

18 January 2007

## HIGHLIGHTS

- **Crude oil prices** fell to 20-month lows in mid-January as lower demand, due to unusually warm weather and fund repositioning in commodity markets, offset the impact of OPEC cuts. Despite a sharp fall in US crude stocks, high inventories at the NYMEX delivery point of Cushing, Oklahoma, are contributing to the persistence of higher forward prices.
- **Global oil product demand** has been cut by 450 kb/d in 4Q06 following large US data revisions, unseasonably mild temperatures, fuel switching and lower apparent demand in the FSU. Some of these factors, together with a lower US GDP assumption, contribute to a reduction in forecast global demand growth to 1.6% in 2007 (85.8 mb/d).
- **World oil supply** rose by 110 kb/d in December to 85.4 mb/d, as strong recent non-OPEC growth continued. However, revisions to Norway, Mexico, Canada and Latin America lowered non-OPEC supply by 0.3 mb/d to 52.3 mb/d in 2007. Mild weather cut the 4Q06 'call on OPEC plus stock change' to 29.4 mb/d, but the 2007 call was lifted by 0.1 mb/d to 28.6 mb/d, only marginally below the average call in 2006.
- **December OPEC-11 crude supply** fell by 155 kb/d to 28.8 mb/d, but persistent disruptions to Iraqi and Nigerian supply limit effective spare capacity to 2.5 mb/d. Indications of further cuts in 1Q OPEC output follow the recent fall in prices and an agreement in Abuja to curb supply by 500 kb/d from February. Angola became an OPEC member from January 2007.
- **OECD refinery throughputs** increased by 1.1 mb/d in November to average 39.1 mb/d. Weekly data suggest a further increase of 0.6 mb/d in December to a winter peak of 39.7 mb/d. Global throughputs are expected to decrease over the course of the first quarter, as maintenance takes place sequentially in the US, Europe, the Middle East and Asia.
- **OECD total industry oil stocks** continued to decline in November, falling by 33 mb as product draws offset a modest crude oil stock build. Provisional data suggest the trend continued in December. While total OECD stocks are 41 mb higher than one year ago at 2,712 mb, forward demand cover fell by one day from October to 54 days.

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## THE CAPACITY TO SURPRISE

The explanation for the recent fall in the oil price appears pretty straightforward. Weather has been warm, demand has been weak and OPEC supply has been above levels implied by announced cuts for the first half of the winter. Undoubtedly, fund selling and a switch from bull to bear market psychology played their part as well, but there are other issues to consider.

Stocks have been falling, as they normally do in the fourth quarter – despite the mild weather. Total crude and product stocks among OECD industry, based on very preliminary data (M-1 and US/PAJ weeklies and Euroilstock trends) imply a 1.1 mb/d drawdown in 4Q06. While this puts total crude and product stocks just above the five-year average, the level of forward demand cover remains within seasonal norms. But note that gasoline stocks are low, as are crude, and the total stock number is, to an extent, bloated by fuel oil and ‘other products’.

We should perhaps be a little wary about placing too much emphasis on inventory trends – as adjustments over the past year have shown, preliminary data are frequently adjusted (October OECD stock data have been revised higher by 23.8 mb in this month’s report). And, if we take preliminary data on supply, demand and stocks together with a sharp fall in the amount of oil on the water and in floating storage, it is difficult to escape the conclusion that preliminary data look likely to be revised.

There has also been a preponderance of reports noting that fund managers of key passive funds have been reducing their exposure, if not to commodities in general, certainly to energy and some base metals. As most passive funds readjust their positions at the start of each year, coincident price swings are hardly surprising.

At first glance, the sharp fall in US crude stocks and the persistence of the wide contango structure in WTI looks like a speculative-led distortion, but dig deeper and there is some rationality to it. US crude stocks of around 315 mb are close to the trigger point normally associated with a switch of the crude market from contango to backwardation, but the NYMEX WTI contango between the first and sixth month remains high at over \$6/bbl.

In reality, inventory at the NYMEX WTI delivery point of Cushing in the US Midwest determines the forward price structure. These stock levels have remained high and on this basis, the relationship between stocks and the contango remains intact. It is already noticeable that differentials between WTI and other domestic crudes are beginning to reflect a tightening market. Ultimately, this should rebalance the contango, but it may take time.

Refining margins are sending mixed signals. Margins for full conversion refineries remain excellent, but hydroskimming margins for light sweet crude in Europe and Asia have been poor and cracking margins are only attractive for certain heavy sour crudes. That margins have been driven lower by weaker product cracks, rather than tight crude markets, adds further weight to perceptions of weaker-than-expected oil buying – but this may simply reflect lower run rates during the first-quarter US maintenance season.

Despite some apparent change in fund sentiment towards commodities, most of the recent movement in crude prices relates to fundamental factors. Weather has been important, but so too, surprisingly, have been OPEC cuts. The meteoric rises in copper and nickel are a prime example of how commodity prices can react when spare capacity runs out. It should not be surprising, therefore, that when OPEC effectively abandoned quotas and had little readily marketable spare capacity, oil prices and demand for stocks increased. So ironically, the restart of output restraint by OPEC offers proof to consumers that there is marketable spare capacity in the system and thus exerts a downward pressure on prices.

It may not last - if stocks continue on a declining path, at some point market tightness will push spot prices higher and send forward spreads into backwardation. Further, despite recent increases, the overall level of spare capacity remains thin. There is also a further factor - while most projects remain economic below \$40/barrel, it is clear that OPEC countries are mindful of the high levels of spare capacity that built up in the 1980s and 90s. Should producers defer future expansion plans because of a fall in spot prices, spare capacity may be tight for some time to come.

*Due to an anomaly in received data, the planned publication of an update to the Medium-Term Oil Market Report has been postponed. We will publish the report as soon as these issues have been resolved.*

## DEMAND

### Summary

- **Global oil product demand growth** has been revised downwards to 0.9% in 2006 (84.4 mb/d) and +1.6% in 2007 (85.8 mb/d) given significant revisions in the United States, mild weather, adjustments to US GDP assumptions and lower apparent demand in the FSU.

**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)	84.55	82.42	83.31	84.11	83.59	84.81	83.03	83.93	85.74	84.38	86.06	84.24	85.30	87.46	85.77
Annual Change (%)	2.68	1.55	1.59	0.06	1.46	0.31	0.74	0.74	1.94	0.94	1.47	1.46	1.63	2.01	1.65
Annual Change (mb/d)	2.20	1.26	1.31	0.05	1.20	0.26	0.61	0.62	1.63	0.78	1.24	1.21	1.37	1.72	1.39
Changes from last month's report (mb/d)	-	-	0.03	-	0.01	-	-	-	-0.45	-0.12	-0.22	-0.22	-0.19	-0.01	-0.16

- **OECD oil product demand** was down by 300 kb/d in 4Q06, as a result of large revisions to US data and to unseasonably mild temperatures that have tamed heating and residual oil demand. Fuel oil consumption continues to decrease due to improved availability of natural gas and the increasing switching to coal-fired power generation. Total oil product demand in the OECD is expected to decline by 0.6% in 2006 on an annual basis, but should rebound by 0.7% 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	25.35	25.74	0.14	-0.16	0.38	0.5	-0.6	1.5
Europe	16.20	16.20	0.04	-0.02	0.00	0.2	-0.1	0.0
OECD Pacific	8.47	8.45	0.10	-0.12	-0.02	1.2	-1.4	-0.2
China	6.98	7.35	0.18	0.37	0.38	2.8	5.6	5.4
Other Asia	8.87	9.04	0.16	0.10	0.17	1.8	1.1	1.9
Subtotal Asia	24.32	24.84	0.44	0.35	0.53	1.9	1.4	2.2
FSU	3.91	3.93	0.05	0.11	0.02	1.3	2.8	0.5
Middle East	6.45	6.77	0.32	0.33	0.32	5.6	5.4	4.9
Africa	2.94	3.01	0.08	0.07	0.06	3.0	2.4	2.1
Latin America	5.20	5.28	0.13	0.11	0.08	2.7	2.1	1.6
World	84.38	85.77	1.20	0.78	1.39	1.5	0.9	1.6

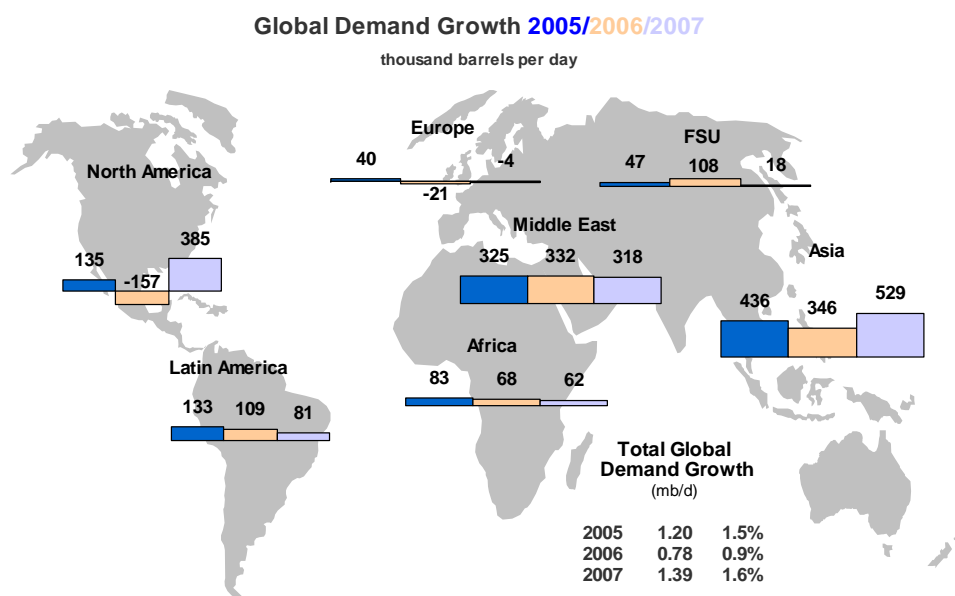
- **Non-OECD oil product demand** has also been cut in 4Q06 by 160 kb/d, given weaker-than-expected apparent demand in the FSU. Total non-OECD oil product consumption is nonetheless forecast to grow by a healthy 3.2% in 2006 and 3.0% in 2007.

### Worldwide Overview

Given milder-than-expected temperatures and minor revisions to our economic growth assumptions, we have revised downwards our global annual growth forecast for 2006 and 2007 (to +0.9% and +1.6%, respectively). In absolute terms, demand is expected to stand at 84.4 mb/d in 2006 and 85.8 mb/d in 2007. In particular, the annual growth rates in 4Q06 and 1Q07 look weaker than expected in our last report, at +1.9% and +1.5%, respectively.

As noted, one key factor driving this revision is the weather. Indeed, this winter has so far proved to be extraordinarily mild because of the El Niño effect, resulting in a significant decrease in heating oil consumption, mostly in the OECD. However, this decline is also structural, notably in the key US Northeast and German markets, as well as in some Asian countries, as consumers switch to natural gas (whose relatively low, weather-related prices have also prompted switching from gasoil and kerosene used for heating). Furthermore, in electricity generation coal is increasingly competing against both natural gas and oil (residual fuel or direct crude burning).

Regarding the economy, we adjusted our 2007 US GDP assumption, based on the most recent OECD forecast and trends in the survey by *Consensus Economics*. However, as we mentioned in our last report, contradictory signals fail to confirm the much-trumpeted slowdown of the US economy. As



such, global oil demand growth is expected to be somewhat less buoyant in 2007 but nonetheless sustained. Indeed, it should be emphasised once again that a slower US expansion will not necessarily eat too much into oil demand growth. Most of the forecast growth is driven by transportation fuels, which are income- and price-inelastic in the short term.

## OECD

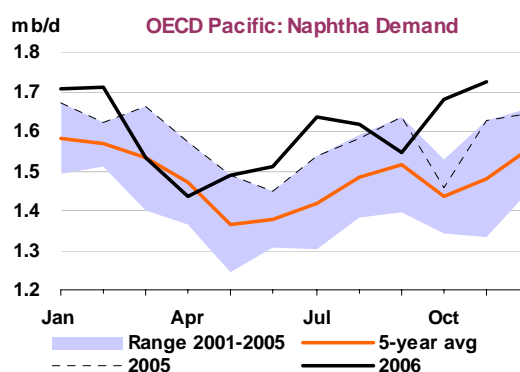
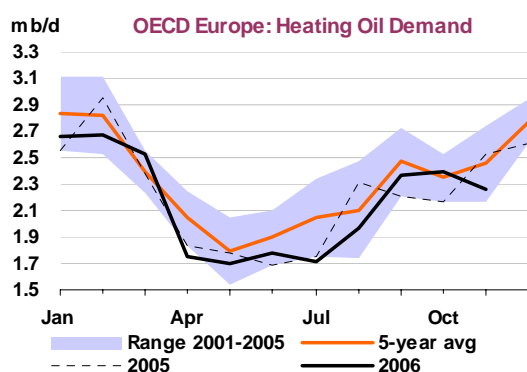
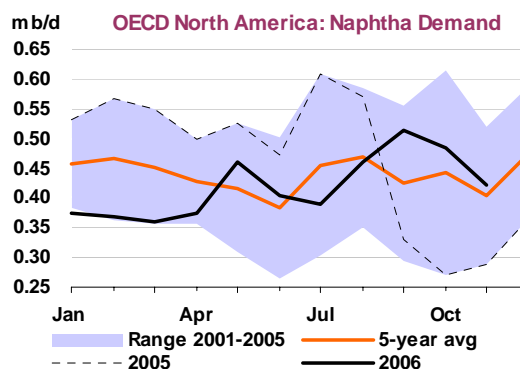
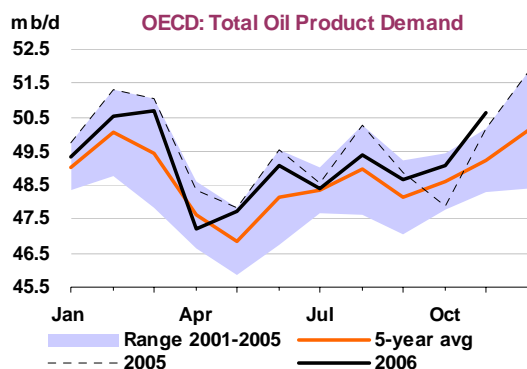
Total OECD demand growth was positive in November (+0.8% versus levels of a year ago), driven primarily by North America (+2.2%), where gains in naphtha and diesel offset a sharp decline in heating oil, and by the Pacific (+0.9%), due to strong deliveries of transportation fuels (gasoline and diesel) and naphtha. In Europe, by contrast, total deliveries were weak (-1.3%), mostly due to a year-on-year fall in heating oil demand.

**OECD Demand based on Adjusted Preliminary Submissions - November 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
<b>OECD North America</b>	<b>10.66</b>	<b>1.0</b>	<b>1.95</b>	<b>-1.7</b>	<b>4.06</b>	<b>13.4</b>	<b>1.46</b>	<b>-2.6</b>	<b>1.15</b>	<b>-29.2</b>	<b>6.71</b>	<b>8.33</b>	<b>25.99</b>	<b>2.2</b>
USA*	9.16	0.5	1.71	1.0	3.55	14.9	0.92	-5.0	0.59	-39.5	5.28	10.5	21.21	2.9
Canada	0.70	2.2	0.13	-33.2	0.18	1.1	0.39	0.6	0.21	1.0	0.76	7.8	2.37	0.5
Mexico	0.72	6.0	0.06	26.8	0.28	6.3	0.12	6.3	0.25	-27.5	0.61	-6.2	2.03	-2.7
<b>OECD Europe</b>	<b>2.50</b>	<b>-2.3</b>	<b>1.23</b>	<b>3.4</b>	<b>4.20</b>	<b>3.0</b>	<b>2.26</b>	<b>-10.9</b>	<b>1.78</b>	<b>-1.0</b>	<b>3.83</b>	<b>-0.4</b>	<b>15.80</b>	<b>-1.3</b>
Germany	0.51	-2.6	0.18	8.8	0.66	2.5	0.50	-19.8	0.19	0.7	0.67	12.6	2.71	-1.1
UK	0.44	-2.8	0.35	2.8	0.45	0.7	0.16	-3.7	0.08	0.3	0.39	1.0	1.86	-0.1
France	0.22	-5.8	0.15	4.6	0.66	3.8	0.30	-21.4	0.12	0.6	0.47	-4.2	1.92	-4.2
Italy	0.30	-5.4	0.08	8.0	0.56	2.3	0.15	-11.1	0.24	-22.8	0.36	-4.1	1.68	-5.8
Spain	0.15	-0.8	0.11	3.0	0.50	2.7	0.24	-6.4	0.23	3.5	0.41	2.1	1.64	0.9
<b>OECD Pacific</b>	<b>1.58</b>	<b>-1.3</b>	<b>1.11</b>	<b>4.2</b>	<b>1.33</b>	<b>3.1</b>	<b>0.58</b>	<b>-10.5</b>	<b>1.01</b>	<b>-4.8</b>	<b>3.21</b>	<b>4.4</b>	<b>8.82</b>	<b>0.9</b>
Japan	1.01	-2.5	0.76	3.0	0.65	2.6	0.44	-12.8	0.51	-13.5	1.96	6.8	5.33	-0.1
Korea	0.17	3.5	0.22	6.6	0.31	2.7	0.13	0.6	0.48	8.4	1.03	1.5	2.35	3.6
Australia	0.34	0.6	0.11	8.9	0.32	6.2	0.00	-28.1	0.02	-18.9	0.20	-1.0	0.99	2.3
<b>OECD Total</b>	<b>14.74</b>	<b>0.2</b>	<b>4.29</b>	<b>1.2</b>	<b>9.59</b>	<b>7.2</b>	<b>4.29</b>	<b>-8.2</b>	<b>3.95</b>	<b>-12.1</b>	<b>13.75</b>	<b>4.8</b>	<b>50.61</b>	<b>0.8</b>

\* Fifty States Only

According to preliminary estimates, warmer-than-normal temperatures contributed to reduce total consumption in the OECD by some 600 kb/d in December (compared with what would be normally expected). Coupled with US October revisions, our 4Q06 OECD forecast is consequently revised downwards by roughly 300 kb/d to 50.2 mb/d. For 2006 as a whole, we foresee OECD demand falling by 0.6% on an annual basis. Assuming that winter temperatures revert to their ten-year average in 2007, total OECD oil product consumption should increase by 0.7% on an annual basis versus 2006.



### Total OECD Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Aug 06	Sep 06	Oct 06*	Latest month vs. Sep 06	Oct 05
LPG & Ethane	4.73	4.65	4.76	5.03	4.44	4.38	4.46	4.16	4.36	0.19	0.16
Naphtha	3.22	3.16	3.09	3.22	2.94	3.13	3.17	3.13	3.28	0.15	0.31
Motor Gasoline	14.84	14.88	14.76	14.35	14.96	15.27	15.50	14.88	14.91	0.03	0.40
Jet & Kerosene	4.25	4.20	4.40	4.48	3.99	3.98	3.98	3.99	4.03	0.04	0.07
Gas/Diesel Oil	13.06	13.25	13.41	13.74	12.64	12.87	12.92	13.42	13.67	0.25	0.80
Residual Fuel Oil	4.44	4.02	4.50	4.64	3.79	3.81	3.89	3.70	3.64	-0.05	-0.60
Other Products	5.05	5.13	5.02	4.73	5.23	5.38	5.49	5.37	5.20	-0.17	0.10
<b>Total Products</b>	<b>49.61</b>	<b>49.29</b>	<b>49.96</b>	<b>50.19</b>	<b>47.99</b>	<b>48.82</b>	<b>49.41</b>	<b>48.64</b>	<b>49.08</b>	<b>0.44</b>	<b>1.22</b>

\* Latest official OECD submissions (MOS)

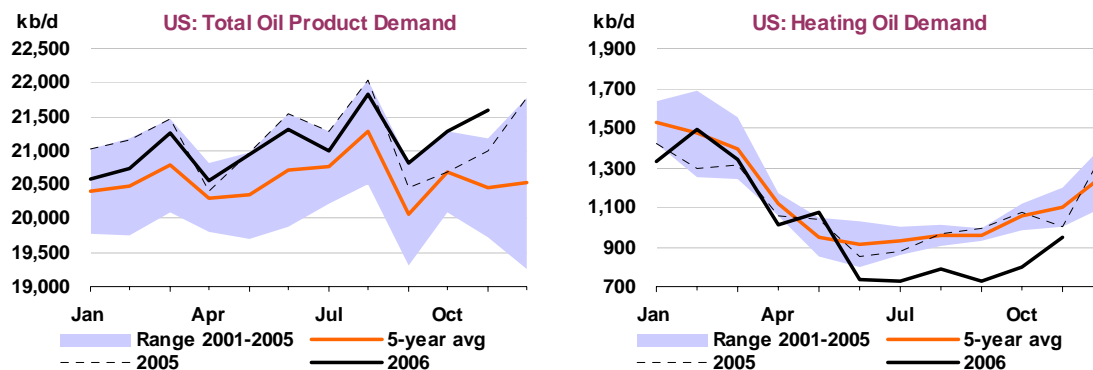
### North America

According to preliminary data, November's inland deliveries in the **United States** – a proxy of demand – of all product categories bar heating oil and residual fuel oil rose compared with levels of a year ago. Overall, total US petroleum deliveries rose by 2.9% versus November 2005. Revisions, meanwhile, stood at -330 kb/d in October, due to upward adjustments in LPG/ethane and naphtha, and downward corrections in gasoline and jet/kerosene.

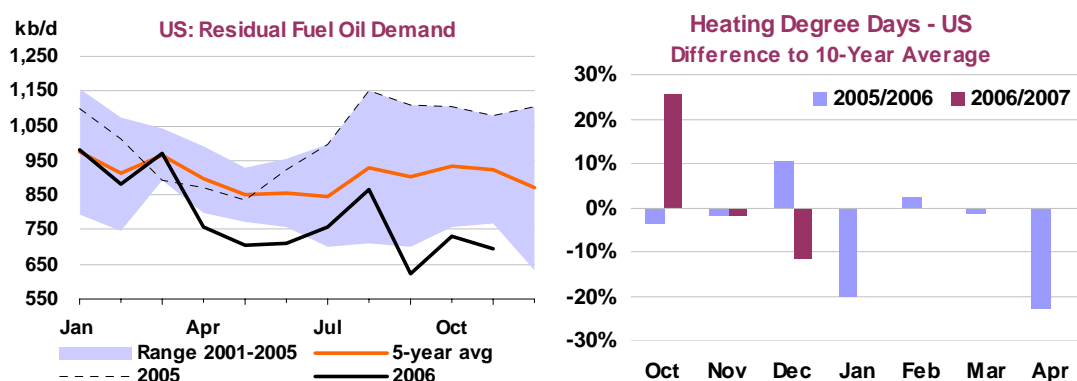
November's strong growth in inland deliveries is explained by last year's hurricane-stricken base. Nonetheless, the strength of diesel deliveries (+14.9% on an annual basis) indicates that road freight growth continues – thus suggesting that the slowing of economic activity is much softer than many forecasts suggested. Gasoline deliveries, though, were up by a more modest 0.5%, after the strong jump recorded in both September and October (of over 3% in both months). Arguably, the rebound in primary gasoline demand, related to secondary restocking, has dissipated.

