more fuel-efficient cars.

Ultimately, the recently published update to the *Medium-Term Oil Market Report* forecasts that oil demand growth in OECD countries will average 420 kb/d over the next five years, but will be three times faster in non-OECD countries. And, barring a global slowdown, in just three years the rate of oil demand growth will once more outstrip the growth of new oil supplies. Without stronger policies to stem demand growth (including effective implementation of those announced by the EU and US) or more rapid growth of oil capacity, the slim respite from tight spare capacity may prove very brief.

DEMAND

Summary

- **Global oil product demand** has been revised upwards by 111 kb/d in 2006, to 84.5 mb/d, and by 273 kb/d in 2007, to 86.0 mb/d. However, given revisions to the 2005 baseline, particularly in China, the annual growth rate for 2006 remains virtually unchanged at +1.0%, while that of 2007 is increased to +1.8%.

Global Oil Demand from 2005 to 2007

	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)	84.66	82.48	83.39	84.25	83.69	85.03	83.27	84.12	85.54	84.49	86.25	84.55	85.96	87.40	86.04
Annual Change (%)	2.8	1.7	1.7	0.2	1.6	0.4	1.0	0.9	1.5	1.0	1.4	1.5	2.2	2.2	1.8
Annual Change (mb/d)	2.32	1.34	1.40	0.21	1.31	0.37	0.79	0.73	1.29	0.80	1.22	1.28	1.84	1.86	1.55
Changes from last month's report (mb/d)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-0.2	0.1	0.2	0.3	0.7	-0.1	0.3

- **OECD oil product demand** has been lowered by 97 kb/d in 2006, as a result of large revisions, notably to US data, and continuing mild temperatures throughout December that curbed heating and residual oil demand. Oil product demand in the region is expected to decline by 0.8% in 2006 on an annual basis, but should rebound by 0.8% in 2007.

Global Oil Demand by Region

(million barrels per day)

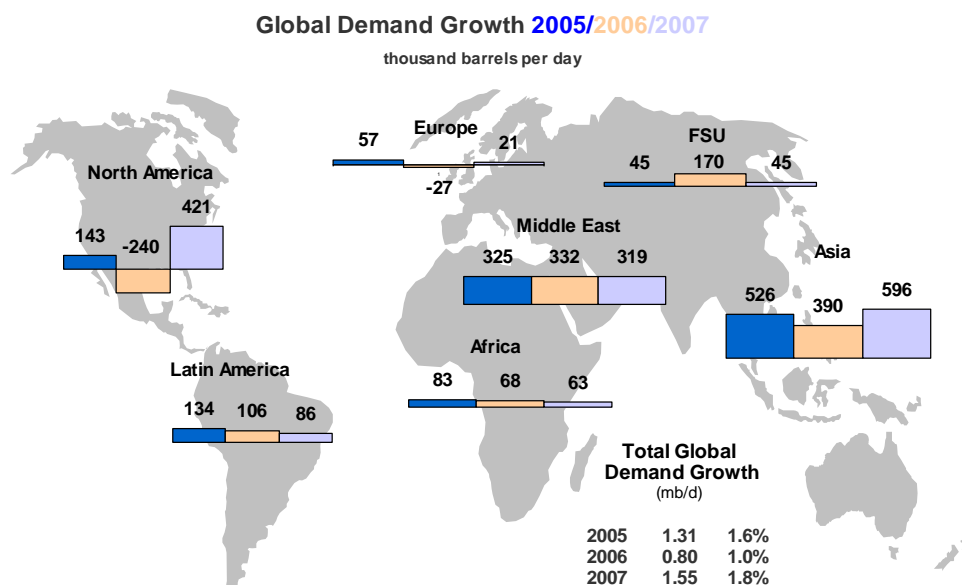
	Demand		Annual Change			Annual Change (%)		
	2006	2007	2005	2006	2007	2005	2006	2007
North America	25.28	25.70	0.14	-0.24	0.42	0.6	-0.9	1.7
Europe	16.20	16.22	0.06	-0.03	0.02	0.4	-0.2	0.1
OECD Pacific	8.45	8.44	0.10	-0.14	-0.01	1.2	-1.6	-0.1
China	7.12	7.56	0.27	0.43	0.44	4.2	6.4	6.1
Other Asia	8.88	9.05	0.16	0.10	0.17	1.8	1.1	1.9
Subtotal Asia	24.45	25.05	0.53	0.39	0.60	2.2	1.6	2.4
FSU	3.97	4.02	0.04	0.17	0.05	1.2	4.5	1.1
Middle East	6.45	6.77	0.32	0.33	0.32	5.6	5.4	5.0
Africa	2.94	3.01	0.08	0.07	0.06	3.0	2.4	2.2
Latin America	5.20	5.28	0.13	0.11	0.09	2.7	2.1	1.7
World	84.49	86.04	1.31	0.80	1.55	1.6	1.0	1.8

- **Non-OECD oil product demand** has been adjusted upwards in 2005, 2006 and 2007, due to a reappraisal of Chinese apparent demand, which is now seen to reach 7.1 mb/d in 2006 and 7.6 mb/d in 2007. As such non-OECD oil product consumption is forecast to grow by 3.6% and 3.2% in 2006 and 2007, respectively.

Worldwide Overview

Despite milder-than-expected temperatures and given a large revision to China's apparent demand estimates, we have revised upwards our global demand forecast for 2006. The Chinese revisions and new preliminary data have also led to upward changes in our 2007 estimates. In volumetric terms, we expect demand to average 84.5 mb/d in 2006 and 86.0 mb/d in 2007. In percentage terms, demand growth remains virtually unchanged in 2006 at +1.0% given the change of China's 2005 baseline, and increases to +1.8% in 2007 (compared with +1.6% in our previous report).

The world economy is poised to weaken only marginally this year, despite the much-trumpeted slowdown of the US economy. Although the evidence is still patchy, some economists argue that the effects of the weaker housing market may be fully felt only by the middle of 2007. In the meantime, we have maintained our assumption of 2.4% for US GDP growth in 2007.



With respect to China, economic activity should be robust this year. Although China generates a large share of GDP from exports, some analysts feel a slowdown in its major trading partners may lead to further cost cutting, thereby benefiting outsourcing operations in low-cost countries. Nevertheless, while many other Asian countries offer low-cost manufacturing, China arguably has important technological strengths that would probably shield it from falling external demand.

OECD

Total OECD demand growth was negative in December (-2.8% versus levels of a year ago) across all regions. North American demand fell by 2.5%, given a sharp decline in both heating and fuel oil as a result of continuing mild temperatures. In the Pacific, demand contracted even more (-3.5%), also because of benign weather. The climate story repeated itself in Europe, where total deliveries contracted by 2.8%.

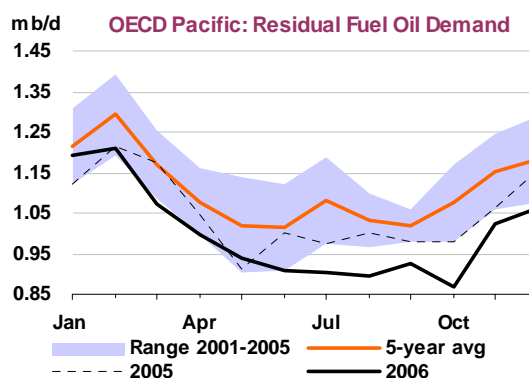
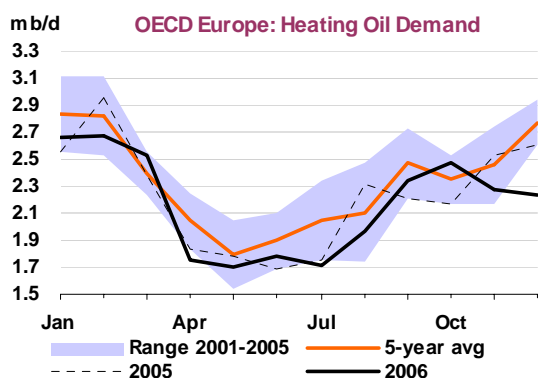
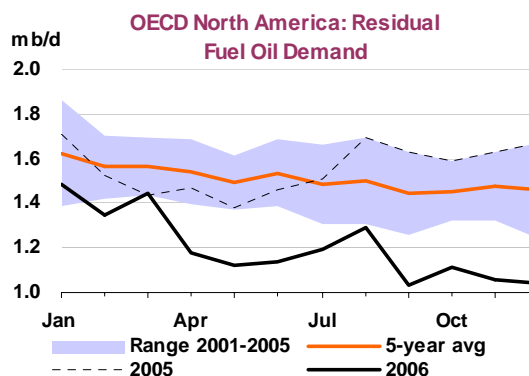
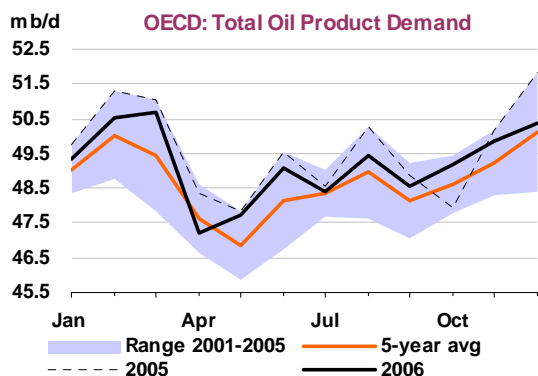
OECD Demand based on Adjusted Preliminary Submissions - December 2006

(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America	10.84	0.5	1.91	-6.6	3.66	6.3	1.49	-20.7	1.04	-37.8	6.56	3.51	25.49	-2.5
USA*	9.31	0.1	1.69	-8.3	3.19	6.8	0.96	-28.9	0.51	-50.7	5.15	3.1	20.80	-3.2
Canada	0.71	2.3	0.12	5.7	0.17	6.8	0.39	0.1	0.21	6.7	0.70	15.8	2.30	6.6
Mexico	0.76	4.0	0.07	20.3	0.26	1.2	0.11	1.2	0.25	-34.1	0.66	-3.8	2.10	-4.9
OECD Europe	2.56	-0.3	1.27	1.3	3.90	4.3	2.23	-14.4	1.83	-5.9	3.56	-3.3	15.34	-2.8
Germany	0.54	7.0	0.17	7.8	0.61	13.5	0.41	-18.3	0.19	-0.8	0.59	-0.4	2.51	1.0
UK	0.44	-4.6	0.39	-3.4	0.40	3.8	0.15	-6.3	0.09	5.7	0.37	-1.3	1.84	-1.6
France	0.22	-4.9	0.15	2.3	0.63	2.0	0.32	-27.0	0.13	-14.4	0.42	-4.2	1.87	-7.7
Italy	0.30	-7.0	0.08	5.0	0.51	-2.0	0.16	-20.0	0.26	-20.0	0.36	-7.5	1.68	-8.9
Spain	0.16	-2.6	0.11	1.7	0.48	1.2	0.26	-7.7	0.24	4.4	0.35	-2.1	1.61	-0.9
OECD Pacific	1.71	-0.5	1.45	-15.6	1.29	-0.8	0.67	-15.0	1.06	-8.2	3.39	4.7	9.56	-3.5
Japan	1.13	-1.1	1.05	-17.0	0.66	-3.3	0.51	-18.0	0.53	-15.0	2.06	4.3	5.94	-5.9
Korea	0.17	6.1	0.27	-16.8	0.31	1.8	0.15	-2.6	0.50	0.6	1.11	7.5	2.52	1.5
Australia	0.35	-0.7	0.10	0.5	0.28	2.5	0.00	-42.3	0.02	-6.6	0.19	-6.6	0.94	-1.1
OECD Total	15.10	0.3	4.62	-7.7	8.85	4.3	4.39	-16.7	3.93	-17.6	13.50	1.9	50.39	-2.8

* Fifty States Only

Newly submitted data suggest that warmer-than-normal temperatures reduced total consumption in the OECD by much more than had been anticipated based on normal weather patterns. Our 4Q06 OECD demand estimate has thus been lowered by 370 kb/d. However, with a large miscellaneous-to-balance for the fourth quarter, we are aware that significant shifts could occur when more accurate official submissions are received. As such, OECD demand has been reduced by 97 kb/d to 49.2 mb/d in 2006; for the year as a whole, we foresee regional demand falling by 0.8% on an annual basis. In 2007, consumption should increase by 0.8%, provided that winter temperatures are close to the historical 10-year average.



Total OECD Demand by Product
(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Sep 06	Oct 06	Nov 06*	Latest month vs.	
										Oct 06	Nov 05
LPG & Ethane	4.74	4.63	4.79	5.03	4.44	4.36	4.11	4.31	4.62	0.31	-0.14
Naphtha	3.22	3.18	3.09	3.22	2.94	3.13	3.13	3.28	3.37	0.09	0.24
Motor Gasoline	14.84	14.88	14.76	14.35	14.96	15.27	14.88	14.90	14.79	-0.12	0.07
Jet & Kerosene	4.25	4.18	4.40	4.48	3.99	3.98	3.99	4.04	4.22	0.18	-0.02
Gas/Diesel Oil	13.06	13.20	13.41	13.74	12.64	12.87	13.42	13.75	13.77	0.02	0.15
Residual Fuel Oil	4.44	4.02	4.50	4.64	3.79	3.81	3.69	3.69	3.87	0.18	-0.63
Other Products	5.06	5.09	5.02	4.73	5.23	5.38	5.37	5.21	5.23	0.02	0.00
Total Products	49.61	49.20	49.99	50.19	47.99	48.80	48.58	49.18	49.86	0.68	-0.32

* Latest official OECD submissions (MOS)

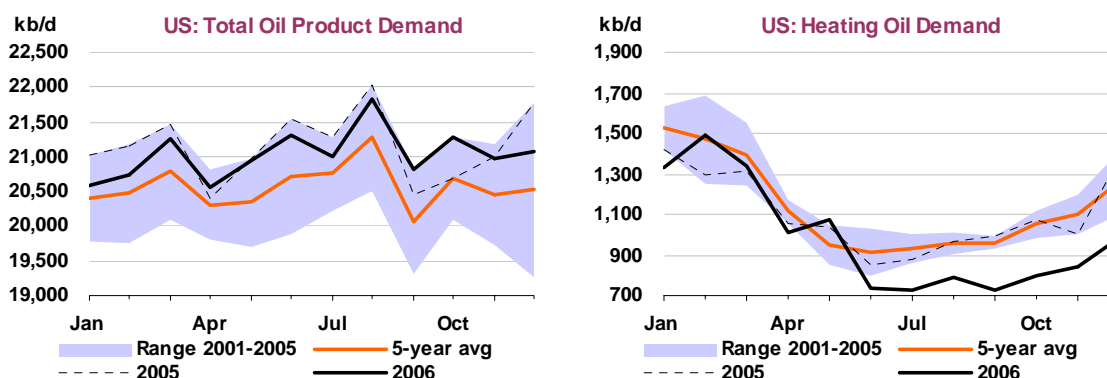
North America

According to preliminary data, December's inland deliveries in the **United States** – a proxy of demand – of all product categories bar naphtha, diesel and 'other products' fell compared with year-ago levels. Overall, total US petroleum deliveries shrank by 3.2% versus December 2005. Revisions, meanwhile, stood at -213 kb/d in 4Q06, due to significant downward corrections to jet/kerosene, diesel and heating oil demand (as a result of a reappraisal of exports figures), which offset upward changes in other categories.

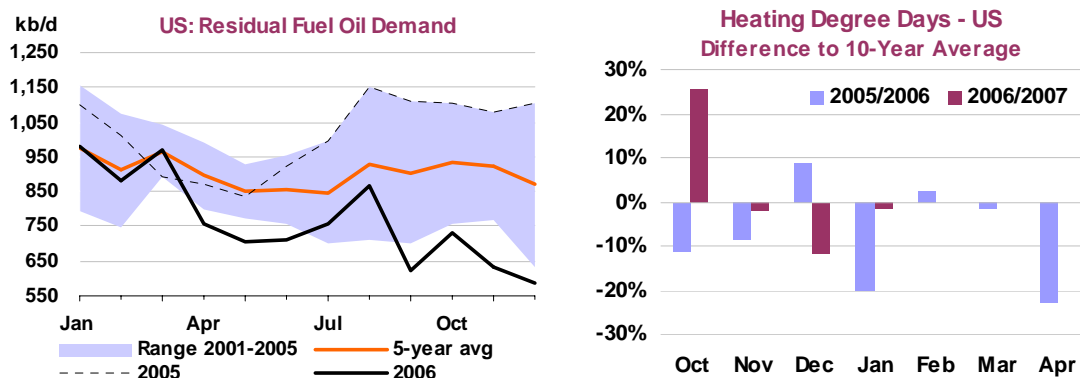
Heating and fuel oil demand in 4Q06 was extraordinarily weak, despite the fact that relatively modest growth had been expected – since demand for both products, and particularly for fuel oil, had been boosted by the 2005 hurricanes, which limited natural gas supplies. Indeed, the number of 'heating-degree days' or HDDs in December was about 12% lower than the 10-year average. The unusually warm weather not only eroded demand for both oil product categories, but it also encouraged further shifts to gas by industrial and utility users by moderating natural gas prices.

In his recent State of the Union address, President Bush announced ambitious goals to promote the use of ethanol and other renewable fuels as gasoline blending components, in order to significantly curb US gasoline consumption and hydrocarbon dependence over the next decade. The idea is to raise the Federal Renewable Fuels Standard (RFS), which mandates the volume of renewable fuels in use, to 35 billion gallons or 2.3 mb/d by 2017, compared with the current target of 7.5 billion gallons

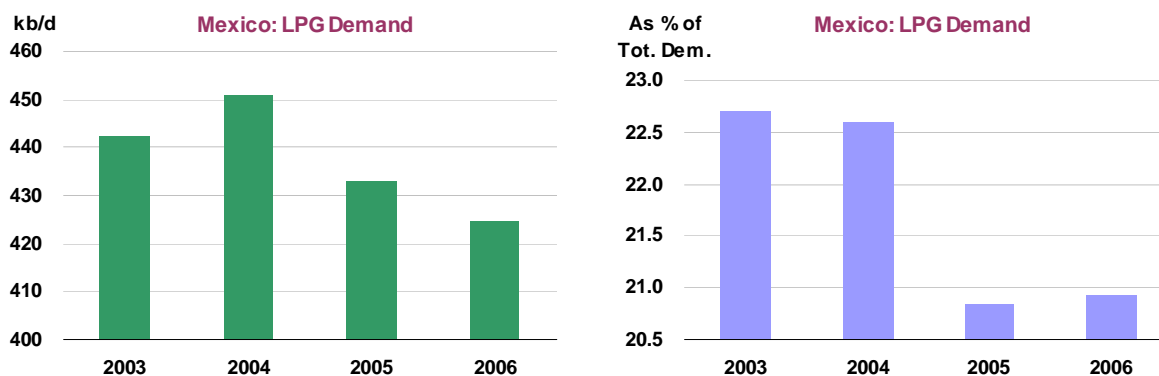
or roughly 490 kb/d by 2012. The plan also assumes that mileage standards (the Corporate Average Fuel Economy or CAFE) will increase by some 4% per year starting in 2010 for cars (2012 for SUVs and light trucks). Overall, the policy would entail a reduction of about 20% of projected gasoline demand by 2017.



However, until concrete policy measures (both in terms of renewables and CAFE) have been established, it is difficult to assess the full impact of these goals. Ethanol is currently blended with only some 3 mb/d (roughly 30%) of all gasoline consumed in the US, and contains around 33% less energy than gasoline on a volumetric basis. At first glance, gasoline demand should be inflated by a similar proportion, but that can be misleading. Indeed, the replacement of MTBE with ethanol in 2006 will have resulted in a net 1.5% loss of energy content per gallon of gasoline, a much lower loss than implied by the ethanol energy content alone. Nevertheless, it is possible that the energy loss will be larger in future, but this will again depend on the precise fuel substitution that takes place.



On 1 January 2007, **Mexico** rolled over price controls on LPG, a policy which has been in place since 2001. Under the scheme, LPG prices will increase every month by 0.3%, starting at roughly \$0.85/kg in January – about +2% for the entire year. Distribution companies complain that this will further erode their profit margins – since inflation is expected to run at some 4-5% in 2007 – but the government is unlikely to change course. Even though LPG demand has been subdued (falling by



1.9% in 2006 versus the previous year), mostly as a result of natural gas penetration, this product is still the fuel of choice for cooking for most Mexican households, particularly in urban areas (it accounts for almost 21% of total oil product demand). Removing price caps would thus be socially and politically sensitive, but would help improve the profitability of a refinery sector that needs to be urgently upgraded.

OECD North America Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Sep 06	Oct 06	Nov 06*	Latest month vs.	
										Oct 06	Nov 05
LPG & Ethane	2.82	2.79	2.83	2.98	2.65	2.66	2.56	2.69	2.84	0.16	0.06
Naphtha	0.46	0.45	0.31	0.37	0.41	0.45	0.51	0.48	0.50	0.02	0.21
Motor Gasoline	10.59	10.73	10.60	10.35	10.80	11.00	10.70	10.80	10.67	-0.13	0.11
Jet & Kerosene	1.97	1.92	1.99	1.87	1.95	1.94	1.94	1.91	1.89	-0.03	-0.09
Gas/Diesel Oil	5.09	5.17	5.15	5.35	5.01	5.06	5.10	5.33	5.27	-0.06	0.19
Residual Fuel Oil	1.56	1.20	1.63	1.43	1.15	1.17	1.03	1.12	1.06	-0.06	-0.57
Other Products	3.02	3.02	3.00	2.78	3.14	3.18	3.16	3.11	3.06	-0.05	-0.06
Total Products	25.52	25.28	25.51	25.12	25.09	25.47	25.02	25.44	25.30	-0.14	-0.14

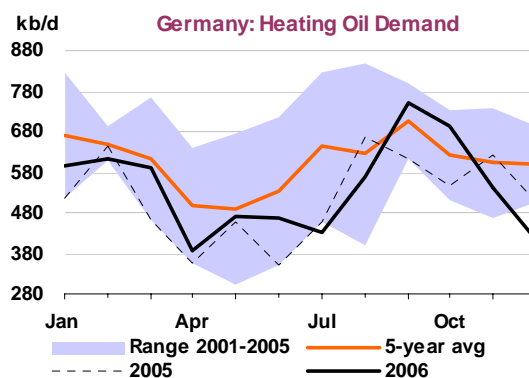
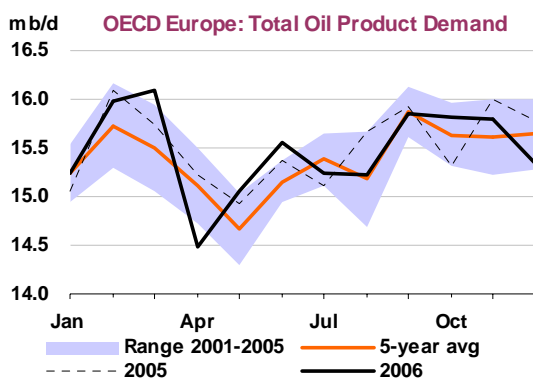
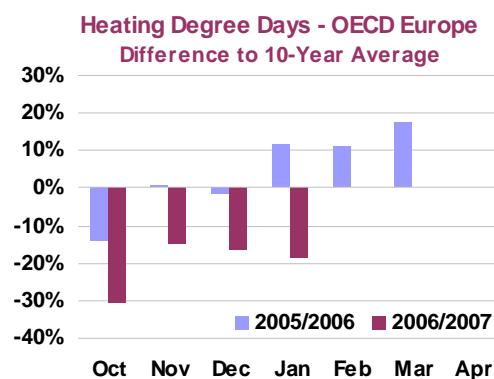
* Latest official OECD submissions (MOS)

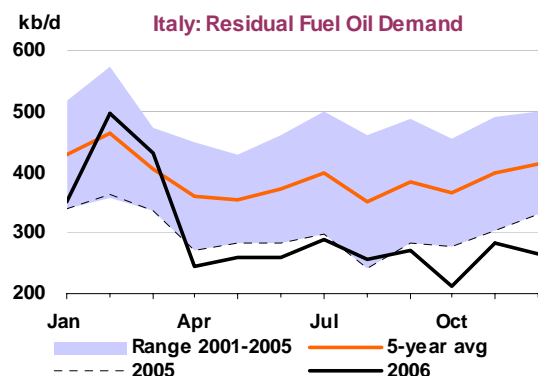
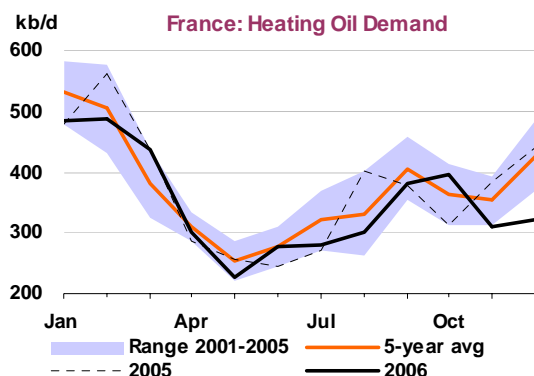
Europe

In December, oil product demand in Europe declined by 2.8% compared with the same month in 2005, dragged down mostly by heating oil (-14.4%). The conditions that prevailed in November continued throughout December: mild temperatures (HDDs were some 16% lower than normal), which depressed heating oil demand; low gas prices in the United Kingdom, which encouraged substitution away from fuel oil for power generation (in most of continental Europe natural gas prices are usually linked to oil prices); and plentiful stocks of heating oil in the continent's main market, Germany. Only jet fuel and diesel recorded relatively strong growth, following the traditional holiday season demand surge across the continent.

By contrast to November, **Germany's** December demand figures were revised only slightly upwards (+42 kb/d), mostly because of a reappraisal of preliminary diesel and heating oil consumption. Moreover, preliminary December data suggest that heating oil deliveries plummeted by 18.3%, with persistent mild weather and consumer stocks still relatively plentiful (with domestic storage tanks filled at around 64% of capacity by the end of the month, four percentage points less than in November and slightly below last year's level). Meanwhile, wholesale product purchases ahead of the January VAT rise – notably of transportation fuels – continued throughout December. Gasoline, jet/kerosene and diesel deliveries jumped by 7.0%, 7.8% and 13.5%, respectively, on an annual basis.

In both **France** and **Italy**, deliveries of heating oil were also quite weak (-27.0% and -20.0%, respectively, compared with December 2005), again because of abnormally warm temperatures. The mild weather also reduced the demand for electricity and hence for fuel oil (-14.4% in France and -20.0% in Italy). In Italy, in particular, relatively cheap natural gas also helped maintain the momentum for fuel substitution observed in the past few months.