The relative weakness of heating oil deliveries (-5.0%) matched weather conditions (November was warmer-than-normal: the number of 'heating-degree days' or HDDs was some 2% lower than the ten-year average). Given that milder-than-normal conditions also prevailed in December (HDDs were 12% lower than normal), heating oil demand is expected to be significantly subdued in 4Q06.

Residual fuel oil deliveries, meanwhile, plummeted by 39.5% year-on-year. It should be recalled that last year's hurricanes had led to both natural gas supply tightness and a sharp increase in gas prices, prompting many industrial and utility users to switch to residual fuel oil. This year, by contrast, natural gas supplies have improved and prices have fallen as a result of mild temperatures and high stocks, thus encouraging the opposite substitution effect.

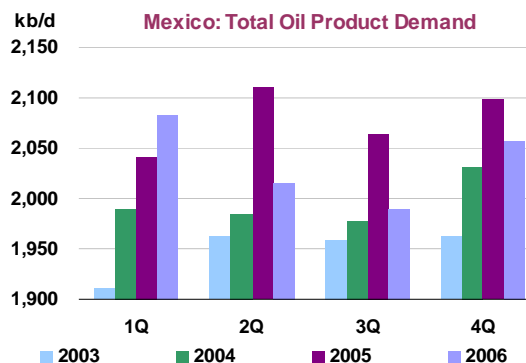
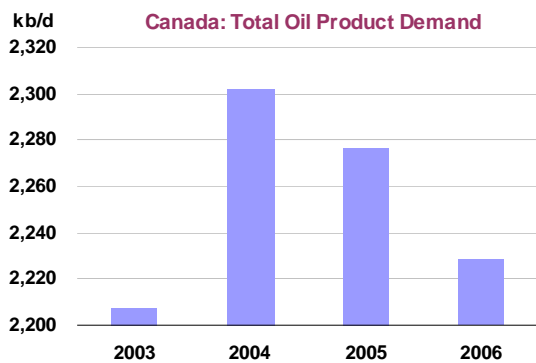


Aside from the weather, the weakness of heating oil and the continued fall of residual fuel oil owe much to structural factors. Heating oil is being increasingly replaced by natural gas, while residual fuel, normally used for power generation, is being replaced by either natural gas, coal or even by heavy crude oil (coal has a solid price advantage over both oil and gas). However, if temperatures get colder and oil prices continue to fall, both heating and residual fuel oil could once again become attractive.



Given adjustments to preliminary data and the sharp fall in heating and residual fuel oil, we have reduced our 4Q06 US demand forecast by 270 kb/d, bringing yearly growth for 2006 to -0.4% (a negative rate has not been recorded since 2001). In 2007, we expect US total oil product demand to increase by 1.4%, assuming normal weather conditions. Note that our 2007 forecast is slightly lower than last month's report, mostly as a result of revising down our GDP assumption for the US economy (based on the OECD and *Consensus Economics*) from 2.9% to 2.4% in 2007. This suggests a 'soft-landing' scenario that should continue to lend support to relatively strong demand growth in all product categories bar heating and residual fuel oil – which, as noted, face structural decline.

According to preliminary data, **Canada** is expected to record lower oil product demand in 2006, compared with 2005. Total consumption is poised to fall by 2.1% to some 2.2 mb/d, despite the country's healthy economy. As in the US, this is mostly linked to shrinking deliveries of heating and residual fuel oil, increasingly replaced by natural gas. **Mexico**, meanwhile, is expected to post three weak quarters in a row (2Q, 3Q and 4Q) in 2006, compared with 2005; demand is thus forecast to decline in 2006 (-2.6%) to 2.0 mb/d.



### OECD North America Demand by Product

(million barrels per day)

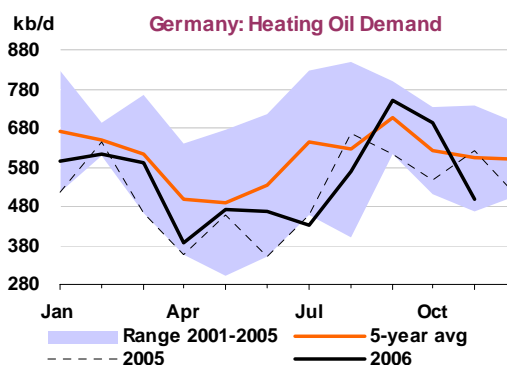
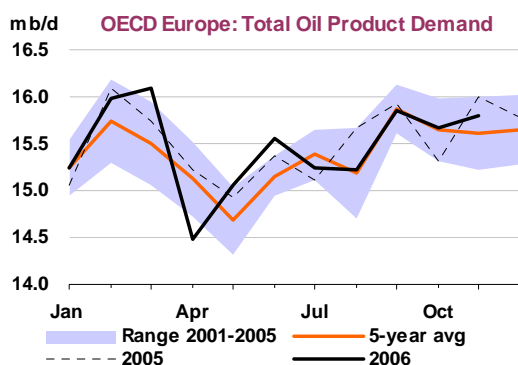
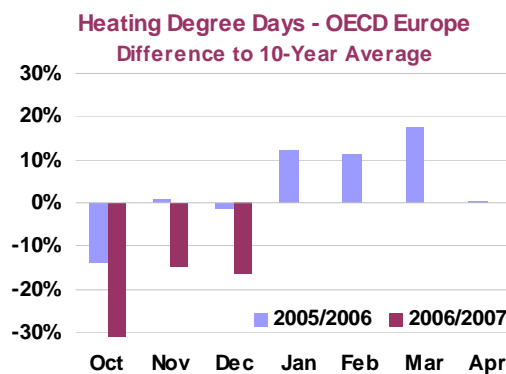
	2005	2006	4Q05	1Q06	2Q06	3Q06	Aug 06	Sep 06	Oct 06*	Latest month vs. Sep 06	Oct 05
LPG & Ethane	2.82	2.80	2.81	2.98	2.65	2.67	2.71	2.61	2.73	0.11	0.28
Naphtha	0.46	0.43	0.31	0.37	0.41	0.45	0.46	0.51	0.48	-0.03	0.21
Motor Gasoline	10.59	10.73	10.60	10.35	10.80	11.00	11.18	10.70	10.80	0.10	0.35
Jet & Kerosene	1.97	1.92	1.99	1.87	1.95	1.94	1.91	1.94	1.91	-0.03	-0.04
Gas/Diesel Oil	5.09	5.21	5.15	5.35	5.01	5.06	5.26	5.10	5.33	0.22	0.27
Residual Fuel Oil	1.56	1.21	1.63	1.43	1.15	1.18	1.29	1.04	1.12	0.07	-0.47
Other Products	3.01	3.05	2.99	2.78	3.14	3.18	3.34	3.16	3.11	-0.05	0.04
<b>Total Products</b>	<b>25.51</b>	<b>25.35</b>	<b>25.48</b>	<b>25.12</b>	<b>25.09</b>	<b>25.48</b>	<b>26.16</b>	<b>25.08</b>	<b>25.48</b>	<b>0.40</b>	<b>0.64</b>

\* Latest official OECD submissions (MOS)

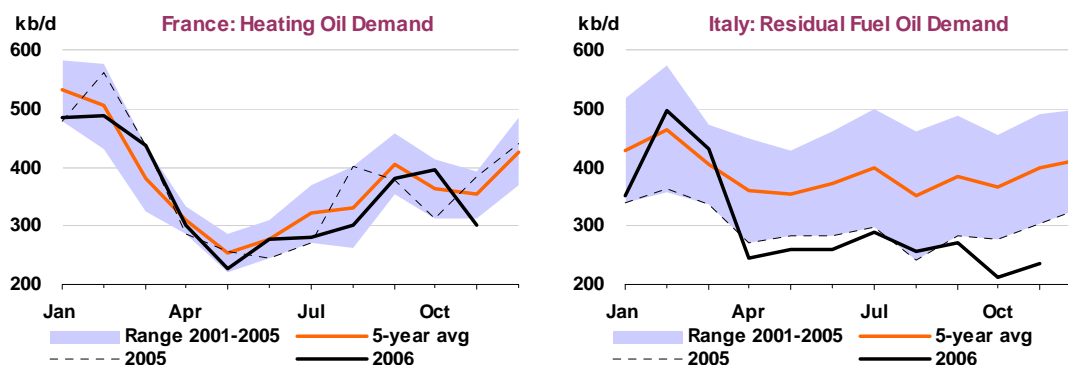
## Europe

In November, oil product demand in Europe declined by 1.3% compared with the same month in 2005, dragged down by lower heating oil demand (-10.9%). The fact that heating oil deliveries were so weak after the strong growth observed in the past few months suggests that end-users have completed their pre-winter stock building and that milder temperatures are reducing seasonal demand (HDDs were 15% lower than normal). High domestic tank levels augur weak primary heating oil deliveries in 1Q07.

Germany's October demand figures were revised upwards sharply (+148 kb/d), mostly because of a reappraisal of heating oil demand, which grew by +27.1% on a yearly basis. In November, by contrast, preliminary data suggest that heating oil deliveries plummeted by 19.8%, arguably due to ample storage (with tanks filled at around 68% of capacity by end-October) and mild weather. Meanwhile, diesel demand was relatively strong for the third month in a row (+2.5%). Some observers contend that this is related to wholesale purchases ahead of the VAT increase on 1 January 2007. Although this is plausible, another reason may be the strong rebound of the German economy in 2H06.



In **France**, deliveries of heating oil were also quite weak (-21.4% compared with November 2005). French consumer heating oil stock data are unavailable, but this decline is arguably similar to that observed in Germany – namely, sufficient stocks and mild weather.



In **Italy**, the weakness in residual fuel oil deliveries continued in November (-22.8% on an annual basis). This is related to continued natural gas substitution in power stations. Moreover, given abundant natural gas stocks, anticipation of stable Russian supplies, despite Russia's gas price row with Belarus in late December (which was followed by an oil price dispute in early January), and mild weather in the first half of the winter, residual fuel oil demand is unlikely to spike in 1Q07. Last year, Russian natural gas supplies to Europe were briefly interrupted in the first quarter, leading to a surge in residual fuel oil demand in several countries, notably in Italy, where that fuel is used mainly for power generation.

#### OECD Europe Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Aug 06	Sep 06	Oct 06*	Latest month vs. Sep 06	Oct 05
LPG & Ethane	1.03	0.97	1.07	1.13	0.96	0.83	0.84	0.74	0.84	0.10	-0.11
Naphtha	1.18	1.13	1.21	1.20	1.05	1.07	1.09	1.07	1.11	0.05	-0.13
Motor Gasoline	2.64	2.55	2.56	2.44	2.61	2.64	2.63	2.61	2.54	-0.07	0.00
Jet & Kerosene	1.24	1.28	1.23	1.19	1.28	1.37	1.41	1.38	1.32	-0.05	0.08
Gas/Diesel Oil	6.10	6.22	6.35	6.46	5.85	6.12	5.95	6.62	6.57	-0.04	0.48
Residual Fuel Oil	1.84	1.81	1.81	2.06	1.70	1.73	1.70	1.73	1.66	-0.07	-0.02
Other Products	1.49	1.52	1.47	1.29	1.59	1.67	1.60	1.72	1.62	-0.09	0.07
<b>Total Products</b>	<b>15.51</b>	<b>15.48</b>	<b>15.69</b>	<b>15.77</b>	<b>15.03</b>	<b>15.43</b>	<b>15.23</b>	<b>15.85</b>	<b>15.68</b>	<b>-0.18</b>	<b>0.37</b>

\* Latest official OECD submissions (MOS)

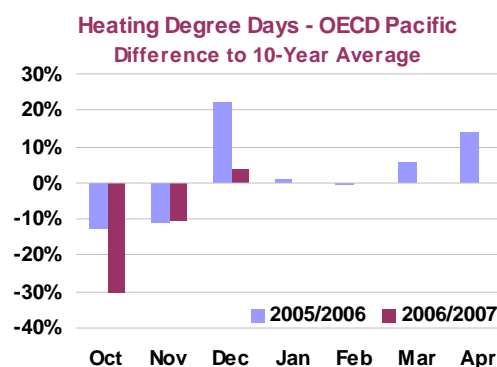
Overall, Germany's October upward heating oil revisions largely offset lower demand as a result of mild temperatures. Overall, 4Q06 oil product demand in Europe is revised by only 9 kb/d, thus leaving our growth forecast virtually unchanged at -0.2% in 2006, compared with the previous year.

#### Pacific

According to preliminary data, oil product demand in **Japan** resumed its briefly interrupted decline (-0.1% compared with November 2005), mostly because of weak inland deliveries of heating oil and residual fuel oil. Above-normal temperatures (HDDs in the Pacific were about 11% lower than the 10-year average) help to partly explain the relatively depressed demand of heating oil (kerosene). However, other structural factors are also at work, notably the switch by Japanese users to electricity and natural gas (LNG) for heating purposes, as well as conservation and efficiency efforts.

Meanwhile, the sharp drop in Japanese fuel oil consumption (-13.5% year-on-year) is related to the fact that utilities have boosted nuclear power generation.

Naphtha demand in **Korea** continued to grow in November (+6.4% compared with the same month of the previous year), although at a lower pace than that observed in October (+23.1%), following the end of the petrochemical maintenance season. Combined with robust growth in transportation fuels, it helped lift the country's total oil product demand by 3.6% on a yearly basis.



### OECD Pacific Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Aug 06	Sep 06	Oct 06*	Latest month vs.	
										Sep 06	Oct 05
LPG & Ethane	0.89	0.88	0.88	0.92	0.84	0.87	0.90	0.81	0.79	-0.02	-0.01
Naphtha	1.58	1.61	1.58	1.65	1.48	1.60	1.62	1.55	1.68	0.13	0.22
Motor Gasoline	1.61	1.59	1.61	1.57	1.56	1.63	1.69	1.56	1.56	0.00	0.05
Jet & Kerosene	1.04	1.00	1.19	1.42	0.75	0.67	0.66	0.67	0.79	0.12	0.02
Gas/Diesel Oil	1.87	1.82	1.91	1.92	1.79	1.69	1.71	1.70	1.77	0.07	0.05
Residual Fuel Oil	1.05	1.00	1.07	1.16	0.95	0.91	0.89	0.93	0.87	-0.06	-0.11
Other Products	0.55	0.56	0.55	0.67	0.50	0.52	0.55	0.49	0.47	-0.03	-0.01
<b>Total Products</b>	<b>8.59</b>	<b>8.47</b>	<b>8.79</b>	<b>9.30</b>	<b>7.87</b>	<b>7.90</b>	<b>8.02</b>	<b>7.71</b>	<b>7.92</b>	<b>0.21</b>	<b>0.21</b>

\* Latest official OECD submissions (MOS)

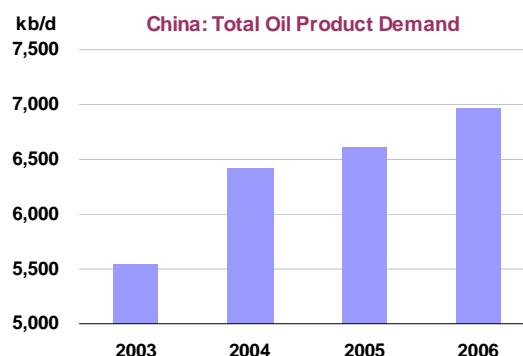
## Non-OECD

### China

Our forecast of China's apparent demand (defined as refinery output plus net oil product imports, adjusted for fuel oil and direct crude burning, smuggling and stock changes) has been kept unchanged versus our last report, at 7.0 mb/d in 2006 (+5.6% over 2005) and 7.4 mb/d in 2007 (+5.4% over 2006). This is due to an anomaly in received data, which we are currently reviewing. Once these inconsistencies are resolved we will publish an update to the *Medium-Term Oil Market Report*, which may include revisions to our data series and forecasts.

November's sharp rise in crude imports to nearly 3.2 mb/d – almost 1.0 mb/d above October levels and similar to a previous surge in September – suggests that China may have been building crude inventories since the end of the summer, possibly to fill its new strategic petroleum reserve (SPR), although higher refinery runs are also related to this import spike. Zhang Guobao, vice chairman of the National Development and Reform Commission, has reportedly declared that China is indeed building up its SPR by taking oil in lieu of taxes from domestic producers.

The aim is to eventually hold the equivalent of some 60 days worth of consumption (about 400 million barrels at current levels); draws, managed by a special unit of the Energy Bureau, would take place only in cases of severe supply shortage. Still, this filling target will take several years to be achieved – the government's stated (and quite ambitious) goal is to reach about 100 million barrels of stocks within the next two years, spread across four sites. Nevertheless, by the end of December some unofficial estimates put China's SPR in excess of 20 million barrels. However, the SPR's ownership and control remain uncertain, with the filling coinciding with the leasing by Sinopec of one-third of the 33-million-barrel tanks at Zhenhai, near the east coast city of Ningbo. The lack of a clear definition of stock ownership and control has led to concerns that the inventories may be used for commercial purposes.



Instead of introducing an entirely new oil price mechanism as had been persistently rumoured, the Chinese government decided instead to cut the retail price of jet fuel and gasoline by approximately 3.8% in early January (diesel prices, though, remain unchanged). There had been some talk of introducing a new price framework, which, it was hoped, would reduce volatility by linking retail fuel prices to the cost of a basket of crudes (Brent, Dubai and Minas). Since November 2001, China – officially, rather than practically – links retail prices to international oil product prices in New York, Singapore and Rotterdam. The idea was that refiners would get a fixed profit plus refining and transportation costs. However, such a system would likely replicate the product supply distortions seen over the past few years. In the meantime, in late December the government decided – for the second year in a row – to grant Sinopec a subsidy of about \$640 million to partially cover its retail losses. In 2005, the company had received approximately twice as much.

## China Crude &amp; Product Trade

(thousand barrels per day)

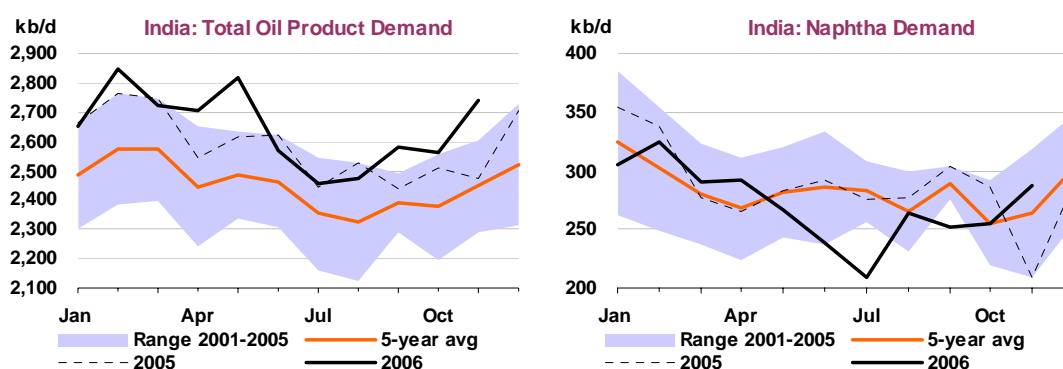
	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Sep 06	Oct 06	Nov 06	Latest month vs. Oct 06	Nov 05
<b>Net Imports/(Exports) of:</b>											
<b>Crude Oil</b>	2346	2387	2407	2878	2821	2757	3253	2363	3220	857	930
<b>Products &amp; Feedstocks</b>	660	479	599	512	765	707	709	567	418	-150	-170
Gasoil/Diesel	43	-19	-3	-10	-14	-6	5	6	29	23	21
Gasoline	-125	-130	-55	-107	-56	-63	-51	-86	-103	-18	-47
Heavy Fuel Oil	506	418	402	406	522	575	519	357	282	-76	-89
LPG	201	194	182	146	227	125	153	134	196	62	0
Naphtha	-33	-35	1	-15	-36	-31	-32	9	-33	-42	-13
Jet & Kerosene	16	11	30	43	33	43	65	79	28	-51	2
Other	51	40	42	49	90	65	51	66	19	-47	-45
<b>Total</b>	3007	2866	3006	3390	3586	3464	3962	2930	3637	708	760

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

## Other Non-OECD

According to preliminary data, **India's** oil product demand roared ahead by some 10.7% year-on-year in November, pulled by strong gains in naphtha (+47.6%) and transportation fuels (gasoline sales rose by 5.7%, jet/kerosene by 8.6% and diesel by 10.4%). As a result, we have lifted our 2006 oil product demand forecast to 2.6% (versus 2.2% in our last report).

This is the second month in a row that records relatively strong naphtha sales, which had been structurally depressed by India's gradual adoption of natural gas (note, however, that weak demand in November 2005 was related to price spike). Arguably, this is related to natural gas supply problems, which have forced petrochemical plants and domestic utilities to use naphtha as a feedstock to respectively produce fertilizers (ahead of the soon-to-start agricultural season) and generate electricity. The natural gas scarcity, though, should ease as both domestic supplies and LNG imports gradually increase, transmission infrastructure is improved and pricing issues are solved.



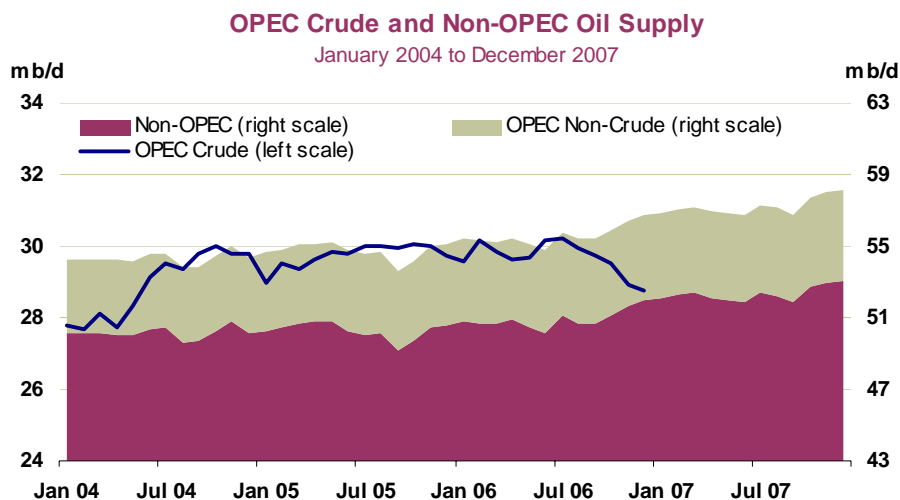
**FSU** apparent demand – defined as domestic crude production minus net exports of crude and oil products – was revised downwards by almost 190 kb/d in 4Q06. This was due to higher-than-expected net crude and oil product exports (the former notably from Azerbaijan), coupled with slightly higher-than-expected crude production. For 2006, this translates into a 40 kb/d downward adjustment, bringing the region's annual growth rate to 2.8%.

In 2007, FSU oil products exports should ease given higher local demand spurred by increasing prosperity. Demand for gasoline and gasoil should increase as the regional car fleet grows, while the use of fuel oil in power generation may rise in Russia in order to boost more lucrative exports of natural gas, which is increasingly in tight supply. In the longer term, though, exports may increase again as local refineries are upgraded.

## SUPPLY

### Summary

- **World oil supply** gained an estimated 110 kb/d in December to reach 85.4 mb/d. Increases were centred in North America and the North Sea, offset in part by lower output from the Caspian republics and from OPEC. All told, estimates for October and November global supply are trimmed by 95 kb/d and 45 kb/d respectively, largely due to weaker supply from both North and Latin America. Fourth-quarter global supply of 85.4 mb/d stood 675 kb/d higher than in 2005, with OPEC crude 865 kb/d lower year-on-year, OPEC NGLs up by 220 kb/d and non-OPEC oil supply showing yearly growth of 1.3 mb/d.
- **Non-OPEC supply** is adjusted down significantly for 2007, despite recent signs of accelerating growth. Output for 4Q06 is trimmed by 100 kb/d amid weaker indications for Norway, Canada, Mexico and Latin America, which offset higher-than-expected FSU supply. A 2006 total of 50.9 mb/d represents growth of 0.6 mb/d versus 2005. However, growth in 2H06 averaged 1.2 mb/d. For 2007, the non-OPEC forecast is revised down by 0.3 mb/d to 52.3 mb/d, adjustments being concentrated in the second half. Norway, Mexico, Canada, Cuba and Ecuador underpin the revision, the former two following government announcements of markedly lower expectations for 2007. Nonetheless, 2007 growth comes in at 1.4 mb/d, centred on the FSU, Africa and biofuels. In addition, OPEC gas liquids in 2007 repeat last year's 0.2 mb/d of growth.
- **Total OPEC crude supply** fell by 155 kb/d in December to 28.8 mb/d, after a 600 kb/d cut seen in November. Saudi Arabia, Iraq, Iran and Kuwait accounted for the bulk of December's reduction. Ongoing disruptions continued to impede supply from Iraq and Nigeria, where output averaged 1.8 mb/d and 2.2 mb/d respectively. Effective spare capacity stood at 2.5 mb/d when Indonesia, Iraq, Nigeria and Venezuela are excluded from a notional total of 3.8 mb/d.
- **OPEC-10 (excluding Iraq) output** edged lower, by 85 kb/d, in December to 27.0 mb/d. Supply stands 665 kb/d below September levels, the implied benchmark against which OPEC's original 1.2 mb/d cuts were to be measured. OPEC members have signalled further cuts in January and February export liftings, following continued mild northern hemisphere winter weather and an agreement reached at the December OPEC meeting in Abuja to cut supply by 500 kb/d from February. That meeting also agreed to admit Angola as a full OPEC member from January 2007.
- **The 'call on OPEC crude and stock change'** is revised down to 29.4 mb/d for 4Q06 on weaker, weather-related demand but is revised up for next year, notably in 2H07, when lower non-OPEC supply estimates counteract more modest demand-side adjustments. In total, the call for 2007 now averages 28.6 mb/d compared with 28.4 mb/d last month, and shows a much flatter year-on-year trend than suggested in previous reports.



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

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

### Impending Change in Classification for Angola

With effect from the *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. Historical data prior to January 2007 will continue to allocate Angolan production to non-OPEC. We will take the opportunity of Angola's entry to OPEC to standardise the currently different data series contained in the *Monthly Oil Data Service* and those of the *OMR's Annual Statistical Supplement*. From February, all historical data will show a primary OPEC total with OPEC as it was comprised at the time in question, and similarly for non-OPEC. In summary:

- Angolan supply will be allocated to the non-OPEC total through December 2006, but included within the OPEC aggregate from January 2007 onwards;
- Ecuador will be included in OPEC totals through 1992, but in non-OPEC thereafter;
- Gabon will be included in OPEC totals through 1994, but in non-OPEC thereafter.

To facilitate year-on-year comparisons, new secondary aggregates showing current OPEC and non-OPEC compositions extended back into history will be added to the databases.

## OPEC

OPEC crude supply continued to decline in December, falling by 155 kb/d to 28.8 mb/d. This was the lowest supply level seen since May 2004. Reductions of 50-100 kb/d each came from Saudi Arabia, Iraq, Kuwait and Iran. Venezuela and the UAE are estimated to have seen supply move higher in December by 60-70 kb/d each. The reduction in overall OPEC supply pushed nominal spare capacity to 3.8 mb/d. However, excluding Indonesia, Iraq, Nigeria and Venezuela, which have faced physical or political impediments to raising production in recent months, effective spare capacity is a more modest 2.5 mb/d.

### OPEC Crude Production<sup>1</sup>

(million barrels per day)

	1 July 2005 Target <sup>2</sup>	December 2006 Production	Sustainable Production Capacity <sup>3</sup>	Spare Capacity vs Dec 2006 Production	Production vs. Target
Algeria	0.89	1.34	1.39	0.05	0.45
Indonesia	1.45	0.86	0.95	0.10	-0.60
Iran	4.11	3.75	3.90	0.15	-0.36
Kuwait <sup>4</sup>	2.25	2.44	2.60	0.16	0.19
Libya	1.50	1.73	1.75	0.02	0.23
Nigeria <sup>5</sup>	2.31	2.19	2.47	0.28	-0.12
Qatar	0.73	0.80	0.85	0.05	0.07
Saudi Arabia <sup>4</sup>	9.10	8.80	10.80	2.00	-0.30
UAE	2.44	2.59	2.70	0.11	0.15
Venezuela <sup>6</sup>	3.22	2.50	2.70	0.20	-0.72
<b>Subtotal</b>	<b>28.00</b>	<b>26.99</b>	<b>30.11</b>	<b>3.12</b>	<b>-1.01</b>
Iraq		1.77	2.50	0.73	
<b>Total</b>		<b>28.76</b>	<b>32.61</b>	<b>3.85</b>	
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia</i>				<i>2.54)</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

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

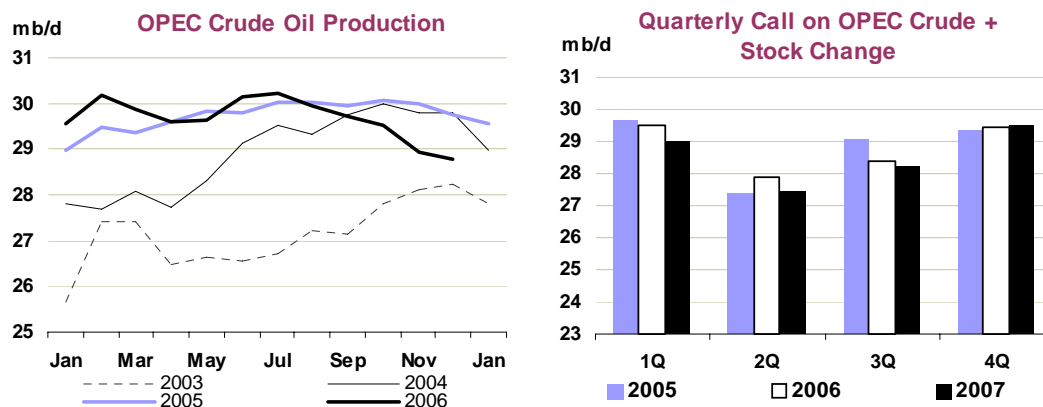
4 Includes half of Neutral Zone Production

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

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

OPEC-10 production excluding Iraq is estimated at 27.0 mb/d, some 85 kb/d lower than in November. This takes the cumulative reduction versus September production to 660 kb/d. However, recent export schedules for Middle East Gulf producers tend to suggest further cuts being enacted in January and February. OPEC ministers had earlier agreed cuts of 1.2 mb/d, implicitly relative to September output, effective from November. The organisation's mid-December meeting in Abuja, Nigeria then agreed to further curbs amounting to 500 kb/d, effective from 1 February. However, it is not entirely certain which baseline is being used for the most recently announced cuts. Ambiguity about prevailing production levels has tended to reinforce market scepticism as to whether February's announced cuts are genuinely incremental to those announced for November onwards. Rather, market sources have suggested that Abuja's announcement of further cuts was aimed at placing a floor under prices, but also at prompting better compliance with the original 1.2 mb/d curbs.

Further decisions reached in Abuja included the admission of Angola as a full OPEC member from 1 January 2007 (see below), the appointment of Abdulla Salem El Badri from Libya as the new OPEC Secretary General and confirmation that the next OPEC ordinary meeting will take place on 15 March in Vienna. Speculation over an emergency meeting ahead of that date was prompted by further easing in prices in the second week of January, but looks unlikely to materialise. So far, OPEC cuts have been mitigated in part by mild northern hemisphere winter weather. That said, recent announcements from non-OPEC producers, including Mexico and Norway, that 2007 supplies are now likely to prove lower than previously expected have acted to tighten the global oil balance for the second half of the year. The average call on OPEC crude and stock change in 2H07 in this report now stands at just under 29.0 mb/d, close to prevailing OPEC supply.



This report revises down **Nigerian** capacity to below 2.5 mb/d, reflecting some 545 kb/d of EA, Forcados and Escravos production shut in for a number of months due to security concerns in the Niger Delta. Earlier estimates had simply held capacity unchanged until the likely extent and duration of stoppages became clear. In fact, December saw average shut-in production rise by 75 kb/d from November to 630 kb/d, as temporary outages also affected the Bonny, Brass River and offshore Okono crude streams. However, offsetting increases elsewhere are believed to have held actual Nigerian supply relatively unchanged in December at 2.2 mb/d. Reports in late November that Shell personnel were being moved back to assess damage at EA and Forcados facilities have not, to date, been followed by news of an imminent production restart.

**Iraqi** crude supply in December (net of field reinjection and deliveries into storage) fell by 70 kb/d to 1.77 mb/d. Adverse weather delayed exports from Basrah, leaving a total export figure of 1.44 mb/d. Domestic crude use also slipped to 335 kb/d on reduced runs at the Baiji refinery following attacks on the workforce in early December. These were only reinstated in late December. Southern exports will likely remain disrupted in January with a scheduled shut-down at Basrah for four days from mid-January for the installation of new metering equipment. This work was deferred from December. However, an offset should come from renewed shipments from the Turkish port of Ceyhan. Having accumulated over 4 mb of crude in storage, Iraqi state marketer SOMO awarded a tender to lift a combined 3 mb of crude from Ceyhan to Total, Cepsa and ERG on 15 January.

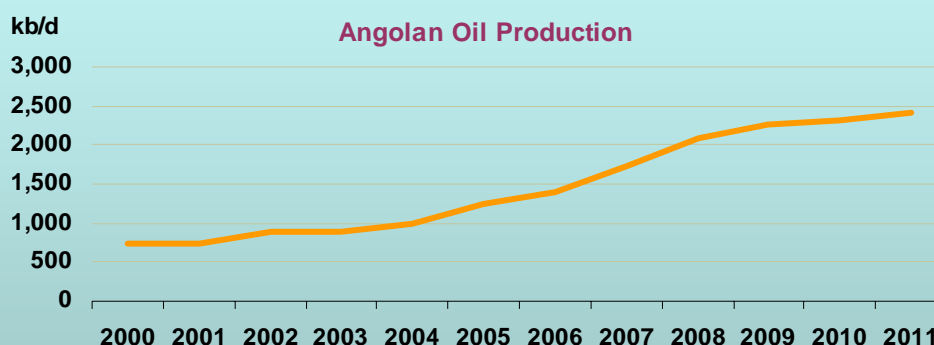
**Saudi Arabian** crude supply for December is assessed at 8.8 mb/d, 100 kb/d below November. Progressive reductions from Saudi Arabia are evident, not least in terms of export allocations to Asian customers. Reductions of up to 5% versus contract volumes for December steepened to 8-9% for January and over 10% for February. However, in late November Oil Minister Ali Naimi reiterated the

Kingdom did not wish to take on the role of swing producer, this implying that other producers might be lagging in their implementation of OPEC cuts. Furthermore, the Kingdom is pursuing a capacity expansion programme which should bear initial fruit with start up towards end-2007 at the 500 kb/d Khursaniyah field. Aramco has announced a 4.5% rise in development spending for 2007, at \$2.51 billion, and a plan to boost active drilling rigs from 110 at end-2006 to 121 by the end of 2007. The Kingdom's longer-term plans see installed capacity reaching 12.5 mb/d by the end of the decade.

For its part, **Venezuela** in mid-January insisted that it was continuing to ask operators of the four Orinoco joint venture projects to rein-in production in line with output curbs totalling 138 kb/d from November and 57 kb/d from February. The implication is that compliance to date has been less than complete, after maintenance at the Sincor unit in November had initially trimmed supply by some 100 kb/d. There have been signs of renewed cuts by Orinoco operators in January however, against a backdrop of calls for widespread renationalisation of energy assets.

### Angola Joins OPEC from 1 January 2007

At its 14 December meeting in Abuja, OPEC agreed to admit the organisation's first new member in over 30 years, with Angola taking up full membership from 1 January 2007. Nigeria, Ecuador and Gabon were the last new members to join in the early 1970s, although Ecuador and Gabon left in late 1992 and early 1995 respectively. First-quarter 2007 production by Angola of 1.54 mb/d, rising to 1.9 mb/d by end-year, should thus add 2% to a prevailing 34% market share for OPEC crude (measured in terms of global demand). More importantly however, Angola's production prior to OPEC membership was due to rise to 2.25 mb/d in 2009 and 2.4 mb/d in 2011 based on planned developments, net of field decline. The cartel has thus gathered into the fold one of the six main sources of likely non-OPEC growth over the coming five years. This in turn raises the possibility that future Angolan growth will be reined-in, depending upon OPEC price and market management imperatives. For now, Angolan production remains unconstrained, lying outside the 500 kb/d cuts agreed for February 2007.



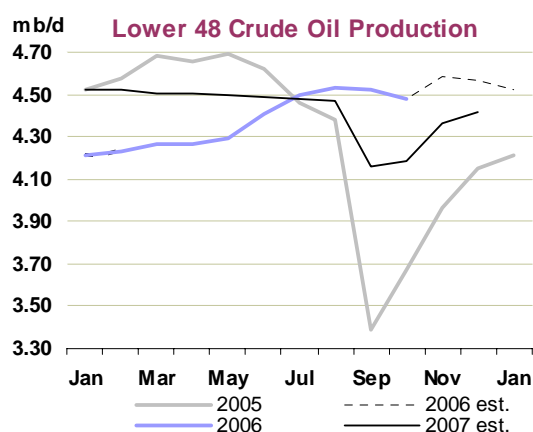
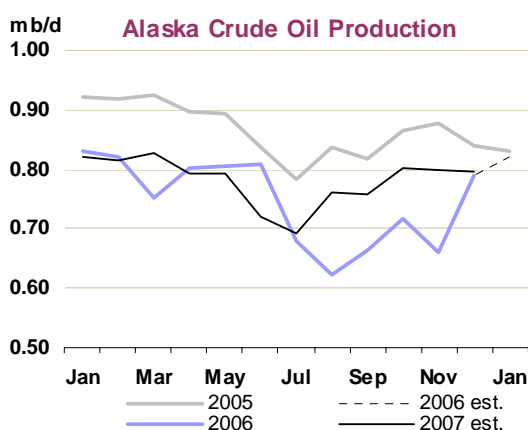
From an Angolan viewpoint, joining OPEC signals its arrival into the 'big league' of producers. At nine billion barrels of proven reserves, Angola stands 19th in the world rankings, while 2006 production of 1.4 mb/d makes it the world's 18th largest oil producer. There have also been suggestions that ultra-deepwater expansion will require higher prices in future, and that the country may be willing to hold output in check to realise the necessary investment flows. Moreover, it is likely that Angola may be given a certain period of grace, allowing production to rise in excess of a pre-determined level (perhaps 2 mb/d?) before becoming subject to future production curbs. Notwithstanding this latter point, rather than sustaining investment, OPEC membership in the short term could actually defer investment flows by foreign operating companies until such time as the basis for Angola's future participation in OPEC production management becomes clear.

On OPEC's part, the notional control it hopes to exert over future Angolan expansion may prove to be just that. For the second time in some three months, there is a real prospect for OPEC of an unintended Catch 22 arising. Future attempts to curb output without involving Angola risk creating an impression of two-tier membership, while only exacerbating the currently-dormant disquiet over the inequities of the last official quota system. But including Angola in a cut-back programme just as companies there are putting finishing touches to new expansion projects may meet with resistance, potentially undermining OPEC credibility.

## OECD

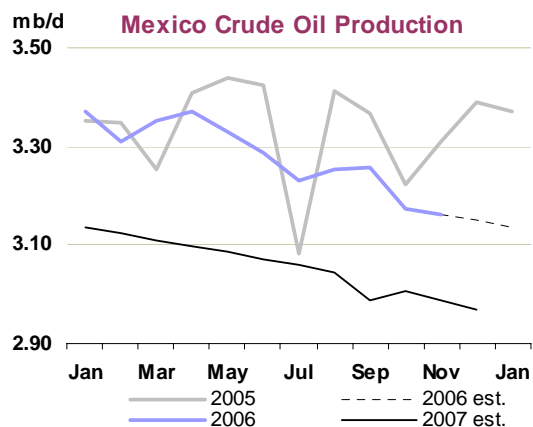
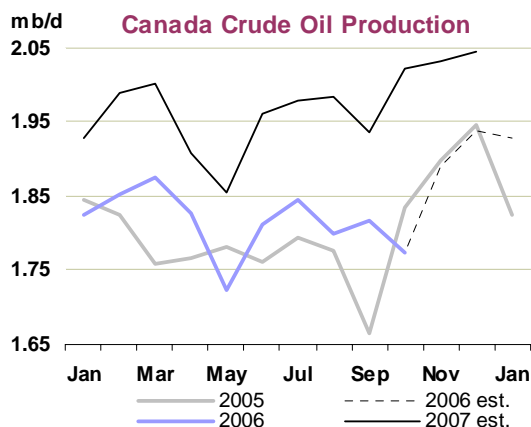
### North America

**US – Alaska December actual, others estimated:** Preliminary weekly data for December raise the US production baseline and this feeds through to add 30 kb/d to the 2007 production forecast. Adjustments affect crude oil only, but are assumed to be widespread. The US forecast now shows oil production growth gathering pace in 2007 to 135 kb/d, giving a total of 7.5 mb/d, of which 5.2 mb/d is crude oil. Liquids growth in 2006 amounted to only 70 kb/d after a hurricane-affected drop of 340 kb/d in 2005. Early-year output was adversely affected by Gulf of Mexico (GOM) facilities remaining shut after storms in late 2005, while autumn supply was dragged down by pipeline-related outages in Alaska. Recovery this year is expected to derive from Alaska, and from higher crude and NGL supply from the GOM. Key increments from the GOM in 2007 come from the Atlantic and Genghis Khan fields, with more significant expansions from the Thunder Horse, Tahiti and Blind Faith fields following in 2008.



**Canada – October actual:** Unscheduled outages affecting both syncrude supply and offshore east coast production underpin another downward adjustment for Canadian supply. A defective water injection system at the Terra Nova field is likely to restrict output to 80 kb/d compared with a normal 110 kb/d between mid-December and mid-January. This latest mishap occurred only one month after Terra Nova had resumed production after extended outages and a refit running through the early part of 2006. A coker unit at the Syncrude Canada heavy oil upgrader will be out of action through end-January, reducing production to below 300 kb/d from more usual levels closer to 350 kb/d.

Total Canadian production is trimmed by 30 kb/d for 4Q06 and by 45 kb/d for 2007. Despite repeated production outages in 2006, growth of some 150 kb/d is now expected, taking total oil supply to 3.2 mb/d. In 2007, further growth of 165 kb/d is expected, taking total production to 3.36 mb/d. Growth comes from an assumed recovery in offshore Terra Nova production, allied to build-up in supply from the nearby White Rose field which is now approaching its 125 kb/d capacity. These two fields add a combined 100 kb/d to Canadian 2007 output. Synthetic crude expansion slows from 115 kb/d in 2006 to 30 kb/d in 2007 after Syncrude Canada's latest expansion. Albertan bitumen supply also increases by 115 kb/d in 2007 to reach 625 kb/d.

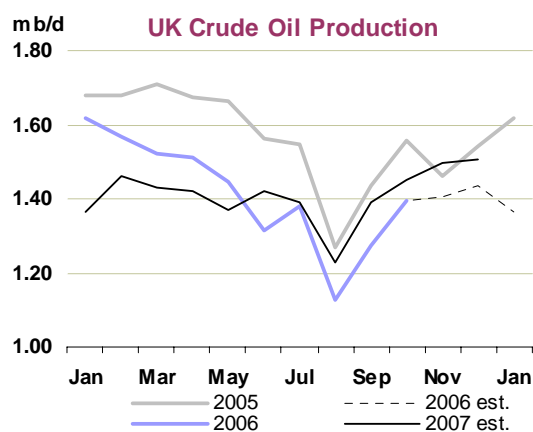
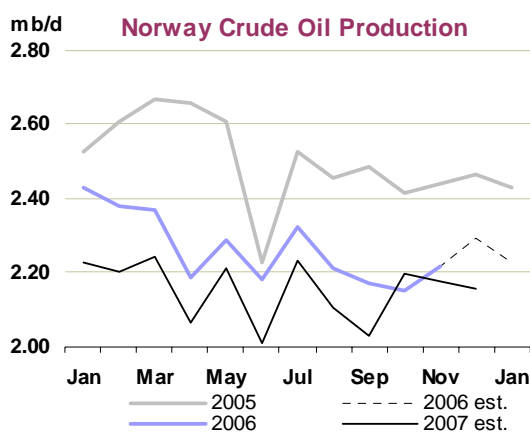


**Mexico – November actual:** We have made fundamental changes to the Mexican supply forecast this month. Oil production is now seen averaging 3.7 mb/d in 2006 (of which 3.3 mb/d is crude oil), a drop of 60 kb/d versus 2005. Data for November came in lower than expected and this leads to a 25 kb/d downward revision for 4Q06. Aside from lower baseline supply going into 2007 however, this year's supply is hit by what now appear more pessimistic expectations from within Mexico itself. Firstly, Pemex representatives after OPEC's Abuja meeting suggested lower exports were now likely with immediate effect due to ongoing decline at the baseload Cantarell field. Then Mexico's lower house of Congress agreed a spending bill allocating less money for 2007 to Pemex. We have cut 85 kb/d off the 2007 supply forecast, assuming spending to offset Cantarell decline is constrained. In this new, more pessimistic scenario, Mexican production falls by 200 kb/d to 3.5 mb/d.

### North Sea

**Norway – November actual, December provisional:** In an echo of developments in Mexico, lower official production data for late 2006 and a sharply reduced government production forecast for 2007 have caused us to make a substantial revision to our own forecast of Norwegian supply. A 60 kb/d downward adjustment to December supply was augmented by news in late December that output from the Kvitebjorn gas and condensate field would be restricted to around half of normal volumes for up to five months. Precise reasons for the cut were not mentioned. Then in January the Norwegian Petroleum Directorate (NPD) released a revised medium-term oil and gas supply forecast through to 2011 in which total liquids supply for 2007 was revised down from 3.0 mb/d to 2.6 mb/d. However, this report's estimate for 2007 was already lower than prevailing NPD levels, at 2.8 mb/d. The NPD forecast did not include field details. However, our own re-examination of the latest status on a number of new field increments, namely Volve, Ormen Lange and Gulltop, resulted in deferral of new production by several months in each case.