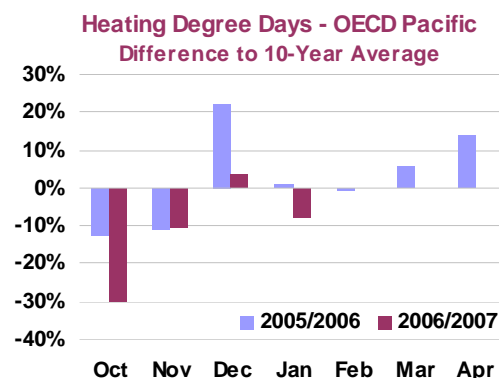


It should be noted that fuel oil consumption in Italy – which is much more dependent than France on thermal power generation – would have fallen even more had it not been for reduced hydro-power generation as a result of lower-than-normal rainfall.

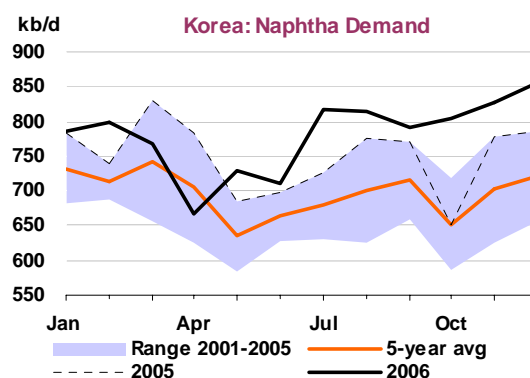
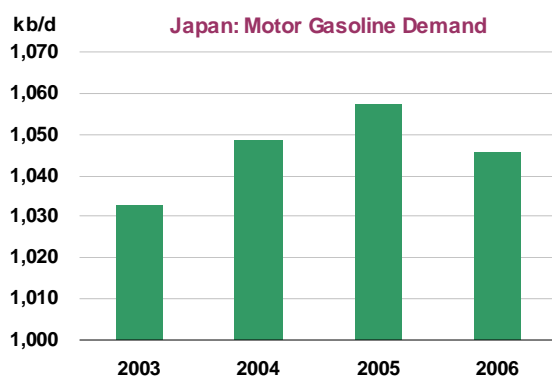
Pacific

According to December's preliminary data, oil product demand in **Japan** continued its decline (-5.9% compared with December 2005). This was primarily because of weak inland deliveries of gasoline and kerosene, despite temperatures more in line with normal winter conditions (HDDs in the Pacific were about 4% higher than the 10-year average) and only modest rise in residual fuel oil resulting from increased consumption by oil-fired power plants. However, as this report has previously argued, structural forces – such as adoption of mini-vehicles and hybrid cars as a result of high oil prices, the switch to electricity and natural gas (from LNG trains) for heating, and more generally conservation and efficiency efforts – are behind Japan's falling oil product demand. Indeed, in 2006 gasoline consumption declined for the first time since the 1974 oil shock (by 1.1% versus 2005); on an annual basis, total oil product demand shrank by 2.5% last year.

Nevertheless, Japanese oil demand could rebound again if the country sees a repeat of nuclear power generation stoppages, as in 2003-2004. There have been some indications that this may be already occurring, but its effects remain to be evaluated.



Naphtha demand in **Korea** continued to grow strongly in December (+8.8% compared with the same period of the previous year). Combined with sustained growth in transportation fuels, notably gasoline, it contributed to raise the country's total oil product demand by 1.5% on a yearly basis. Naphtha is expected to remain the driving force behind the country's oil product consumption growth as major petrochemical companies – notably Yeochun Naphtha Cracking Center (Korea's largest ethylene maker), Lotte Daesan Petrochemical, Samsung Total Petrochemicals and LG Chem – collectively increase production capacity by some 1.1 million tonnes per year. As such, in 2007 naphtha demand should grow by 3.2% on an annual basis after an estimated 4.0% rate in 2006.



OECD Pacific Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Sep 06	Oct 06	Nov 06*	Latest month vs.	
										Oct 06	Nov 05
LPG & Ethane	0.89	0.89	0.88	0.92	0.84	0.87	0.81	0.79	0.91	0.12	0.01
Naphtha	1.58	1.62	1.58	1.65	1.48	1.60	1.55	1.68	1.73	0.05	0.10
Motor Gasoline	1.61	1.59	1.61	1.57	1.56	1.63	1.56	1.56	1.57	0.02	-0.03
Jet & Kerosene	1.04	0.98	1.19	1.42	0.75	0.67	0.67	0.79	1.06	0.27	-0.01
Gas/Diesel Oil	1.87	1.82	1.91	1.92	1.79	1.69	1.70	1.77	1.91	0.15	-0.02
Residual Fuel Oil	1.05	1.00	1.07	1.16	0.95	0.91	0.93	0.87	1.02	0.16	-0.04
Other Products	0.55	0.55	0.55	0.67	0.50	0.52	0.49	0.47	0.56	0.09	0.00
Total Products	8.59	8.45	8.79	9.30	7.87	7.90	7.71	7.92	8.76	0.84	0.02

* Latest official OECD submissions (MOS)

Non-OECD

China

As flagged in the *Oil Market Report* dated 18 January 2007, China's demand figures since 2005 have been revised. Overall, these revisions – some of which were published in early February's update to our *Medium-Term Oil Market Report* – have increased our estimates of China's apparent demand in 2005 (+90 kb/d), 2006 (+147 kb/d) and 2007 (+206 kb/d). The respective annual growth rates now stand at +4.2%, +6.4% and +6.1%. But, as we have cautioned in the past, we may further adjust our series if we obtain better information regarding those areas where uncertainty still prevails, such as smuggling, direct crude burning, or crude and oil product stock building.

Solving the Demand Riddle: China's Refining Sector

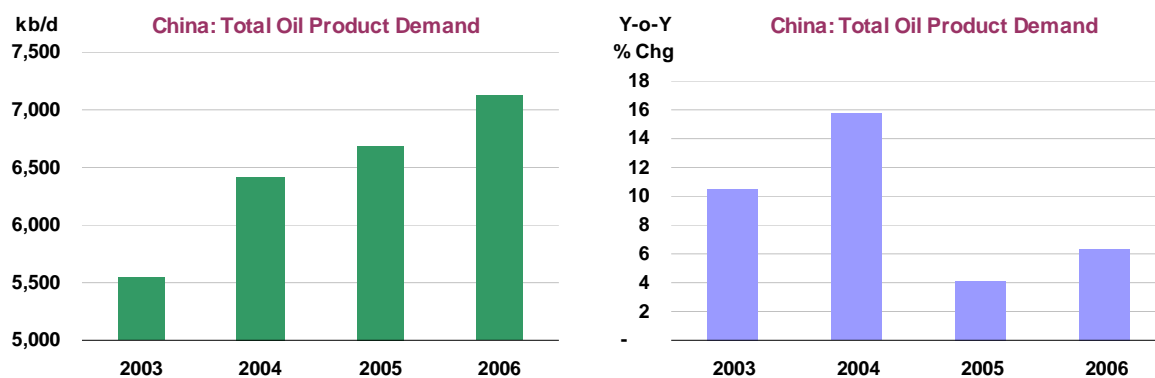
Our revision of China's demand figures since 2005 was prompted by a reappraisal of the preliminary 2005 baseline in light of newly submitted annual data and by more detailed throughput data by type of refinery. Greater disaggregation of refinery runs and product output has allowed us to fine-tune our estimates of apparent demand – defined as refinery output plus net oil product imports, adjusted for fuel oil and direct crude burning, smuggling and stock changes – as well as our forecast for 2007.

It is important to note that we attempt to track demand on a product-by-product basis, as opposed to calculating an aggregate demand figure based on crude production and net imports of crude and products. This latter methodology has some benefits, but with the onset of strategic stock building and a growing economy, it tends to overstate demand (sometimes significantly) since it counts crude stocks as actual consumption. Our product-led approach is far from perfect and necessitates a good understanding of China's refining sector, but ultimately reveals more about total and disaggregated demand trends, which can be hidden in a crude-led assessment.

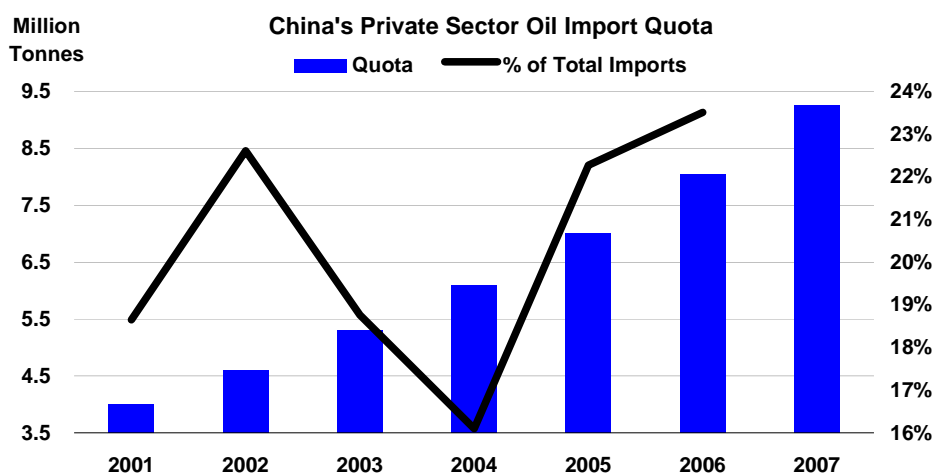
Chinese refineries can be classified into three main categories: a) those belonging to Sinopec and CNPC, which account for almost 90% of total capacity (the "Big Two"), b) state-owned "independents" (relatively large refineries owned by local governments or joint ventures with international oil companies), and c) "teapots" (small and unsophisticated units usually close to supply sources, either domestic production or imports).

Our data suggest that independent and teapot output grew relatively rapidly in 2H06, due both to higher capacity (from independents) and a more benign price environment (for teapots). In particular, teapots (which tend to use fuel oil as refinery feedstock to produce mostly off-spec gasoil, residual fuel oil and bitumen) were encouraged to increase their runs as the price of imported fuel oil fell relative to domestic gasoil prices (which remained virtually unchanged over that period). However, if late January's rebound in international oil prices continues, teapot runs could be once again curtailed.

In December, net crude imports fell to 2.5 mb/d, roughly 700 kb/d below November's surge. With refinery runs flat on a month-on-month basis, this suggests that China probably slowed down somewhat its crude stock building. Still, as we noted in our previous report, given the lack of a clear definition of stock ownership and control and non-availability of stock data, the potential use of the country's strategic petroleum reserve is subject to debate. Recent estimates put stocks at the Zhenhai base at 25 million barrels by end-January, but other reports suggest they could be much higher.



In early January, China's Ministry of Commerce issued the 2007 oil product import quota for private companies. The quota, which applies to gasoline, jet fuel, diesel, naphtha, fuel oil and low-sulphur waxy residue, will be 15% higher than last year, with roughly three-quarters allocated to state-owned companies.



A limited reform of the oil product pricing regime was announced at the end of January, after an inter-ministry meeting held by the National Development and Reform Commission (NDRC). The new regime follows the lines we discussed in our last report, namely linking retail fuel prices to the cost of a basket of crudes (Brent, Dubai and Minas) and including an (as yet) unspecified margin, intended to temper refiners' losses (the so-called 'crude cost plus margin formula'). The new policy was confirmed by the NDRC's General Secretary, Han Yongwen. Ultimately, this is a partial move towards deregulation, and could be sustained for some time if combined with trade restrictions, but it will still mean that the refining sector will not receive the same market signals as other Asian refiners. Its effectiveness will once again depend upon the frequency of price changes, and in a rising price environment would encourage refiners to keep crude stocks to a minimum and hold back product stocks ahead of a pending price change.

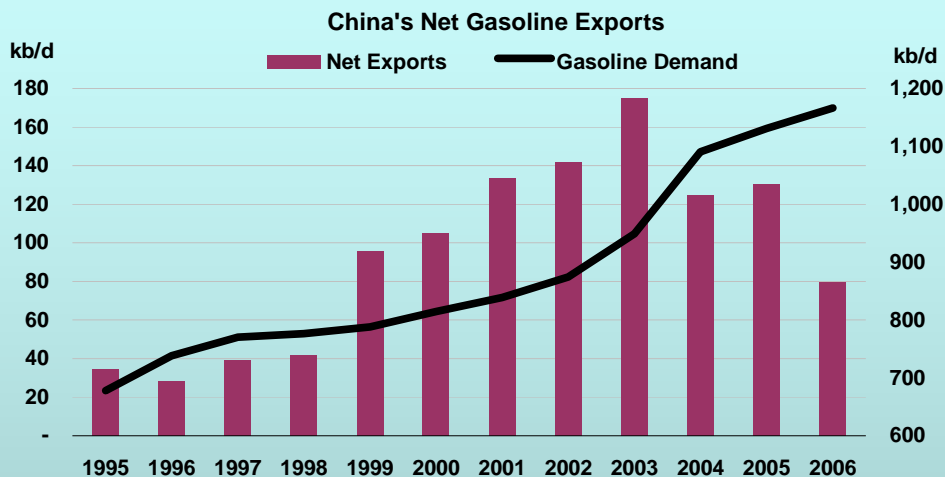
China Demand by Product

(thousand barrels per day)

	Demand			Annual Change		Annual Change (%)	
	2005	2006	2007	2006	2007	2006	2007
LPG & Ethane	649	635	643	-15	8	-2.2	1.3
Naphtha	707	823	907	116	84	16.4	10.3
Motor Gasoline	1131	1166	1225	35	59	3.1	5.1
Jet & Kerosene	246	280	299	34	19	13.8	6.8
Gas/Diesel Oil	2239	2315	2458	76	144	3.4	6.2
Residual Fuel Oil	778	594	569	-184	-25	-23.6	-4.2
Other Products	943	1310	1457	367	147	38.9	11.2
Total Products	6693	7123	7559	430	436	6.4	6.1

Towards Chinese Gasoline Imports?

Over the past few weeks, following the release of Chinese oil product trade data, many analysts are wondering whether China will cease to be a gasoline exporter in the medium-term. Indeed, China's net exports of gasoline shrank by almost 39% in 2006 to 80 kb/d, the largest fall in percentage terms since the 2003 peak (imports are currently negligible, representing less than 2% of exports). As such, the country is no longer Asia's largest gasoline exporter (it has been already overtaken by Taiwan, and could also be surpassed by India, possibly this year).



Most observers attribute this fall to China's voracious appetite for gasoline, estimated at almost 1.2 mb/d in 2006. Vehicle sales rose by 25% to a record of 7.2 million units in 2006, and are expected to increase at a similar rate this year. Undoubtedly, China's expanding fleet is a key factor behind gasoline's export weakness, which has clearly coincided with the acceleration of gasoline demand observed in 2004. However, refining decisions have also played an important role, as Chinese refiners maximize or minimize the production of certain products depending on demand, prices and government pressures. For example, in 2006 the government sought to avoid a repeat of the previous year's diesel shortages and prompted local refiners to boost diesel production over jet fuel output, even though the latter was more lucrative (since it could be exported at international prices). Also in 2006, refiners prioritised naphtha over gasoline production, given the sharp increase in the country's petrochemical capacity.

Therefore, to conclude that China will inexorably become a net gasoline importer may be premature. In addition to refining shifts, a variety of policy measures could help nurture efficiency gains and hence tame the relentless rise in domestic demand. Taxes on big cars are relatively high, presumably aimed at encouraging the expanding Chinese middle class to purchase more fuel-efficient vehicles. In the same vein, the government may reform its pricing mechanism to better account for supply costs and environmental externalities. Moreover, two organizations (the National Clean Vehicle Co-ordination Leading Group Office and the China Automotive Technology and Research Centre) are expected to launch a programme to research and promote the use of CNG as a vehicle fuel in order to address the soaring traffic jams and air pollution. Currently there are only about 300,000 gas-powered vehicles in China, including those burning LPG and CNG. Finally, cultural patterns may also play a role. For example, the Chinese are more likely to fly or take the train when travelling to the country's heartland.

In December 2006, for example, domestic ex-refinery prices for gasoline and diesel stood at about Rmb 5,200 and Rmb 4,570 per tonne, respectively, compared with Singapore's Rmb 5,509 and Rmb 5,352 – a price gap of Rmb 309 (6% higher than the domestic price) and Rmb 782 (17%). It remains to be seen whether the average gap between domestic and international prices narrowed in January, given the rebound in international crude prices and the government's retail price cut. If so, retail margins, particularly of gasoline, may have improved over the past month.

China Crude & Product Trade

(thousand barrels per day)

	2005	2006	1Q2006	2Q2006	3Q2006	4Q2006	Oct 06	Nov 06	Dec 06	Latest month vs. Nov 06 Dec 05	
Net Imports/(Exports) of:											
Crude Oil	2386.8	2786.8	2878.3	2820.5	2756.6	2694.1	2362.6	3219.7	2516.8	-702.9	164.7
Products & Feedstocks	479.4	607.2	511.7	765.3	707.3	444.3	513.7	417.6	400.7	-16.8	-200.9
Gasoil/Diesel	-19.2	-1.4	-9.7	-13.9	-6.5	24.0	6.1	29.0	37.1	8.1	48.9
Gasoline	-130.4	-79.7	-107.2	-56.4	-63.4	-92.3	-85.9	-103.4	-88.0	15.4	-22.3
Heavy Fuel Oil	418.3	448.3	406.2	522.3	574.5	290.1	357.5	281.7	230.8	-50.9	-222.9
LPG	194.3	165.5	145.8	227.0	124.6	165.0	134.0	196.2	165.8	-30.4	-5.0
Naphtha	-34.9	-22.8	-15.4	-36.1	-30.6	-9.0	9.4	-33.1	-4.0	29.1	-27.7
Jet & Kerosene	10.9	38.5	43.2	32.9	43.3	34.7	75.8	27.9	0.4	-27.5	-23.6
Other	40.3	58.8	48.8	89.5	65.3	31.7	16.9	19.2	58.6	39.4	51.8
Total	2866.2	3394.0	3390.0	3585.8	3463.9	3138.4	2876.3	3637.3	2917.6	-719.7	-36.2

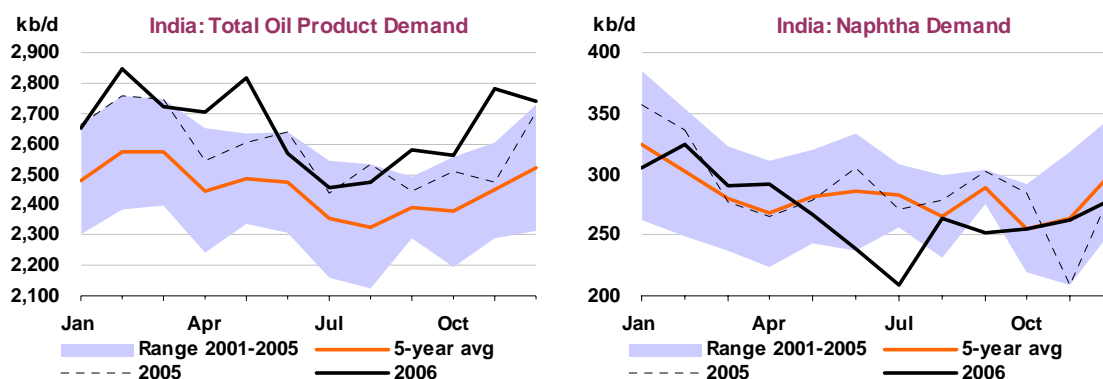
Sources: China Oil, Gas and Petrochemicals plus IEA estimates.

Other Non-OECD

According to preliminary data, **India's** oil product demand rose by a modest 1.4% year-on-year in December, as strong gains in transportation fuel (gasoline sales rose by 6.8%, jet/kerosene by 9.7% and gasoil by 7.8%) were offset by declines in residual fuel (-10.2%) and other products (-9.1%).

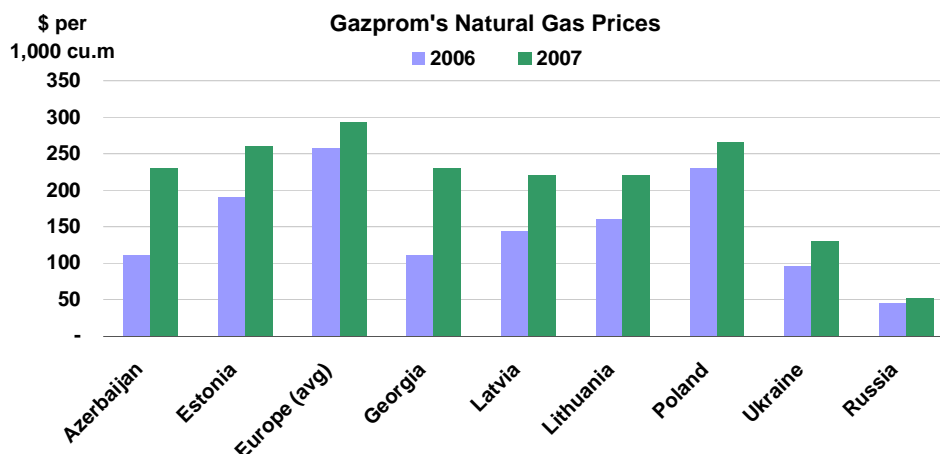
The strength of transportation fuels sales is arguably related to stock building, since retailers kept November's inventories low in anticipation of that month's retail price cut. In addition, a court ruling banning truck overloading came into force in December, resulting in more vehicles on India's roads. Nevertheless, we estimate that India's oil product demand rose by 2.7% in 2006, virtually unchanged versus our last report.

It should be noted that November's naphtha demand growth rate for 2006 has been revised downwards to +25.6%, instead of the preliminary +47.6%. Nevertheless, these figures reflect the insufficient – albeit somewhat unexpected – availability of natural gas in late 2006, which forced petrochemical plants and domestic utilities to use naphtha as a feedstock to respectively produce fertilisers and generate electricity. The scarcity appears to have extended into January, since once of the main sources of LNG imports, Qatar's RasGas 2 plant, declared *force majeure* on deliveries and deferred two cargo loadings contracted by India's Petronet until late in the month. According to reports, industrial customers in western and northern India were severely affected by this shipment delay.



FSU apparent demand – defined as domestic crude production minus net exports of crude and oil products – was revised upwards by 176 kb/d in 4Q06. In general terms, this adjustment – explained by higher-than-expected crude production from Caspian countries, coupled with lower-than-expected net crude exports and flat net oil product exports – almost offsets the one we made last month and highlights the erratic quality of the region's data on oil production and trade. For 2006, this revision translates into a 60 kb/d upward adjustment, bringing the region's annual growth rate to 4.5%.

Following legislation approved last November, **Russia's** domestic natural gas prices for industrial consumers went up by 15% in early January. This was the first step to gradually bring into line domestic and international prices. The stated goal is to double prices by 2011, which implies staged increases of 13-14% over the next two years (a period of crucial electoral activity) and by as much as 25% per year afterwards. Still, domestic prices are well below those of Russia, via state-owned Gazprom, charges to its neighbours. As such, it remains to be seen whether these gradual hikes will

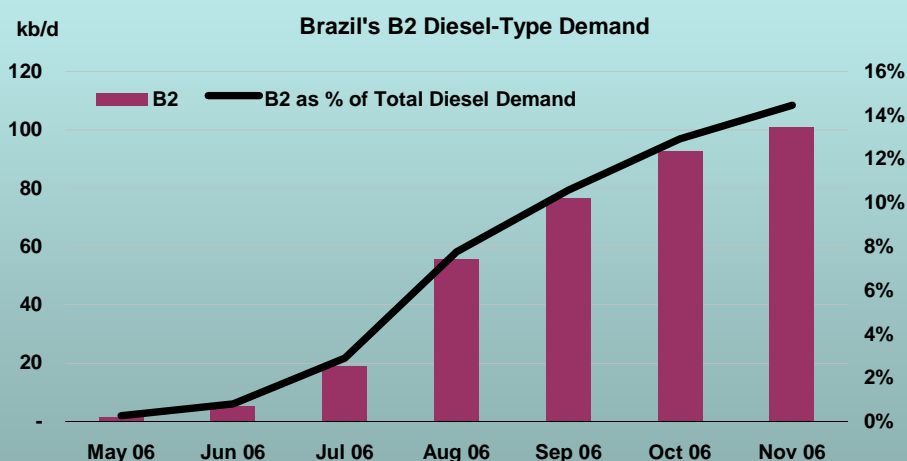


help reduce the inefficient use of natural gas in Russia, and more importantly, whether they will lead to a market-driven, as opposed to mandated, rise in domestic fuel oil consumption in order to free valuable gas volumes for export. The IEA noted in its update to the *Medium-Term Gas Market Review* a pending gap between European demand and Russian supplies, which would have to be met through increased use of other fuels in Europe to offset lower supply, or in Russia to free-up more gas for export.

Brazil's Relentless Biofuels Drive

The drive towards the widespread use of biofuels in Brazil has been boosted by the rapid adoption of B2, composed of 98% conventional diesel and 2% biodiesel. B2 was approved in December 2004 by the country's oil sector regulator the ANP. BR Distribuidora, Petrobras' distribution arm and the largest player in the sector, is already selling B2 in some 3,800 out of the company's 6,000 service stations – compared with only three outlets eight months ago. It has also adapted most of its operating bases and major terminals to receive the new fuel.

As such, B2 now accounts for almost 15% of all diesel sold in Brazil, from virtually none until mid-2006. In practice, though, biodiesel content represents only about 2 kb/d. By the end of the year BR Distribuidora should also be selling B30 and B100 (with 30% and 100%, respectively, of biodiesel content). B100, in particular, will be geared towards electricity generation and waterborne and urban public transportation.

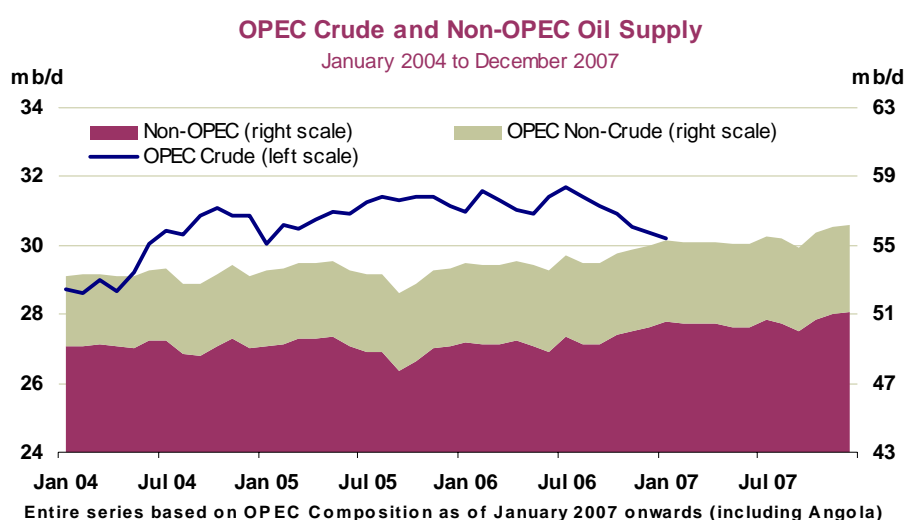


In addition, the government is expected to raise the ethanol content in gasoline to 25% over the next few months, following a previous hike from 20% to 23% last November. The government's move would follow the rapid growth of flex-fuel vehicles (which can run on any combination of sugar-cane ethanol or conventional gasoline). The flex-fuel fleet expanded by almost 1 million units in 2006, and this type of vehicles accounts for approximately 80% of all new sales.