Taken together, the lower late 2006 baseline, Kvitebjorn outage and new field deferrals cause us to reduce the 2007 Norwegian forecast by 145 kb/d (of which around 100 kb/d is crude). Total production now averages 2.7 mb/d in 2007 compared with 2.8 mb/d in 2006, with continued growth in gas liquids supply partially offsetting a sharper drop in crude production. While drilling and equipment delays hold the potential for 2007 supply to drop further, the *OMR* retains for now a flatter profile for Norwegian output than implied by NPD projections, with less of a dip in 2007 but, correspondingly, less of a rebound for 2008.

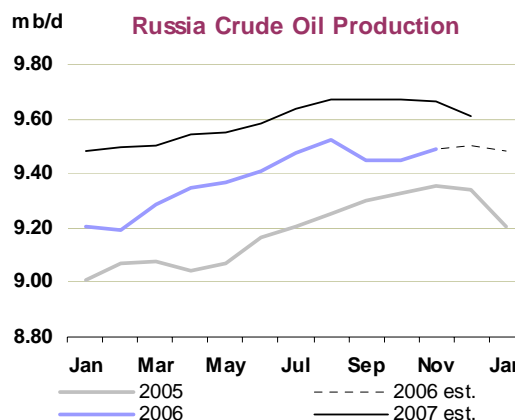


**UK – October actual:** Sharply lower January loading schedules for the main UK North Sea production systems suggest a downward revision of some 100 kb/d for this month's output. However, that is offset by what now appears likely to be a sharper build in production from the newly inaugurated Buzzard field. After several delays due to adverse weather conditions, Buzzard finally entered service in early January. Our latest forecast retains a conservative build-up, Buzzard oil production reaching around 100 kb/d by 2Q and 180 kb/d by 4Q07. However, earlier concerns that high hydrogen sulphide content might delay the build-up in supply still further now seem to have dissipated. Buzzard seems likely to temporarily stem a rate of decline in UK offshore crude output that has averaged 165 kb/d each year this decade. In 2007, offshore crude production is seen levelling off at 1.4 mb/d, or 1.7 mb/d if NGL and onshore crude are included.

## Former Soviet Union (FSU)

**Russia – November actual, December provisional:** Final November production data and early indications for December again point to upward adjustments compared with this report's earlier projections. Output of crude and gas condensate reached 9.8 mb/d in November and an estimated 9.84 mb/d in December. Annual 2006 output now comes in at 9.7 mb/d. While yearly growth seems to have slipped to 1.6% in 4Q06, dragging down 2006 growth to 2.3% from 2.7% in 2005, there is now scope for the slow-down in Russian supply growth to level off. Forecast 2007 production therefore remains largely unchanged from last month at 9.9 mb/d, up by 2.3% on 2006.

Weaker fourth-quarter performance from Surgutneftegaz, TNK-BP and Rosneft, allied to several companies' revised expectations for 2007, led to downward revisions of some 60 kb/d for 2007 compared with last month's forecast. As an offset however, it is clear that we were previously being overly cautious regarding supply from the Sakhalin 1 project in Russia's Far East. Overshadowed by the delays affecting the neighbouring Sakhalin 2 project, and not least Gazprom's high profile takeover of a stake previously held by Shell, Sakhalin 1 output doubled to some 200 kb/d in December. Our earlier projections, mindful of the problems facing PSAs in general, had assumed 200 kb/d only from summer 2007. Upgraded expectations for Sakhalin 1 therefore counteract downward adjustments elsewhere, leaving the aggregate 2007 Russian forecast unchanged.



November's **net FSU exports** also exceeded expectations, rising by 270 kb/d despite earlier indications the December fall in Russian export duties might deter exporters in November. In the event, net exports reached 8.15 mb/d, after a two month dip in September and October. To some extent constrained shipments were in evidence, with oil products exports remaining unchanged and the gain in Transneft shipments from Russia restricted to a recovery in Druzhba pipeline deliveries into central Europe. However, a sharper than expected rise came from BTC pipeline deliveries to the Mediterranean, up by 210 kb/d in November, in line with an increase in offshore Azeri production. Early data indications support our earlier comments that December exports were likely to rise further as lower Russian export duties came into force.

**FSU Net Exports of Crude & Petroleum Products**  
(million barrels per day)

	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Sep 06	Oct 06	Nov 06	Latest month vs. Oct 06	Nov 05
<b>Crude</b>											
Black Sea	2.20	2.27	2.23	2.25	2.26	2.27	2.15	2.14	2.12	-0.02	-0.21
Baltic	1.51	1.59	1.55	1.54	1.73	1.49	1.46	1.34	1.36	0.02	-0.23
Arctic/FarEast	0.25	0.19	0.17	0.10	0.11	0.20	0.20	0.21	0.17	-0.04	-0.04
BTC	0.00	0.00	0.00	0.00	0.01	0.22	0.22	0.25	0.46	0.21	0.46
<b>Crude Seaborne</b>	3.96	4.05	3.95	3.89	4.11	4.18	4.02	3.94	4.11	0.16	-0.02
Druzhba Pipeline	1.10	1.15	1.23	1.20	1.16	1.23	1.23	1.12	1.20	0.07	0.07
Other Routes	0.23	0.25	0.26	0.31	0.38	0.38	0.42	0.46	0.48	0.02	0.24
<b>Total Crude Exports</b>	5.29	5.45	5.44	5.39	5.65	5.80	5.67	5.53	5.79	0.26	0.29
Of Which: Transneft	3.76	4.04	4.07	4.05	4.23	4.16	4.10	3.78	3.88	0.11	-0.21
<b>Products</b>											
Fuel oil	0.90	0.93	1.04	0.87	1.05	0.94	0.88	0.95	0.94	-0.02	-0.03
Gasoil	0.84	0.87	0.95	1.01	0.95	0.94	0.94	0.92	0.92	0.00	0.09
Other Products	0.46	0.58	0.60	0.60	0.70	0.63	0.52	0.52	0.54	0.02	0.00
<b>Total Product</b>	2.19	2.38	2.58	2.47	2.69	2.50	2.34	2.40	2.40	0.00	0.06
<b>Total Exports</b>	7.48	7.83	8.02	7.87	8.34	8.30	8.02	7.92	8.18	0.26	0.35
Imports	0.01	0.02	0.02	0.03	0.03	0.05	0.06	0.04	0.03	-0.01	0.00
<b>Net Exports</b>	7.47	7.81	8.00	7.84	8.31	8.25	7.96	7.88	8.15	0.27	0.35

Sources: Petro-Logistics, IEA estimates

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

Russian crude export schedules for January, allied to mild winter weather, initially suggested a further rise in overall exports in January. However, a brief shut-down of the Druzhba pipeline (see below) and Azerbaijan's curb on crude exports via Novorossiysk in early January both argue against any marked rise in FSU exports compared with December.

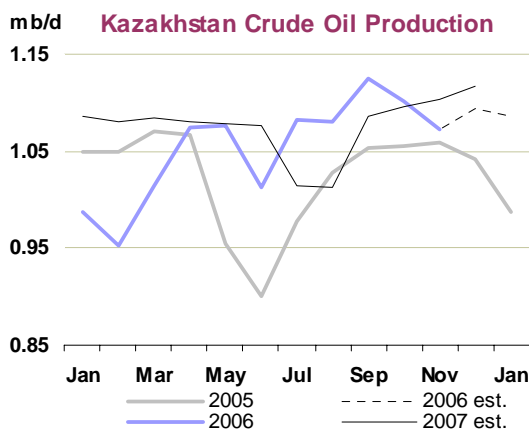
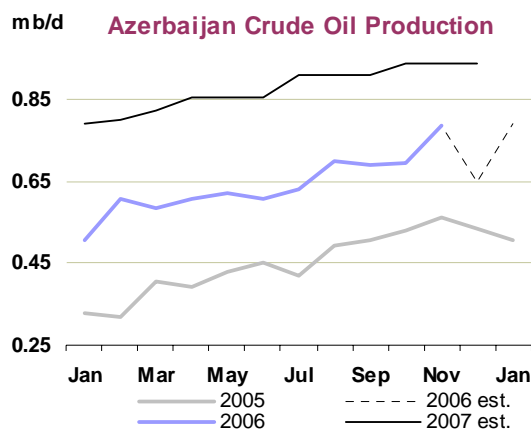
### Russia Briefly Turns Off the Taps Again

January's Druzhba pipeline disruption arose after Belarus responded to Russia's ending of duty-free crude sales by imposing a \$45/tonne transit fee for Russian crude deliveries to Central Europe crossing Belarus. Russia on the night of 7 January cut supplies to the 1.2 mb/d segment of Druzhba which feeds refineries in Poland, Germany, the Slovak and Czech Republics and Hungary after Belarus extracted crude in lieu of transit fee payment. However, pipeline supplies had resumed on 11 January after Belarus returned the crude and agreed to rescind the transit fee. Russia in turn has agreed to the phased introduction of duty on crude exports to Belarus.

While minor in actual impact, had the dispute proved longer lasting it would have forced Russian producers to shut-in production. Moreover, those Central European refiners with limited alternative sources of crude supply were facing the prospect of using more complex supply routes and tapping government stocks in order to sustain operations. While on the one hand, Russia's application of more market-oriented pricing for energy supplies to neighbouring countries is understandable, the use of heavy-handed supply disruption tactics when contract disputes arise raises real questions in Europe over Russia's reputation as a secure supplier.

**Azerbaijan – November actual:** Azeri supply estimates are revised up by 65 kb/d for November but down by 75 kb/d for December. Offshore production from the ACG (Azeri-Chirag-Guneshli) fields exceeded expectations in November, but a turbine problem on the central Azeri platform caused an eight day December shutdown of some 200 kb/d. December also saw the start-up of gas and condensate production at the Shah Deniz field. However, supplies were short-lived as a gas leak forced production to be shut-in again after only a week of operations. Shah Deniz supplies are likely to remain constrained through January, but are forecast to rise towards phase one output capacity of 20 kb/d of condensate by early 2008.

Higher-than-expected production from the ACG fields in late 2006 (despite the December shut-in) results in a 25 kb/d upward revision to 2007 Azerbaijan supply, focused in the early months of the year. Reports that gas reinjection at oilfields is being curbed to free up supply for local use are not, for the time being, believed to be having a material impact on oil production. After rising by 190 kb/d in 2006 to 645 kb/d, oil production this year should gain a further 235 kb/d to reach 880 kb/d.

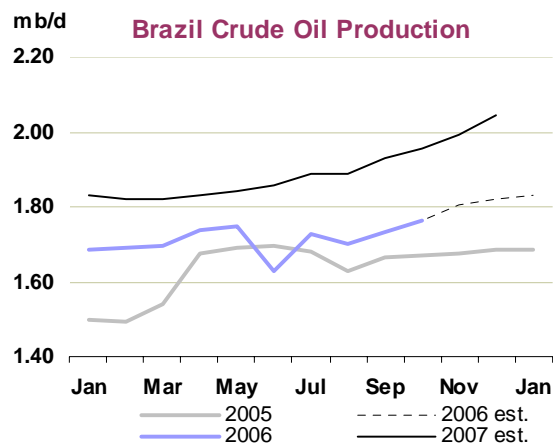


**Kazakhstan – November actual:** Production of liquids at the Karachaganak field surged over 300 kb/d in November, underpinning a 45 kb/d upward revision compared with this report's earlier estimate. However, we have held Karachaganak production below 300 kb/d going forward until it becomes clear whether November merely represents a post-maintenance spike in production. In contrast, output from smaller fields came in below expectation, leading to a 10 kb/d downward adjustment for production through 2007. As was evident in 2006, production this year is expected to rise modestly, by some 30 kb/d, to 1.33 mb/d after much stronger increases in the first half of the decade. Karachaganak upside potential could eventually push the 2007 total higher. However, longer-term gains from Kazakhstan are likely to depend on progress at the much-delayed Kashagan field and expansion in output from Tengiz, which itself depends on a long-delayed CPC pipeline expansion.

## Latin America

Several revisions accrue to the Latin America total this month which collectively knock 25 kb/d off the 2006 production estimate and 55 kb/d off 2007. There are, at best, infrequent reports available on heavy **Cuban** oil production. Earlier indications suggested that expansion took production close to 70 kb/d by mid-decade, with imminent prospects for further growth. However, a new government report cites 2006 production at less than 60 kb/d and we have revised down 2005-2007 production accordingly, with the 2007 estimate reduced by 25 kb/d to 55 kb/d. **Ecuador** too sees estimates revised down by 20 kb/d for the period from 4Q06 onwards after weaker-than-expected data for September and October. In all, Ecuadorean production remains stable in 2007 at some 535 kb/d.

The main driver of Latin American supply growth, however, remains **Brazil**. In this month's report revisions accruing to Brazil are minor, as long standing deferral of start-up at the Piranema project is offset by an earlier than expected start in January at new Espadarte facilities. Total Brazilian liquids production is expected to reach 2.3 mb/d in 2007 (including 400 kb/d of alcohol fuels and NGL) compared with 2.1 mb/d in 2006. Longer-term growth prospects however may be slipping, with news that floating production and storage facilities for the deepwater Jubarte and Roncador fields are unlikely to hit late-decade start dates.



## Revisions to Non-OPEC Estimates

### 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	14.32	14.49	0.18	0.17	14.30	14.39	0.16	0.09	-0.02	-0.10	-0.02	-0.08
Europe	5.20	5.27	-0.40	0.06	5.20	5.13	-0.41	-0.07	-0.01	-0.14	-0.01	-0.14
Pacific	0.57	0.66	-0.01	0.08	0.57	0.66	-0.01	0.08	0.00	0.00	0.00	0.00
<b>Total OECD</b>	<b>20.09</b>	<b>20.42</b>	<b>-0.23</b>	<b>0.32</b>	<b>20.07</b>	<b>20.17</b>	<b>-0.26</b>	<b>0.11</b>	<b>-0.02</b>	<b>-0.24</b>	<b>-0.03</b>	<b>-0.22</b>
Former USSR	12.05	12.55	0.42	0.49	12.06	12.56	0.42	0.49	0.01	0.01	0.01	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	3.68	3.74	0.07	0.05	0.00	0.00	0.00	0.00
Other Asia	2.70	2.74	0.02	0.03	2.71	2.74	0.03	0.04	0.00	0.01	0.00	0.01
Latin America	4.43	4.64	0.13	0.20	4.41	4.58	0.12	0.17	-0.03	-0.05	-0.02	-0.03
Middle East	1.74	1.70	-0.12	-0.05	1.74	1.69	-0.12	-0.05	0.00	-0.01	0.00	-0.01
Africa	3.99	4.46	0.28	0.47	3.99	4.46	0.28	0.47	0.00	0.00	0.00	-0.01
<b>Total Non-OECD</b>	<b>28.75</b>	<b>29.95</b>	<b>0.78</b>	<b>1.20</b>	<b>28.74</b>	<b>29.90</b>	<b>0.77</b>	<b>1.16</b>	<b>-0.01</b>	<b>-0.05</b>	<b>-0.01</b>	<b>-0.04</b>
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	0.18	0.34	0.06	0.17	0.17	0.34	0.06	0.16	-0.01	-0.01	-0.01	0.00
<b>Total Non-OPEC</b>	<b>50.92</b>	<b>52.63</b>	<b>0.65</b>	<b>1.70</b>	<b>50.88</b>	<b>52.33</b>	<b>0.61</b>	<b>1.45</b>	<b>-0.04</b>	<b>-0.30</b>	<b>-0.04</b>	<b>-0.25</b>

OMR = Oil Market Report

## OECD STOCKS

### Summary

- **Total OECD oil stocks** fell by 33 mb in November, on product stock declines in all three regions. This was most pronounced in North America and particularly in the US where it was only partly offset by a build in crude inventories. Total OECD stocks remain higher than one year ago, with the annual difference increasing to 41 mb, up from the 33 mb reported last month. Preliminary data for December show a net stock draw in all regions.
- **OECD total product inventories fell** by 38.6 mb in November, to 1,425 mb, or 11.9 mb higher than last year. This continues October's downward trend, although the magnitude has been tempered by a 23.8 mb upward revision to preliminary total stocks data. Nevertheless, combined data for October (revised) and November data (preliminary) show a total product stock draw of 70 mb, moving levels back within the five-year range.
- **OECD crude oil stocks rose** by 7.2 mb in November to 987 mb on a 4.2 mb crude stock build in North America. OECD Europe and Pacific saw gains of around 1.5 mb each, leaving crude stocks a net 36.6 mb higher than last year and still well above the five-year range.

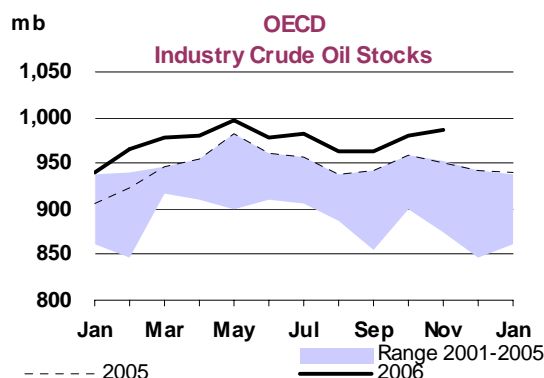
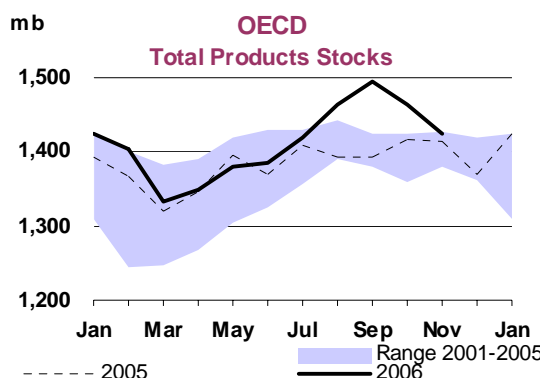
### Preliminary Industry Stock Change in November 2006 and Third Quarter 2006

(million barrels per day)

	November (preliminary)				Third Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
<b>Crude Oil</b>	<b>0.14</b>	<b>0.05</b>	<b>0.05</b>	<b>0.24</b>	<b>0.03</b>	<b>-0.12</b>	<b>-0.07</b>	<b>-0.15</b>
Gasoline	-0.15	0.02	0.00	-0.12	0.03	0.04	-0.01	0.06
Distillates	-0.35	-0.15	-0.14	-0.64	0.26	0.15	0.18	0.59
Residual Fuel Oil	0.00	-0.08	-0.05	-0.13	0.01	0.02	0.01	0.04
Other Products	-0.30	0.01	-0.11	-0.40	0.29	0.08	0.13	0.50
<b>Total Products</b>	<b>-0.79</b>	<b>-0.19</b>	<b>-0.31</b>	<b>-1.29</b>	<b>0.59</b>	<b>0.29</b>	<b>0.30</b>	<b>1.18</b>
Other Oils <sup>1</sup>	-0.06	-0.03	0.04	-0.05	0.16	0.03	0.02	0.21
<b>Total Oil</b>	<b>-0.71</b>	<b>-0.17</b>	<b>-0.21</b>	<b>-1.09</b>	<b>0.79</b>	<b>0.20</b>	<b>0.25</b>	<b>1.24</b>

<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons.

- **Days of forward demand cover** for total OECD (industry) stocks stood at 54 days at the end of November, at parity with last month's reported level, but down from an upward-revised October level of 55 days.
- **Finalised data for October show an upward revision** of 23.8 mb for total industry stocks. This was mainly due to a change in North American product stocks (+9.7 mb, of which two thirds was distillate) and a 12.4 mb increase in European crude stocks. This correction means that there was a 24.0 mb decline in total OECD industry stocks in October rather than the 40 mb shown by last month's preliminary data (September data were also revised up by 7.3 mb).



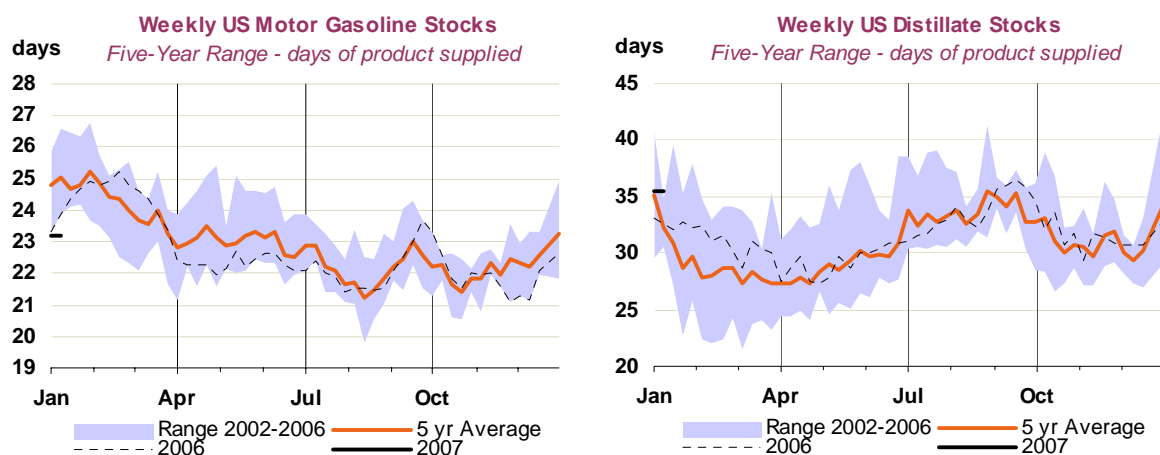
## OECD Industry Stock Changes in November 2006

### OECD North America

North American crude oil inventories increased by 4.2 mb in November to 471.4 mb due to a crude stock build of 5.1 mb in the US, leaving North American crude stocks 14 mb higher year-on-year. Mexico saw a slight drop in crude stocks of 0.9 mb. NYMEX WTI's near-month contango widened slightly in the first half of November, offering a strong return to tank owners and a financial incentive to hold stocks. At the same time, refinery runs only inched upwards slowly due to ongoing maintenance.

This trend reversed in December, with weekly data showing a 21.6 mb fall in US crude stocks. Although refinery crude throughputs only edged upwards another 116 kb/d, crude imports fell by 270 kb/d. The lower influx may be read as evidence of lower OPEC production, but was at least partly due to problems in the Houston and Calcasieu shipping channels – key routes to major regional refineries – where crude stocks fell by 5.1 mb. Since their mid-November high of 341 mb, US crude stocks fell to only 318 mb at end-December, a steeper tumble than is usual at this time of year, and a level that is usually associated with a switch in the forward spread from contango to backwardation. US crude stocks thus end the year 3.3 mb lower than one year ago, or, at 20 days, one day higher than the five-year average on a preliminary basis. This contrasts with the end of 2005 when they stood at 21 days.

North American product stocks fell by 23.6 mb in November, to 677.5 mb, or only 1.4 mb higher than end-November last year. This reflected the tail-end of a heavier-than-expected and protracted refinery maintenance season. Most of the fall stemmed from the US, and half of its 22.2 mb product stock draw was in middle distillates (-11 mb). US gasoline inventories also fell by 4.2 mb, while 'other products' decreased by 7.7 mb. In Mexico, total product inventories fell by 1.4 mb. Broken down, Mexican 'other products' fell by 1.2 mb, and residual fuel by 600 kb, somewhat balanced by a middle distillate build of 500 kb.



In December, US-50 product stocks increased by 2.2 mb on higher refinery throughputs and weak demand, in part due to the unusually warm weather. Based upon weekly data, total product stocks ended the year at 707.7 mb, or 19.8 mb higher than at the end of hurricane-affected 2005. A strong month-on-month increase in gasoline inventory levels (+10.4 mb) and total distillate stocks (+4.7 mb) outweighed draws in propane/propylene (-7.7 mb), 'other oils' (-6.1 mb) and unfinished oils (-1.2 mb).

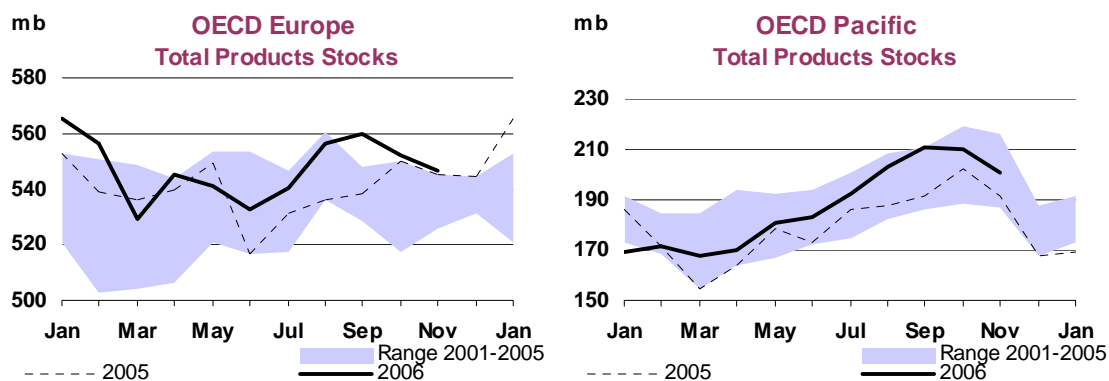
In terms of forward demand, gasoline stocks in the US stood at 23 days of cover at the end of the year, which is two days higher than the end of November, and one day higher than the end of 2005. However, it is two days lower than the five-year average. Total distillate stocks represented 33 days of cover at the end of December, which was also two days higher than end-November, and one day higher than the end of 2005. It is also slightly higher than the five-year average.

### OECD Europe

European crude oil stocks increased by 1.5 mb in November to 336 mb, or 9.5 mb higher than the previous year. Builds were seen in the Netherlands (+2.6 mb) and Italy (+2.2 mb), but declined in

Germany (-2.6 mb). The crude stock gain came despite an increase in refinery throughputs of 300 kb/d. In early October, WTI fell to a discount to Dated Brent, in theory discouraging the flow of Brent-related crude grades across the Atlantic. December Euroilstock data for the EU-16 showed a crude draw of 11.3 mb, leaving crude stocks 17.3 mb higher than at the end of 2005.

European product inventories fell by 5.8 mb to 546.4 mb in November, or just 1 mb higher year-on-year. Most of this draw was in middle distillates, which fell by 4.4 mb, much of it in the Netherlands (-3.7 mb). Meanwhile, a lesser draw in European residual fuel oil inventories of 2.5 mb was somewhat balanced by gains in gasoline (+700 kb) and 'other products' (+400 kb). With the exception of the UK, where total products fell by 300 kb, the other major European countries all saw November product stocks rise. France registered an increase of 2.7 mb, Italy 600 kb and Germany 100 kb.



Preliminary Euroilstock December data for the EU-16 showed total product inventories rising by 5.6 mb on the return of refineries from maintenance, and the warm weather reducing demand for heating oil. In Germany, consumer heating oil stocks fell to 64% of capacity at the end of December. One month ago, they had been at a relatively high 68%, after end-users stocked up ahead of an increase in VAT to be introduced from early 2007. Combined December Euroilstock crude and product stock data showed a total draw of 5.7 mb.

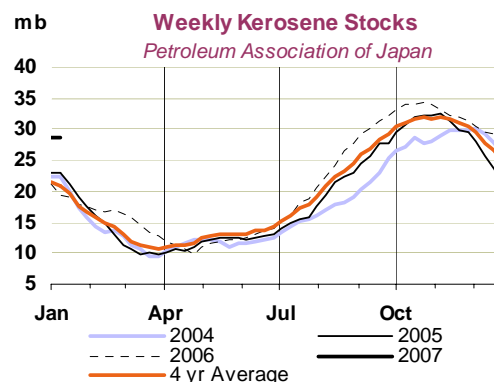
### OECD Pacific

In the Pacific, crude oil stocks edged up by 1.6 mb to 179 mb in November, or 13 mb higher year-on-year. The increase was due to a surge in Korean crude stocks of 4.1 mb, while Japanese crude inventories fell by 1.8 mb. Both countries saw their refinery throughputs increase in November, more noticeably in Japan, where runs rose by 500 kb/d. According to weekly Petroleum Association of Japan (PAJ) figures, onshore crude stocks fell by a further 5 mb in December, as crude inputs into refineries rose by another 250 kb/d.

Pacific product inventories fell by 9.2 mb to 201 mb in November, to stand 10 mb higher than one year ago. In Japan, total product stocks were down by 6.2 mb on 3 mb draws both in middle distillates and 'other products'. Gasoline and residual fuel stocks were more or less unchanged. In Korea, a total product stock draw of 2.4 mb was due to declines in residual fuel oil (-1.3 mb) and middle distillate levels (-0.9 mb).

Weekly data from the PAJ show that, in December, total finished Japanese product stocks continued to fall, drawing by 6.4 mb to 95 mb. Most of this was due to tumbling kerosene stocks, which shed 4.6 mb to end the year at 27 mb.

In Northeast Asia, temperatures have not been as unusually warm as in Europe and North America. This end-year figure is nevertheless some 7 mb higher than at the end of 2005, due to a counter-seasonal rise in stocks in the last week of December. Naphtha stocks also fell by 1.4 mb in December on strong demand from splitters.



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

OECD total industry stocks stood at 2,712 mb at the end of November, a fall of 33 mb from October and 41 mb higher year-on-year. This year-on-year increase is higher than last month's report, when the difference was 33 mb. Total product stocks rose 12 mb on the year, while crude levels were 37 mb higher. On a regional basis, total North American stocks are 14 mb over 2005 equivalents; European levels are 5 mb higher, while total Pacific oil stocks are 21 mb up on the year.

### Year-on-Year OECD Industry Stock Comparisons for November 2006

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
<b>Crude Oil</b>	<b>14.0</b>	<b>9.5</b>	<b>13.1</b>	<b>36.6</b>	<b>Total Oil</b>	<b>0.3</b>	<b>0.7</b>	<b>3.3</b>	<b>1.0</b>
Total Products	1.4	1.0	9.5	11.9	<i>Versus 2004</i>	3.9	0.8	-1.3	2.0
Other Oils <sup>1</sup>	-0.9	-5.6	-1.2	-7.7	<i>Versus 2003</i>	3.6	0.4	2.6	2.4
<b>Total Oil</b>	<b>14.5</b>	<b>4.9</b>	<b>21.4</b>	<b>40.7</b>	<b>Total Products</b>	<b>-0.1</b>	<b>0.3</b>	<b>1.5</b>	<b>0.3</b>
<i>Versus 2004</i>	89.1	3.3	-14.3	78.1	<i>Versus 2004</i>	1.0	1.5	0.1	1.0
<i>Versus 2003</i>	99.3	13.7	21.3	134.2	<i>Versus 2003</i>	0.8	0.3	0.6	0.6

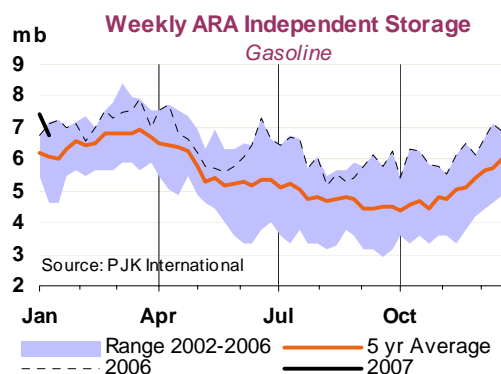
<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons.

Revisions to October stock data show a sizeable upward hike of 23.8 mb meaning that that total crude and product stocks fell by only 24.0 mb in October rather than the 40 mb draw originally reported (September data were also revised up by 7.3 mb). This is more or less equally due to crude and product stocks, which were revised upwards by 15.6 mb and 12.4 mb respectively. Balancing this, 'other oils' were revised downwards by 4.1 mb. On a regional basis, the product revision was mostly due to North American product stocks, which were hiked by 9.7 mb. European crude stocks were revised upwards by 12.4 mb, of which around half was in the UK, where refinery runs were lower than expected in October.

## Recent Developments in ARA Independent Storage

Total oil product inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) area rose by 1.6 mb in December to 27.1 mb, according to consultant PJK International. Gains in gasoline, gas oil and fuel oil outweighed draws in jet/kerosene and naphtha inventory levels. Much of the month saw unfavourable arbitrage economics to send gasoline to the US, which in combination with higher runs caused stocks to rise. Meanwhile, warmer weather helped gas oil stocks to increase, while German consumers drew on their domestic stocks.

Fuel oil stocks, which gained 660 kb last month, stood at 3.7 mb at end-December. News reports of several fixtures to Singapore underline the growing premium of Singapore high-sulphur fuel oil to Rotterdam prices. The spread doubled in December and has doubled again in the first 10 days of January to around \$10/bbl, which resulted in several reported fixings to the east.

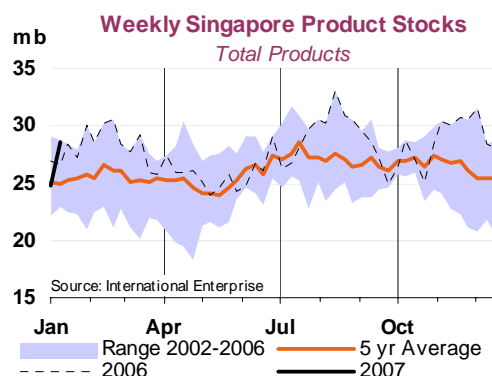


## Recent Developments in Singapore Stocks

According to International Enterprise, total oil product stocks held in Singapore fell by 5.7 mb in December to 25 mb.

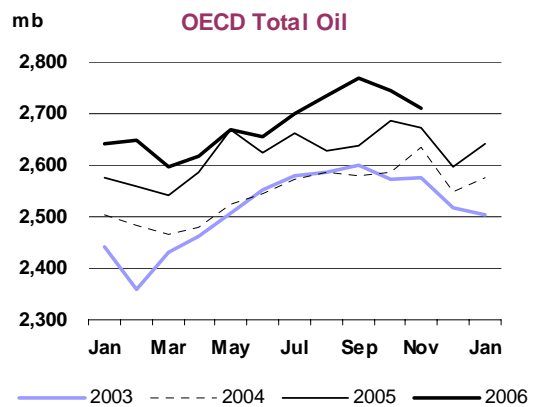
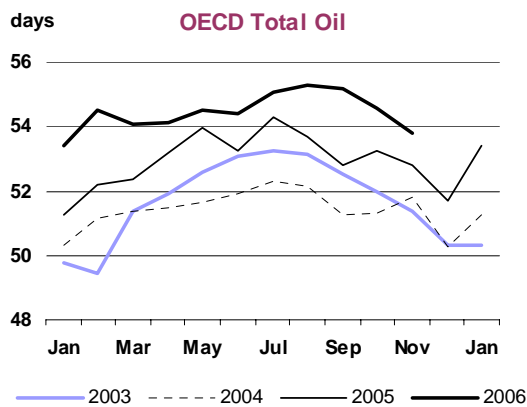
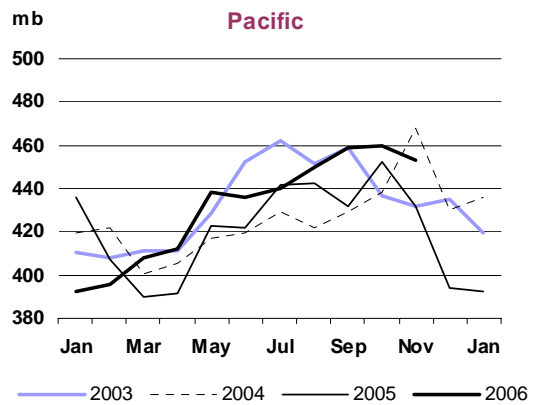
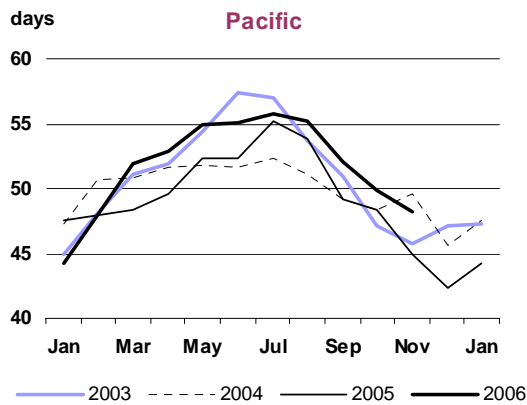
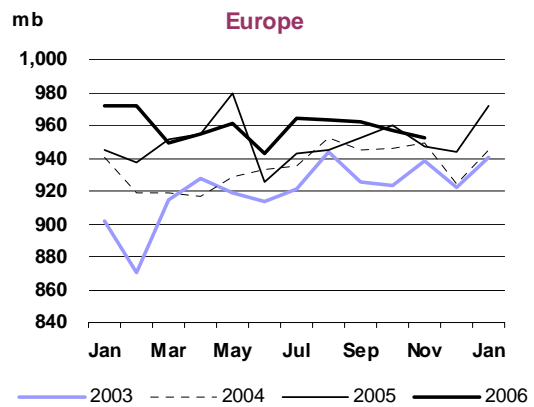
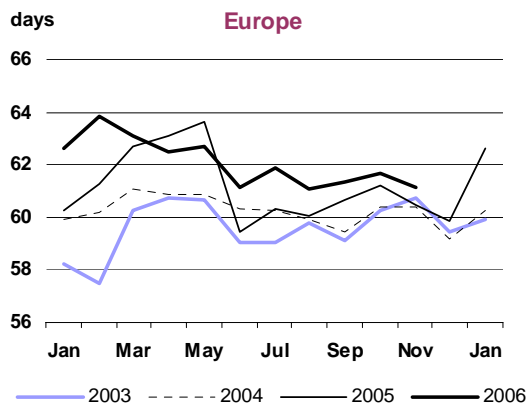
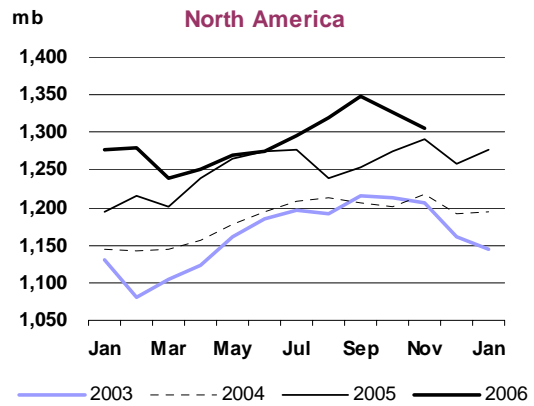
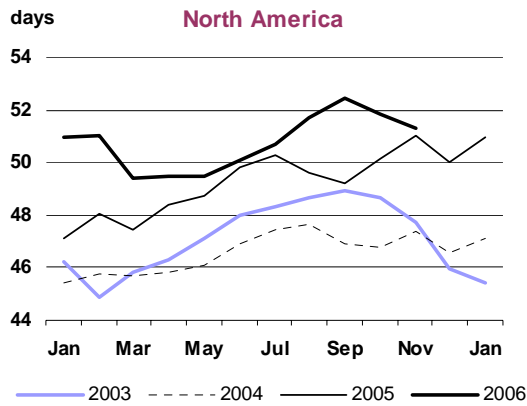
A residual fuel oil stock draw of 4.0 mb provided most of the momentum, but light and middle distillates also fell by 780 kb and 930 kb respectively.

With strong gains in early January however, most noticeably in residual fuel oil, all three products start 2007 at the upper end of the five-year average range.



### Regional OECD End-of-Month Industry Stocks

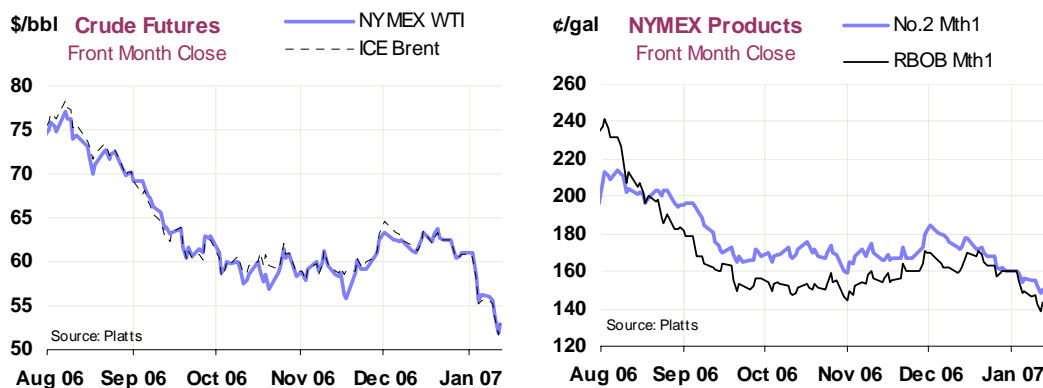
(in days of forward demand and millions of barrels of total oils)



## PRICES

### Summary

- **Oil prices fell to 20-month lows in early January** after trading in a \$60-65/bbl range in December. Unusually warm weather reduced demand, particularly in the Atlantic Basin, while OPEC output in December was marginally below November levels. Although further OPEC cuts have been proposed, there seems to be an offsetting price effect from higher spare capacity. A downturn in commodity markets appears to reflect a change in investor sentiment, but this could change if OPEC cuts result in a further tightening of crude stocks and a backwardated market.
- **Benchmark crude prices generally followed the downward trend** and a narrowing Brent-Dubai spread made Atlantic Basin crudes more attractive for Asian buyers. Urals crude discounts to Brent narrowed on the Druzhba outages in January, while the decline in Middle Eastern crudes was stemmed by announced OPEC cuts.
- **Refining margins fell to unusually low levels** in December as crude outperformed products in a downward trending market. Brent hydroskimming returns fell to their lowest level in at least ten years. But in January, this trend was reversed, and refining margins have recovered due to crude's relative weakness.
- **Product prices declined across the board**, but January's crude fall meant cracks to benchmark crudes were steady or rose in January. Distillate cracks remained flat on the warm temperatures, while gasoline spreads edged up. Naphtha and fuel oil cracks saw strong gains due to a tighter market.
- **Long-haul crude freight rates remained depressed** on weak demand due to warm temperatures and lower OPEC loadings. Tanker rates for smaller Aframax and Suezmax vessels in contrast gained on Turkish Straits delays and a flurry of fixings in the Baltic and Caribbean. Clean rates showed little change, as January declines offset increases in December.



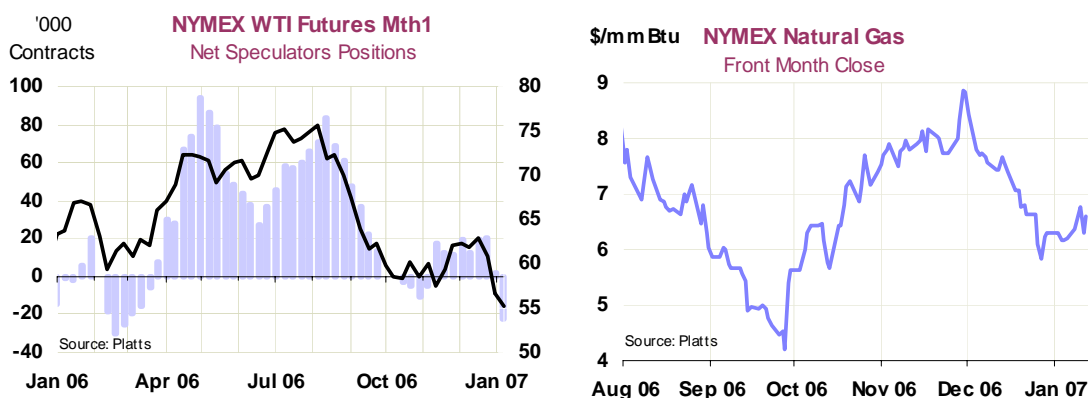
### Overview

After weakening over the course of December, oil prices fell as much as 15% in early January, to levels last seen in late May 2005. Weaker demand on unusually warm weather led to product stock builds in the Atlantic Basin, and the combination of OPEC cuts and expected non-OPEC supply growth have been the main drivers behind lower prices. In addition, a lower dollar and a general downturn in commodity markets and investor confidence have contributed to weaker sentiment.

Oil demand in the first half of this winter has clearly been dented by the mild temperatures. But it is too early to conclude that the current El Niño conditions in the Pacific Ocean will lead this to be the warmest winter on record: January and February could still be cold. At the time of writing, an ice storm and a cold front had hit parts of the US, bolstering heating demand.

Notably though, prices have failed to respond to countervailing and renewed efforts by OPEC to stem the downward trend. The group announced a 500 kb/d output reduction from 1 February at its 14 December meeting in Abuja. This follows on from a previous 1.2 mb/d reduction announced in late October.

Prices appeared not to respond to OPEC action, nor to other supply-related developments such as a half-week cut-off of FSU crude supplies through the Druzhba pipeline into Central and Eastern Europe, or a little-reported (but substantial) downward revision to the Norwegian Government's forecast for 2007 oil production. The lack of upside price response to these developments in part reflects confidence that there is spare capacity in the system, but also that there have been offsetting demand-side developments. Ironically, the deeper OPEC cuts, the higher the rise in confidence that there is marketable spare capacity in the system. However, at the end of the day, this will only act as a partial offset if recent tightening stock trends persist. Further, we note that effective spare capacity remains historically low and that it could be argued that conditions in some of the world's geopolitical hotspots have been deteriorating.



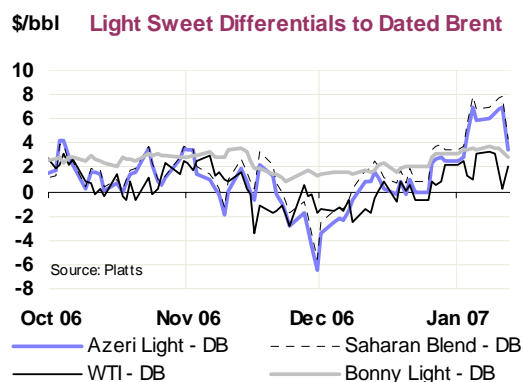
There have been other, less visible, price influences. Commodity markets in general have weakened, with the price of copper falling to a nine-month low in early January. Some blame this on expectations of an economic slowdown, while others put it down to growing copper supplies. Much may also be due to commodity index funds (and other investors) simply rebalancing their portfolios, reducing their energy and metals holdings. Given the sustained contango in crude futures, long-only strategies are not profitable and well-known commodity index funds have fallen during last year. Further, the recent weakening of the dollar may have had a short-term influence.