SUPPLY

Summary

- **World oil supply** increased by 175 kb/d in January, reaching 85.5 mb/d. Increments in January centred on the FSU, China and Latin America. Counting Angola within the OPEC category, total OPEC supply (crude and NGLs) fell by 155 kb/d. Estimates for November and December global supply were reduced by 65 kb/d and 120 kb/d respectively, as upward revisions to OPEC crude supply failed to offset weaker-than-expected output from the Americas.
- **Non-OPEC supply** is adjusted down by 70 kb/d for 2007, to 50.5 mb/d (aside from the one-off, 1.7 mb/d adjustment following the reclassification of Angola within OPEC). Growth in 2007 is expected to amount to 1.1 mb/d (2.2%). This follows a non-OPEC increment of 0.6 mb/d (1.2%) in 2006 (0.4 mb/d if Angola is excluded). Downward revisions for 2007 are focussed on North America (largely restricted to 1Q), China, Ecuador and Argentina. FSU supply is revised up by 35 kb/d for 2007, although 1Q output is revised down on scheduled power supply work in Russia.
- **Total OPEC crude supply** reached 30.2 mb/d in January. Some 1.5 mb/d of this represents production from new member Angola, which joined OPEC on 1 January 2007. Including Angola for both months, OPEC crude supply was down by 180 kb/d versus December following lower supply from Iraq, Venezuela, Nigeria, Libya and Kuwait. Spare capacity remained unchanged at around 2.5 mb/d on an effective basis.
- **OPEC-10 (excluding Angola and Iraq) output** fell by 100 kb/d to 27.0 mb/d last month. Although individual production targets have little relevance, collectively OPEC-10 have been working towards a 26.3 mb/d target since November, with a further cut of 500 kb/d scheduled from 1 February. Angola, like Iraq, is currently exempt from production cuts.
- **While further cuts in actual supply from February** have been flagged by Saudi Arabia, Venezuela, Nigeria, the UAE and Algeria amongst others, this next phase moving towards an apparent 25.8 mb/d target could take OPEC supply below the likely range for the 2Q 'call'.
- **The 'call on OPEC crude and stock change'**, adjusted to incorporate Angola within OPEC, now shows modest growth for 2007, averaging 30.6 mb/d compared with 30.3 mb/d last year. The first quarter call stands at 31.0 mb/d, up 0.4 mb/d on last month's equivalent due to weaker non-OPEC supply and stronger demand. 2Q and 3Q07 levels are also revised up by an average 0.5 mb/d, to 29.4 mb/d and 30.7 mb/d respectively, on the strength of higher demand expectations.



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 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. Allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. These aside, no contingency allowance for random events is subtracted from the supply forecast. While upside variations can occur, experience in recent years indicates that the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.

OPEC

OPEC crude supply averaged 30.2 mb/d in January, including 1.5 mb/d from the organisation's newest member Angola, which joined on 1 January after being admitted at the December OPEC meeting in Abuja. A like-for-like comparison for the new OPEC-12 shows supply down by 180 kb/d versus December. Iraq and Nigeria saw supply reduced by a combined 160 kb/d, although more due to renewed disruptions than deliberate production restraint. Meanwhile, Venezuela is assessed to have cut supply by some 60 kb/d and Kuwait and Libya by 10-20 kb/d each. Saudi Arabian supply was unchanged in January at the downward-revised December level of 8.7 mb/d. Increased supplies compared with December came from Angola (40 kb/d), Iran (25 kb/d) and Indonesia (5kb/d).

OPEC Crude Production¹
(million barrels per day)

	1 July 2005 Target ²	1 November 2006 Target ²	January 2007 Production	Sustainable Production Capacity ³	Spare Capacity vs Jan 2007 Production
Algeria	0.89		1.34	1.39	0.05
Indonesia	1.45		0.86	0.95	0.09
Iran	4.11		3.90	3.90	0.00
Kuwait ⁴	2.25		2.46	2.60	0.14
Libya	1.50		1.71	1.75	0.04
Nigeria ⁵	2.31		2.15	2.47	0.32
Qatar	0.73		0.82	0.85	0.04
Saudi Arabia ⁴	9.10		8.70	10.80	2.10
UAE	2.44		2.60	2.70	0.11
Venezuela ⁶	3.22		2.49	2.70	0.21
Subtotal	28.00	26.30	27.02	30.11	3.09
Angola ¹			1.51	1.51	0.00
Iraq			1.65	2.50	0.85
Total			30.18	34.12	3.94
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia</i>					<i>2.47)</i>

1 Angola joins OPEC effective 1 January 2007.

2 Target production levels superseded by decision to cut output by 1.2 mb/d from 1 November 2006 and 0.5 mb/d from 1 February 2007. Implied aggregate production targets around 26.3 mb/d from November and 25.8mb/d from February.

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

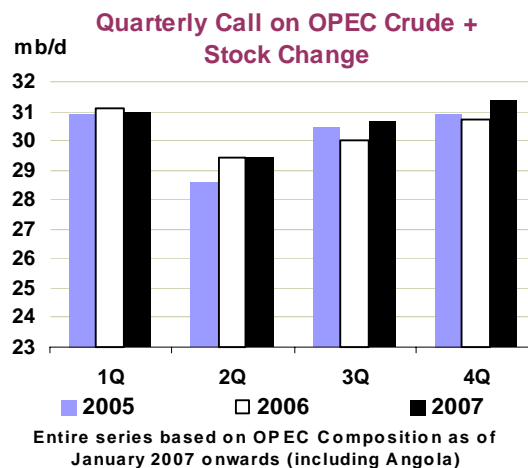
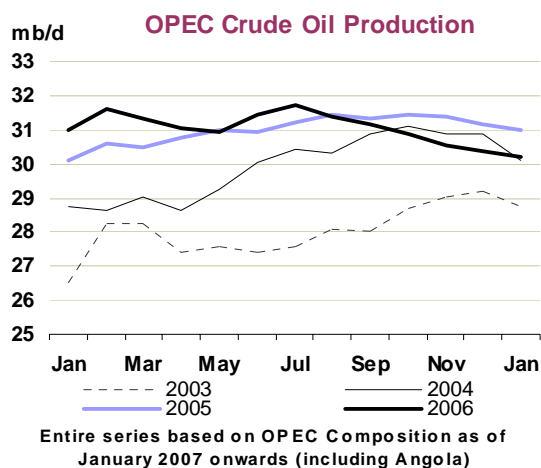
4 Includes half of Neutral Zone Production.

5 Nigeria excludes some 545 kb/d of shut-in capacity.

6 Includes Orinoco extra-heavy oil assumed at 580 kb/d in January.

Progress by the OPEC-10 in reducing supply towards the collective target of 26.3 mb/d appears to have been patchy, as OPEC-10 output stood close to 27.0 mb/d in January. However, further cuts in supply from February have been flagged by Saudi Arabia, Venezuela, Nigeria, the UAE and Algeria amongst others. As we note below, the next phase of cuts to 25.8 mb/d from February may be unnecessary if this report's expectations for a likely range in the 'call on OPEC' are realised.

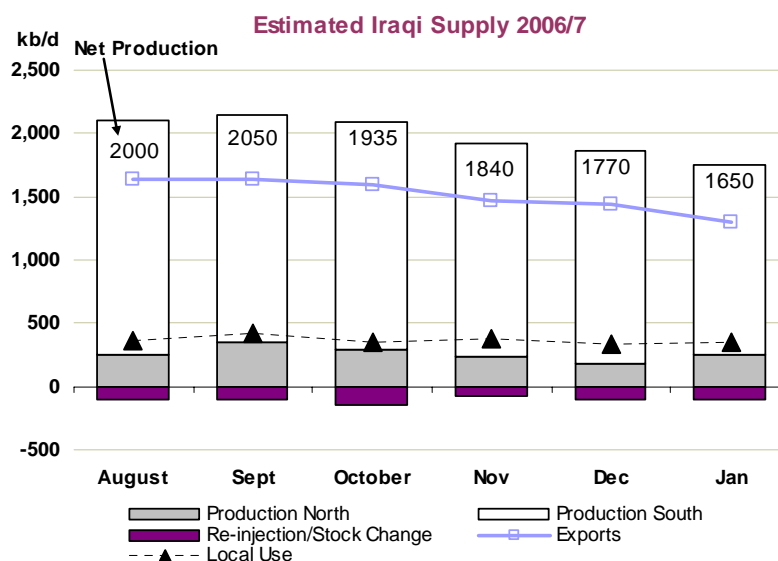
Spare capacity among OPEC members reached 3.9 mb/d in January, albeit 1.5 mb/d of this was located in Iraq, Nigeria, Venezuela and Indonesia where long-standing impediments to raising actual production render this portion of spare capacity inaccessible. The more realistic measure of 'effective' spare capacity is therefore measured at 2.5 mb/d, with Saudi Arabia holding around 2.1 mb/d of the total. Although the margin of effective capacity remains slim in historical terms, it is nonetheless at its highest level since December 2002, as OPEC members ramped up production after the Venezuelan oil workers strike, but before the further narrowing seen in early 2003 due to Nigerian outages and the Iraq war.



Nigerian supply fell further, to 2.15 mb/d in January. We estimate some 620 kb/d of production remained shut-in on an average monthly basis due to security concerns and attacks on flow stations. Estimates of lower supply on a wellhead production basis were backed up both by lower export levels, and the fact that all three Nigerian refineries were out of operation for the bulk of January (although Port Harcourt had resumed operations in early February). State oil company NNPC announced it would cut previously scheduled February export loadings of 2.4 mb/d by 250 kb/d, with expected March levels of 2.5 mb/d to be cut by 300 kb/d. This was reportedly being done in order to meet OPEC commitments to reduce supply. Bearing in mind that Nigeria had pledged cuts totalling less than 150 kb/d for November and February combined, market sources suggested the higher announced cuts merely reflected the intensifying problems the country faces in sustaining production.

The recent February 2007 update to the *Medium-Term Oil Market Report (MTOMR)*, had in fact stripped out long-term shuttered production of some 550 kb/d from capacity projections throughout 2007. This followed not only a perception that the security situation could worsen in the run-up to April Presidential elections, but also specific statements from operator Shell that it was not planning on the basis of this capacity being reinstated before 2008. That said, a modest piece of good news emerged on 7 February when Chevron announced that it had restored some 13 kb/d of Escravos production at the Makaraba flow station. This was part of some 140 kb/d of output closed by community unrest in early 2003, of which some 85 kb/d has now been restored.

Iraqi crude supply (net of field reinjection and deliveries into storage) fell by 120 kb/d in January to 1.65 mb/d. Exports fell to their lowest level since January 2006 at 1.3 mb/d, while domestic crude use in refineries and for power generation remained constrained at 355 kb/d. A more significant increase in crude runs failed to materialise, as utilisation rates at the 300 kb/d Baiji refinery remained low in light of recent power outages, sabotage and threats against workers.



Abuja: A Cut Too Far?

OPEC risks over-compensating in its attempts to rebalance fundamentals and to support prices above what, increasingly, looks like a preferred floor of \$50-\$55/bbl. The Doha meeting's reduction in OPEC-10 target to 26.3 mb/d from November was augmented by an agreement to curb supply by (apparently) a further 500 kb/d from February. But any concerns within OPEC over compliance with the latest target may prove unfounded. Upward demand revisions, a now-weaker non-OPEC growth trend and declining Iraqi production all point to markedly tighter global balances. The OMR now sees a 2007 'call on OPEC crude and stock change' oscillating in a 29.4-31.4 mb/d range, averaging 30.6 mb/d for the year overall.

Theoretical 'Call ' on OPEC-10 Crude for 2007

(thousand barrels per day)

		2007			
		1Q	2Q	3Q	4Q
1	Call on OPEC Crude + Stock Change	31.0	29.4	30.7	31.4
2	Angola (pre-OPEC OMR forecast)	1.5	1.6	1.8	1.9
3	Iraq (average six months Aug 06-Jan 07)	1.9	1.9	1.9	1.9
4	Iraq (January production)	1.7	1.7	1.7	1.7
5	Misc to balance & non-OPEC downside risk	1.0	1.0	1.0	1.0
1-2-3	Implied "Minimum" Call on OPEC-10	27.6	25.9	27.0	27.6
1-2-4-5	Implied "Maximum" Call on OPEC-10	28.8	27.1	28.2	28.8
	Apparent target from 1 February 2007	25.8			
	January OPEC-10 Crude Production	27.0			

The actual production level that OPEC-10 decide upon relative to the latest target will partly depend on supply from OPEC's two 'freelance' members. This report's Angolan forecast, made before OPEC membership came into effect, saw output rising from 1.5 mb/d currently to 1.9 mb/d by the end of the year. Progressive increments from the deepwater Dalia, BBLT and Greater Plutonia fields account for the increase. Angola for now remains outside any OPEC agreements to curb production. Iraq meanwhile has struggled in recent months to sustain 2.0 mb/d, let alone nameplate capacity of 2.5 mb/d. Sources within Iraq suggest that wellhead capacity could indeed regain the higher level, but that severely disrupted access to export capacity and local refineries will constrain Iraqi supply for some time to come. We therefore present two Iraqi supply scenarios – the recent six-month average of 1.9 mb/d, or more pessimistically, a continuation of the 1.7 mb/d seen in January, amid more serious export and refining disruptions.

Acknowledging the raft of uncertainties that underpin this outline, OPEC-10 may already be producing below the habitual seasonal product demand 'low' of the second quarter. Including non-OPEC forecast risks (350 kb/d) and the OMR miscellaneous-to-balance (600 kb/d), the underlying 'call' for OPEC-10 in 2Q could be as high as 27 mb/d, or as low as 26 mb/d. January OPEC-10 production had already fallen to 27.0 mb/d. Bearing in mind the tendency for OECD refiner crude demand to move higher in 2Q, unlike product demand, attempts to move towards the more stringent 25.8 mb/d target could significantly erode stocks ahead of peak summer demand, markedly tightening market sentiment. Of course, it may turn out that the Abuja pledge was more an expedient move to prop up prices than a statement of actual production intent. Either way, our balances also suggest that the tricky task for OPEC of reaching agreement on a production ceiling for Angola can probably be left aside for now.

A January export schedule of 1.46 mb/d had always appeared ambitious, given that the delayed installation of metering equipment at Basrah was due to disrupt loadings for several days around mid-month. However, weather-related loading delays further crimped southern exports via the Gulf. In the event, shipments from Basrah and Khor al-Amaya are thought to have slid to 1.2 mb/d from 1.4 mb/d in December. However, some 3 mb of Kirkuk crude was lifted from Ceyhan in Turkey between 25 and 31 January by Cepsa, ERG and Total. This added 97 kb/d to the January export total, alongside 13 kb/d of cross-border shipments into Syria. It was unclear at the time of writing whether northbound pipeline shipments from Kirkuk to Ceyhan had recommenced after further sabotage, but no further liftings from Ceyhan are imminent as stocks are believed to be only around 1 mb.

The **Saudi Arabian** crude supply estimate for December was revised down by 100 kb/d to 8.7 mb/d in light of updated tanker data and reported production levels. January supply is assessed unchanged, although Aramco has signalled to Asian term buyers that exports will be curbed by between 10-13% in February compared with 8-9% in January. Moreover, steep price increases for March exports suggest supply remaining constrained next month.

Estimates for **Iranian** supply in December have been revised up from 3.75 mb/d to 3.88 mb/d on the basis of more detailed tanker sailings data. Output is thought to have remained close to 3.9 mb/d in January. However, evidence of rising supplies may not translate into volumes immediately available to the market. There have been reports that NIOC has been storing heavy, sour crude again offshore in the vicinity of Kharg island, with most recent estimates suggesting around 14 mb on seven VLCCs. It would appear therefore that Iranian moves to comply with supply cuts totalling some 250 kb/d for November and February have been focused on building floating storage rather than cutting loadings and wellhead production.

Announcing modified terms for buyback contracts under which cooperation with foreign upstream companies will be governed, NIOC signalled that production sharing remains off the agenda. Foreign companies, while in favour of the extended duration of the new deals, and more flexible capital expenditure ceilings, saw little to suggest the new technical service contracts were a fundamental departure from the old model. Foreign companies are still obliged to relinquish operatorship to NIOC for the production phase, but they may be retained in an advisory capacity. The absence of economically attractive upstream terms is seen by many as a barrier to Iran attaining its medium-term plans to expand liquids production capacity in excess of 5 mb/d.

Recent reports suggest that **Venezuela** is now curbing output in response to the cuts agreed in Doha. Conversely, it appears that output, after falling initially in November due to maintenance at a heavy crude upgrader unit, may have rebounded in December. Our Venezuelan supply estimate for December is therefore revised up from 2.5 mb/d to 2.55 mb/d. Mid January saw widespread reports that operators of the country's four Orinoco joint ventures, based on 630 kb/d of heavy Orinoco crude production, were curbing supply, with the Cerro Negro operators announcing force majeure on exports. The Energy Ministry allocated some 106 kb/d of a pledged 138 kb/d cut due from last November to the four Orinoco projects, suggesting the remaining 32 kb/d might come in part from PDVSA's heavy Boscan crude. By implication, the cuts were not fully in place in mid-January although the Minister said they would be by the end of January. Overall January supply is estimated at 2.49 mb/d. It is uncertain how a further 57 kb/d cut due in February is to be allocated.

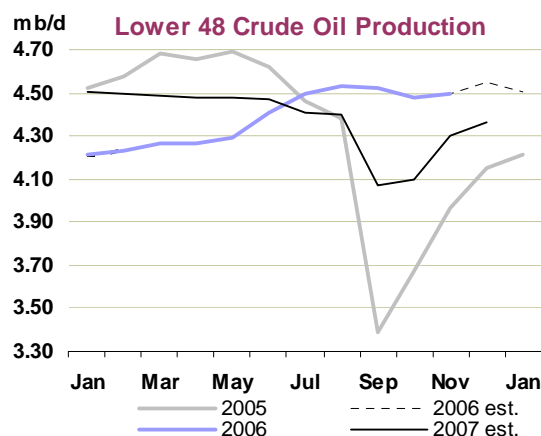
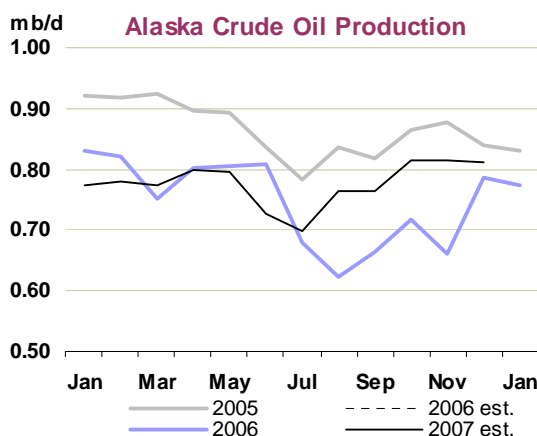
Progress toward the widespread renationalisation of Venezuelan energy assets gathered pace in January and early February. President Hugo Chavez said that state PDVSA would assume a minimum 60% stake in the four heavy oil projects by 1 May 2007, bypassing earlier attempts at a negotiated transfer of ownership. PDVSA stakes currently amount to around 40% on average. This came just after the Venezuelan Congress granted the president powers to rule by decree. The moves are widely seen as threatening existing plans to expand capacity at the four units. PDVSA had previously increased royalty and income tax rates for foreign operators and switched service contracts governing a further 500 kb/d of crude production to mixed companies with majority state control.

OECD

North America

US – Alaska January actual, others estimated: Aggregate monthly data for November, and weekly indications for December and January, drag down the US supply baseline. Total January liquids supply is estimated at 7.6 mb/d, of which 5.3 mb/d is crude oil. Total US supply is now expected to grow by 115 kb/d in 2007 to 7.5 mb/d, after only modest 2006 recovery of 60 kb/d following 2005's extensive hurricane outages. However, the bulk of this year's growth is expected to come from NGL and ethanol rather than crude oil.

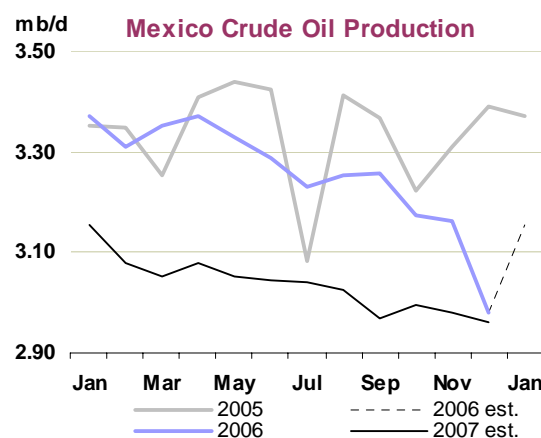
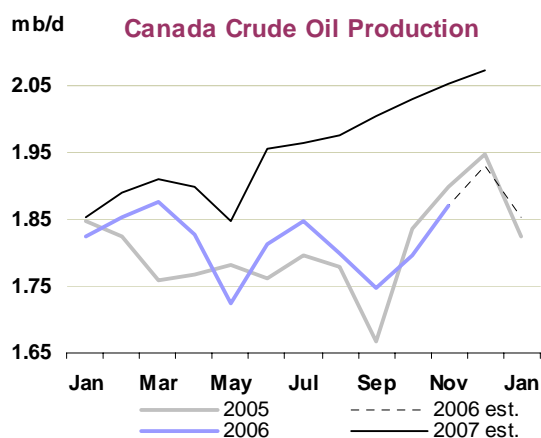
With Californian and Alaskan production remaining largely unchanged for November, downward adjustments from aggregate supply data centre on the Gulf of Mexico (GOM) and other lower-48 states. Alaskan January supply also lagged expectations at 774 kb/d of crude, as a lack of storage at the southern port of Valdez backed up North Slope production. First quarter Alaskan production has been revised down by 45 kb/d due to these January delays and expectations that further disruption will result from work by BP on replacing feeder pipelines affected by last year's leaks.



US crude oil prospects for 2007 remain undermined by the sluggish picture anticipated for both the GOM and Alaska. GOM supply is now expected to grow by only some 30 kb/d in 2007, to 1.42 mb/d. This follows news that BP has again deferred likely start up of its 200 kb/d Atlantis project to late 2007 from mid-year. Next year's key increment, Thunder Horse, has also been pushed back to late-year start-up. Aside from the ongoing risk of project slippage, the key driver of GOM output in 2007 may again prove to be the level of hurricane-related outages. This report assumes around 190 kb/d of production offline in the second half of 2007, consistent with the observed five-year average. Deviations from our forecast will depend on whether the 2007 Atlantic storm season more closely resembles 2005 (580 kb/d of lost 3Q and 4Q output) or 2006 (zero outages).

Canada – November actual: Sharply lower expectations for Canadian supply in the first half of 2007 are in part balanced by a 100 kb/d upward revision for the third quarter. This results in a downward adjustment for 2007 as a whole of 20 kb/d. Total oil production rises from 3.2 mb/d in 2006 to 3.35 mb/d in 2007, with growth concentrated on Albertan bitumen supply and offshore east coast production. Synthetic crude output growth levels off temporarily in 2007, with only the recent Syncrude Canada Ltd. expansion to 350 kb/d capacity providing scope for year-on-year increment. All three Albertan synthetic crude units have been subject to prolonged and unscheduled outages in the past two years, although a repeat of this trend is not included in the forecast.

A diluent unit fire at the Suncor heavy oil upgrading plant in Alberta cuts January and February supply by some 50 kb/d below capacity. Meanwhile, planned maintenance at the plant is now scheduled for 2Q rather than a previously-assumed 3Q. Power generator problems and a plan to bring forward September maintenance to February/March cut expected first quarter supply at the Hibernia field offshore Newfoundland, to around 100 kb/d, from a prevailing 190 kb/d. Both incidents combined, however, lead to a corresponding increase of around 100 kb/d in September production compared with last month's forecast. We have also increased supply from the offshore White Rose field on news that a seventh well due onstream at mid-year will raise capacity above 135 kb/d.



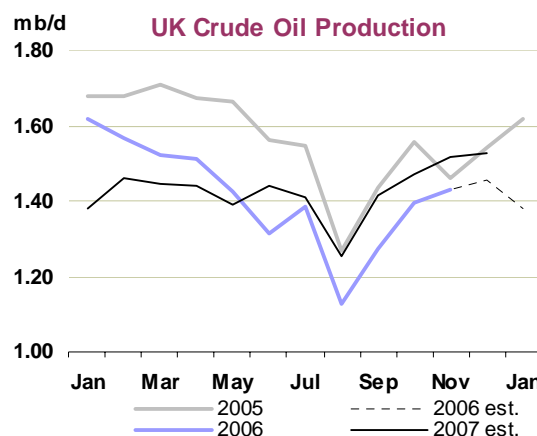
Mexico – December actual: Evidence continued to emerge in January supporting a weakening Mexican supply profile in 2007. Pemex said it expected baseload Cantarell field production to drop by some 15% in 2007, close to this report's estimate. Total December Mexican production came in

almost 200 kb/d below expectation at 2.98 mb/d of crude and 0.41 mb/d of NGL. However, this was due in part to a computer outage at a gas lift plant at Cantarell, and January output is reported to have rebounded. Nonetheless, the lower 4Q06 baseline lowers 2007 production by 20 kb/d to 3.48 mb/d (of which 3.04 mb/d is crude oil), some 200 kb/d less than in 2006. Both the new Pemex management team and the new government have ruled out any change in the country's constitution which would allow foreign companies access to the upstream sector on a production share basis.

North Sea

UK – November actual: Despite a number of downward field revisions (Alba, Clair) and deferrals (both Brodgar/Callanish and Brenda/Nicol are pushed back from late 2006 start-up to spring 2007), UK supply is revised up by 20 kb/d for 2007. Baseline field by field data suggest higher output from the Forties and West of Shetlands systems, and these are extended through the forecast. Offshore crude supply is seen levelling off temporarily in 2007 at 1.43 mb/d, after declining consistently so far this decade.

The 200 kb/d Buzzard field within the Forties system is instrumental in flattening off the UK production profile. Having entered service in the first week of January, production levels have fluctuated since then during facility testing. Field operator Nexen sees production capacity of 200 kb/d being attained by mid-year. We have, for now, retained a more conservative forecast that sees plateau output for Buzzard being attained in 4Q, although this is subject to revision if Nexen's ramp-up target is met. Forties pipeline operator BP envisages Buzzard lowering the blend's API by 2.9° in 2007, and by 3.5° in 2010 from a current level of 44.6° API.