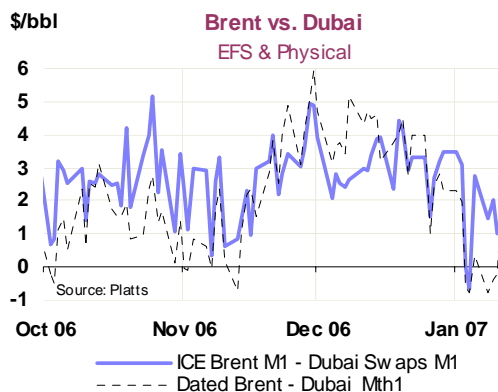
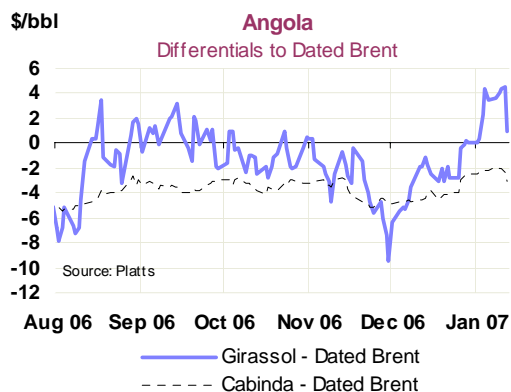
Certainly the first week of January, in which prices plummeted, saw the non-commercial holdings in NYMEX WTI swing to a net-short position for the first time since early November, even though overall open interest in NYMEX futures has actually risen slightly. However, with a large proportion of fund trades taking place in the *over-the-counter* (OTC) market, NYMEX open interest may not necessarily be a good barometer of trends in fund activity. If OPEC cuts (and other factors) do eventually succeed in tightening prompt supplies, this may eventually lead the futures markets to swing back into backwardation. This in turn could enhance returns to commodity investors who would then buy forward at a cheaper price and sell a few months later at a higher spot level.

## Spot Crude Oil Prices

Besides the general downward trend, crude prices were most affected by the counter-seasonal decline in interest for grades with high middle distillate yields due to prevailing warm temperatures. Refiners in the US, in particular, appear to be showing a preference for crudes with a high gasoline yield ahead of the mogas stock building season. A strengthening of fuel oil cracks due to crude's weakness since early January is also noteworthy. Depressed or, in the case of many simple plants, negative refining margins in December also reduced demand for crude.

In terms of spot oil trade, two factors are of key significance. Crude futures have declined strongly, while announcements of OPEC cuts have stemmed declines in Dubai and other Middle Eastern grades. As a consequence, a flurry of extra-regional crude deals has been reported as Brent/Dubai spreads narrowed, making the arbitrage from the Atlantic Basin to Asia attractive.





Asian refiners have been showing greater interest in North Sea and African grades, raising premia against Dated Brent. This effect has been exacerbated by German and other buyers unusually stepping into the same market after the Belarus/Russia spat cut exports briefly into Central and Eastern Europe. In the North Sea, an anticipated surge in physical Brent loadings in February has seen competing light sweets rise in value. This is also true for Forties, where the inclusion of the new Buzzard stream has passed without the feared impact on differentials.

US refiners too, according to tanker loadings, appear to be drawing in higher volumes of West African crude. Girassol, an Angolan heavy sweet suitable for fuel oil and to a lesser extent gasoline production, has seen its differential to Dated Brent rise a spectacular \$14/bbl into strong positive territory since early December, on both stronger Chinese and US buying.

Strong reported Asian interest in competing Mediterranean crudes Saharan Blend and Azeri Light has seen their premia rise relative to WAF crudes. Compared with regional Asian sweet marker Tapis, all of these alternative sweet crudes look attractive. As regards long-haul imports, market news has also indicated Asian refiners buying Latin American grades as WTI weakened, making crudes from the region relatively cheap.

Regarding sourer grades, until the temporary cut-off of crude through the Druzhba pipeline, Urals was at a significant discount to Oman and Dubai, making it competitive in Asia. Urals Med gained support from lengthening delays through the Turkish Straits and loading problems at the Black Sea port of Novorossiysk, though lower volumes could be compensated by a 3 mb Kirkuk tender from Ceyhan in mid-January.

Spot Crude Oil Prices and Differentials

# Table Unavailable

In the US, Gulf Coast benchmark Mars's discount to WTI narrowed on the latter's weakness, despite a near-emptying of the Louisiana Offshore Oil Port's storage tanks for maintenance, which left the region awash with Mars. A sharp decline in US crude stocks in December (-22 mb), and ongoing warm weather could indicate a shift back to a greater focus on crude inventories and prices. But much of this stock draw has been on the US West Coast (PADD 5), tightening the market there, as reflected in ANS's relative gain versus WTI.

### Delivered Crude Prices in October

Average delivered crude prices in IEA countries dropped by \$5.80/bbl to \$56.93/bbl in October, following the \$6.88/bbl decline in September. The October level was also slightly lower than the \$57.01/bbl a year ago. The CIF price in North America fell by \$6.09 month-on-month as refiners in the region paid \$54.25/bbl in October, well below the \$56.32 they paid in October last year. On average, IEA countries in Europe paid \$56.88/bbl or \$4.82/bbl less than in September. In the OECD Pacific, the price of delivered crude dropped by \$7.11/bbl to \$61.58/bbl.

### Refining Margins

In December, refining margins fell to lower levels in all regions. Crude gains outpaced products on weaker-than-expected demand. Brent hydroskimming in Northwest Europe was particularly weak, with margins falling to their lowest in at least ten years. In late December, even Brent cracking briefly fell into negative territory. US Gulf Coast light sweet cracking margins (Brent and LLS) were also very weak in December. In fact, the only region to see any strength was the US West Coast, where refinery throughputs rose by some 200 kb/d after the end of maintenance, albeit from a below-average level.

#### Selected Refining Margins in Major Refining Centres

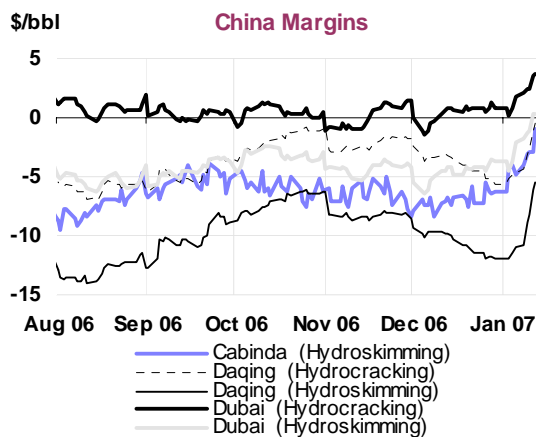
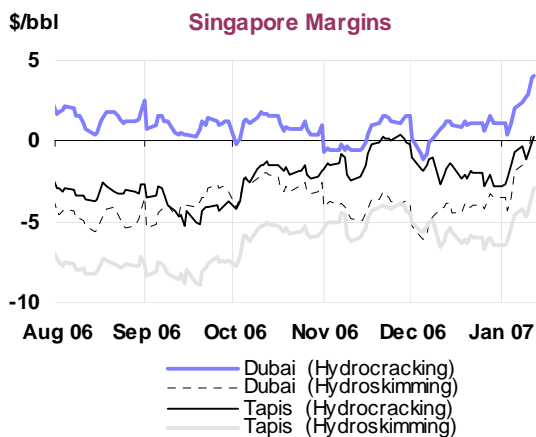
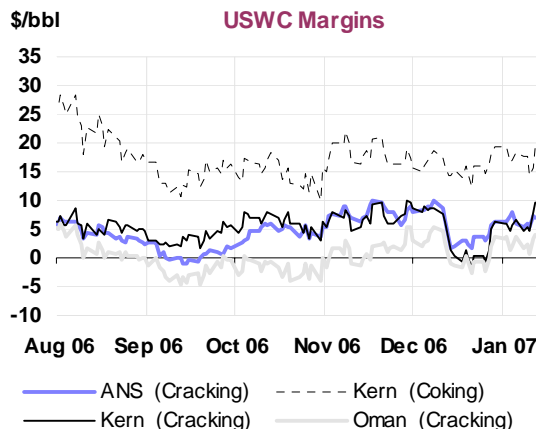
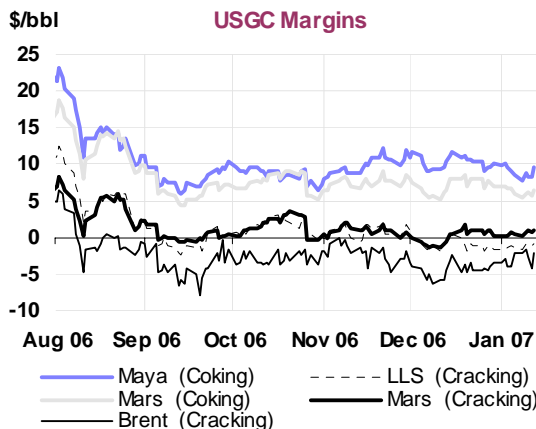
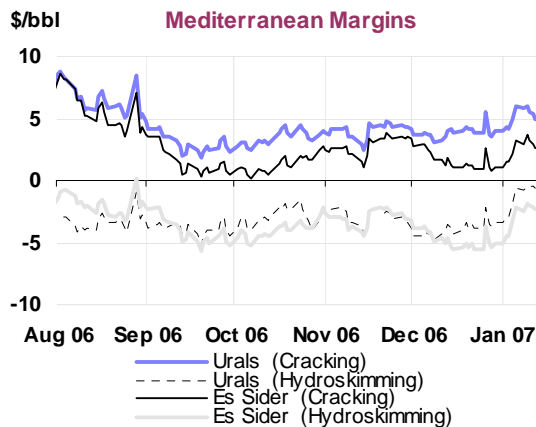
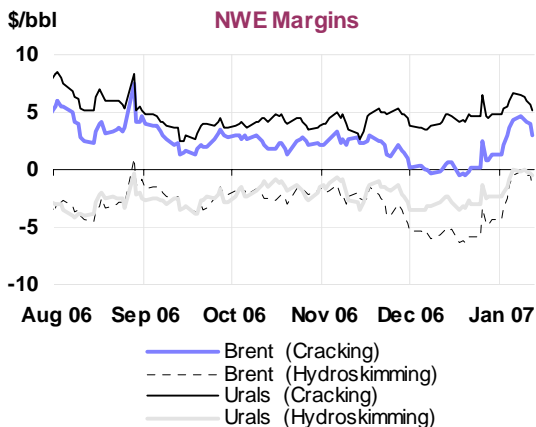
		Monthly Average			Change	Week Ending:				
		Oct 06	Nov 06	Dec 06	Dec 06-Nov 06	15 Dec	22 Dec	29 Dec	05 Jan	12 Jan
<b>NW Europe</b>	Brent (Cracking)	2.43	2.25	0.31	-1.94	0.35	-0.26	1.13	2.90	4.02
	Urals (Cracking)	4.15	4.46	4.38	-0.07	4.51	4.43	5.02	5.67	5.93
	Brent (Hydroskimming)	-2.05	-2.67	-5.39	-2.72	-5.36	-6.06	-4.59	-2.39	-0.60
	Urals (Hydroskimming)	-1.67	-1.81	-2.89	-1.08	-2.63	-3.16	-2.30	-1.32	-0.25
<b>Mediterranean</b>	Es Sider (Cracking)	1.31	2.80	1.66	-1.14	1.45	1.21	1.32	1.92	3.09
	Urals (Cracking)	3.45	4.03	3.88	-0.14	3.77	4.10	4.14	4.67	5.51
	Es Sider (Hydroskimming)	-3.99	-3.00	-4.80	-1.80	-5.00	-5.29	-4.96	-3.90	-2.13
	Urals (Hydroskimming)	-2.89	-2.90	-3.88	-0.98	-4.02	-3.70	-3.33	-2.35	-0.57
<b>US Gulf Coast</b>	Brent (Cracking)	-2.88	-2.20	-4.47	-2.27	-4.36	-4.24	-4.12	-3.26	-2.62
	LLS (Cracking)	1.46	0.84	-0.99	-1.83	-0.66	-0.96	-1.39	-1.44	-1.06
	Mars (Cracking)	1.62	0.98	0.05	-0.92	-0.40	0.98	0.68	0.39	0.69
	Mars (Coking)	7.59	7.61	7.04	-0.58	6.81	7.89	7.38	6.71	5.97
	Maya (Coking)	8.56	9.91	10.24	0.33	10.41	10.74	9.77	9.45	8.59
<b>US West Coast</b>	ANS (Cracking)	4.56	7.83	5.28	-2.55	4.43	2.70	4.54	6.78	6.21
	Kern (Cracking)	6.14	7.21	3.87	-3.34	3.74	-0.16	2.46	5.85	6.43
	Oman (Cracking)	-1.82	1.36	1.08	-0.28	1.01	-1.05	0.42	2.80	2.50
	Kern (Coking)	14.73	18.12	15.93	-2.19	15.45	14.55	16.89	18.15	16.88
<b>Singapore</b>	Dubai (Hydroskimming)	-2.71	-3.97	-4.39	-0.41	-4.09	-4.07	-3.70	-3.32	-0.41
	Tapis (Hydroskimming)	-5.74	-4.77	-5.85	-1.07	-5.91	-6.11	-6.23	-5.79	-3.91
	Dubai (Hydrocracking)	1.00	0.42	0.63	0.21	1.04	1.06	1.10	1.16	3.20
	Tapis (Hydrocracking)	-2.05	-0.82	-1.92	-1.09	-1.87	-2.13	-2.40	-1.99	-0.40
<b>China</b>	Cabinda (Hydroskimming)	-5.89	-6.52	-6.97	-0.45	-7.03	-6.88	-6.36	-5.13	-2.77
	Daqing (Hydroskimming)	-7.15	-8.20	-10.58	-2.38	-9.93	-11.04	-11.80	-11.63	-7.93
	Dubai (Hydroskimming)	-3.12	-4.31	-4.69	-0.38	-4.44	-4.38	-3.97	-3.56	-0.72
	Daqing (Hydrocracking)	-1.84	-2.16	-3.94	-1.78	-3.32	-4.24	-5.12	-5.18	-2.30
	Dubai (Hydrocracking)	0.54	0.11	0.32	0.21	0.64	0.74	0.84	0.89	2.87

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.

Since early January, however, there has been a reversal, and refining margins have recovered, largely due to crude's weakness. As regards complex margins, they are in most cases back to the attractive levels of the second half of last year. The greatest growth has been seen in Asia, despite Dubai's slide

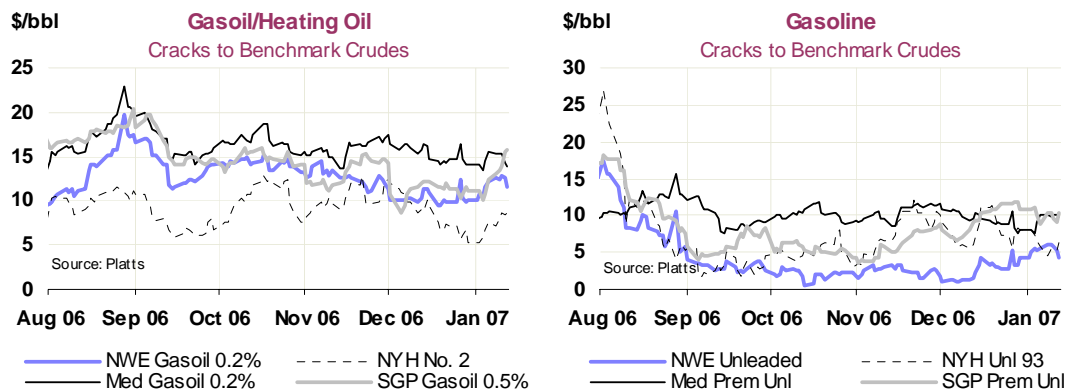
being somewhat stemmed by the prospect of lower OPEC output. Saudi Arabia announced in early January it would be reducing February term volumes to selected Asian refiners by around 10%, following an announced December reduction of 8-9% for January barrels. In both European regions, all margins increased, though simple margins remained in negative territory. In the US Gulf Coast, light sweet cracking margins unusually also remained negative on pronounced product weakness.



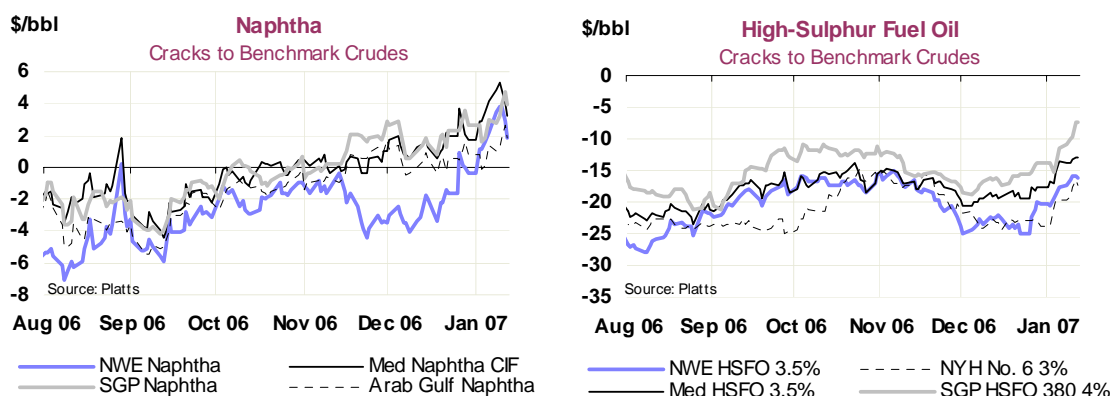
*NB.: In collaboration with Purvin & Gertz Inc., we are in the process of reworking the basis for our refining margin calculations. This will include, among other things, additional desulphurisation costs due to the introduction of ultra-low-sulphur diesel in the US, a shift to Bonny Light instead of Brent as the main US Gulf Coast foreign sweet margin indicator, and a recalculation of freight rate costs based upon the Worldscale (WS) index. These changes, accompanied by explanations, should be included in the report dated 13 February 2007.*

## Spot Product Prices

Despite an uptick since early January, product cracks in all regions have remained relatively flat. The warm weather has kept heating oil, diesel and jet spreads muted. Gasoline spreads to benchmark crudes inched up in Singapore and NWE, while significant gains were seen in naphtha and fuel oil cracks. In absolute terms, all product prices fell quite sharply in December and early January, with the notable exception of high-sulphur fuel oil in Singapore.



Naphtha's crack gains – albeit from lows in early December, particularly in Northwest Europe – appeared to be due to increasing demand from crackers ending maintenance shutdowns. In Asia, continued lower Indian exports lent additional support, as did delays of compensating shipments from the Middle East. Some fixings from NWE to Asia lent support in the former. Meanwhile, gasoline cracks were more or less flat. A gasoline stock build in the US in December (+10.4 mb) added to weakness there, while European margins suffered from unfavourable arbitrage economics across the Atlantic.



Weak demand for heating oil due to the warm winter saw distillate cracks remain relatively flat in December but they did rise in early January. In Japan, where temperatures were higher year-on-year, but not as unseasonably warm as Europe and the US, the most recent weekly stock data from the Petroleum Association of Japan (PAJ) showed kerosene stocks begin 2007 some 35% higher than the average of the last four years. On the other hand, following an import tax cut, Chinese diesel imports in December hit a two-year high of 190,000 tonnes, according to preliminary data, rising from November's 150,000 tonnes. Some additional support for regional (higher-sulphur) gas oil in Asia may come from Indonesia's specification change to 3,500 ppm diesel. This is officially due to come into effect from March, but could be delayed, thus requiring additional imports from the region. Additional gas oil buying came from Vietnam ahead of the Lunar New Year holiday in February.

In Europe, the Druzhba outage also led to lower product exports from two key Belarusian refineries, after throughputs were halted. On the other hand, a widened premium of Rotterdam over New York diesel improved the economics of sending barrels from west to east. There were also reports of ultra-low-sulphur diesel barrels flowing into NWE tanks from East Asian refiners, the first arrivals of cargoes reported in last month's report.

**Spot Product Prices**  
**Table Unavailable**

Fuel oil cracks improved on OPEC cuts of residue-rich grades. In Asia in particular, deeply negative refining margins in December may have also encouraged some refinery throughput cuts, limiting fuel oil supply. In addition, Korean refiners will reportedly cut January exports by 15% from December, as low oil prices have encouraged domestic utilities to turn to fuel oil burning instead of more expensive liquefied natural gas (LNG) imports. A soaring premium for HSFO in Singapore over Rotterdam prices, as well as above-average stocks in the latter, have encouraged shipments to the east.

#### *End-User Product Prices in December*

Despite the December downturn in benchmark oil prices, many retail prices rose, though there was a distortion effect due to US dollar fluctuations. In local currency terms, gasoline prices before tax increased by over 5% in Canada and the US, and by around 2% on average in France, Germany, Spain and the UK. Only Japan saw a noteworthy downturn of 3.8%. Automotive diesel prices before tax also saw considerable gains of 4.7% and 3.8% in Canada and the US respectively, as well as a more muted increase of 2.2% in Germany – all in national currency. End-user heating oil prices were down in most countries, but rose by 6.4% in Canada. Low-sulphur fuel oil followed the general market trend, and fell by over 3% in OECD Europe countries.

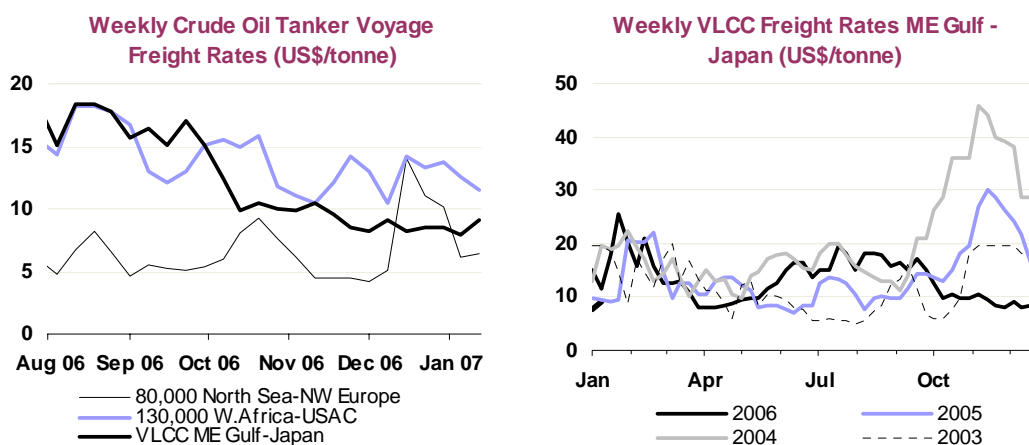
#### **Freight**

Freight rates for VLCCs, the two million-barrel crude carriers, continue to be undermined by OPEC output cuts and mild winter temperatures in consumer regions. In contrast, typical seasonal delays in the Turkish Straits in mid-December caused shipping rates for medium-sized crude cargoes to spike in the Mediterranean and further afield. Clean product shipping costs firmed in December, boosted by higher demand for product imports in Asia and sustained above-average gasoline imports into the US.

Reduced OPEC exports continue to weigh on VLCC rates from the Middle East Gulf. Eastbound vessel demand was dented on 11 December when Saudi Arabia notified certain Asian customers that crude cargoes would be reduced by 8-9% below term-contract volumes in January. Japan-bound VLCC rates remained around \$9/tonne in December, approximately half the December 2005 average. Reports of deeper Saudi cuts to Asian cargoes in February add downside risk to eastbound rates.

Tanker movement reports suggested that there was a slight increase in crude moving to Western markets towards the end of December. Nevertheless, rates have faced downward pressure from reduced demand following mild temperatures and lower oil-on-water. VLCC rates for ships heading for the US Gulf were down to \$14/tonne at end-2006, dramatically lower than the end-2005 value of \$25/tonne.

Mediterranean Aframax rates more than doubled in mid-December as transit delays through the Turkish Straits stretched regional vessel availability. Delays of six to seven days in both directions during a busy trading period pushed Black Sea to Mediterranean Aframax rates (for approx. 600 kb crude cargoes) from \$10/tonne on 8 December to over \$22/tonne on 15 December. Increased Baltic export activity in December added further constraints to the Aframax fleet. The sentiment of vessel tightness spread across the Atlantic to the Caribbean and worsened when fog also caused mid-December closures to major shipping channels feeding US Gulf refineries. Caribbean to US Gulf Aframax rates gained over \$5/tonne to top \$15/tonne mid-month. Demand for million-barrel Suezmaxes in the Mediterranean and West Africa was also boosted by the reductions to Aframax supply. West Africa to US Atlantic Coast Suezmax rates rose from under \$13/tonne to almost \$20/tonne in the middle of December. However, as delays cleared towards end-year, most Aframax and Suezmax routes lost the majority of their mid-month gains, returning to unseasonably low levels.

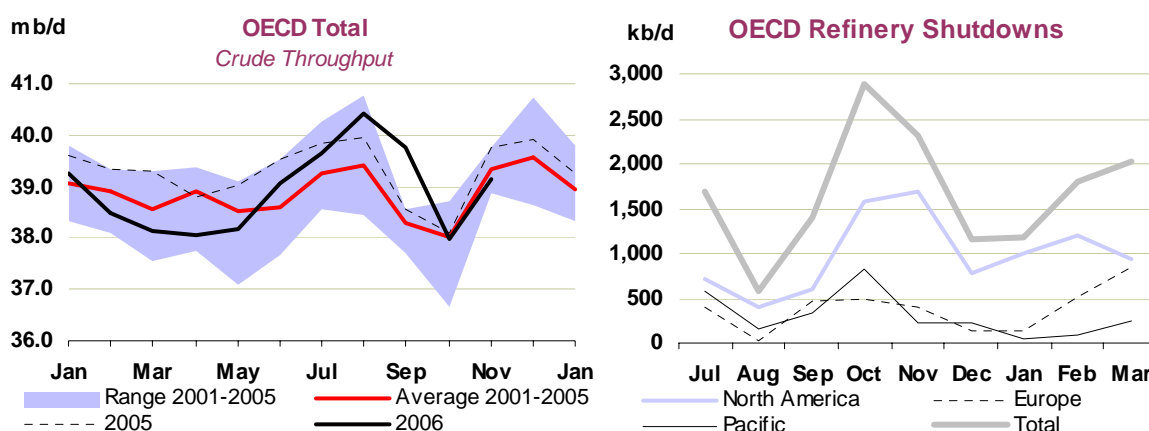


Clean tanker rates returned to usual winter levels in December after an unseasonably weak November. Most notably, Asian rates rose as winter product trade supported regional vessel demand. Naphtha trade from the Middle East Gulf to Japan was boosted by Asian petrochemical plants restarting after maintenance and the diversion of competing Indian naphtha exports to domestic fertiliser production. 75,000-tonne rates for this trade rose from \$21.50/tonne at the start of December to \$32/tonne in early January. In the west, US demand for gasoline imports remained firm in December as low stocks kept upward pressure on transatlantic clean rates. Clean rates corrected downwards in January, especially in Europe, following the build-up of a surplus of tonnage available for charter.

## REFINING

### Summary

- **OECD refinery throughput** increased by 1.1 mb/d in November to 39.1 mb/d. Japanese refineries accounted for the lion's share of the increase following the end of seasonal maintenance, but runs were generally higher in other OECD countries. However, November crude runs were more than 600 kb/d below November 2005, as lower crude throughput in Europe and the Pacific more than offset the increase seen in North America.
- **December OECD refinery runs** are expected to have increased by 0.6 mb/d to average 39.7 mb/d, as refiners reached their peak end-of-year throughput. January sees the start of maintenance at US refineries, which should reduce runs by around 250 kb/d from December's level. The weak margin environment is also likely to restrain runs at hydroskimming refineries in Europe and the Pacific, despite the recent weakening in crude prices. Crude runs are also likely to have been reduced slightly by the disruption to the Druzhba pipeline in early January, although the impact is not seen as significant.



- **OECD refinery yield data** for October show that distillate yields reached their highest level in five years on the back of robust diesel demand and crack values. The switch to winter-grade diesel in Europe pressured jet/kerosene yields, although they remain above the historical average for this time of year. In the Pacific, Japanese gasoline yields increased as refiners sought to meet demand despite lower crude throughputs as a result of maintenance.
- **December offline capacity in the OECD** is estimated to have declined to 1.2 mb/d from 2.3 mb/d in November. January's offline capacity is forecast to increase slightly from this level with the start of first-quarter maintenance at US refineries. First-quarter maintenance in North America is currently expected to peak in February at an average of 1.2 mb/d. Global offline capacity is expected to increase from 1.4 mb/d in December to 1.7 mb/d in January and 2.8 mb/d in February.

### Refinery Throughput

OECD refinery crude runs in November increased by 1.1 mb/d, to an estimated 39.1 mb/d, as refineries in Japan, Germany, the UK and the US finished autumn maintenance work. Half of the increase from October's downwardly revised (-288 kb/d) figure of 38.0 mb/d occurred in the Pacific, with Europe and North America contributing equally to the other half of the increase. The rebound in throughputs raised average OECD capacity utilisation to 86.8% in November from October's 84.3%, but still below November 2005's 88.9%.

Despite average November OECD throughputs increasing, runs were 617 kb/d below November 2005's level. The shortfall was primarily in Europe, where crude runs were 638 kb/d below last year. The weak margin environment and the turnaround at ExxonMobil's 298 kb/d Antwerp refinery contributed to the decrease. North American crude runs were only 202 kb/d higher than a year-ago, down from last month's year-on-year difference of 1.3 mb/d as the impact of 2005's hurricane season diminished. Hydroskimming margins in Europe and Asia remain significantly weaker than the levels seen this time last year, further contributing to weaker year-on-year crude runs.

Weekly data indicate that December US crude runs rose by 370 kb/d to 15.5 mb/d and Japanese runs increased by 300 kb/d, to average 4.2 mb/d. We expect European runs to be broadly unchanged in December, as lower maintenance offset the impact of weak hydroskimming margins. Overall OECD crude runs in December are forecast to have increased by over 600 kb/d to 39.7mb/d.

### Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from		Utilisation rate <sup>2</sup>		
	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Oct 06	Nov 05	Nov 06	Nov 05
<b>OECD North America</b>										
US <sup>3</sup>	15.84	15.67	15.79	15.74	15.00	15.14	0.14	0.12	87.07	87.67
Canada	1.73	1.88	1.90	1.83	1.81	1.85	0.04	0.02	91.70	90.49
Mexico	1.22	1.25	1.22	1.18	1.14	1.24	0.10	0.06	73.64	71.96
Total	18.79	18.79	18.92	18.75	17.95	18.23	0.28	0.20	86.44	86.52
<b>OECD Europe</b>										
France	1.64	1.72	1.81	1.86	1.74	1.81	0.08	-0.04	91.68	95.27
Germany	2.34	2.37	2.45	2.18	2.19	2.40	0.21	-0.01	98.91	98.25
Italy	1.87	1.87	1.93	1.88	1.95	1.91	-0.04	-0.06	82.34	85.18
Netherlands	0.99	0.94	0.98	1.03	1.02	1.04	0.03	-0.05	85.39	88.68
Spain	1.26	1.19	1.24	1.22	1.17	1.11	-0.06	-0.13	87.15	97.16
UK	1.60	1.61	1.68	1.64	1.35	1.50	0.15	-0.14	80.11	89.88
Other OECD Europe	4.27	4.19	4.16	4.11	4.02	3.95	-0.08	-0.21	81.84	89.09
Total	13.97	13.90	14.27	13.92	13.44	13.73	0.30	-0.64	86.23	91.42
<b>OECD Pacific</b>										
Japan	3.51	3.84	4.09	3.92	3.44	3.94	0.50	-0.20	84.37	87.90
Korea	2.14	2.43	2.41	2.46	2.42	2.51	0.08	-0.01	97.36	97.68
Other OECD Pacific	0.65	0.70	0.72	0.70	0.72	0.71	-0.01	0.02	88.63	80.29
Total	6.30	6.97	7.22	7.08	6.59	7.16	0.57	-0.18	88.95	90.19
<b>OECD Total</b>	39.06	39.66	40.41	39.75	37.98	39.13	1.15	-0.62	86.82	88.92

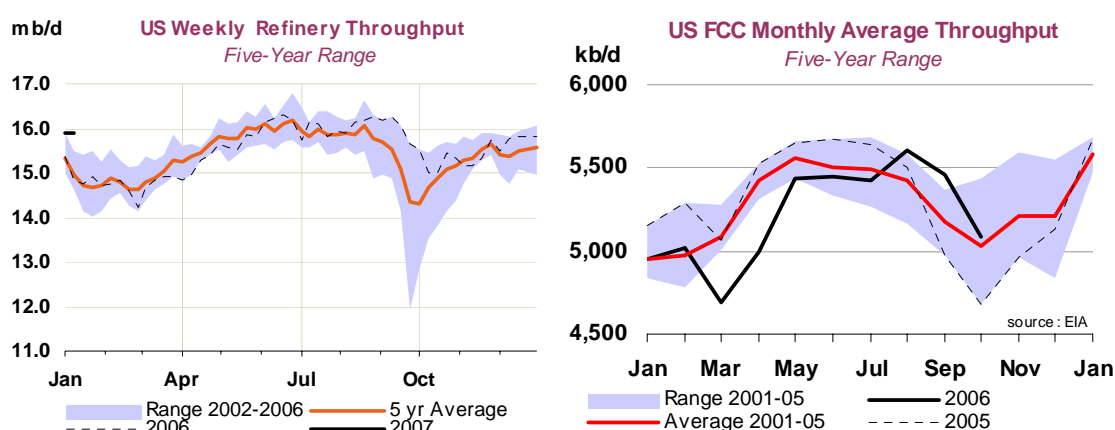
1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US50

### OECD North America

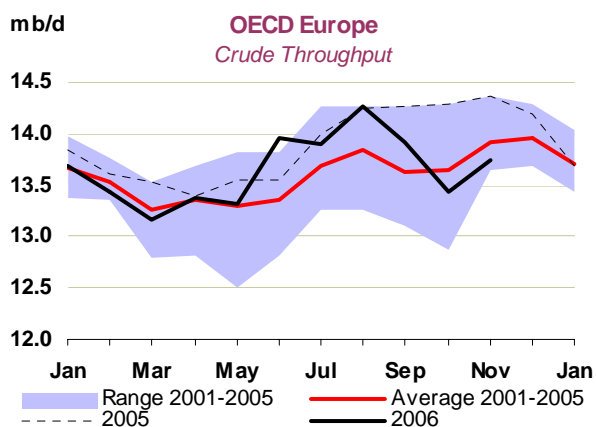
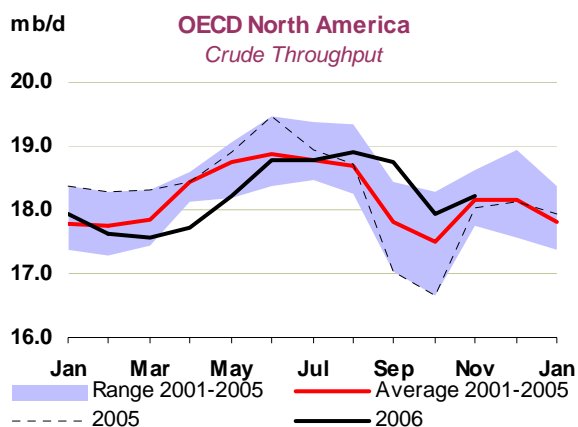
North American crude throughputs increased by 281 kb/d in November from October's downwardly revised level of 18.0 mb/d, to an estimated 18.2 mb/d. The US accounted for half of the increase, Mexico for a further third and Canada the remainder. Crude throughputs registered a 202 kb/d gain over November 2005 as year-on-year comparisons were less affected by the 2005 hurricane season. Consequently, North American capacity utilisation was 86.4% in November, up from October's 85.1% and in line with last year's 86.5%.



Crude throughputs in the US averaged 15.1 mb/d in November, an increase of 142 kb/d from October's downwardly revised (-64 kb/d) level of 15.0 mb/d. Crude runs on the US West Coast recovered over the course of the month as refineries returned from the heavy maintenance scheduled for late October and early November. US refiners undertook a significant amount of work on catalytic cracking units during October, as highlighted in the graph shown, which limited crude runs, while in November there appeared to be more refineries undergoing complete shutdowns. US crude runs remained above the November 2005

level, although the year-on-year difference declined to 118 kb/d. As a result, average capacity utilisation increased slightly to 87.1% from October's 86.3%.

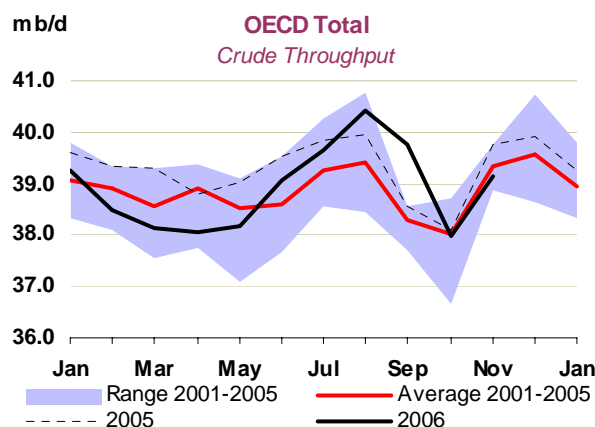
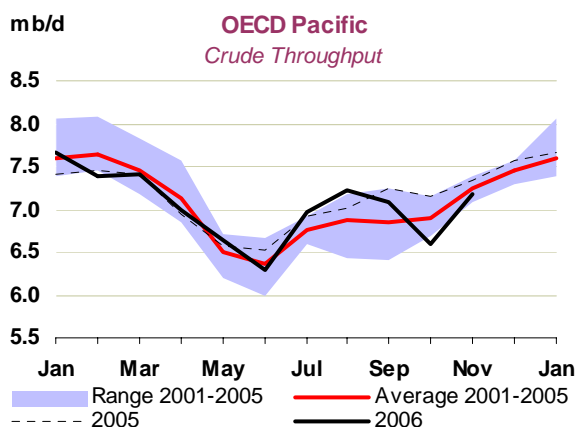
Canadian crude runs are estimated to have averaged 1.9 mb/d in November, some 40 kb/d higher than October's estimate. Maintenance work is thought to have declined over the course of the month, allowing refiners to increase runs. Canada's September crude runs were revised by 24 kb/d, while August's were trimmed to 17 kb/d. December is thought to have seen similarly strong crude runs, although reports of problems at two Imperial Oil refineries may have reduced runs. Mexican crude runs in November were reported to be 1.2 mb/d, an increase of 102 kb/d from October and 59 kb/d ahead of last year's level. The slowdown in Mexican runs in September and October would suggest that Pemex has undertaken maintenance work at some of its refineries, but this could not be confirmed.



Weekly data for the US indicate that December crude throughputs averaged 15.5 mb/d and reached 15.6 mb/d in early January. Crude runs increased on the West Coast and Midwest as refiners returned from maintenance and unplanned outages. January average crude runs are expected to decline as maintenance work increases. Reports suggest that refinery turnarounds will occur at Total's Port Arthur refinery, Shell's Deer Park facility and Marathon's Garyville plant.

### OECD Europe

European crude throughputs averaged 13.7 mb/d in November, 298 kb/d higher than October's downwardly revised (-207 kb/d) level of 13.4 kb/d, but 638 kb/d below November 2005's level. With the exception of Austria, Belgium, Denmark, Italy and Spain, European countries reported higher crude runs.

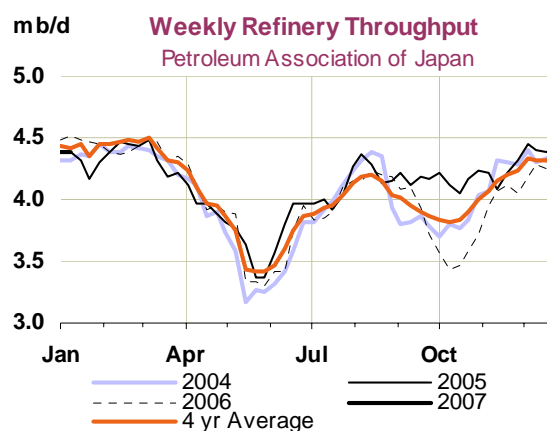


However, the broad-based increase was offset by maintenance at ExxonMobil's 298 kb/d Antwerp refinery. Of note is the 305 kb/d downward revision to UK throughputs, which cut October's reported runs by almost 20% to 1.3 mb/d. Europe's shortfall against November 2005's level continues to suggest that the weak margin environment is restricting crude runs at hydroskimming refineries in the region. In late December Preem's Gothenburg and ConocoPhillips's Wilhelmshaven refineries were both reported to have cut runs due to poor margins. December crude runs are expected to be broadly level with November's - with the return of ExxonMobil's 298 kb/d Antwerp facility offset by lower runs in Germany and France.

## OECD Pacific

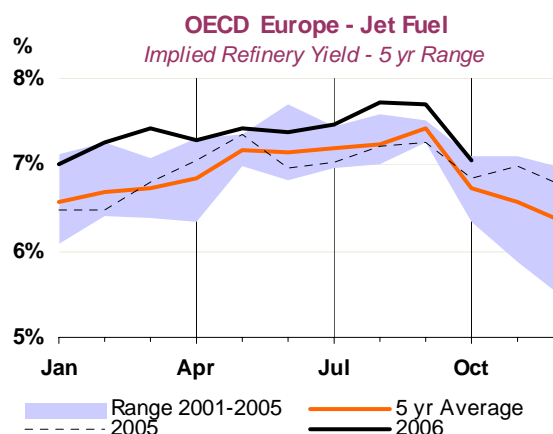
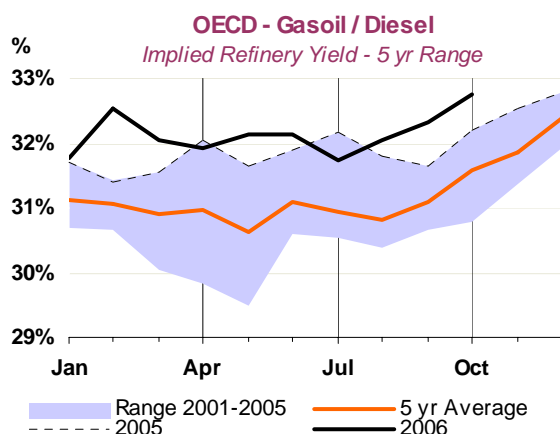
Crude throughputs in the OECD Pacific region increased by 9% in November, but remain below the previous year's level. Runs increased by 569 kb/d from October's downwardly revised (-17 kb/d) level, to an average of 7.2 mb/d. The increase was centred in Japan where runs were 496 kb/d higher, reversing the previous month's decline as planned maintenance ended. Japanese refineries are estimated to have processed 3.9 mb/d during the month, resulting in capacity utilisation of 84.4%. Korean runs also recovered slightly over the course of November to a near-record of 2.5 mb/d, an increase of 84 kb/d from October and in line with November 2005's level. This resulted in a capacity utilisation rate of 97.4% in November. December crude runs are expected to be weaker as warm weather forced refiners to implement run cuts.

Weekly data from the Petroleum Association of Japan show that crude runs increased further in December to average 4.2 mb/d with no planned maintenance reported. However, run cuts due to poor margins would appear to have restricted crude runs, with Nippon Oil importing finished products to compensate for lower crude runs. Warmer weather, relative to the December 2005, hampered kerosene sales, which were 29% lower than the December 2005 level. The company expects January crude runs to be kept unchanged, at 1.0 mb/d.



## OECD Refinery Yields

OECD refinery yield data for October show refiners raised diesel/gasoil yields further to 32.8%, the highest level in the last five years. This appears to be in response to continued strong demand for diesel, particularly in the US. North American distillate yields continued to increase to 28.1% and remain above those seen in the Pacific, where yields remain below the five-year range. Weak demand for diesel in Japan appears to be one of the contributing factors. Consequently, Japan exported 3.9 mb of ULSD in September and a further 2 mb in October, the highest seasonal level for the last five years.

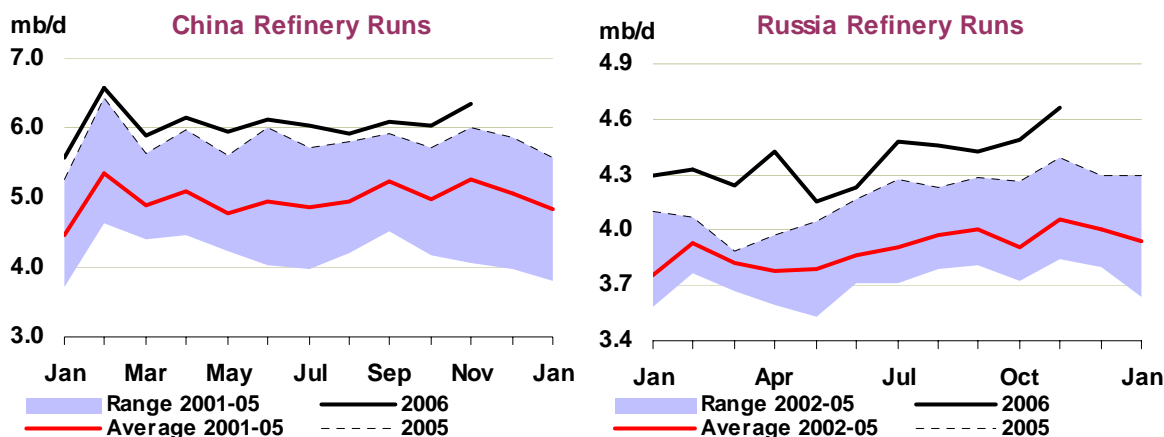


Furthermore, Japan and Korea minimised kerosene yields in order to increase jet fuel yields. Jet and kerosene imports fell to historically low levels while jet fuel exports increased strongly year-on-year in both countries. Weak demand for kerosene and high stock levels would appear to be dictating refinery production plans at this juncture. In Europe jet/kerosene yields stayed high as crack values remained strong. However, yields declined from September's level for all countries except for Finland and Norway. This suggests that preparations for winter-specification diesel, which requires better cold properties, reduced available jet/kerosene supplies in the region.