Former Soviet Union (FSU)

Russia – December actual, January provisional: December Russian liquids production data showed little change from last month's provisional indications, with supply coming in at 9.84 mb/d, some 2% above December 2005. Although Gazprom output came in slightly lower-than-expected, smaller producers performed slightly ahead of preliminary indications. There were also signs of a long-expected, but belated surge in supply from the Exxon-operated Sakhalin 1 project in Russia's far east, where output reached 160 kb/d, up from 97 kb/d in November.

January's Sakhalin 1 production seems to have reached some 200 kb/d, with further increases towards 250 kb/d expected in months to come. All in all, January provisional data suggest a further rise in Russian supply to 9.89 mb/d, 400 kb/d higher than last year when low temperatures curbed supply. First quarter estimates for Rosneft and Surgutneftegaz have been cut after news that production will be curbed while repairs to power lines are made in the Surgut region. However, this reduction is offset for 2007 as a whole by higher than expected baseline output from Lukoil and Tatneft which is carried through the forecast. Annual growth of 2.2% in 2006 is expected to be replicated in 2007. Some 73% of an expected 225 kb/d increment in 2007 Russian supply is expected to come from Sakhalin 1, highlighting the increasing concentration of growth compared with more broad-based expansion seen early in the decade. However, the forecast also assumes a modest increase in supply from Lukoil and a levelling off in the recent decline from Yukos assets.

However, concerns remain over the prospects for continued upstream investment by foreign operators. Press reports in January suggested that Russia's Energy and Natural Resources Ministries have proposed to President Putin that all future offshore exploration blocks be allocated to state producers Gazprom and Rosneft via closed tenders, compared with the existing open auction process. Further, a proposed amendment to the Law on Mineral Resources will recommend that oilfields containing in excess of 70 million tonnes of oil (510 million bbls) should be classified as strategic and that foreign companies will be precluded from taking controlling stakes during their development.

An anticipated rise in December **net FSU exports** came in less than expected, with products shipments levelling off at 2.4 mb/d, while crude flows increased by 160 kb/d. Rising Baltic, Druzhba pipeline and Far East crude exports (including Sakhalin) offset a decline in Black Sea and BTC

shipments. A sharp rise in scheduled January Russian crude exports is likely to have been partly offset by disrupted Druzhba pipeline shipments to central Europe and power outages which curtailed pumping to Primorsk on the Baltic. Delays transiting the Turkish Straits also increased in January. Seaborne Russian crude exports are due to fall in February by as much as 170 kb/d, with the key ports of Novorossiysk (Black Sea) and Primorsk (Baltic) feeling the brunt of the reductions. This is despite a further fall in Russian crude export duties to some \$180/tonne from 1 February. Duties have fallen by over 20% from autumn 2006 highs.

FSU Net Exports of Crude & Petroleum Products

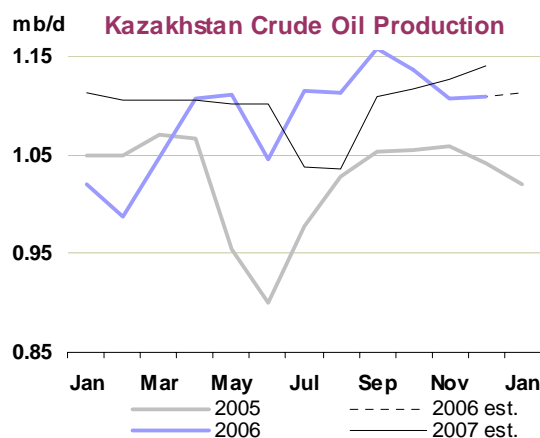
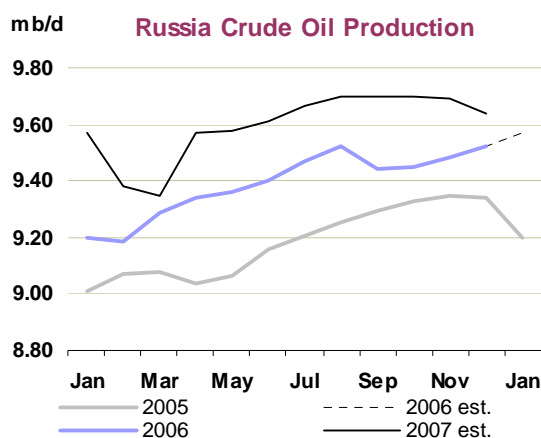
(million barrels per day)

	2005	2006	1Q2006	2Q2006	3Q2006	4Q2006	Oct 06	Nov 06	Dec 06	Latest month vs. Nov 06 Dec 05	
Crude											
Black Sea	2.27	2.22	2.25	2.26	2.27	2.08	2.14	2.12	2.00	-0.12	-0.32
Baltic	1.59	1.55	1.54	1.73	1.49	1.43	1.34	1.36	1.59	0.23	0.00
Arctic/FarEast	0.19	0.15	0.10	0.11	0.20	0.20	0.21	0.17	0.22	0.05	0.01
BTC	0.00	0.00	0.00	0.01	0.22	0.38	0.25	0.46	0.42	-0.04	0.42
Crude Seaborne	4.05	4.07	3.89	4.11	4.18	4.09	3.94	4.11	4.23	0.12	0.11
Druzhba Pipeline	1.15	1.20	1.20	1.16	1.23	1.19	1.12	1.20	1.25	0.05	0.12
Other Routes	0.25	0.38	0.31	0.38	0.38	0.47	0.46	0.48	0.47	-0.02	0.22
Total Crude Exports	5.45	5.65	5.39	5.65	5.80	5.75	5.53	5.79	5.94	0.16	0.45
Of Which: Transneft	4.04	4.09	4.05	4.23	4.16	3.94	3.78	3.88	4.15	0.26	0.05
Products											
Fuel oil	0.93	0.95	0.87	1.05	0.94	0.95	0.95	0.94	0.95	0.02	-0.01
Gasoil	0.87	0.95	1.01	0.95	0.94	0.91	0.92	0.92	0.89	-0.03	0.07
Other Products	0.58	0.61	0.60	0.70	0.63	0.53	0.52	0.54	0.54	0.00	0.00
Total Product	2.38	2.51	2.47	2.69	2.50	2.39	2.40	2.40	2.39	-0.01	0.05
Total Exports	7.83	8.16	7.87	8.34	8.30	8.15	7.92	8.18	8.33	0.15	0.50
Imports	0.02	0.04	0.03	0.03	0.05	0.04	0.04	0.04	0.05	0.01	0.02
Net Exports	7.81	8.13	7.84	8.31	8.25	8.10	7.88	8.14	8.28	0.14	0.48

Sources: Petro-Logistics, IEA estimates

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

After initially rescinding crude transit fees in light of January's export dispute with Russia, Belarus has now said that these may now be reimposed. In a perhaps related development, reports emerged in January that Russia is considering building a 1.0 mb/d pipeline link from the Druzhba line to Primorsk on the Baltic that would bypass Belarus. Russian government sources also stressed during January that in the longer run the country plans to rely increasingly on refined products rather than crude oil exports, either through new domestic refineries or by Russian producer companies forming strategic alliances with refiners overseas.



Kazakhstan – December actual: An upward revision of 35-40 kb/d to 2006 Kazakh production from annual data released at the end of the year carries lifts the 2007 forecast to 1.37 mb/d, from 1.33 mb/d in 2006. Crude oil accounts for some 80% of the total, with the remaining 270 kb/d of 2007 production classified as condensate from the Karachaganak field.

The availability of sufficient export infrastructure has long been seen as a binding constraint on Kazakh oil production. Delays in expanding the CPC pipeline to Russia's Black Sea port of Novorossiysk in particular risk delaying progress in expanding the Tengiz field and developing the

Kashagan field. Addressing this issue, state company Kazmunaigaz announced it had signed a deal with Tengiz and Kashagan operators to set up the Kazakh Caspian Transport System (KCTS), comprising a pipeline to Kuryk on the Caspian coast and facilities to enable shuttle tankers then to move crude across the Caspian to Baku. From there, crude would feed the existing 1.0 mb/d BTC pipeline to the Mediterranean. Initial KCTS capacity from 2010/2011 is seen at 500 kb/d, rising later to 760 kb/d.

Revisions to Other Non-OPEC Estimates

Downward revisions to non-OPEC supply for 2007 amount to 70 kb/d, after allowing for the shift of Angola into the OPEC fold. Some 75 kb/d worth of downward adjustments for North America counter a combined upward revision of 65 kb/d for the FSU and Europe. All of these revisions have been discussed above. In addition, **Chinese** production for 2007 is revised down by 25 kb/d, based on lower baseline supply for the end of 2006. Recent production levels suggest there may be further downside adjustment to come for the Daqing field, but this could be offset by higher levels than we

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

	Last Month's OMR				This Month's OMR				This Month vs. Last Month			
	2006	2007	06 v 05	07 v 06	2006	2007	06 v 05	07 v 06	2006	2007	06 v 05	07 v 06
North America	14.30	14.39	0.16	0.09	14.26	14.32	0.12	0.06	-0.04	-0.07	-0.04	-0.04
Europe	5.20	5.13	-0.41	-0.07	5.20	5.15	-0.40	-0.05	0.01	0.03	0.01	0.02
Pacific	0.57	0.66	-0.01	0.08	0.57	0.66	-0.01	0.09	0.00	0.00	0.00	0.00
Total OECD	20.07	20.17	-0.26	0.11	20.03	20.13	-0.30	0.10	-0.03	-0.04	-0.03	-0.01
Former USSR	12.06	12.56	0.42	0.49	12.10	12.59	0.46	0.49	0.04	0.03	0.04	0.00
Europe	0.15	0.13	-0.01	-0.01	0.15	0.13	-0.01	-0.01	0.00	0.00	0.00	0.00
China	3.68	3.74	0.07	0.05	3.67	3.71	0.06	0.04	-0.01	-0.02	-0.01	-0.01
Other Asia	2.71	2.74	0.03	0.04	2.70	2.74	0.02	0.04	0.00	0.00	0.00	0.00
Latin America	4.41	4.58	0.12	0.17	4.40	4.54	0.11	0.14	-0.01	-0.04	-0.01	-0.03
Middle East	1.74	1.69	-0.12	-0.05	1.74	1.69	-0.12	-0.05	0.00	0.00	0.00	0.00
Africa*	2.58	2.73	0.11	0.15	2.58	2.73	0.11	0.15	0.00	0.00	0.00	0.00
Total Non-OECD*	27.33	28.17	0.61	0.84	27.34	28.14	0.63	0.80	0.02	-0.03	0.02	-0.05
Processing Gains	1.90	1.92	0.04	0.02	1.90	1.92	0.04	0.02	0.00	0.00	0.00	0.00
Other Biofuels	0.17	0.34	0.06	0.16	0.18	0.34	0.06	0.17	0.01	0.01	0.01	0.00
Total Non-OPEC*	49.47	50.60	0.44	1.13	49.46	50.53	0.43	1.08	-0.01	-0.07	-0.01	-0.06

OMR = Oil Market Report

* adjusted to exclude Angola

are currently showing from the westerly Changqing area and from coal-to-liquids supply. Latin American supply is also reduced by 40 kb/d for 2007, following lower late-2006 production from **Argentina**. In addition, we have adjusted **Ecuadorian** production in line with a new Energy Ministry forecast, which envisages 2007 output dropping to some 505 kb/d from last year's 535 kb/d. Prospects for foreign upstream investment in Ecuador have been affected by moves to strengthen the role of state Petroecuador and potentially to rejoin OPEC, which Ecuador left in 1992.

OECD STOCKS

Summary

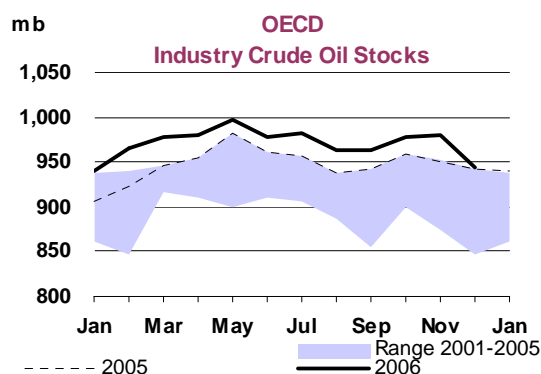
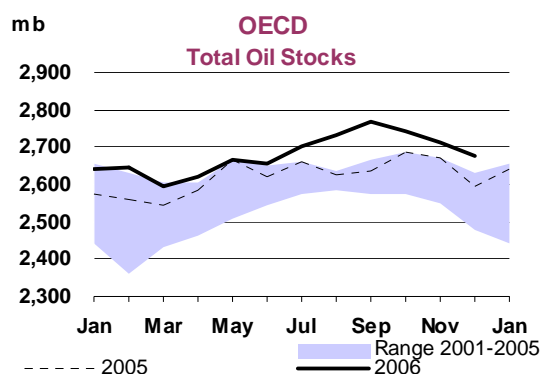
- **Total OECD industry oil stocks fell by 40.2 mb in December**, as crude stock draws in all three regions outweighed product stock builds in North America and Europe. Unusually warm weather meant less heating fuel demand, while crude imports were reduced in anticipation of lower refinery throughputs. The warm weather was not as pronounced in the OECD Pacific, where total product stocks fell strongly in December. Nevertheless, despite the monthly stock draw, total end-December OECD stocks were 78.5 mb higher year-on-year. Preliminary data for January indicate a net increase in oil stocks, as product inventory gains outweigh crude draws.

Preliminary Industry Stock Change in December 2006 and Fourth Quarter 2006

	(million barrels per day)							
	December (preliminary)				Fourth Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.84	-0.10	-0.19	-1.14	-0.24	0.03	0.02	-0.20
Gasoline	0.36	0.03	-0.05	0.35	0.00	0.07	-0.01	0.06
Distillates	0.26	0.25	-0.32	0.19	-0.08	-0.01	-0.14	-0.23
Residual Fuel Oil	0.00	0.04	0.02	0.06	-0.02	0.02	-0.01	-0.02
Other Products	-0.44	-0.01	-0.22	-0.67	-0.30	-0.02	-0.13	-0.45
Total Products	0.18	0.32	-0.56	-0.06	-0.40	0.06	-0.29	-0.64
Other Oils ¹	-0.03	-0.03	-0.04	-0.10	-0.11	-0.06	-0.01	-0.18
Total Oil	-0.69	0.19	-0.80	-1.30	-0.75	0.03	-0.29	-1.01

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons.

- **OECD crude oil stocks fell by 35.3 mb in December**, on draws in all three regions. The rapid decline leaves stocks only 2.1 mb higher than at the end of 2005, compared with a year-on-year difference of +29.4 mb for end-November stocks. The drawdown was most pronounced in North America, where crude stocks fell by 26.1 mb, largely in the US. In the Pacific and Europe, crude stocks fell by 6.0 mb and 3.2 mb respectively.
- **Total product inventories fell by a marginal 1.8 mb in December**, and remain 66.1 mb higher year-on-year. In Europe and North America, product stocks increased by 10.1 mb and 5.6 mb respectively, but were offset by a hefty fall in Pacific product stocks of 17.5 mb. The unusually warm winter temperatures reversed the normal seasonal decline in heating oil stocks, with combined European and North American middle distillate inventories building by 15.9 mb. In contrast, middle distillates in the Pacific fell by 9.9 mb. However, according to weekly data from the Petroleum Association of Japan (PAJ), despite a further draw in January, crucial heating fuel kerosene stocks now stand around 44% higher than the four-year average.
- **The total fourth-quarter OECD industry stock draw amounted to 1.0 mb/d**, the strongest since 2002 for that period. The drawdown is slightly lower than anticipated in last month's report (based on preliminary weekly data), when we estimated 1.1 mb/d. However, it should be noted that the quarterly miscellaneous-to-balance is high at 1.4 mb/d – only part of which can be attributed to anecdotal reports of Chinese stock building.
- **Forward demand cover for total OECD industry stocks stood at 53 days** at the end of December, one day lower than at end-November, but one day higher year-on-year.
- **Finalised data for November show a net upward revision of 2.3 mb** for total industry stocks. Total product stocks were revised upwards by 13.6 mb, offsetting downward revisions in crude (-7.2 mb) and 'other oils' (-4.1 mb).

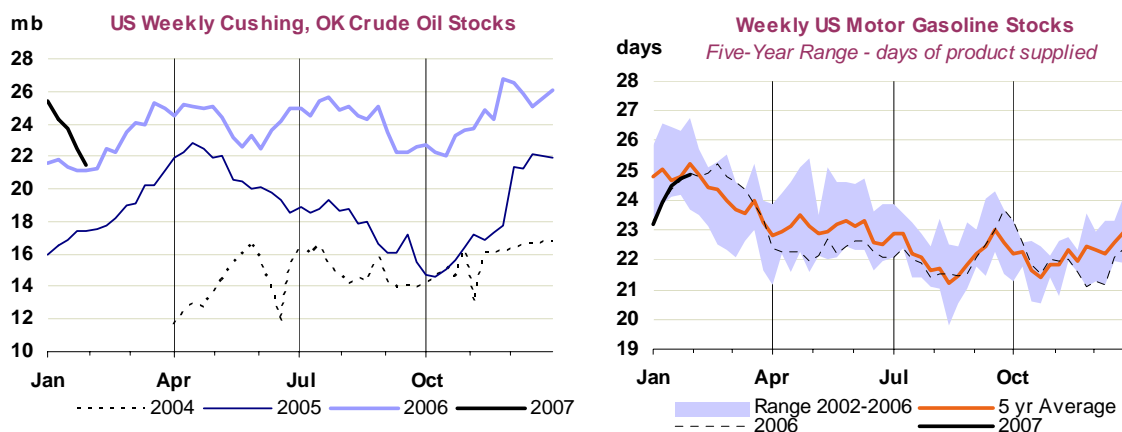


OECD Industry Stock Changes in December 2006

OECD North America

North American crude oil inventories fell 26.1 mb in December. This was predominantly due to US refiners importing less crude ahead of 1Q07 seasonal maintenance and end-year tax considerations, leading to a 22.1 mb stock draw. This left US crude stocks 13.6 mb down on the year, while total North American crude stocks were 19.2 mb lower than at the end of 2005. Mexican crude stocks also fell by 4.0 mb in December.

In January, weekly data showed US crude stocks rising by 6.4 mb, as some refiners shut down or reduced runs for maintenance, and a spate of refinery problems was reported. At the end of January, crude stocks stood at 324.6 mb, 29.5 mb above the five-year average for this time of year. However, regionally, there were quite different developments. A 10.5 mb crude build in PADD 3, the Gulf Coast, accounted for most of the upward shift, in addition to a 1.5 mb increase in PADD 5, the West Coast. Crude levels were down by 4.4 mb in PADD 2, the Midwest, as well as by approximately 600 kb each in PADD 1 and PADD 4. Notably, crude stocks fell by 4.1 mb in Cushing, Oklahoma, the delivery point for NYMEX WTI, which perhaps contributed to price gains in the second half of January. Crude inventories there had previously been high and growing, due to increased crude flowing in from Canada.



North American product stocks rose by 5.6 mb in December, on increased gasoline and middle distillate stocks. US mogas and middle distillate inventories alone rose by 11.1 mb and 7.4 mb respectively, offsetting a drop in 'other products' of 13.6 mb. Mexican product stocks meanwhile were virtually unchanged at 24.4 mb. Total North American product stocks at the end of December were 29.1 mb higher year-on-year.

Total US product stocks rose by 2.3 mb, in January, but appeared to have reached a seasonal peak by mid-month when cold weather finally hit the US. Over the course of January, heating oil stocks fell by 4.3 mb, but this was more than offset by a 4.6 mb build in diesel. Meanwhile, given the warm weather in the first half of the month, refiners were able to focus on building gasoline stocks ahead of the summer, and inventories rose by 15.9 mb to 226.5 mb. Residual fuel, 'other' and unfinished oil levels meanwhile remained more or less flat.

In terms of forward demand, gasoline stocks stood at 25 days at the end of January, two days higher month-on-month. This puts cover more or less back in line with the five-year average, a more comfortable position ahead of spring and summer driving. Distillate stock cover fell by four days to 30 days in the same period.

OECD Europe

European crude oil stocks fell by 3.2 mb in December to 329.7 mb – 1.8 mb higher year-on-year. This was despite a slight reduction in refinery crude throughput of 100 kb/d. Crude stocks fell in the UK (-3.5 mb), Germany (-1.5 mb), the Netherlands and Italy (each -0.7 mb). Of the large consuming countries, only France saw crude stocks rise, by 1.1 mb. US benchmark crude WTI spent most of December at a discount to Dated Brent, in theory discouraging the flow of North Sea and other crudes priced off Brent across the Atlantic, and as mentioned above, US refiners imported less crude in December.

European product inventories rose by 10.1 mb on a middle distillate stock build of 7.9 mb. Residual fuel oil and gasoline stocks increased by 1.3 mb and 1.0 mb respectively. Total product stocks at the end of December were 20.8 mb higher year-on-year. Middle distillate levels rose in the Netherlands (+2.4 mb), France (+1.7 mb) and the UK (+1.4 mb), offsetting a draw in Germany (-0.8 mb). Gasoline stocks meanwhile grew by 800 kb in Italy, and by 500 kb each in the Netherlands and the UK.

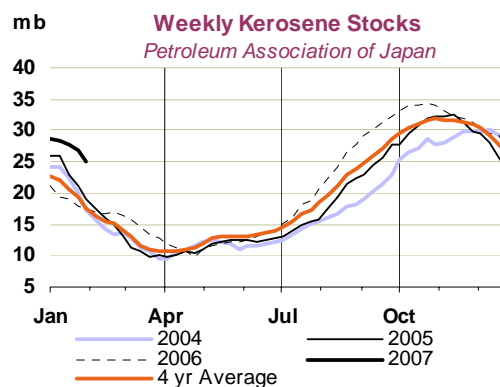
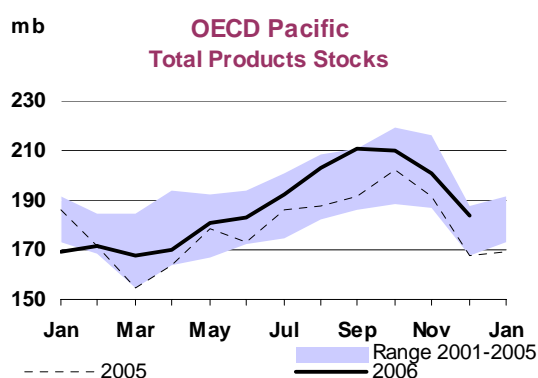
Preliminary Euroilstock January data for the EU-16 showed a total stock draw of 4.4 mb, as a fall in crude levels of 14.0 mb outweighed a product build of 9.6 mb. The drop in crude inventories – if confirmed next month – is likely due to a number of factors including the Druzhba problems in early January, slightly lower North Sea output, open arbitrages for Atlantic Basin crude to both east and west, and marginally lower OPEC supply. European seasonal refinery maintenance meanwhile is only due to kick off in February. Product stock builds stem from increases in all categories, but foremost middle distillates, which increased by 4.2 mb on the warm weather.

OECD Pacific

In the Pacific, crude oil stocks fell by 6.0 mb in December, but remain 19.5 mb higher on the year. The decline was prompted by a net 210 kb/d increase in throughputs from November and was evenly spread between Japan and Korea, with each seeing a stock draw of around 3 mb. Weekly data from PAJ show that Japanese onshore crude stocks fell by a further 2.7 mb in January despite refinery runs inching up.

Pacific product inventories fell by 17.5 mb in December, with draws of 11.6 mb and 6.0 mb respectively in Japan and Korea. Temperatures in Northeast Asia were not as unseasonably warm as in North America and Europe, and middle distillate stocks fell by 9.9 mb. Gasoline inventories fell too, by 1.4 mb, while 'other products' drew by 6.8 mb. Total product stocks at the end of December were 16.1 mb higher year-on-year. In Japan, monthly draws were greatest in 'other products' (-5.9 mb) and middle distillates (-5.7 mb), while in Korea, middle distillates fell by 3.8 mb.

In contrast to December, weekly PAJ data for January show that total finished product stocks in Japan rose by 2.2 mb. Gasoil and jet fuel inventories rose by 2.0 mb and 710 kb respectively, while heating fuel kerosene fell by 1.1 mb. Nevertheless, at 25.8 mb, end-January stocks of the latter remain an unusually high 8 mb or nearly 50% above the four-year average for this time of year.



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

OECD total industry stocks finished 2006 at 2,673.8 mb, down 40.2 mb on November, but 78.5 mb higher than at the end of 2005. Compared with last month's report, the year-on-year difference thus has almost doubled from 41 mb. Total crude stocks ended the year at 944.3 mb, 35.3 mb lower month-on-month, and now only 2.1 mb higher than one year ago. Total product stocks, meanwhile, fell by a marginal 1.8 mb in December, and at 1,436.7 mb, were 66.1 mb higher than at the end-2005. On a regional basis, total OECD Pacific industry stocks ended 2006 38.6 mb higher on the year, while North American inventories were 20.0 mb higher and OECD Europe levels were up 19.9 mb.

The latest preliminary data peg the total fourth-quarter OECD industry stock draw at 1.0 mb/d, the largest seasonal fall since 2002. A further 0.6 mb/d fall for 'oil on water and floating storage' magnifies that decline. However, the fourth-quarter statistical error (miscellaneous-to-balance) is also high at 1.4 mb/d. A positive balancing item either reflects underreported demand, overreported supply or unreported stock builds. While we have noted that in recent years that there appears to have been a systemic underreporting of demand, the recent high volatility in our miscellaneous-to-balance

number appears to be the result of large price fluctuations in 2006. Although some of this may be attributable to unreported stock building in China, stock shifts elsewhere could be to blame. Regardless of the cause, a high miscellaneous-to-balance implies a greater potential for data to be revised.

Revisions versus 18 January 2007 Oil Market Report

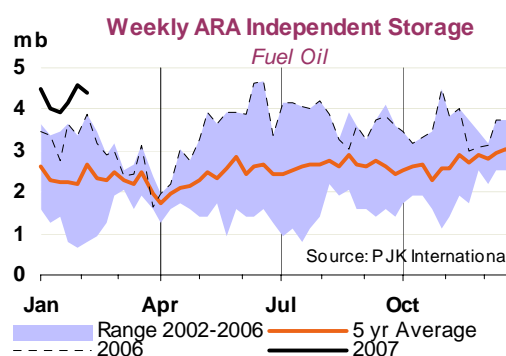
	(million barrels)							
	North America		Europe		Pacific		OECD	
	Oct 06	Nov 06	Oct 06	Nov 06	Oct 06	Nov 06	Oct 06	Nov 06
Crude Oil	-1.0	-7.6	-1.5	-3.4	0.0	3.8	-2.6	-7.2
Gasoline	0.0	5.7	0.8	3.7	0.0	0.1	0.8	9.5
Distillates	0.0	2.7	1.2	3.6	0.0	0.0	1.2	6.3
Residual Fuel Oil	0.0	-0.7	1.0	-0.1	0.0	0.0	1.0	-0.9
Other Products	0.0	-2.8	0.1	1.6	0.0	0.0	0.1	-1.2
Total Products	0.0	4.8	3.1	8.7	0.0	0.1	3.1	13.6
Other Oils ¹	-0.5	-5.0	-1.2	0.9	0.0	0.0	-1.8	-4.1
Total Oil	-1.6	-7.8	0.3	6.2	0.0	3.9	-1.3	2.3

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons.

Revisions to November stock data show a small increase in total commercial stocks of 2.3 mb. The total products inventory figure was revised up by 13.6 mb, offsetting downward revisions of 7.2 mb in crude and 4.1 mb in 'other oils'. A downward revision of North American crude stocks by 7.6 mb in November made up most of the difference there, but was largely offset by an upward revision to total European product stocks by 8.7 mb.

Recent Developments in ARA Independent Storage

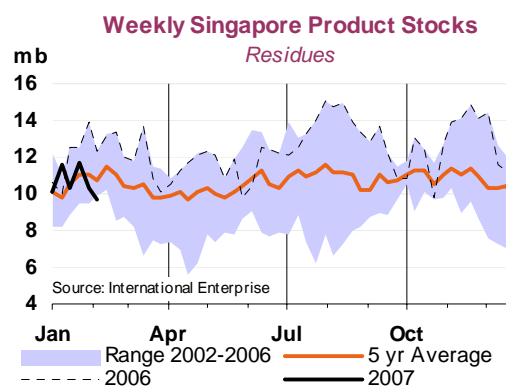
Total oil product inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) area rose by 3.2 mb in January. Gasoil stocks rose by a hefty 2.2 mb to well above the five-year average range, in part due to the warm weather in large parts of Europe, at least in the first half of January. Fuel oil stocks also increased by 760 kb, remaining above their five-year average range. Reports of some recent fixings to Asia might lower this level slightly in weeks to come. Meanwhile, jet/kerosene stocks added 370 kb, naphtha remained unchanged, and gasoline inventories drew 200 kb.



Recent Developments in Singapore Stocks

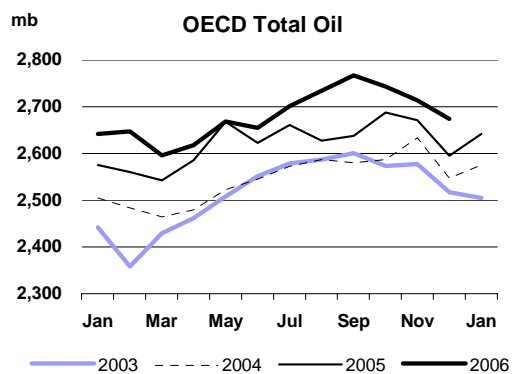
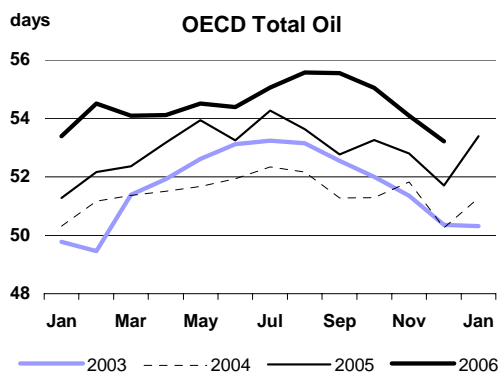
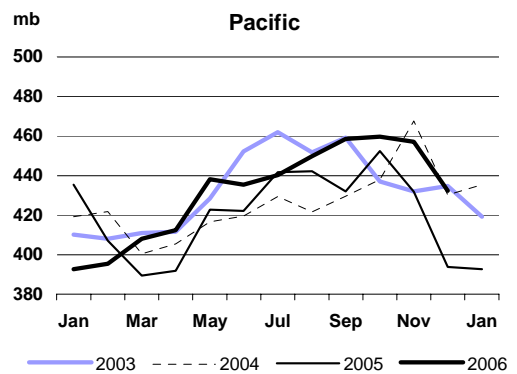
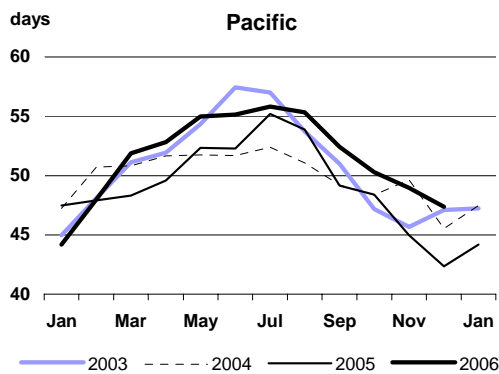
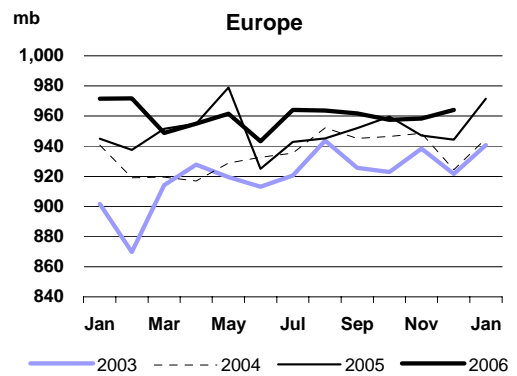
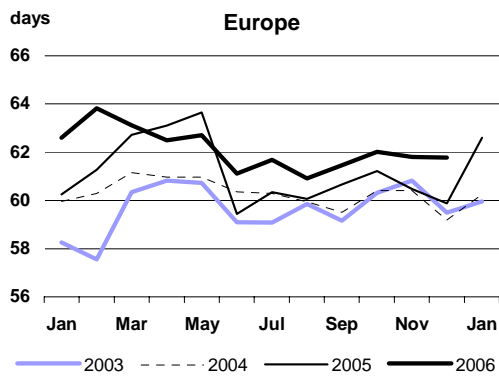
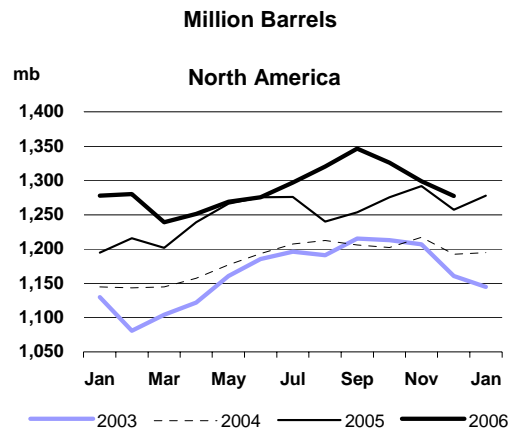
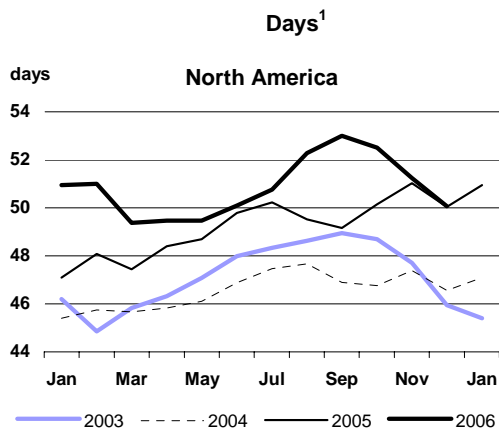
According to weekly data from International Enterprise, total oil product stocks held in Singapore rose 2.3 mb in January. Levels of all three product categories rose, but the largest build was seen in light distillates, which increased by 1.5 mb. This, and an increase in middle distillates of 570 kb, put the two groups at the top of their five-year average range for this time of year. However, residual fuel stocks, after rising 210 kb in January, are at the bottom of their five-year range, which is in sharp contrast to November and December, when levels consistently trended at the top of the range.

Lower fuel oil stocks may in part reflect OPEC cuts of heavier, residue-rich crudes sent to Asia, which could be one explanation for a rise in high-sulphur fuel oil (HSFO) prices in Singapore, which have shot up to their highest level since August last year. A steady increase in HSFO Singapore over Rotterdam prices has attracted imports, though news reports indicate that some of these shipments have been delayed, sustaining lower stock levels and higher prices.



Regional OECD End-of-Month Industry Stocks

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

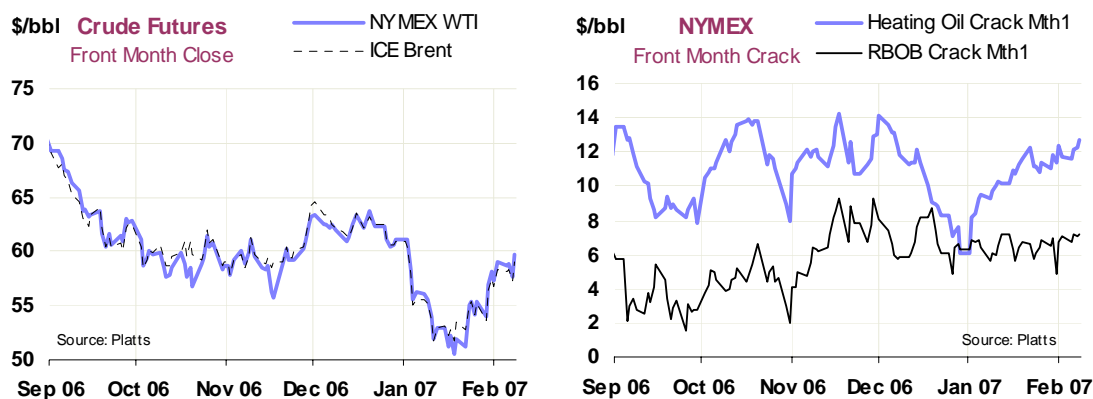


¹ Days of forward demand are based on average demand over the next three months

PRICES

Summary

- **Oil prices fell to nearly \$50/bbl in mid-January, only to rebound to \$60/bbl** on colder northern hemisphere weather and higher implied demand, signs of tighter OPEC supply and increased geopolitical tensions. Indications of stronger US economic growth and the strength of product markets ahead of seasonal refinery maintenance provided a further contribution to the rebound.
- **Crude price gains reflected futures**, though once again, gasoline-rich grades profited from strong interest by refiners. Also, tighter OPEC supplies appear to have benefited crudes with a high fuel oil yield. With refinery maintenance increasing in February and March, this situation could be further exacerbated.
- **Refining margins rose in January** as crude prices fell more than refined products. Margins are particularly strong on the US West Coast, which has experienced several unplanned refinery outages. Higher fuel oil values boosted hydroskimming margins, which swung into positive territory in Singapore in early February – the first time since May last year.
- **The cold weather gave distillate prices a boost**, though naphtha and fuel oil cracks showed the most dramatic gains, both due to tighter supplies. Gasoline cracks were virtually unchanged, but interest in gasoline-rich crudes for seasonal stock building was evident.
- **Freight rates for large tankers from the Middle East Gulf plunged to nominal three-year lows** in mid-January before rising later in the month. Colder temperatures supported spot vessel demand in the Atlantic basin, boosting dirty rates in the second half of January. Comfortable Asian product stocks continued to undermine clean product tanker rates for east of Suez trading in January.



Overview

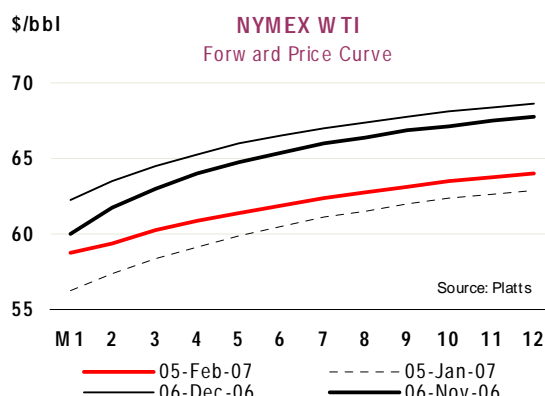
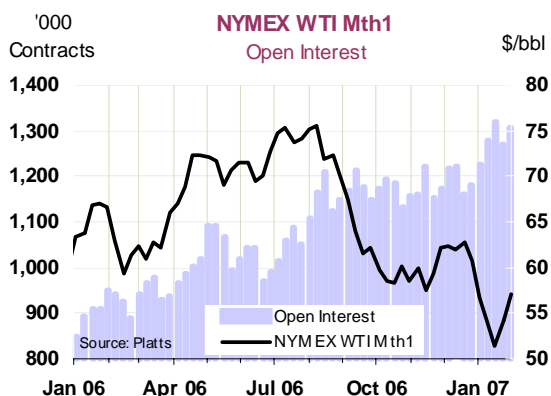
After falling almost \$10/bbl from the beginning of the year, and touching \$50/bbl, benchmark oil prices have since rebounded, and spent early February trading just below \$60/bbl. The upswing came after a confluence of factors changed sentiment, and investors returned to the buy side.

The most obvious reason for the turnaround was that the weather in the US (and to some degree, Europe) swung from unusually warm to seasonally cold, boosting sales of heating fuel and natural gas. Winter temperatures had been some of the warmest on record in December and early January, but have subsequently been much colder. Though oil product inventories are almost certainly ample to cover winter demand, the swing in temperatures seemed to catch markets by surprise.

Almost concurrently, the market factored in some additional implied demand, as President George W. Bush set forth his vision that the US Strategic Petroleum Reserve (SPR) should be doubled in size, in his annual State of the Union address. While stocks are technically regarded as separate to demand, when a strategic reserve is built, these stocks are often amortised for some time, and when lent to the market they are usually replenished. So, to all intents and purposes, strategic stock filling is a boost to global demand. We are currently examining ways in which this can be better reflected in our balances.

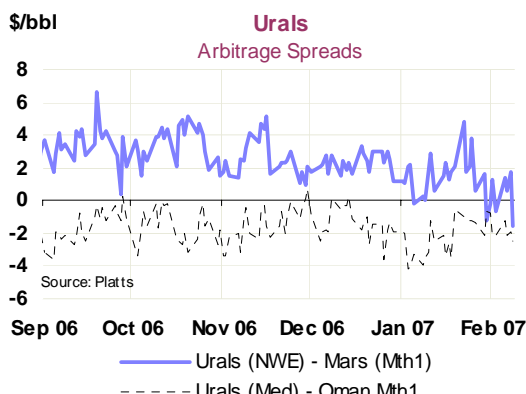
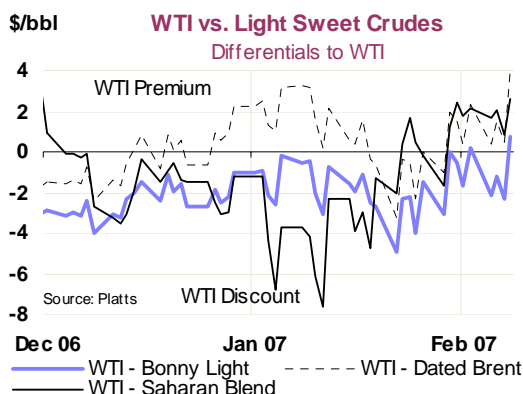
Currently at 689 mb, the US SPR was already set to be restocked to its full capacity of 727 mb. Both this short-term filling, as well as a long-term increase to a full 1,500 mb by 2027, as Bush is suggesting, would imply additional 'demand' of around 110 kb/d. In addition, the focus of the State of the Union Address on energy security appeared to be interpreted by the markets as a sign of increased geopolitical risk.

Indeed geopolitical tensions, particularly in the Middle East, appear to have risen in the second half of January. Protests in Lebanon heightened civil tensions, while a similar fracture has bedevilled internal Palestinian politics (though at the time of writing, a new unity government was announced). The Iranian nuclear standoff has been prominent, as the US and others strive for tighter sanctions, while Iran itself, according to some news reports, has intensified its nuclear activities. The US has also begun to take a more hard-line stance on what it sees as Iran's alleged influence in the ongoing problems in Iraq.



Lastly, there is anecdotal evidence that funds and speculators had returned to the buy side of the markets. As regards the little hard data available, *Commitments of Traders* numbers from US watchdog *CFTC* show that non-commercials retained net-short positions in NYMEX WTI throughout January – despite the run-up in prices.

Although OPEC countries have not specifically named a price target an emerging market consensus suggests it is close to \$50/bbl (WTI). OPEC became noticeably more vocal when prices were falling rapidly in early January, but once prices rose again, talk of an emergency OPEC meeting ahead of its scheduled gathering in mid-March dissipated. There are signs of possible additional tightening in line with the further 500 kb/d cut, which officially came into effect from 1 February. While crude differentials suggest a tightening market, there have been reports that some OPEC producers may be increasing volumes to refiners in March.



But while there are signs of some market tightening prices have not (so far) risen above \$60/bbl, a level last seen on 29 December (NYMEX WTI) and not all factors in the market are bullish. For example, total stocks in the US and Japan have risen again in January, based upon weekly data. Narrowing forward spreads in both benchmark crude futures are an indication of a tightening market. M1 to M12 WTI spreads have narrowed from almost -\$6/bbl to around -\$4.75/bbl since the beginning of the year. That this has occurred during a period when Cushing, Oklahoma, stocks have tightened,

while overall US stocks have risen, is testimony to the influence of the NYMEX crude delivery point in determining forward prices. Further, that the spread has narrowed and total open interest has continued to climb, may represent an argument that fundamentals, rather than funds are determining forward prices.

Spot Crude Oil Prices

Over the course of the last month, most crude prices increased in line with benchmark futures, but gains were greatest for light sweet crudes with a high gasoline yield. Despite the recent swing to cold temperatures, it would appear that the market, particularly in the US, is already focusing on gasoline production ahead of the summer – despite higher distillate cracks. Conversely, the ones to fall were Middle Eastern crudes usually sought in Asia for kerosene production, but which are now suffering from unusually high heating fuel stocks in Japan.

Thus, Dated Brent was one of the crudes to gain most when prices rose again, also taking support from slightly lower production in January. At the other end of the spectrum, OPEC cuts are more likely to come from predominantly heavy sour grades. This has given fuel oil a boost, most noticeably in Asia and in turn supports residue-rich Dubai prices. As a consequence, Brent/Dubai spreads – though highly volatile – have been around \$2.50/bbl on average over the past 30 days, lower than previously and at a level that encourages movement of Atlantic Basin crudes to the east.

At the same time, concurrent with sharply falling stocks at its delivery point Cushing, Oklahoma, in January, WTI has gained relative to Dated Brent, creating an incentive to send similar crudes across the Atlantic. WTI's premium over Algerian sweet Saharan Blend is particularly noteworthy in this context, despite the latter arguably benefiting from ongoing threats to Nigerian exports due to violence and disruptions.

While Middle Eastern distillate-rich grades such as Murban suffered in early January, they have since picked up. Meanwhile, crudes with a high fuel oil yield, such as Dubai or Oman, have benefited from strong Asian residual prices. To a lesser extent the same is true of Russian Urals, which has seen a narrowing of its premium to Dated Brent in the latter half of January. Relative to both medium sour Mars in the US and competitor Oman in Asia, the Russian crude now looks quite attractive. This is despite loading problems in the Black Sea and severe congestion in the Turkish Straits, as well as slightly higher Russian crude production in January.

Looking ahead, besides daily fluctuations in oil futures, the fundamental issue for crude prices is how refinery maintenance develops in the various regions. From an estimated total shutdown volume of 1.6 mb/d in January, our calculations show offline capacity increasing by 600 kb/d in February. A prolonged cold spell could boost distillate-rich crudes in the short term, but in that eventuality, higher heating oil demand is more likely to be met through stock draws than ramped up distillate production. Given the high level of refinery capacity offline and gasoline production ramping up, support for light sweets seems more likely.

Spot Crude Oil Prices and Differentials

Table Unavailable

Delivered Crude Prices in November

Average crude oil delivery prices in IEA member countries continued to decline in November although at lower marginal decline rates than in September and October. The average crude CIF import price in the IEA stood at \$55.89/bbl. European delivery prices were at \$56.78/bbl, only 2 cents lower than in October. The November delivery price in North America dropped by 2% to \$53.18/bbl, a marginal change that is significantly lower than the 10% declines in September and October. The average CIF import price for the OECD Pacific dropped by \$3.19 or 5.2% to \$58.39/bbl.

Refining Margins

Refining margins in January mostly rose as the average fall in crude prices in January outpaced that of refined products. Margins remain by far the highest on the US West Coast, which experienced some unplanned refinery outages, keeping product markets tight. Gasoline cracks rose, which particularly benefited sophisticated full conversion refineries, and Kern coking margins at a January average of \$17.76/bbl remain by far the highest in our selection of representative regional margin calculations. In the US Gulf, it was distillate margins that gained most, taking support from heating oil demand in the US Northeast, which is mostly supplied from the Gulf. Widening jet and fuel oil cracks also helped margins increase.

Asian refining margins saw the greatest gains in January, though most of our assessments remain negative. In Singapore, all product cracks except jet/kerosene increased, with the greatest gains seen in fuel oil and gasoil. Indeed, after strong rises in January, early February calculations showed that Dubai hydroskimming had moved into positive territory for the first time since May last year – a clear testimony to fuel oil's strength in Asia. In Europe, all margins increased on the back of rising gasoline and fuel oil cracks. But the pattern of negative hydroskimming and positive cracking margins remains.

Selected Refining Margins in Major Refining Centres

		(\$/bbl)									
		Monthly Average			Change	Average for week ending:					
		Nov 06	Dec 06	Jan 07	Jan 07-Dec 06	05 Jan	12 Jan	19 Jan	26 Jan	02 Feb	
NW Europe	Brent (Cracking)	2.25	0.30	2.34	2.05	2.80	3.93	1.94	0.85	2.13	
	Urals (Cracking)	4.24	4.15	5.14	0.99	5.43	5.69	4.66	4.66	5.01	
	Brent (Hydroskimming)	-2.61	-5.33	-2.39	2.94	-2.42	-0.62	-2.47	-3.84	-2.79	
	Urals (Hydroskimming)	-1.95	-3.04	-1.18	1.86	-1.47	-0.40	-1.23	-1.60	-1.48	
Mediterranean	Es Sider (Cracking)	2.57	1.42	2.32	0.90	1.51	2.72	2.17	2.21	3.34	
	Urals (Cracking)	3.80	3.64	4.83	1.19	4.35	5.21	4.86	4.65	5.06	
	Es Sider (Hydroskimming)	-3.14	-4.95	-3.03	1.92	-4.20	-2.40	-2.81	-3.20	-2.27	
	Urals (Hydroskimming)	-3.04	-4.03	-1.42	2.61	-2.57	-0.78	-0.92	-1.63	-1.24	
US Gulf Coast	Bonny (Cracking)	-0.29	-2.48	-2.19	0.29	-2.84	-2.30	-2.11	-2.31	-1.07	
	Brent (Cracking)	-0.83	-3.31	-2.63	0.68	-2.84	-2.22	-2.78	-3.39	-1.72	
	LLS (Cracking)	1.38	-0.55	-0.41	0.14	-1.14	-0.78	-0.64	0.40	0.09	
	Mars (Cracking)	0.79	-0.11	0.61	0.73	0.24	0.55	0.73	1.24	-0.21	
	Mars (Coking)	7.39	6.78	6.29	-0.48	6.46	5.69	6.08	7.11	5.65	
	Maya (Coking)	9.73	9.59	9.06	-0.53	9.37	8.55	8.99	9.33	8.62	
US West Coast	ANS (Cracking)	7.72	5.19	7.48	2.29	6.66	6.07	6.02	9.26	10.50	
	Kern (Cracking)	7.20	3.91	8.80	4.88	5.80	6.35	8.82	11.34	13.22	
	Oman (Cracking)	1.34	1.09	3.79	2.70	2.41	2.10	1.96	5.59	8.68	
	Kern (Coking)	17.90	15.71	17.76	2.05	17.92	16.63	14.81	19.31	21.77	
Singapore	Dubai (Hydroskimming)	-4.05	-4.47	-0.90	3.57	-3.52	-0.63	-0.14	-0.10	0.39	
	Tapis (Hydroskimming)	-4.84	-5.92	-4.28	1.64	-5.91	-4.02	-3.34	-3.93	-4.44	
	Dubai (Hydrocracking)	0.29	0.49	2.86	2.37	0.89	2.92	3.35	3.60	3.82	
	Tapis (Hydrocracking)	-0.94	-2.05	-0.80	1.25	-2.17	-0.58	-0.10	-0.41	-1.10	
China	Cabinda (Hydroskimming)	-6.57	-7.02	-3.75	3.26	-5.46	-3.10	-2.08	-4.15	-4.11	
	Daqing (Hydroskimming)	-8.25	-10.63	-7.99	2.63	-11.64	-7.95	-6.26	-6.99	-6.41	
	Dubai (Hydroskimming)	-4.38	-4.76	-1.31	3.44	-3.80	-0.97	-0.64	-0.59	-0.11	
	Daqing (Hydrocracking)	-2.23	-4.02	-2.41	1.61	-5.31	-2.43	-1.18	-1.38	-1.29	
	Dubai (Hydrocracking)	0.00	0.21	2.41	2.20	0.57	2.53	2.81	3.08	3.27	

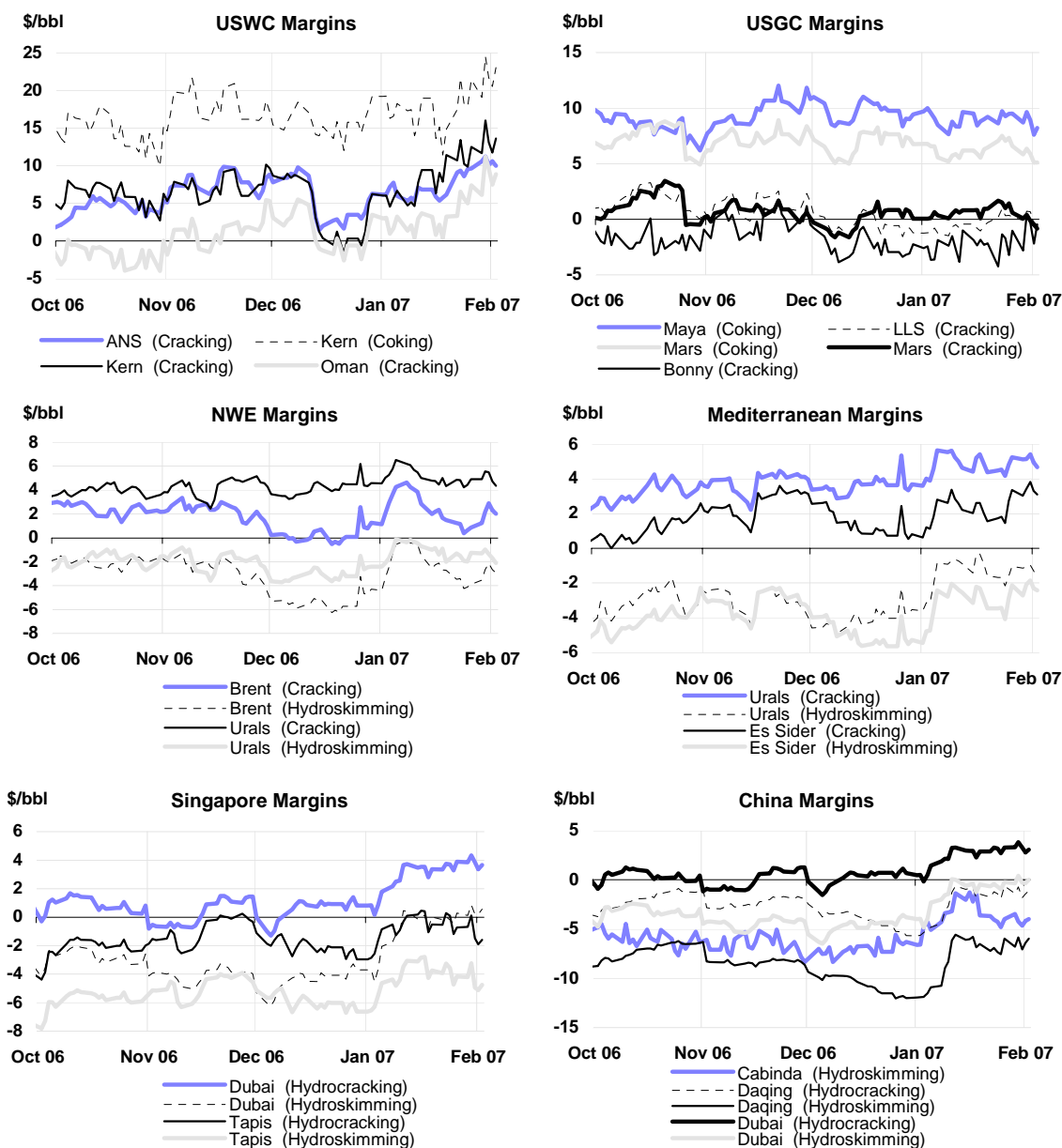
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimized for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.

Sources: IEA, Purvin & Gertz Inc.

In collaboration with Purvin & Gertz Inc., we have completed the annual overhaul of our refining margin calculations. This has resulted in relatively minor changes in our margin estimates, which should now more closely reflect market conditions. We have updated the Worldscale (WS) freight rate indexes and some fixed-cost factors such as wage and capital costs to more closely reflect the cost pressures facing refiners. The main changes however, concern the US. Here we have back-dated the introduction of ultra-low-sulphur diesel (ULSD) to last June concurrent with the introduction of the tighter specifications and changed light sweet cracking margins to reflect a more representative low-sulphur fuel oil (LSFO) price quote. Furthermore we have introduced Bonny Light instead of Brent as the main US Gulf Coast foreign sweet margin indicator. Declining Brent production volumes and the sharp drop of shipments of Brent to the US Gulf have reduced the significance of this margin calculation. We have also fine-tuned our LPG calculations and reintroduced an oil spill tax cost. A full review of changes will be included in our Annual Statistical Supplement, published in August.

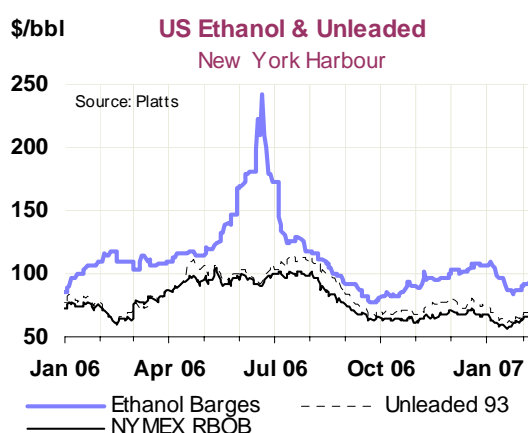
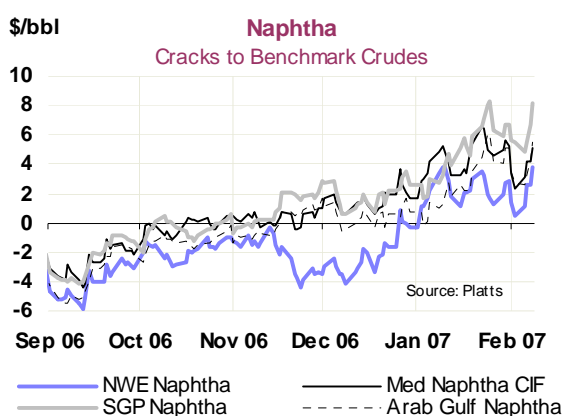
Regional Full-Cost Refining Margins



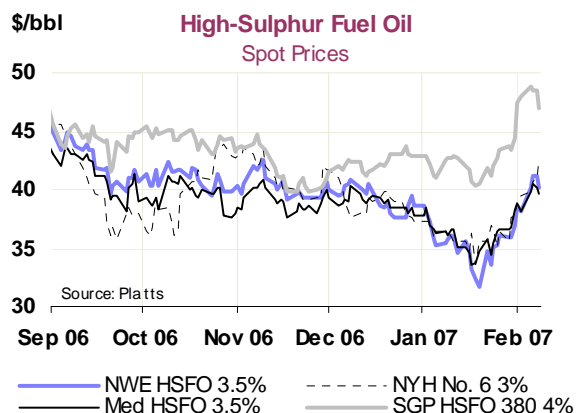
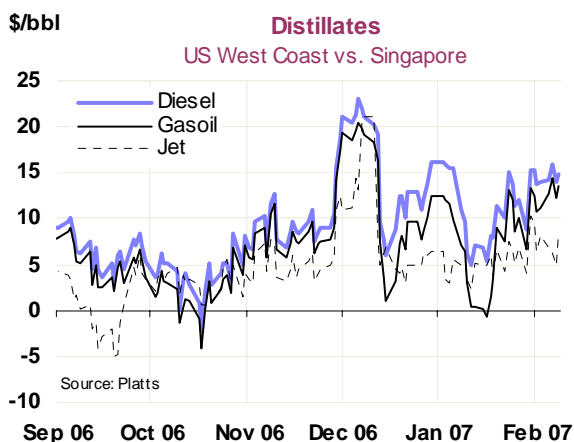
Spot Product Prices

Heating oil cracks rose on the cold weather, especially on the US East Coast. Spreads of other distillates were relatively flat over the month, with jet spreads remaining virtually unchanged. In Asia, unusually high Japanese kerosene inventories throughout January have kept purchases low. Current low jet prices in Asia have kept the arbitrage to the US West Coast open, and some 150,000 tonnes were reportedly being shipped trans-Pacific this month. Lower volumes of jet fuel look set to be exported from the Middle East, as Saudi Arabia is offering far lower term volumes this year citing higher domestic and regional consumption. News reports also indicate significantly higher US military purchases for 2007.

As regards gasoline, strength came perhaps just as much from refinery maintenance and unscheduled outages, and stock building, as actual demand strength. This was as much true on the US West Coast as Northwest Europe. On the US East Coast, additional support for gasoline came from high ethanol prices. Naphtha cracks, particularly in Asia, soared on strong demand from the petrochemical industry, notably from Korea. Indian naphtha supplies remain reduced on high domestic consumption.



Fuel oil prices saw some of the most dramatic developments over the past month. Boosted by OPEC cuts of fuel-oil-rich grades and concurrent additional demand due to the colder temperatures, price gains were particularly marked in Asia. High-sulphur fuel oil (HSFO) in Singapore reached levels not seen since August last year, with additional support coming from strong buying by Indonesia and China ahead of the Lunar New Year celebrations. In terms of supply, Korean refiners were reportedly exporting some 12% less in February overall as domestic utilities hiked fuel oil use. High prices continue to attract an influx of fuel oil from Russia and Europe, with around 2.2 million tonnes set to arrive in March. Rotterdam stocks of fuel oil remain above average, while levels in Singapore fell to below average in January. Imports from the west apparently suffered some delays, further supporting prices.



Spot Product Prices
Table Unavailable

As regards low-sulphur fuel oil (LSFO), it is too early to say if the investigations by Japanese officials into possible misreporting during safety inspections at nuclear power will have any impact on demand. In 2003 false reports resulted in nuclear power plants shutting down and a significant increase in fuel oil demand. At the same time, exports of Indonesian low-sulphur waxy residue (LSWR), which Japanese power utilities like to burn due to its low sulphur content, are set to be slashed this year, as the country's refineries switch to producing more badly needed diesel.

End-User Product Prices in January

Consumers in IEA countries saw lower petroleum product prices in January than in December. In Europe, the ex-tax price of gasoline in US dollars declined on average by more than 2%. In North America, the decline was even more significant, as the US dollar price for gasoline before tax dropped by 7.5% in Canada and 2.8% in the US. The mild start to the winter affected domestic heating oil prices in OECD countries as the ex-tax price of heating oil in US dollars dropped by over 8% in Europe, 3.2% in Japan, and 1.3% in Canada. The ex-tax retail price of fuel oil in Europe declined by 6% on average, following a 3% drop in December.

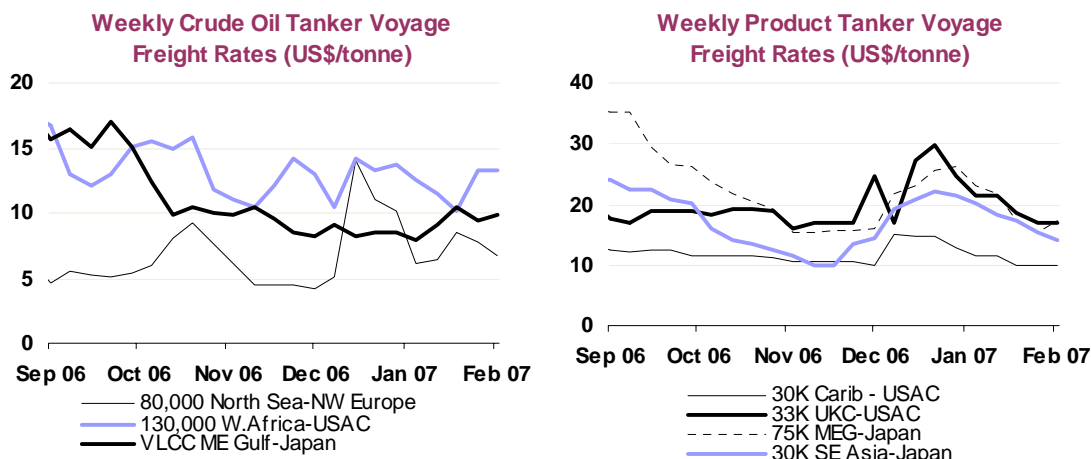
Freight

Freight rates for VLCCs from the Middle East Gulf continued to trend at the bottom of the five-year range in January, despite rising mid-month. In the Atlantic basin, dirty rates increased in the second half of January as the cold snap boosted spot vessel demand. Clean tanker rates continued to fall in January, as comfortable regional product stock levels dampened demand for imports on product tankers.

By mid-January, prospective first-quarter OPEC export reductions had caused VLCC rates from the Middle East Gulf to the US Gulf to sink to a low of WS45, equating to around \$14/tonne. At the same time, Japan-bound routes bottomed out at WS50, under \$9/tonne. This represented a nominal three-year low, in Worldscale terms, although was less historically significant in \$/tonne terms, especially given the new, higher 2007 base rates released by the Worldscale association. This highly counter-seasonal trough has prompted talk of a global vessel glut, especially given today's large order

book, and has brought the economics of scrapping back into focus. However, it is worth remembering that rates have been hit by OPEC cuts and an unusually warm winter. Recent announcements of expansion plans at Primorsk serve as a reminder that there remain many areas of potential growth of seaborne trade in the short and medium term, in both dirty and clean sectors.

Vessel interest in the Middle East Gulf increased in the second half of January, as confirmed by tanker movement reports which show an uptick in regional sailings. VLCC rates rebounded as a result, ending January near \$18/tonne to US Gulf and \$11/tonne to Japan. Reports of increased Iranian floating storage are probably more relevant to analysis of oil fundamentals and OPEC compliance than freight rates, given current ample spare vessel capacity.



West Africa to US million-barrel rates rose by \$3/tonne in the second half of January, ending the month at \$16/tonne. In the first half of January, regional sweet crudes such as Girassol and Bonny Light had lost value relative to other Atlantic Basin grades. Consequently, they represented good value on the spot market when US and European temperatures dropped suddenly mid-month. The cold snap spurred refiner interest in buying and moving distillate-rich crudes, from short haul suppliers. This quickly eroded regional vessel availability, boosting Suezmax and VLCC rates. A narrowing of the premium of Brent over Dubai crude prices in late January also improved economics for eastbound Atlantic Basin sailings, adding further competition for vessels.

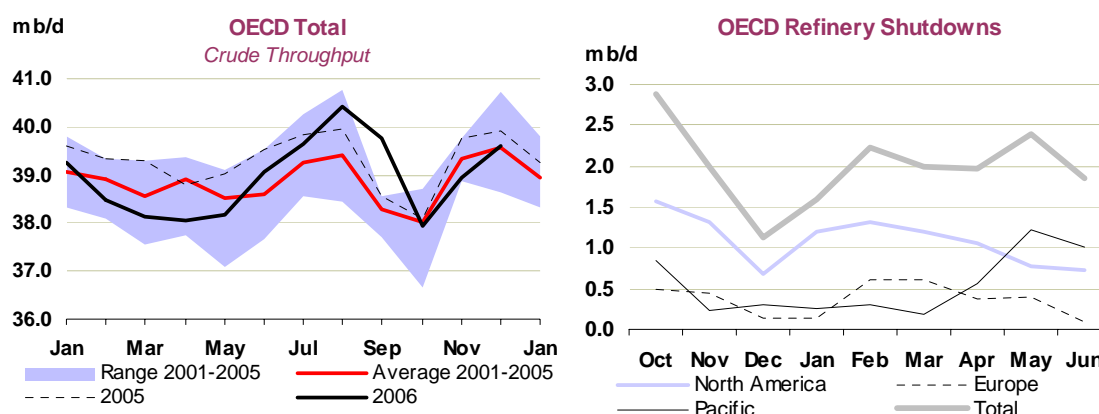
Shipping delays plagued the Turkish Straits once again in mid-January but dissipated later in the month. Black Sea to Mediterranean Aframax rates were supported at \$21/tonne mid-month but had dropped to \$11/tonne two weeks later.

Clean tanker rates declined throughout January. Asian stocks of kerosene, used for heating, remain historically high despite falling temperatures, limiting import needs. High Asian naphtha prices may have opened arbitrages from the West. However, this failed to stem the decline in clean rates for east of Suez trading, suggesting a surplus of vessels in the region. Rates for 30,000-tonne cargoes moving from Singapore to Japan fell from over \$20/tonne on 1 January to \$14/tonne in early February.

REFINING

Summary

- **Economic run cuts in December** tempered seasonal gains in OECD refinery throughputs due to negative hydroskimming margins and high kerosene stocks in the Pacific. December crude throughputs rose by 0.7 mb/d to 39.6 mb/d as refiners in the US and Japan increased runs by a combined 0.8 mb/d, but total OECD throughput was 0.3 mb/d below the level of December 2005.
- **January OECD refinery runs** were reduced by the start of seasonal refinery maintenance. They are estimated to have fallen to 39.0 mb/d and average 38.4 mb/d in February and March. Maintenance work, already underway in North America and Europe, is in addition to run cuts in Japan and Korea of 250 kb/d in February. However, stronger hydroskimming margins may moderate the decline.



- **OECD refinery yield data** for November show that distillate yields reached the highest level in 12 years, reflecting the strong incentive to maximise diesel production at the expense of gasoline. In the Pacific, Japanese kerosene yields increased despite high stocks as refiners reduced gasoline yields from October's level. November refinery yields have been calculated under a revised methodology to reflect gross refinery output compared with total crude, NGL and feedstock input.
- **Offline refinery capacity in the OECD** is revised up for the first quarter by 0.3 mb/d, to an average of 1.9 mb/d. Increased estimates for the US, following unplanned outages and more detailed information on planned maintenance, underpin the increase. In the Pacific, we have revised up our estimates for voluntary run cuts. Global refinery outages are expected to peak in March as Atlantic Basin maintenance peaks, just ahead of the start of seasonal work in the Pacific. However, total outages for the 1H07 are expected to be 0.4 mb/d lower than a year ago.

Refinery Throughput

OECD refinery crude runs in December increased by 0.7 mb/d, to an estimated 39.6 mb/d, as crude throughputs reached their seasonal peak. The increase from November's downwardly revised (-181 kb/d) figure of 39.0 mb/d was driven by increases in Japan and the US, only partly offset by a 99 kb/d decline in Europe. Despite the increase in crude runs they remain 292 kb/d below the December 2005 level, as weak refining margins in Europe and, in the Pacific, high product stocks curtailed throughputs at refineries in Japan, Korea. The higher throughputs result in average OECD capacity utilisation of 87.9% in December, up from November's 86.4%, but still below December 2005's 89.2%.

Crude runs in the OECD regions are expected to have fallen to 39.0 mb/d in January and will average around 38.4 mb/d in February and March. The restart of maintenance work in the US in early January, and more recently in Europe, has curtailed runs. Weekly US data indicate that crude runs fell over the course of January, to a low of 14.8 mb/d late in the month. February runs are expected to remain below 15 mb/d as planned work increases on the Gulf and West Coasts. Weekly Japanese data indicate that crude runs were flat in January compared with December and only minimal planned outages are expected ahead of the second-quarter turnaround season.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from		Utilisation rate ²	
	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Nov 06	Dec 05	Dec 06	Dec 05
OECD North America										
US ³	15.67	15.79	15.74	15.00	15.01	15.51	0.50	0.48	89.20	87.72
Canada	1.88	1.90	1.85	1.76	1.85	1.82	-0.03	0.03	90.29	88.78
Mexico	1.25	1.22	1.18	1.14	1.24	1.31	0.07	-0.01	77.66	71.96
Total	18.79	18.92	18.77	17.90	18.10	18.64	0.54	0.50	88.38	87.04
OECD Europe										
France	1.72	1.81	1.86	1.74	1.81	1.80	-0.01	-0.02	91.01	93.38
Germany	2.37	2.45	2.18	2.19	2.41	2.32	-0.09	-0.10	95.53	98.44
Italy	1.87	1.93	1.88	1.95	1.98	1.88	-0.11	-0.02	80.71	81.56
Netherlands	0.94	0.98	1.03	1.02	1.04	1.03	-0.01	-0.01	84.63	85.43
Spain	1.19	1.24	1.22	1.17	1.11	1.18	0.07	-0.02	92.44	94.29
UK	1.61	1.68	1.64	1.35	1.50	1.46	-0.05	-0.23	77.53	92.19
Other OECD Europe	4.19	4.19	4.11	4.04	3.90	3.99	0.10	-0.13	82.79	88.23
Total	13.90	14.27	13.92	13.45	13.76	13.66	-0.10	-0.53	85.74	90.21
OECD Pacific										
Japan	3.84	4.09	3.92	3.44	3.87	4.17	0.30	-0.14	89.26	91.53
Korea	2.43	2.41	2.46	2.42	2.51	2.47	-0.04	-0.07	95.75	98.41
Other OECD Pacific	0.70	0.72	0.70	0.72	0.72	0.67	-0.05	-0.06	83.24	85.37
Total	6.97	7.22	7.08	6.59	7.10	7.31	0.21	-0.27	90.74	93.06
OECD Total	39.66	40.41	39.77	37.94	38.95	39.60	0.66	-0.29	87.87	89.25

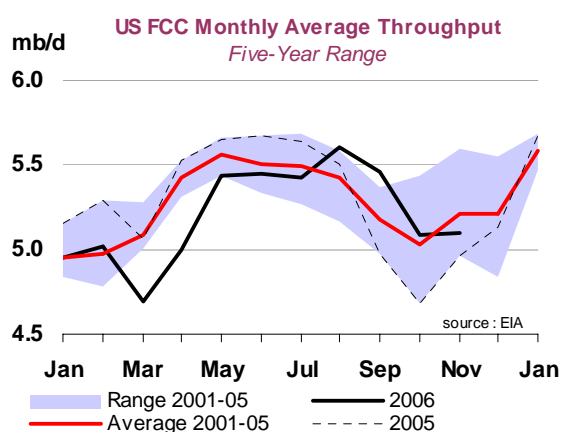
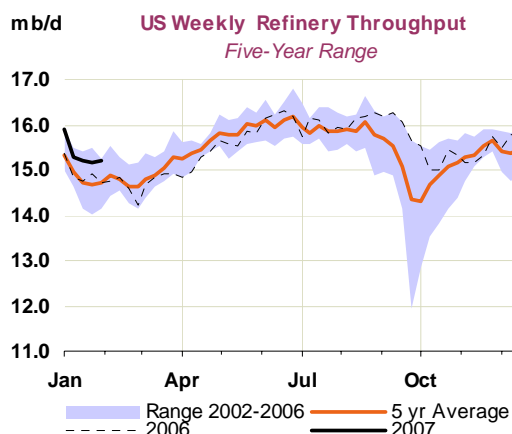
¹ Estimate

² Based on crude throughput and current operable refining capacity

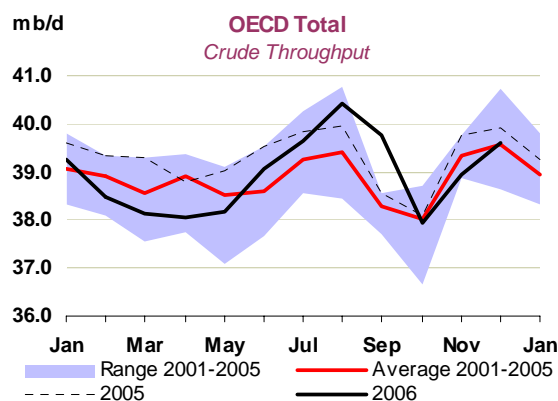
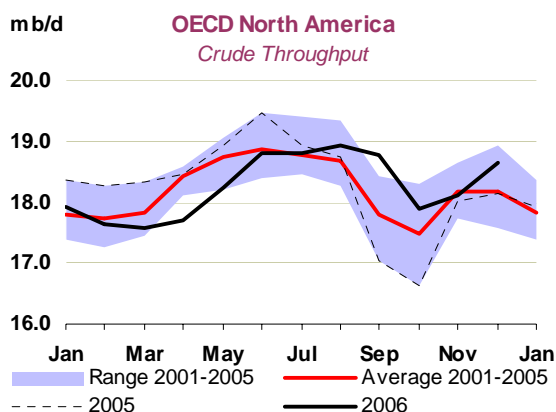
³ US\$0

OECD North America

North American crude throughputs in December are estimated to have averaged 18.6 mb/d, their highest level since September. The increase of 543 kb/d from November's downwardly revised (-134 kb/d) level of 18.1 mb/d was almost entirely driven by higher runs in the US. Mexico's 5% increase in crude runs was partly offset by Canada's estimated decline. Crude throughputs were 504 kb/d above December 2005's level largely as a result of hurricane disruption to throughputs in late 2005. North American capacity utilisation was 88.4% in December, up from November's 85.8% and above December 2005's 87.0% utilisation rate.



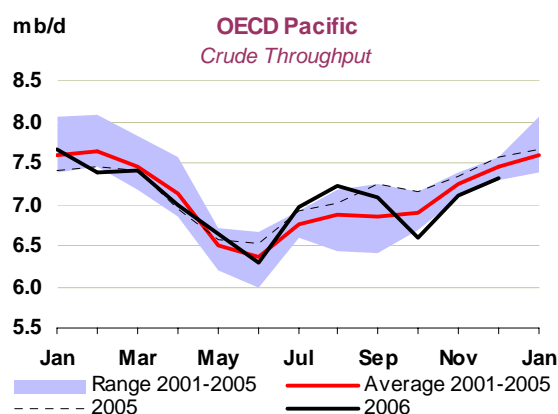
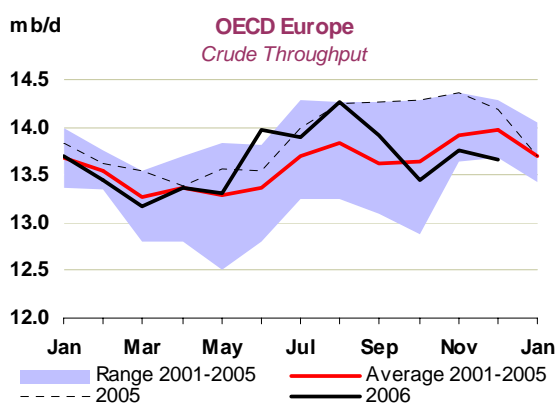
Despite the absence of planned maintenance, problems at several Canadian refineries contributed to a 26 kb/d decline in Canadian crude runs to 1.8 mb/d in December. Little scheduled maintenance work is slated for January and February which, with only minor disruptions so far, suggests runs may edge up from December's level. Historical revisions lift Canada's September crude runs by 19 kb/d, while October's were trimmed by 54 kb/d. Mexican crude runs in December were reported at 1.3 mb/d, an increase of 68 kb/d from November and flat versus December 2005.



Weekly data for the US indicate that January average crude throughputs fell by 0.5 mb/d from December to the lowest levels since April 2005. Declines were particularly heavy on the West and Gulf Coasts as refiners made an early start to maintenance work. West Coast refiners reported to be undertaking work include Tesoro, BP and Chevron, with a combined nameplate capacity of around 650 kb/d. Consequently, February crude runs on the West Coast are not expected to recover immediately with work continuing at these locations. Additional unscheduled problems were also reported at other West Coast locations in late January and reports have also emerged of planned work at ExxonMobil's Torrance refinery during February. Gulf Coast crude runs should also remain subdued in February, as maintenance work peaks.

OECD Europe

European crude throughputs averaged 13.7 mb/d in December, 99 kb/d lower than November's upwardly revised (+21 kb/d) level of 13.8 kb/d. December crude runs increased by 165 kb/d in Belgium, following the return of ExxonMobil's Antwerp refinery from maintenance, and in Spain and Greece, but were more than offset by lower runs elsewhere, particularly Italy and Germany. Consequently, crude runs were below the level of December 2005, by 526 kb/d, continuing the trend seen in October and November. The weaker margin environment than a year ago (when refiners were still struggling to meet global demand in the wake of hurricane-related outages) and heavier maintenance schedules account for the drop. European capacity utilisation was 85.7% in December, down from November's 86.4% and below December 2005's 90.2%.



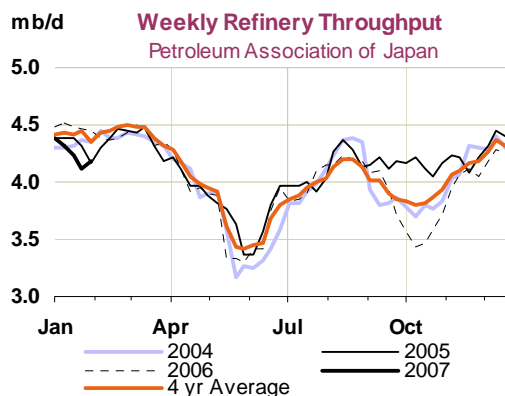
The decline in UK fourth-quarter crude runs was particularly steep. Runs averaged 1.4 mb/d, a drop of 240 kb/d, from the fourth quarter 2005. While maintenance work at Chevron's Pembroke plant and ExxonMobil's Fawley refinery explain part of the decrease, the balance is probably the result of less sophisticated refineries curtailing runs due to the weak margin environment. For 2006 as a whole UK crude runs were 112 kb/d below the previous year, only registering a year-on-year gain in June albeit of 11 kb/d.

OECD Pacific

Crude throughputs in the OECD Pacific region increased by 211 kb/d in December, but as in Europe, remain below the December 2005 level. Runs averaged 7.3 mb/d during the month, 3% above November's downwardly revised (-67 kb/d) level of 7.1 mb/d. The increase was predominantly in Japan where runs increased by 299 kb/d. Crude runs could have been greater given that refiners were unfettered by maintenance. However, poor hydroskimming economics and high kerosene stocks capped runs.

Korean runs also fell by 41 kb/d to average 2.5 mb/d, largely the result of economic run cuts that were self-imposed by refiners, and warmer weather compared with December 2005. Nevertheless, Korea's capacity utilisation rate remained a respectable 95.8% in December. Overall refinery throughput in Korea and Australia/New Zealand fell by a combined 88 kb/d. Despite these decreases the Pacific capacity utilisation increased to 90.7%, from November's 88.1%, due to Japan's higher runs, but the region is still operating below December 2005's 93.1%.

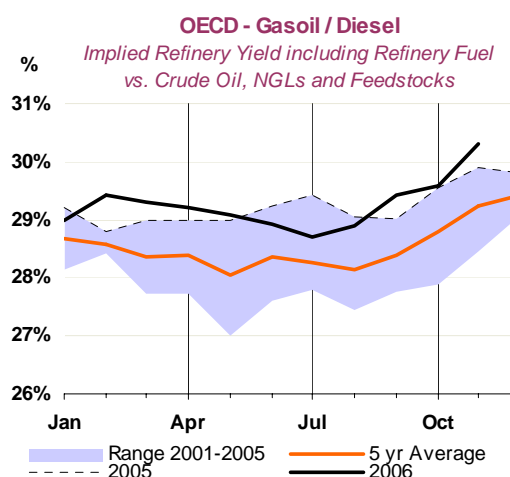
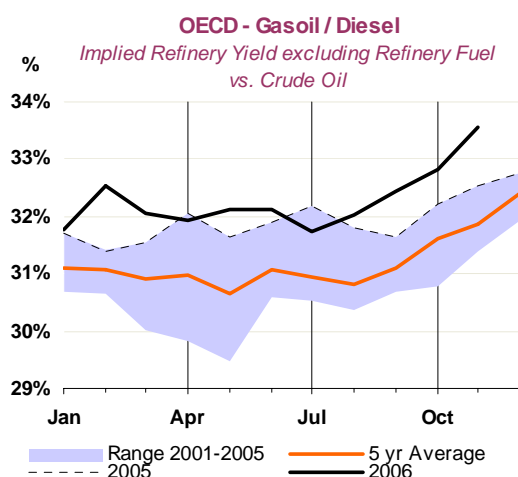
Weekly data from the Petroleum Association of Japan show that crude runs in January were broadly unchanged from December at 4.2 mb/d. Nippon Oil reported that its January run cuts were around 150 kb/d or 13% of capacity - significantly higher than our expectations. In February Nippon Oil anticipated that continued run cuts of around 140 kb/d would be necessary in addition to exports of kerosene to contain kerosene inventories. Korean refiners have also continued with run cuts in January with a net decrease in runs of around 20 kb/d month-on-month.



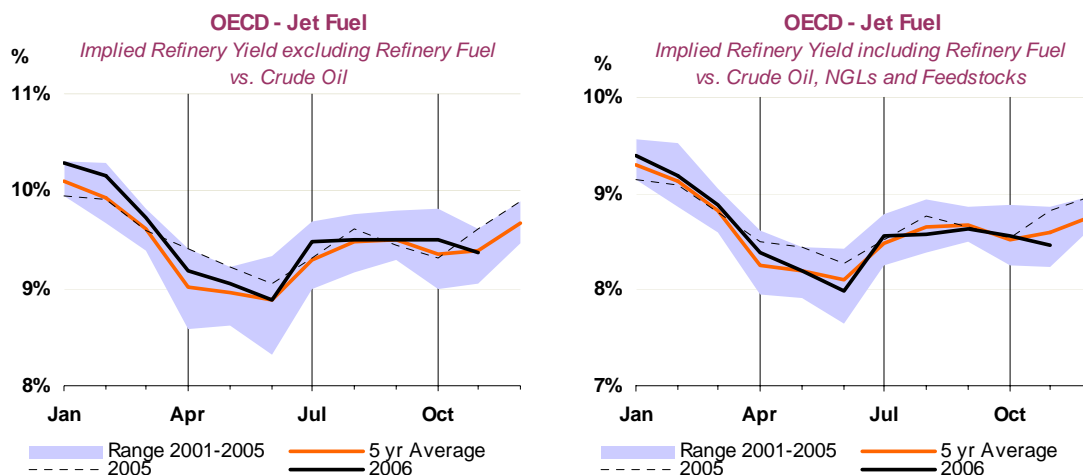
OECD Refinery Yields

This month we are introducing a revised methodology for the refinery yield section. The revisions are intended to give a better picture of how refineries are responding to the changing economics and drivers presented to them (see 'Holistic yields' for further information).

OECD refinery yield data show refiners responded to strong demand and high distillate cracks by raising diesel/gasoil yields to the highest level for 12 years in November to 30.3%, up from 29.6% in October. As a consequence, the yields of gasoline and jet/kerosene declined slightly in November to 29.4% and 8.5% respectively.



The strong incentive to produce additional barrels of diesel and gasoil was clearly evident in each of the three regions. Pacific yields recovered from their seasonal third-quarter low, while North American distillate yields continued to increase to 25.6% from 25.4% in October. Europe though remains the outright leader in distillate yields with an average yield of 37.7% in November, up 1% from October.



Japanese jet/kerosene yields increased to 15.8% in November and, despite the concerns expressed by refiners at the time about rising kerosene stocks, gross inland deliveries increased 40% to 750 kb/d. Gasoline yields declined during the month, following maintenance in October which forced refiners to increase gasoline yields to meet supply commitments. North America saw the brunt of the decline in jet/kerosene yields as they declined to 7.8% from 8.2% in October and are now at the bottom of the five-year range.

'Holistic Yields'

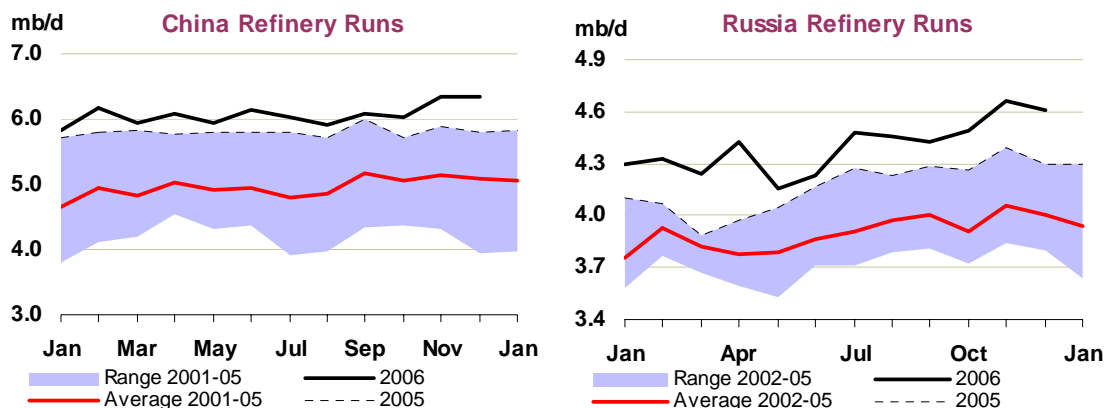
We have revised the methodology for calculating the refinery yields we display in this report. Previously we considered net refinery output as a function of crude inputs. This method has some obvious advantages; it allows comparisons between regions and indeed non-OECD countries who also report refined product output and crude runs. Furthermore, it is consistent with calculating inland deliveries. However, as refiners continue to seek additional value from their operations we expect them to focus on investing in upgrading projects that rely not on crude, but feedstocks such as atmospheric residue, VGO, naphtha or isobutane. Under these circumstances it would be misleading to ignore non-crude inputs from the yield calculation. From this month onwards we will use the total crude, NGL and feedstock input to refineries when calculating refinery yields.

Similarly we have adjusted our methodology to take account of gross refinery output, i.e. before refinery fuel consumption, rather than net refinery output. This change is perhaps more difficult to justify with valid arguments both for and against using the gross measure. However, on balance we feel that considering refinery yields without adjusting for a refinery's fuel efficiency should give a better comparison than the net figure. For comparative purposes we have included in this month's report graphs showing refinery yields as measured both by crude inputs and crude, NGL and feedstocks.

Non-OECD Throughput

Chinese crude runs were flat in December compared with November at 6.4 mb/d. This level of throughputs implies a growth rate of 9.3% from December 2005. January crude runs are anticipated to be slightly lower, in line with the seasonal dip and because of planned maintenance work. Crude runs should increase in February as refiners seek to meet stronger, holiday-related, demand with the Chinese New Year on 18 February. December data indicate that **Indian** crude runs averaged 2.9 mb/d, slightly below the revised November throughput of 3.0 mb/d. Initial reports indicate that the decline was centred on Reliance's Jamnagar refinery, where runs were 70 kb/d lower on the month.

Russian crude runs declined in December to 4.6 mb/d from November's level of 4.7 mb/d. Higher crude runs at Rosneft's Komsomolsk refinery were more-than-offset by declines at Lukoil's Volgograd refinery and Gazprom Neft's Omsk operation.



Offline Refinery Capacity

Global offline capacity is expected to see a 1H07 peak in March at 3.2 mb/d and is forecast to remain above 3 mb/d through until May. Forecast first-quarter offline capacity estimates have been revised upwards by an average of 270 kb/d, as further details of planned maintenance shutdowns have become available. The upward revisions apply to OECD regions with the increase split equally between North America and the Pacific. North American offline capacity is forecast to increase by 120 kb/d in February to 1.3 mb/d, before declining again in March to 1.2 mb/d. European first-quarter maintenance is expected to peak in March at 0.6 mb/d before tailing off gradually during the second quarter. OECD Pacific offline capacity forecasts have been revised up due to higher run-cuts in Japan and Korea, as a result of poor margins and high kerosene stocks. Refinery maintenance in the region is expected to increase rapidly during the second quarter and average 928 kb/d, in line with the second quarter last year.

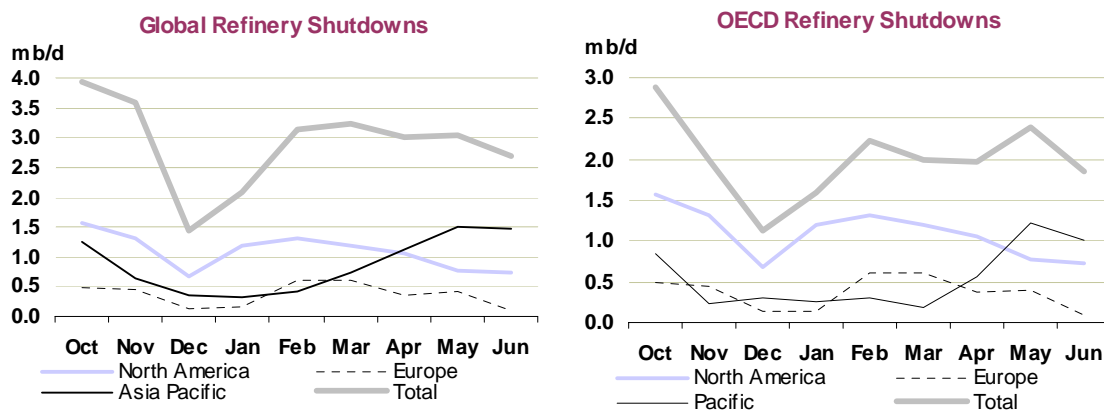


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
OECD DEMAND																	
North America	24.5	25.4	25.6	25.3	25.6	25.5	25.5	25.1	25.1	25.5	25.4	25.3	25.5	25.3	25.9	26.0	25.7
Europe	15.4	15.5	15.6	15.2	15.6	15.7	15.5	15.8	15.0	15.4	15.6	15.5	15.6	15.1	15.5	15.7	15.5
Pacific	8.6	8.5	9.4	8.1	8.1	8.8	8.6	9.3	7.9	7.9	8.7	8.5	9.1	7.8	8.0	8.9	8.4
Total OECD	48.6	49.3	50.7	48.6	49.2	50.0	49.6	50.2	48.0	48.8	49.8	49.2	50.2	48.2	49.4	50.6	49.6
NON-OECD DEMAND																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	4.0	4.3	4.0	4.1	3.8	4.0	4.2	4.0
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	5.5	6.4	6.7	6.5	6.7	6.9	6.7	6.9	7.3	7.1	7.1	7.1	7.3	7.7	7.6	7.6	7.6
Other Asia	8.1	8.6	8.9	8.9	8.6	8.7	8.8	8.9	8.9	8.7	9.0	8.9	9.0	9.1	8.9	9.2	9.0
Latin America	4.7	5.0	5.0	5.1	5.2	5.1	5.1	5.1	5.2	5.3	5.2	5.2	5.1	5.3	5.4	5.3	5.3
Middle East	5.4	5.8	6.0	6.1	6.4	6.0	6.1	6.3	6.4	6.7	6.4	6.5	6.6	6.7	7.0	6.7	6.8
Africa	2.7	2.8	2.9	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	2.9	3.0	3.0	2.9	3.0	3.0
Total Non-OECD	30.7	33.1	34.0	33.9	34.1	34.3	34.1	34.8	35.3	35.3	35.7	35.3	36.0	36.4	36.5	36.8	36.4
Total Demand¹	79.3	82.4	84.7	82.5	83.4	84.2	83.7	85.0	83.3	84.1	85.5	84.5	86.2	84.6	86.0	87.4	86.0
OECD SUPPLY																	
North America	14.6	14.6	14.5	14.7	13.7	13.8	14.1	14.2	14.2	14.3	14.4	14.3	14.5	14.3	14.2	14.3	14.3
Europe	6.3	6.1	5.9	5.7	5.4	5.5	5.6	5.5	5.1	4.9	5.2	5.2	5.2	5.1	5.0	5.3	5.2
Pacific	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Total OECD	21.6	21.2	20.9	21.0	19.7	19.8	20.3	20.2	19.8	19.9	20.2	20.0	20.4	20.0	19.9	20.3	20.1
NON-OECD SUPPLY																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.8	12.0	12.2	12.4	12.1	12.4	12.6	12.6	12.8	12.6
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.8	3.7
Other Asia	2.6	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Latin America	4.0	4.1	4.2	4.4	4.3	4.3	4.3	4.3	4.4	4.4	4.4	4.4	4.5	4.5	4.5	4.6	4.5
Middle East	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa ²	3.0	3.4	3.5	3.6	3.8	3.9	3.7	3.9	3.9	4.0	4.1	4.0	2.7	2.7	2.7	2.7	2.7
Total Non-OECD	25.6	27.0	27.5	27.7	28.2	28.4	28.0	28.4	28.6	28.9	29.1	28.8	27.9	28.1	28.2	28.4	28.1
Processing Gains ³	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other Biofuels ⁴	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total Non-OPEC ⁵	49.1	50.1	50.5	50.6	49.8	50.2	50.3	50.7	50.5	50.8	51.4	50.9	50.5	50.3	50.4	51.0	50.5
Non-OPEC excl. Angola ²	48.2	49.2	49.3	49.5	48.5	48.8	49.0	49.3	49.2	49.4	50.0	49.5	50.5	50.3	50.4	51.0	50.5
OPEC																	
Crude ⁶	27.1	28.9	29.3	29.7	30.0	29.9	29.7	29.9	29.8	30.0	29.2	29.7					
NGLs	3.7	4.2	4.4	4.4	4.5	4.5	4.5	4.6	4.7	4.7	4.7	4.7	4.8	4.8	4.9	5.0	4.9
Total OPEC	30.8	33.1	33.7	34.2	34.5	34.5	34.2	34.5	34.5	34.7	33.9	34.4					
OPEC incl. Angola ²	31.7	34.1	34.8	35.3	35.8	35.9	35.4	35.9	35.8	36.1	35.3	35.8					
Total Supply⁷	79.8	83.2	84.1	84.8	84.3	84.7	84.5	85.2	84.9	85.5	85.3	85.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.5	0.1	0.0	0.6	1.2	-1.0	0.2					
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0	0.1	0.0	0.0	0.0					
Total	0.3	0.2	0.1	1.2	0.2	-0.5	0.2	0.0	0.7	1.2	-1.0	0.2					
Floating Storage/Oil in Transit	0.2	0.0	-0.4	0.1	0.0	0.1	-0.1	0.1	-0.1	0.3	-0.6	-0.1					
Miscellaneous to balance ⁸	0.1	0.6	-0.2	1.0	0.8	0.9	0.6	0.0	1.0	-0.1	1.4	0.6					
Total Stock Ch. & Misc	0.6	0.8	-0.5	2.3	0.9	0.5	0.8	0.2	1.7	1.4	-0.2	0.8					
Memo items:																	
Call on OPEC crude + Stock ch. ⁹	26.5	28.1	29.8	27.4	29.1	29.5	29.0	29.7	28.1	28.6	29.4	28.9	31.0	29.4	30.7	31.4	30.6
"Call" incl. Angola ²	27.4	29.1	30.9	28.6	30.4	30.9	30.2	31.1	29.5	30.0	30.8	30.3	31.0	29.4	30.7	31.4	30.6
Total Demand ex. FSU	75.7	78.6	80.8	78.8	79.6	80.4	79.9	81.1	79.5	80.2	81.3	80.5	82.1	80.8	82.0	83.2	82.0
Total demand exc. FSU (% ch10)	1.9	3.9	2.6	1.7	1.8	0.4	1.6	0.3	1.0	0.7	1.1	0.8	1.2	1.6	2.3	2.4	1.9

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

² With effect from OMR of 13 February 2007, Angolan production will be reclassified within OPEC and excluded from the Non-OPEC and Africa totals, for the period January 2007 onwards.

Secondary aggregates allow comparison with previous year totals by including Angola within OPEC retroactively.

³ 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

⁴ Biofuels from sources outside Brazil and US.

⁵ Non-OPEC supplies include crude oil, condensates, NGL and non-conventional sources of supply such as synthetic crude, ethanol and MTBE.

No allowance is made in the non-OPEC forecast for exceptional events which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

⁶ As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL & non-conventional category, but Orimulsion production will reportedly cease from January 2007.

⁷ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁸ Includes changes in non-reported stocks in OECD and non-OECD areas

⁹ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

¹⁰ 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)

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.1	-0.1	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.4	-0.1	-0.1	-0.1	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-	0.1	0.2	0.3	0.3	-	0.2
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.3	-0.2	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.6	-0.1	0.3
Total Demand	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-0.2	0.1	0.2	0.3	0.7	-0.1	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-1.5	-1.6	-1.8	-1.9	-1.7
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-1.6	-1.6	-1.8	-2.0	-1.8
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.1	-	-1.8	-1.7	-1.8	-1.9	-1.8
Non-OPEC excl. Angola	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-0.1	0.1	-	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
OPEC incl. Angola	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.2	-0.1	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-0.1	0.1	2.0	2.0	2.4	1.9	2.1
"Call" incl. Angola	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-0.1	0.1	0.4	0.4	0.6	-	0.4
Total Demand ex. FSU	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-0.4	0.1	-	0.3	0.6	-0.1	0.2

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

Table 2
Summary of Global Oil Demand

	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)																
North America	25.37	25.61	25.33	25.61	25.51	25.52	25.12	25.09	25.47	25.41	25.28	25.49	25.32	25.93	26.05	25.70
Europe	15.47	15.62	15.17	15.56	15.69	15.51	15.77	15.03	15.43	15.65	15.47	15.61	15.06	15.53	15.72	15.48
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.30	7.87	7.90	8.75	8.45	9.13	7.81	7.95	8.87	8.44
Total OECD	49.33	50.68	48.55	49.25	49.99	49.61	50.19	47.99	48.80	49.81	49.20	50.22	48.18	49.41	50.64	49.61
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.91	3.73	3.97	4.27	3.97	4.13	3.78	3.98	4.19	4.02
Europe	0.70	0.77	0.71	0.66	0.72	0.72	0.79	0.72	0.67	0.73	0.73	0.80	0.74	0.69	0.74	0.74
China	6.42	6.67	6.51	6.71	6.88	6.69	6.93	7.27	7.14	7.15	7.12	7.29	7.71	7.64	7.59	7.56
Other Asia	8.62	8.90	8.86	8.65	8.72	8.78	8.88	8.93	8.71	8.99	8.88	9.03	9.09	8.90	9.17	9.05
Latin America	4.96	4.96	5.12	5.18	5.10	5.09	5.08	5.21	5.28	5.23	5.20	5.15	5.28	5.39	5.32	5.28
Middle East	5.79	5.96	6.10	6.36	6.05	6.12	6.29	6.43	6.70	6.38	6.45	6.60	6.74	7.03	6.71	6.77
Africa	2.79	2.90	2.91	2.79	2.90	2.88	2.97	2.98	2.86	2.97	2.94	3.04	3.04	2.92	3.04	3.01
Total Non-OECD	33.05	33.98	33.93	34.14	34.26	34.08	34.84	35.28	35.32	35.73	35.29	36.02	36.37	36.55	36.76	36.43
World	82.38	84.66	82.48	83.39	84.25	83.69	85.03	83.27	84.12	85.54	84.49	86.25	84.55	85.96	87.40	86.04
of which:																
US50	20.73	20.84	20.65	20.92	20.79	20.80	20.49	20.60	20.86	20.75	20.68	20.79	20.74	21.24	21.23	21.00
Euro4	8.25	8.25	7.95	8.26	8.21	8.17	8.42	7.88	8.07	8.15	8.13	8.25	7.85	8.14	8.19	8.11
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.78	4.81	5.34	5.22	5.71	4.67	4.81	5.40	5.15
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.02	2.30	2.16	2.33	2.05	2.05	2.33	2.19
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.02	1.99	2.03	2.03	2.08	2.05	2.06	2.12	2.08
Canada	2.30	2.36	2.24	2.28	2.26	2.28	2.18	2.14	2.27	2.27	2.21	2.24	2.19	2.28	2.32	2.26
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.18	2.20	2.28	2.27	2.23	2.22	2.24	2.32	2.31	2.27
India	2.57	2.72	2.60	2.47	2.56	2.59	2.74	2.70	2.50	2.69	2.66	2.80	2.77	2.58	2.75	2.73
Annual Change (% per annum)																
North America	3.5	1.4	1.0	0.7	-0.8	0.6	-1.9	-0.9	-0.6	-0.4	-0.9	1.5	0.9	1.8	2.5	1.7
Europe	0.3	0.8	0.9	0.7	-1.2	0.3	1.0	-0.9	-0.8	-0.3	-0.3	-1.0	0.2	0.6	0.5	0.1
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.6	-2.4	-2.2	-0.4	-1.6	-1.8	-0.8	0.7	1.4	-0.1
Total OECD	1.5	1.4	1.2	0.5	-0.7	0.6	-1.0	-1.2	-0.9	-0.4	-0.8	0.1	0.4	1.2	1.7	0.8
FSU	4.8	8.6	-0.3	-0.1	-2.7	1.2	2.4	0.6	4.7	9.8	4.5	5.5	1.2	0.3	-2.0	1.1
Europe	2.2	2.1	2.1	1.7	1.6	1.9	2.5	1.4	1.6	1.6	1.8	0.8	1.8	1.9	1.6	1.5
China	15.8	6.2	-0.4	6.6	4.5	4.2	4.0	11.8	6.4	3.8	6.4	5.1	6.1	7.1	6.2	6.1
Other Asia	6.8	4.3	2.4	2.5	-1.6	1.8	-0.2	0.9	0.7	3.1	1.1	1.7	1.8	2.3	2.0	1.9
Latin America	5.8	3.2	3.1	2.4	2.1	2.7	2.3	1.6	1.8	2.6	2.1	1.5	1.5	2.1	1.6	1.7
Middle East	6.9	5.7	5.8	5.6	5.3	5.6	5.4	5.4	5.4	5.6	5.4	5.0	4.8	4.9	5.1	5.0
Africa	4.1	3.3	3.3	2.5	2.7	3.0	2.4	2.3	2.4	2.4	2.4	2.4	1.8	2.1	2.2	2.2
Total Non-OECD	7.7	5.1	2.3	3.5	1.6	3.1	2.5	4.0	3.5	4.3	3.6	3.4	3.1	3.5	2.9	3.2
World	3.9	2.8	1.7	1.7	0.2	1.6	0.4	1.0	0.9	1.5	1.0	1.4	1.5	2.2	2.2	1.8
Annual Change (mb/d)																
North America	0.85	0.35	0.26	0.17	-0.20	0.14	-0.49	-0.23	-0.14	-0.10	-0.24	0.37	0.22	0.46	0.63	0.42
Europe	0.04	0.12	0.13	0.11	-0.19	0.04	0.15	-0.14	-0.13	-0.05	-0.04	-0.16	0.03	0.10	0.07	0.01
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.15	-0.19	-0.18	-0.04	-0.14	-0.17	-0.06	0.05	0.12	-0.01
Total OECD	0.75	0.69	0.58	0.23	-0.33	0.29	-0.49	-0.56	-0.45	-0.18	-0.42	0.04	0.19	0.61	0.83	0.42
FSU	0.17	0.30	-0.01	0.00	-0.11	0.04	0.09	0.02	0.18	0.38	0.17	0.22	0.04	0.01	-0.09	0.05
Europe	0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
China	0.88	0.39	-0.03	0.41	0.29	0.27	0.26	0.76	0.43	0.26	0.43	0.35	0.44	0.51	0.45	0.44
Other Asia	0.55	0.36	0.21	0.21	-0.14	0.16	-0.02	0.08	0.06	0.27	0.10	0.15	0.16	0.20	0.18	0.17
Latin America	0.27	0.15	0.15	0.12	0.11	0.13	0.11	0.08	0.09	0.13	0.11	0.07	0.08	0.11	0.08	0.09
Middle East	0.37	0.32	0.34	0.34	0.31	0.32	0.32	0.33	0.34	0.34	0.33	0.31	0.31	0.33	0.33	0.32
Africa	0.11	0.09	0.09	0.07	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.05	0.06	0.07	0.06
Total Non-OECD	2.37	1.64	0.77	1.16	0.54	1.03	0.86	1.35	1.18	1.47	1.22	1.18	1.09	1.23	1.03	1.13
World	3.12	2.32	1.34	1.40	0.21	1.31	0.37	0.79	0.73	1.29	0.80	1.22	1.28	1.84	1.86	1.55
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	-	-	-	-	0.03	0.01	-	-	-0.01	-0.29	-0.08	-0.07	-0.05	0.04	-0.08	-0.04
Europe	-0.02	-	-	-	-	-	-	-	-	-0.02	-0.01	-	-	0.02	0.05	0.02
Pacific	-	-	-	-	-	-	-	-	-	-0.06	-0.01	-0.02	-0.01	-0.04	0.03	-0.01
Total OECD	-0.02	-	-	-	0.03	0.01	-	-	-0.01	-0.37	-0.10	-0.09	-0.06	0.02	-0.01	-0.03
FSU	-	-	-	-	-	-	0.03	0.02	0.01	0.18	0.06	0.16	0.06	0.06	0.07	0.09
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	0.11	0.06	0.08	0.11	0.09	0.18	0.22	0.23	-0.04	0.15	0.17	0.32	0.31	0.02	0.21
Other Asia	-	-	-	-	-	-	-	-	-	0.01	-	-	-	-	0.02	0.01
Latin America	-	-	-	-	-	-	-	-	-0.04	0.02	-	0.01	0.01	-0.02	0.02	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-0.07	-0.02	0.28	-0.19	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.11	0.06	0.07	0.11	0.09	0.21	0.24	0.20	0.17	0.21	0.27	0.37	0.64	-0.06	0.31
World	-0.02	0.11	0.06	0.07	0.14	0.10	0.21	0.24	0.19	-0.20	0.11	0.19	0.31	0.66	-0.07	0.27
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.12	0.08	0.09	0.16	0.11	0.11	0.18	0.12	-0.34	0.01	-0.03	0.07	0.47	0.14	0.16

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2005	2006	2007	3Q06	4Q06	1Q07	2Q07	3Q07	Nov 06	Dec 06	Jan 07
OPEC											
Crude Oil											
Saudi Arabia	9.06	8.96		8.95	8.60				8.62	8.42	8.42
Iran	3.88	3.89		4.05	3.88				3.95	3.88	3.90
Iraq	1.81	1.90		2.04	1.85				1.84	1.77	1.65
UAE	2.46	2.62		2.65	2.60				2.53	2.60	2.60
Kuwait	2.13	2.21		2.20	2.20				2.21	2.19	2.18
Neutral Zone	0.58	0.58		0.57	0.57				0.57	0.57	0.56
Qatar	0.77	0.82		0.82	0.81				0.81	0.82	0.82
Angola ⁵											1.51
Nigeria	2.40	2.22		2.24	2.21				2.20	2.19	2.15
Libya	1.64	1.71		1.73	1.74				1.73	1.73	1.71
Algeria	1.34	1.35		1.34	1.34				1.34	1.34	1.34
Venezuela	2.71	2.56		2.51	2.50				2.43	2.55	2.49
Indonesia	0.94	0.89		0.87	0.86				0.86	0.86	0.86
Total Crude Oil	29.74	29.70		29.97	29.16				29.08	28.89	30.18
Total NGLs ¹	4.46	4.69	4.88	4.72	4.75	4.78	4.81	4.91	4.74	4.75	4.78
Total OPEC	34.20	34.38		34.69	33.91				33.82	33.64	34.96
OPEC incl. Angola ⁵	35.45	35.79		36.14	35.35				35.28	35.12	34.96
NON-OPEC²											
OECD											
North America											
United States	7.32	7.38	7.50	7.46	7.51	7.60	7.58	7.39	7.42	7.63	7.61
Mexico	3.76	3.68	3.48	3.69	3.50	3.54	3.50	3.45	3.55	3.38	3.59
Canada	3.06	3.19	3.34	3.17	3.34	3.34	3.19	3.36	3.30	3.41	3.27
Europe											
UK	1.84	1.67	1.70	1.48	1.69	1.72	1.69	1.61	1.69	1.74	1.68
Norway	2.97	2.78	2.70	2.73	2.76	2.76	2.63	2.66	2.77	2.83	2.76
Others	0.80	0.76	0.76	0.72	0.76	0.76	0.75	0.76	0.79	0.75	0.77
Pacific											
Australia	0.54	0.53	0.61	0.61	0.60	0.60	0.59	0.61	0.57	0.61	0.60
Others	0.04	0.04	0.05	0.04	0.04	0.04	0.04	0.06	0.04	0.04	0.04
Total OECD	20.33	20.03	20.13	19.89	20.20	20.36	19.97	19.91	20.15	20.39	20.31
NON-OECD											
Former USSR											
Russia	9.48	9.69	9.92	9.77	9.80	9.76	9.91	10.01	9.80	9.84	9.89
Others	2.16	2.40	2.67	2.44	2.58	2.62	2.67	2.64	2.63	2.57	2.62
Asia											
China	6.30	6.38	6.45	6.35	6.37	6.43	6.44	6.45	6.40	6.32	6.42
Malaysia	0.77	0.75	0.76	0.75	0.76	0.76	0.75	0.75	0.76	0.75	0.77
India	0.78	0.79	0.82	0.77	0.82	0.82	0.82	0.82	0.82	0.82	0.82
Others	1.13	1.16	1.16	1.15	1.15	1.17	1.17	1.16	1.16	1.16	1.16
Europe											
Others	0.16	0.15	0.13	0.14	0.14	0.14	0.14	0.13	0.14	0.14	0.14
Latin America											
Brazil	1.99	2.10	2.29	2.10	2.15	2.22	2.25	2.30	2.14	2.16	2.22
Argentina	0.78	0.77	0.76	0.79	0.77	0.76	0.76	0.75	0.74	0.77	0.77
Colombia	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Ecuador	0.53	0.54	0.50	0.54	0.53	0.52	0.51	0.50	0.54	0.53	0.52
Others	0.46	0.46	0.46	0.46	0.46	0.46	0.45	0.46	0.46	0.46	0.46
Middle East³											
Oman	1.86	1.74	1.69	1.72	1.71	1.70	1.70	1.69	1.70	1.70	1.70
Syria	0.79	0.74	0.71	0.73	0.72	0.72	0.71	0.71	0.72	0.72	0.72
Yemen	0.46	0.42	0.38	0.41	0.40	0.39	0.38	0.38	0.40	0.40	0.40
Others	0.42	0.39	0.41	0.38	0.38	0.40	0.41	0.41	0.39	0.39	0.39
Africa											
Egypt	3.72	3.99	2.73	4.04	4.12	2.72	2.74	2.73	4.13	4.17	2.71
Angola ⁵	0.70	0.67	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
Gabon	1.25	1.41		1.45	1.43				1.45	1.47	
Others	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Total Non-OECD	27.96	28.75	28.14	28.88	29.13	27.85	28.08	28.20	29.21	29.19	27.97
Processing Gains ⁴	1.86	1.90	1.92	1.88	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Other Biofuels ⁵	0.12	0.18	0.34	0.18	0.18	0.34	0.34	0.34	0.18	0.18	0.34
TOTAL NON-OPEC	50.27	50.87	50.53	50.83	51.43	50.48	50.31	50.37	51.45	51.68	50.54
Non-OPEC excl. Angola ⁶	49.03	49.46	50.53	49.38	50.00	50.48	50.31	50.37	50.00	50.21	50.54
TOTAL SUPPLY	84.48	85.25		85.52	85.34				85.27	85.33	85.50

¹ Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production will reportedly cease from January 2007.

² Comprises crude oil, condensates, NGLs and oil from non-conventional sources. No allowance is made in the non-OPEC forecast for exceptional events, which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis.

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.

⁵ Comprises Fuel Ethanol and Biodiesel supply from outside Brazil and US.

⁶ With effect from OMR of 13 February 2007, Angolan production will be reclassified within OPEC and excluded from the Non-OPEC total, for the period January 2007 onwards. Secondary aggregates allow comparison with previous year totals by including Angola within OPEC retroactively

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			
	Aug2006	Sep2006	Oct2006	Nov2006	Dec2006*	Dec2003	Dec2004	Dec2005	1Q2006	2Q2006	3Q2006	4Q2006
North America												
Crude	456.2	460.1	466.2	463.8	437.7	382.0	400.1	456.9	0.07	-0.05	0.02	-0.24
Motor Gasoline	238.1	244.8	232.2	233.5	244.7	234.0	244.8	236.1	0.07	-0.01	0.03	0.00
Middle Distillate	219.2	224.2	216.5	208.8	216.7	209.7	198.8	213.0	-0.20	0.06	0.26	-0.08
Residual Fuel Oil	52.6	53.0	51.8	51.1	51.3	45.7	50.5	44.6	0.07	0.02	0.01	-0.02
Total Products ³	703.8	724.7	701.1	682.3	687.9	639.8	655.2	658.9	-0.26	0.38	0.60	-0.40
Total ⁴	1320.6	1346.6	1326.1	1298.7	1277.2	1160.7	1192.7	1257.2	-0.20	0.40	0.77	-0.75
Europe												
Crude	332.8	327.4	333.2	332.8	329.7	313.3	321.5	327.9	0.18	-0.07	-0.12	0.03
Motor Gasoline	101.4	103.9	105.9	109.5	110.5	118.4	113.9	112.4	-0.01	-0.12	0.04	0.07
Middle Distillate	271.9	270.4	263.7	261.7	269.6	238.9	240.5	256.9	-0.11	0.11	0.15	-0.01
Residual Fuel Oil	77.3	77.0	80.8	77.2	78.5	79.4	73.6	73.2	-0.04	0.06	0.02	0.02
Total Products ³	556.5	559.7	555.3	555.1	565.2	537.8	531.3	544.3	-0.16	0.04	0.29	0.06
Total ⁴	963.7	961.7	957.5	958.2	964.2	921.7	924.4	944.3	0.05	-0.06	0.20	0.03
Pacific												
Crude	173.8	174.9	177.6	183.0	177.0	180.1	171.2	157.4	0.15	0.11	-0.07	0.02
Motor Gasoline	23.7	23.4	23.8	23.9	22.5	22.0	24.2	22.5	0.02	0.00	-0.01	-0.01
Middle Distillate	80.9	86.0	87.6	83.2	73.4	73.8	75.1	61.0	-0.01	0.10	0.18	-0.14
Residual Fuel Oil	24.6	23.8	23.5	22.0	22.6	23.0	22.4	20.5	-0.01	0.04	0.01	-0.01
Total Products ³	203.2	210.7	210.1	201.1	183.6	183.2	187.8	167.4	0.00	0.17	0.30	-0.29
Total ⁴	449.9	458.6	459.7	457.1	432.4	434.8	430.3	393.8	0.16	0.30	0.25	-0.28
Total OECD												
Crude	962.8	962.3	977.0	979.6	944.3	875.4	892.8	942.2	0.40	-0.01	-0.17	-0.20
Motor Gasoline	363.3	372.1	361.8	366.9	377.7	374.4	382.8	371.0	0.08	-0.12	0.06	0.06
Middle Distillate	572.0	580.6	567.8	553.7	559.7	522.5	514.4	530.8	-0.33	0.27	0.59	-0.23
Residual Fuel Oil	154.4	153.9	156.0	150.3	152.3	148.0	146.5	138.3	0.02	0.12	0.04	-0.02
Total Products ³	1463.5	1495.1	1466.6	1438.5	1436.7	1360.8	1374.4	1370.6	-0.42	0.58	1.19	-0.64
Total ⁴	2734.1	2766.9	2743.2	2714.0	2673.8	2517.1	2547.3	2595.2	0.01	0.64	1.22	-1.01

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Aug2006	Sep2006	Oct2006	Nov2006	Dec2006*	Dec2003	Dec2004	Dec2005	1Q2006	2Q2006	3Q2006	4Q2006
North America												
Crude	687.8	687.8	688.6	688.6	688.6	638.4	675.6	684.5	0.02	0.02	0.00	0.01
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	174.5	175.5	174.7	174.9	174.9	157.5	168.0	166.9	0.04	0.04	0.02	-0.01
Products	237.3	235.0	234.7	233.3	233.3	216.0	208.2	239.0	-0.03	0.00	-0.01	-0.02
Pacific												
Crude	381.5	381.5	381.5	381.6	384.5	384.7	384.5	381.6	-0.01	0.00	0.01	0.03
Products	11.8	11.8	11.8	11.8	11.8	11.0	11.0	11.5	0.00	0.00	0.00	0.00
Total OECD												
Crude	1243.9	1244.8	1244.8	1245.1	1248.0	1180.6	1228.1	1233.0	0.04	0.06	0.03	0.04
Products	251.2	248.8	248.5	247.1	247.1	229.0	221.2	252.5	-0.04	0.01	-0.01	-0.02
Total ⁴	1496.0	1494.6	1494.3	1493.2	1496.2	1410.6	1450.3	1486.5	0.01	0.07	0.02	0.02

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹

(millions of barrels³ and 'days'⁴)

	End December 2005		End March 2006		End June 2006		End September 2006		End December 2006 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	178.1	82	169.7	79	169.7	75	179.1	-	-	-
Mexico	43.9	21	41.7	21	42.1	21	47.0	-	-	-
United States ⁴	1699.6	83	1693.7	83	1731.6	83	1788.3	-	-	-
Total⁴	1943.7	78	1927.2	77	1965.5	77	2036.4	80	1967.8	77
Pacific										
Australia	32.7	36	35.5	39	38.9	42	35.3	-	-	-
Japan	612.1	103	620.1	130	627.2	130	649.1	-	-	-
Korea	134.9	59	137.4	68	155.4	77	160.5	-	-	-
New Zealand	7.2	44	6.8	45	6.7	46	6.9	-	-	-
Total	786.8	85	799.8	102	828.2	105	851.9	97	828.7	91
Europe⁵										
Austria	20.4	72	18.7	66	19.2	67	19.6	-	-	-
Belgium	28.6	45	27.3	52	30.4	57	30.5	-	-	-
Czech Republic	18.8	98	19.6	90	19.5	88	19.3	-	-	-
Denmark	20.3	102	19.5	99	20.4	106	21.1	-	-	-
Finland	25.1	113	26.7	120	30.5	136	26.8	-	-	-
France	195.6	93	196.2	104	188.7	97	187.5	-	-	-
Germany	282.6	111	279.9	110	281.4	104	278.5	-	-	-
Greece	33.1	69	35.4	93	34.9	86	38.2	-	-	-
Hungary	17.6	120	20.8	127	17.6	110	17.4	-	-	-
Ireland	11.6	55	13.1	72	12.6	71	13.9	-	-	-
Italy	132.0	71	131.5	81	126.0	76	134.1	-	-	-
Luxembourg	0.8	11	0.9	15	1.0	17	0.9	-	-	-
Netherlands	116.4	116	120.5	121	123.1	119	125.0	-	-	-
Norway	30.7	123	21.9	91	21.8	90	29.4	-	-	-
Poland	35.2	79	35.5	74	35.7	67	37.3	-	-	-
Portugal	25.7	78	24.7	83	24.7	81	23.8	-	-	-
Slovak Republic	6.5	83	8.3	102	7.7	89	7.4	-	-	-
Spain	128.6	79	130.2	84	129.2	82	133.9	-	-	-
Sweden	38.0	102	38.4	109	39.6	113	38.6	-	-	-
Switzerland	37.7	128	37.7	144	39.3	141	38.9	-	-	-
Turkey	51.1	100	51.6	79	51.6	78	53.7	-	-	-
United Kingdom	95.2	50	97.4	54	99.0	56	97.4	-	-	-
Total	1351.2	86	1355.9	90	1353.8	88	1373.2	88	1373.4	88
Total OECD	4081.7	82	4082.9	85	4147.5	85	4261.5	86	4169.9	83
DAYS OF IEA Net Imports⁶	-	114	-	115	-	116	-	119	-	-

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

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

3 End September 2006 and December 2006 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories. Total includes US territories.

5 Data not available for Iceland.

6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions. 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	
4Q2003	3928	1411	2517	79	28	50	
1Q2004	3888	1423	2465	81	30	51	
2Q2004	3974	1429	2545	81	29	52	
3Q2004	4016	1435	2581	80	29	51	
4Q2004	3998	1450	2547	79	29	50	
1Q2005	4005	1462	2542	82	30	52	
2Q2005	4116	1494	2623	84	30	53	
3Q2005	4132	1494	2638	83	30	53	
4Q2005	4082	1487	2595	82	30	52	
1Q2006	4083	1487	2596	85	31	54	
2Q2006	4148	1493	2654	85	31	54	
3Q2006	4262	1495	2767	86	30	56	
4Q2006	4170	1496	2674	83	30	53	

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

2 Days of forward demand calculated using actual demand except in 3Q2006 and 4Q2006 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2003	2004	2005	4Q05	1Q06	2Q06	3Q06	Sep 06	Oct 06	Nov 06	Year Earlier	
											Nov 05	change
Saudi Light & Extra Light												
North America	0.64	0.55	0.46	0.52	0.51	0.68	0.62	0.55	0.56	0.73	0.49	0.24
Europe	1.00	1.03	0.90	0.91	0.83	0.80	0.72	0.63	0.87	0.72	0.97	-0.25
Pacific	1.18	1.24	1.31	1.37	1.40	1.33	1.29	1.28	1.30	1.28	1.50	-0.22
Saudi Medium												
North America	0.83	0.80	0.81	0.81	0.65	0.61	0.68	0.75	0.55	0.65	0.84	-0.19
Europe	0.11	0.11	0.16	0.16	0.17	0.14	0.14	0.16	0.14	0.08	0.18	-0.10
Pacific	0.24	0.23	0.26	0.32	0.38	0.35	0.35	0.33	0.33	0.33	0.33	0.00
Saudi Heavy												
North America	0.30	0.22	0.17	0.16	0.21	0.21	0.21	0.21	0.20	0.19	0.14	0.06
Europe	0.19	0.23	0.23	0.26	0.14	0.22	0.21	0.23	0.19	0.11	0.26	-0.15
Pacific	0.16	0.15	0.25	0.29	0.25	0.20	0.22	0.22	0.25	0.21	0.31	-0.10
Iraqi Basrah Light²												
North America	0.44	0.71	0.60	0.59	0.44	0.60	0.60	0.60	0.47	0.52	0.53	-0.01
Europe	0.09	0.21	0.23	0.31	0.24	0.29	0.40	0.41	0.38	0.39	0.29	0.11
Pacific	0.03	0.12	0.06	0.06	0.08	0.09	0.10	0.13	0.06	0.06	0.03	0.03
Iraqi Kirkuk												
North America	0.06	0.02	..	..	..	..	0.01	..	..	..	..	..
Europe	0.12	0.08	0.05	0.03	..	..	0.04	0.04	0.02	..	0.02	..
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.22	0.20	0.27	0.31	0.27	0.29	0.16	0.14	0.02
Pacific	0.17	0.16	0.15	0.15	0.19	0.12	0.10	0.14	0.08	0.09	0.12	-0.03
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.57	0.48	0.57	0.67	0.72	0.51	0.74	0.73	0.01
Pacific	0.69	0.65	0.62	0.63	0.64	0.48	0.51	0.54	0.58	0.65	0.56	0.09
Venezuelan Light & Medium												
North America	0.69	0.67	0.82	0.81	0.76	0.68	0.62	0.69	0.69	0.45	0.76	-0.31
Europe	0.02	0.01	0.04	0.07	0.12	0.15	0.08	0.10	0.07	0.14	0.17	-0.02
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.60	0.88	0.72	0.56	0.72	0.72	0.74	0.72	0.65	0.67	0.52	0.15
Europe	0.06	0.05	0.06	0.06	0.08	0.05	0.06	0.04	0.05	0.05	0.04	0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	1.32	1.36	1.27	1.25	1.26	1.24	1.30	1.23	1.24	1.19	1.25	-0.06
Europe	0.16	0.16	0.17	0.18	0.13	0.20	0.16	0.11	0.20	0.13	0.13	-0.01
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.00	..	0.03	0.10	0.09	0.03	0.01	0.01	0.02	0.04	0.06	-0.02
Europe	0.00	0.01	0.03	0.05	0.01	0.00	0.00	0.01	0.03	0.01	0.07	-0.06
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Russian Urals												
North America	0.14	0.12	0.13	0.09	..	0.16	0.16	0.14	0.02	..	0.08	..
Europe	1.62	1.86	1.77	1.69	1.68	1.83	1.66	1.62	1.40	1.62	1.61	0.00
Pacific	0.00	0.01	0.00	..	..	..	0.01	..	..	..	..	..
Nigerian Light⁴												
North America	0.63	0.80	0.90	0.90	0.87	0.79	0.78	0.64	0.78	0.67	1.01	-0.34
Europe	0.41	0.28	0.35	0.41	0.28	0.27	0.39	0.26	0.38	0.37	0.32	0.05
Pacific	0.08	0.11	0.05	0.02	0.09	0.03	0.02	0.03	0.03	..	..	..
Nigerian Medium												
North America	0.17	0.23	0.17	0.15	0.19	0.17	0.16	0.25	0.19	0.24	0.15	0.09
Europe	0.06	0.04	0.07	0.07	0.08	0.08	0.08	0.10	0.08	0.14	0.10	0.04
Pacific	0.01	0.01	0.01	..	..	..	0.01	..	..	..	..	..

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

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary, 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)

	2003	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Sep-06	Oct-06	Nov-06	Year Earlier	
											Nov-05	% change
Crude Oil												
North America	8069	8431	8384	8101	7740	8265	8686	8985	8203	7733	8476	-9%
Europe	9096	9478	9792	9954	9398	9753	10166	10031	9817	9688	10065	-4%
Pacific	6711	6659	6801	6967	7399	6509	6684	6661	6205	6968	6733	3%
Total OECD	23876	24569	24978	25022	24537	24526	25536	25677	24224	24390	25274	-3%
LPG												
North America	27	24	18	30	8	8	12	1	14	33	9	258%
Europe	193	225	248	249	280	242	210	200	228	315	247	27%
Pacific	541	541	527	486	651	575	593	591	492	494	485	2%
Total OECD	760	790	793	764	938	825	815	792	733	842	742	14%
Naphtha												
North America	67	99	110	76	41	49	64	71	114	101	66	54%
Europe	305	282	273	281	352	276	303	303	317	340	330	3%
Pacific	770	769	746	760	692	731	810	802	738	794	696	14%
Total OECD	1142	1150	1129	1116	1084	1056	1177	1176	1169	1236	1092	13%
Gasoline³												
North America	669	794	1016	1148	1113	1365	1166	1002	928	971	1027	-5%
Europe	150	137	165	120	194	149	122	138	136	162	64	155%
Pacific	70	105	102	90	86	145	74	61	96	70	120	-41%
Total OECD	888	1035	1283	1358	1393	1658	1363	1201	1160	1204	1211	-1%
Jet & Kerosene												
North America	97	101	130	268	79	191	203	201	142	76	312	-76%
Europe	271	293	375	371	313	382	398	435	430	406	379	7%
Pacific	102	77	66	49	131	39	43	45	66	50	40	25%
Total OECD	470	471	571	687	523	612	644	681	638	532	731	-27%
Gasoi/Diesel												
North America	126	123	142	267	210	173	181	196	140	99	270	-63%
Europe	652	751	845	867	1078	947	900	1002	1000	929	887	5%
Pacific	73	74	79	83	80	94	65	66	69	82	101	-19%
Total OECD	850	947	1066	1217	1368	1213	1146	1264	1209	1110	1259	-12%
Heavy Fuel Oil												
North America	326	453	525	610	481	320	309	283	273	242	686	-65%
Europe	385	397	490	473	520	479	421	363	517	454	433	5%
Pacific	88	76	85	82	122	105	76	44	65	59	100	-40%
Total OECD	799	926	1100	1166	1122	904	806	690	855	755	1219	-38%
Other Products												
North America	680	872	1005	1049	972	1162	1298	1281	1039	988	939	5%
Europe	690	676	781	787	891	863	912	883	888	981	738	33%
Pacific	235	256	247	263	271	208	225	139	272	284	251	13%
Total OECD	1605	1805	2033	2099	2134	2233	2434	2302	2199	2254	1927	17%
Total Products												
North America	1991	2466	2947	3447	2903	3268	3233	3034	2650	2511	3309	-24%
Europe	2644	2759	3177	3148	3628	3337	3266	3325	3515	3587	3079	17%
Pacific	1879	1898	1852	1812	2032	1896	1886	1748	1797	1834	1793	2%
Total OECD	6514	7123	7976	8407	8563	8501	8386	8107	7963	7932	8181	-3%
Total Oil												
North America	10061	10897	11332	11548	10643	11533	11919	12019	10853	10244	11785	-13%
Europe	11740	12237	12969	13102	13026	13090	13432	13356	13332	13276	13144	1%
Pacific	8590	8558	8653	8779	9431	8404	8570	8409	8002	8803	8526	3%
Total OECD	30390	31692	32954	33429	33100	33027	33922	33784	32187	32322	33455	-3%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.

2 Excludes intra-regional trade

3 Includes additives

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OIL MARKET REPORT CONTACTS

Editorial Enquiries

Editor

Head, Oil Industry & Markets Division

Lawrence Eagles

(+33) 0*1 40 57 65 90

e-mail: lawrence.eagles@iea.org

Demand

Eduardo Lopez

(+33) 0*1 40 57 65 93

e-mail: eduardo.lopez@iea.org

Supply

David Fyfe

(+33) 0*1 40 57 65 94

e-mail: david.fyfe@iea.org

Prices/OECD Stocks

Julius Walker

(+33) 0*1 40 57 65 22

e-mail: julius.walker@iea.org

Refinery Activity

David Martin

(+33) 0*1 40 57 65 95

e-mail: david.martin@iea.org

OECD Stocks/Trade

Toril Ekeland Bosoni

(+33) 0*1 40 57 66 36

e-mail: toril.bosoni@iea.org

Statistics/Freight/Trade

James Ryder

(+33) 0*1 40 57 66 18

e-mail: james.ryder@iea.org

End-User Prices/Statistical Support

Miklos Bankuti

(+33) 0*1 40 57 67 76

e-mail: miklos.bankuti@iea.org

Administrative Support

Anne Mayne

(+33) 0*1 40 57 65 96

e-mail: anne.mayne@iea.org

Fax:

(+33) 0*1 40 57 65 99/40 57 65 09

* 0 only within France

Media Enquiries

Press Office

Gwyn Darling

(+33) 0*1 40 57 65 54

e-mail: ieapressoffice@iea.org

Subscription and Delivery Enquiries

Oil Market Report Subscriptions (Attn: Ms. Sandra Coleman)

International Energy Agency

BP 586-75726 PARIS Cedex 15, France

Tel. +33 (0) 1 40 57 65 57

Fax. +33 (0) 1 40 57 65 59

e-mail: sandra.coleman@iea.org

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