Despite the continuing weakness in gasoline cracks during the course of October, refiners increased yields in all three regions. In the Pacific, higher gasoline yields were driven by Japanese refiners who raised yields to meet supply commitments, as throughputs were curtailed by maintenance. In addition Japanese imports of gasoline increased three-fold from 2005, to their highest October level in the last five years and accounted for 5% of product supply during the month.

## Non-OECD Throughput

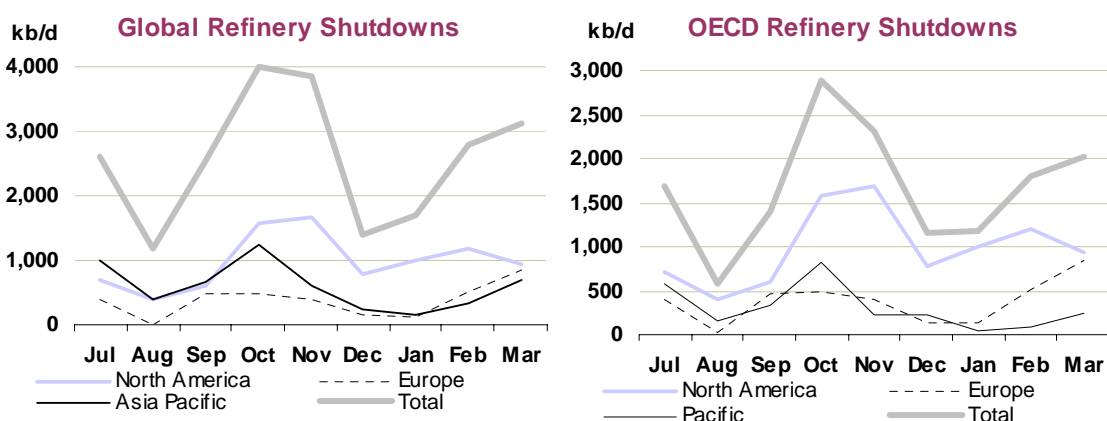
Chinese crude runs increased by 310 kb/d in November to 6.4 mb/d, a growth rate of 6.4% from November 2005. The increase in runs was reported to be centred on refineries operated by PetroChina, as world oil prices declined to a level which allowed refiners to break even. Indian data for November indicate that runs averaged 3.1 mb/d, an increase of 18% year-on-year. The start-up of Essar's Vadinar refinery late in the month would have lifted runs slightly but the majority of the gains came from increased crude runs at Panipat, Mangalore and Mumbai.



Russian crude runs increased again in November to another (post-Soviet era) record of 4.66 mb/d from October's level of 4.49 mb/d. Increased crude runs at the Kirishi and Nizhny Novgorod plants accounted for much of the increase.

## Offline Refinery Capacity

Offline capacity estimates for the first quarter have been revised slightly upwards as more details have emerged for planned maintenance shutdowns in the OECD and globally. First-quarter offline capacity in North America is forecast to peak in February at 1.2 mb/d, 180 kb/d above January's estimate and 400 kb/d above December's downwardly revised estimate of 783 kb/d. Currently available information falls short (by 300 kb/d) of explaining the recovery in US crude runs in December. European first-quarter maintenance is expected to pick up late in the first quarter and continue in the early part of the second quarter. OECD Pacific maintenance is expected to remain very low in the first quarter as refiners in Japan and Korea meet peak winter heating oil (kerosene) demand, despite the recent relatively mild weather.



Global offline refining capacity follows a similar path to that of the OECD, with work starting at refineries in Oman and Iran in February and March and further work reportedly planned in Saudi Arabia in the second quarter.

**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
<b>OECD DEMAND</b>																	
North America	24.5	25.4	25.6	25.3	25.6	25.5	25.5	25.1	25.1	25.5	25.7	25.4	25.6	25.4	25.9	26.1	25.7
Europe	15.4	15.5	15.6	15.2	15.6	15.7	15.5	15.8	15.0	15.4	15.7	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	8.8	8.5	9.2	7.8	8.0	8.8	8.4
<b>Total OECD</b>	<b>48.6</b>	<b>49.3</b>	<b>50.7</b>	<b>48.6</b>	<b>49.2</b>	<b>50.0</b>	<b>49.6</b>	<b>50.2</b>	<b>48.0</b>	<b>48.8</b>	<b>50.2</b>	<b>49.3</b>	<b>50.3</b>	<b>48.2</b>	<b>49.4</b>	<b>50.6</b>	<b>49.6</b>
<b>NON-OECD DEMAND</b>																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	4.0	4.1	3.9	4.0	3.7	3.9	4.1	3.9
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	6.6	6.4	6.6	6.8	6.6	6.8	7.1	6.9	7.2	7.0	7.1	7.4	7.3	7.6	7.4
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	6.7	6.8	6.8	6.9	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
<b>Total Non-OECD</b>	<b>30.7</b>	<b>33.1</b>	<b>33.9</b>	<b>33.9</b>	<b>34.1</b>	<b>34.1</b>	<b>34.0</b>	<b>34.6</b>	<b>35.0</b>	<b>35.1</b>	<b>35.6</b>	<b>35.1</b>	<b>35.7</b>	<b>36.0</b>	<b>35.9</b>	<b>36.8</b>	<b>36.1</b>
<b>Total Demand<sup>1</sup></b>	<b>79.3</b>	<b>82.4</b>	<b>84.5</b>	<b>82.4</b>	<b>83.3</b>	<b>84.1</b>	<b>83.6</b>	<b>84.8</b>	<b>83.0</b>	<b>83.9</b>	<b>85.7</b>	<b>84.4</b>	<b>86.1</b>	<b>84.2</b>	<b>85.3</b>	<b>87.5</b>	<b>85.8</b>
<b>OECD SUPPLY</b>																	
North America	14.6	14.6	14.5	14.7	13.7	13.8	14.1	14.2	14.2	14.3	14.5	14.3	14.7	14.4	14.2	14.4	14.4
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	5.0	5.0	5.2	5.1
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
<b>Total OECD</b>	<b>21.6</b>	<b>21.2</b>	<b>20.9</b>	<b>21.0</b>	<b>19.7</b>	<b>19.8</b>	<b>20.3</b>	<b>20.2</b>	<b>19.8</b>	<b>19.9</b>	<b>20.3</b>	<b>20.1</b>	<b>20.5</b>	<b>20.0</b>	<b>19.8</b>	<b>20.3</b>	<b>20.2</b>
<b>NON-OECD SUPPLY</b>																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.7	12.0	12.2	12.3	12.1	12.4	12.5	12.6	12.7	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	3.7	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	2.8	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	4.5	4.4	4.5	4.5	4.6	4.7	4.6
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	3.0	3.4	3.5	3.6	3.8	3.9	3.7	3.9	3.9	4.0	4.1	4.0	4.3	4.3	4.6	4.7	4.5
<b>Total Non-OECD</b>	<b>25.6</b>	<b>27.0</b>	<b>27.5</b>	<b>27.7</b>	<b>28.2</b>	<b>28.4</b>	<b>28.0</b>	<b>28.4</b>	<b>28.6</b>	<b>28.9</b>	<b>29.1</b>	<b>28.7</b>	<b>29.5</b>	<b>29.7</b>	<b>30.0</b>	<b>30.4</b>	<b>29.9</b>
Processing Gains <sup>2</sup>	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 <sup>3</sup>	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
<b>Total Non-OPEC<sup>4</sup></b>	<b>49.1</b>	<b>50.1</b>	<b>50.5</b>	<b>50.6</b>	<b>49.8</b>	<b>50.2</b>	<b>50.3</b>	<b>50.7</b>	<b>50.5</b>	<b>50.8</b>	<b>51.6</b>	<b>50.9</b>	<b>52.3</b>	<b>52.0</b>	<b>52.1</b>	<b>52.9</b>	<b>52.3</b>
Non-OPEC excl. Angola <sup>10</sup>	48.2	49.2	49.3	49.5	48.5	48.8	49.0	49.3	49.1	49.4	50.1	49.5	50.7	50.4	50.3	51.0	50.6
<b>OPEC</b>																	
Crude <sup>5</sup>	27.1	28.9	29.3	29.7	30.0	29.9	29.7	29.9	29.8	30.0	29.1	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
<b>Total OPEC</b>	<b>30.8</b>	<b>33.1</b>	<b>33.7</b>	<b>34.2</b>	<b>34.5</b>	<b>34.5</b>	<b>34.2</b>	<b>34.5</b>	<b>34.5</b>	<b>34.7</b>	<b>33.8</b>	<b>34.4</b>					
OPEC incl. Angola <sup>10</sup>	31.7	34.1	34.8	35.3	35.8	35.9	35.4	35.9	35.8	36.1	35.3	35.8					
<b>Total Supply<sup>6</sup></b>	<b>79.8</b>	<b>83.2</b>	<b>84.1</b>	<b>84.8</b>	<b>84.3</b>	<b>84.7</b>	<b>84.5</b>	<b>85.2</b>	<b>84.9</b>	<b>85.5</b>	<b>85.4</b>	<b>85.2</b>					
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>Reported OECD</b>																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.5	0.1	0.0	0.6	1.2							
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0	0.1	0.0							
<b>Total</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>1.2</b>	<b>0.2</b>	<b>-0.5</b>	<b>0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>1.3</b>							
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							
Miscellaneous to balance <sup>7</sup>	0.1	0.6	-0.1	1.1	0.8	1.0	0.7	0.2	1.2	0.0							
<b>Total Stock Ch. &amp; Misc</b>	<b>0.6</b>	<b>0.8</b>	<b>-0.4</b>	<b>2.4</b>	<b>1.0</b>	<b>0.6</b>	<b>0.9</b>	<b>0.3</b>	<b>1.9</b>	<b>1.6</b>	<b>-0.4</b>	<b>0.9</b>					
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch. <sup>8</sup>	26.5	28.1	29.7	27.4	29.0	29.3	28.9	29.5	27.9	28.4	29.4	28.8	29.0	27.4	28.2	29.5	28.6
"Call" incl. Angola <sup>10</sup>	27.4	29.1	30.8	28.5	30.4	30.7	30.1	30.9	29.2	29.8	30.9	30.2	30.6	29.0	30.1	31.4	30.3
Total Demand ex. FSU	75.7	78.6	80.7	78.7	79.5	80.2	79.8	80.9	79.3	80.0	81.6	80.5	82.1	80.5	81.4	83.3	81.8
Total demand exc. FSU (% ch) <sup>9</sup>	1.9	3.9	2.4	1.6	1.7	0.2	1.5	0.3	0.8	0.6	1.8	0.8	1.4	1.5	1.8	2.1	1.7

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> Biofuels from sources outside Brazil and US.

<sup>4</sup> Non-OPEC supplies include crude oil, condensates, NGL and non-conventional sources of supply such as synthetic crude, ethanol and MTBE.

<sup>5</sup> 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

<sup>6</sup> 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.

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

<sup>8</sup> Includes changes in non-reported stocks in OECD and non-OECD areas

<sup>9</sup> Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

<sup>10</sup> Year on year % growth in global oil demand excluding FSU

<sup>11</sup> 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 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
<b>OECD DEMAND</b>																	
North America	-	-	-	-	-	-	-	-	-	-0.1	-0.3	-0.1	-0.1	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.1	-0.1	-	0.1	-
<b>NON-OECD DEMAND</b>																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.2	-0.2	-0.2	-0.1	-0.2
<b>Total Demand</b>	-	-	-	-	-	-	-	-	-	-	-0.5	-0.1	-0.2	-0.2	-0.2	-	-0.2
<b>OECD SUPPLY</b>																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-0.1	-0.2	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-0.2	-0.2	-0.3	-0.2
<b>NON-OECD SUPPLY</b>																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-0.2	-0.3	-0.5	-0.3
<b>OPEC</b>																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Supply</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>REPORTED OECD</b>																	
Industry	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
<b>Total Stock Ch. &amp; Misc</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	-	-0.4	-0.1	-	-	0.1	0.4	0.1
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.2	-0.1	-	-0.1

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

**Table 2**  
**Summary of Global Oil Demand**

	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>Demand (mb/d)</b>																
North America	25.37	25.61	25.33	25.61	25.48	25.51	25.12	25.09	25.48	25.70	25.35	25.55	25.37	25.89	26.13	25.74
Europe	15.48	15.62	15.17	15.56	15.69	15.51	15.77	15.03	15.43	15.67	15.48	15.61	15.06	15.51	15.67	15.46
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.30	7.87	7.90	8.81	8.47	9.15	7.81	8.00	8.84	8.45
<b>Total OECD</b>	<b>49.35</b>	<b>50.68</b>	<b>48.55</b>	<b>49.25</b>	<b>49.96</b>	<b>49.61</b>	<b>50.19</b>	<b>47.99</b>	<b>48.82</b>	<b>50.18</b>	<b>49.29</b>	<b>50.31</b>	<b>48.24</b>	<b>49.39</b>	<b>50.64</b>	<b>49.65</b>
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.88	3.71	3.96	4.10	3.91	3.97	3.72	3.92	4.12	3.93
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	6.56	6.45	6.63	6.77	6.60	6.75	7.05	6.91	7.19	6.98	7.12	7.39	7.33	7.58	7.35
Other Asia	8.62	8.90	8.85	8.65	8.72	8.78	8.88	8.93	8.71	8.98	8.87	9.02	9.09	8.91	9.15	9.04
Latin America	4.96	4.96	5.12	5.18	5.10	5.09	5.07	5.20	5.31	5.21	5.20	5.14	5.28	5.41	5.29	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	6.66	6.76	6.75	6.90	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	3.03	2.92	3.04	3.01
<b>Total Non-OECD</b>	<b>33.05</b>	<b>33.87</b>	<b>33.86</b>	<b>34.06</b>	<b>34.15</b>	<b>33.99</b>	<b>34.62</b>	<b>35.03</b>	<b>35.11</b>	<b>35.56</b>	<b>35.09</b>	<b>35.75</b>	<b>36.00</b>	<b>35.91</b>	<b>36.82</b>	<b>36.12</b>
<b>World</b>	<b>82.40</b>	<b>84.55</b>	<b>82.42</b>	<b>83.31</b>	<b>84.11</b>	<b>83.59</b>	<b>84.81</b>	<b>83.03</b>	<b>83.93</b>	<b>85.74</b>	<b>84.38</b>	<b>86.06</b>	<b>84.24</b>	<b>85.30</b>	<b>87.46</b>	<b>85.77</b>
<b>of which:</b>																
US50	20.73	20.84	20.65	20.92	20.79	20.80	20.49	20.60	20.86	20.96	20.73	20.83	20.77	21.18	21.29	21.02
Euro4	8.27	8.25	7.95	8.26	8.21	8.17	8.42	7.88	8.07	8.19	8.14	8.26	7.85	8.14	8.17	8.10
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.78	4.81	5.43	5.24	5.74	4.69	4.85	5.42	5.17
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.02	2.27	2.15	2.32	2.04	2.05	2.29	2.18
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.02	1.99	2.06	2.04	2.09	2.05	2.06	2.14	2.08
Canada	2.30	2.36	2.24	2.28	2.23	2.28	2.18	2.14	2.28	2.31	2.23	2.25	2.20	2.30	2.33	2.27
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.18	2.19	2.31	2.25	2.23	2.21	2.23	2.35	2.29	2.27
India	2.57	2.72	2.59	2.47	2.56	2.59	2.74	2.70	2.50	2.68	2.65	2.80	2.77	2.58	2.73	2.72
<b>Annual Change (% per annum)</b>																
North America	3.5	1.4	1.0	0.7	-0.9	0.5	-1.9	-0.9	-0.5	0.9	-0.6	1.7	1.1	1.6	1.7	1.5
Europe	0.3	0.7	0.7	0.6	-1.3	0.2	1.0	-0.9	-0.8	-0.1	-0.2	-1.0	0.2	0.5	0.0	-0.1
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.6	-2.4	-2.2	0.2	-1.4	-1.6	-0.7	1.2	0.4	-0.2
<b>Total OECD</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>0.4</b>	<b>-0.8</b>	<b>0.5</b>	<b>-1.0</b>	<b>-1.2</b>	<b>-0.9</b>	<b>0.4</b>	<b>-0.6</b>	<b>0.2</b>	<b>0.5</b>	<b>1.2</b>	<b>0.9</b>	<b>0.7</b>
FSU	4.7	8.7	-0.2	0.0	-2.7	1.3	1.6	-0.1	4.4	5.2	2.8	2.2	0.2	-1.0	0.6	0.5
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	4.4	-1.3	5.4	2.7	2.8	2.9	9.4	4.2	6.1	5.6	5.4	4.8	6.1	5.4	5.4
Other Asia	6.8	4.3	2.4	2.5	-1.6	1.8	-0.2	0.9	0.7	3.0	1.1	1.7	1.8	2.3	1.9	1.9
Latin America	5.8	3.1	3.0	2.4	2.1	2.7	2.3	1.6	2.5	2.2	2.1	1.4	1.5	1.8	1.6	1.6
Middle East	6.9	5.7	5.8	5.6	5.3	5.6	5.4	5.4	5.4	5.6	5.4	6.0	5.1	0.7	8.2	4.9
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	1.7	2.1	2.2	2.1
<b>Total Non-OECD</b>	<b>7.7</b>	<b>4.7</b>	<b>2.1</b>	<b>3.3</b>	<b>1.3</b>	<b>2.8</b>	<b>2.2</b>	<b>3.5</b>	<b>3.1</b>	<b>4.1</b>	<b>3.2</b>	<b>3.2</b>	<b>2.8</b>	<b>2.3</b>	<b>3.5</b>	<b>3.0</b>
<b>World</b>	<b>3.9</b>	<b>2.7</b>	<b>1.6</b>	<b>1.6</b>	<b>0.1</b>	<b>1.5</b>	<b>0.3</b>	<b>0.7</b>	<b>0.7</b>	<b>1.9</b>	<b>0.9</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>2.0</b>	<b>1.6</b>
<b>Annual Change (mb/d)</b>																
North America	0.85	0.35	0.26	0.17	-0.23	0.14	-0.49	-0.23	-0.13	0.22	-0.16	0.43	0.27	0.40	0.43	0.38
Europe	0.05	0.11	0.11	0.09	-0.20	0.03	0.15	-0.14	-0.13	-0.02	-0.03	-0.16	0.02	0.08	0.00	-0.01
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.15	-0.19	-0.18	0.02	-0.12	-0.15	-0.05	0.10	0.03	-0.02
<b>Total OECD</b>	<b>0.75</b>	<b>0.67</b>	<b>0.56</b>	<b>0.22</b>	<b>-0.38</b>	<b>0.26</b>	<b>-0.49</b>	<b>-0.56</b>	<b>-0.43</b>	<b>0.22</b>	<b>-0.31</b>	<b>0.12</b>	<b>0.25</b>	<b>0.58</b>	<b>0.46</b>	<b>0.35</b>
FSU	0.17	0.31	-0.01	0.00	-0.11	0.05	0.06	0.00	0.17	0.20	0.11	0.08	0.01	-0.04	0.02	0.02
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	0.28	-0.09	0.34	0.18	0.18	0.19	0.61	0.28	0.42	0.37	0.36	0.34	0.42	0.39	0.38
Other Asia	0.55	0.37	0.20	0.21	-0.14	0.16	-0.02	0.08	0.06	0.27	0.10	0.15	0.16	0.20	0.17	0.17
Latin America	0.27	0.15	0.15	0.12	0.11	0.13	0.11	0.08	0.13	0.11	0.11	0.07	0.08	0.10	0.08	0.08
Middle East	0.37	0.32	0.34	0.34	0.31	0.32	0.32	0.33	0.34	0.34	0.33	0.38	0.33	0.05	0.52	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	0.06	0.06
<b>Total Non-OECD</b>	<b>2.37</b>	<b>1.53</b>	<b>0.70</b>	<b>1.09</b>	<b>0.43</b>	<b>0.94</b>	<b>0.75</b>	<b>1.17</b>	<b>1.05</b>	<b>1.41</b>	<b>1.10</b>	<b>1.12</b>	<b>0.97</b>	<b>0.79</b>	<b>1.26</b>	<b>1.04</b>
<b>World</b>	<b>3.12</b>	<b>2.20</b>	<b>1.26</b>	<b>1.31</b>	<b>0.05</b>	<b>1.20</b>	<b>0.26</b>	<b>0.61</b>	<b>0.62</b>	<b>1.63</b>	<b>0.78</b>	<b>1.24</b>	<b>1.21</b>	<b>1.37</b>	<b>1.72</b>	<b>1.39</b>
<b>Revisions to Oil Demand from Last Month's Report (mb/d)</b>																
North America	-	-	-	0.03	-	0.01	-	-	-0.06	-0.28	-0.08	-0.06	-0.04	-0.04	0.05	-0.02
Europe	-	-	-	-	-	-	-	-	0.03	-0.01	0.01	0.01	-	0.01	0.03	0.01
Pacific	-	-	-	-	-	-	-	-	-	-0.01	-	-	-0.01	-	0.05	0.01
<b>Total OECD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.03</b>	<b>-</b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-0.03</b>	<b>-0.30</b>	<b>-0.08</b>	<b>-0.05</b>	<b>-0.06</b>	<b>-0.02</b>	<b>0.14</b>	<b>-</b>
FSU	-	-	-	-	-	-	-	-	0.02	-0.19	-0.04	-0.06	-0.05	-0.05	-0.06	-0.05
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	0.04	0.01	-0.04	-0.04	-0.05	-0.02	-0.04
Latin America	-	-	-	-	-	-	-	-	-	-0.01	-	-0.03	-0.03	-0.02	-0.03	-0.03
Middle East	-	-	-	-	-	-	-	-	-	-	-	-0.03	-0.03	-0.03	-0.03	-0.03
Africa	-	-	-	-	-	-	-	-	-	-	-	-0.01	-0.01	-0.01	-0.01	-0.01
<b>Total Non-OECD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.02</b>	<b>-0.16</b>	<b>-0.03</b>	<b>-0.16</b>	<b>-0.16</b>	<b>-0.16</b>	<b>-0.15</b>	<b>-0.16</b>
<b>World</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.03</b>	<b>-</b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.45</b>	<b>-0.12</b>	<b>-0.22</b>	<b>-0.22</b>	<b>-0.19</b>	<b>-0.01</b>	<b>-0.16</b>
<b>Revisions to Oil Demand Growth from Last Month's Report (mb/d)</b>																
<b>World</b>	<b>-</b>	<b>0.00</b>	<b>-</b>	<b>0.03</b>	<b>-</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.03</b>	<b>-0.45</b>	<b>-0.12</b>	<b>-0.22</b>	<b>-0.22</b>	<b>-0.18</b>	<b>0.44</b>	<b>-0.04</b>

**Table 3**  
**WORLD OIL PRODUCTION**  
(million barrels per day)

	2005	2006	2007	3Q06	4Q06	1Q07	2Q07	3Q07	Oct 06	Nov 06	Dec 06
<b>OPEC</b>											
Crude Oil											
Saudi Arabia	9.06	8.97		8.95	8.64				8.78	8.62	8.52
Iran	3.88	3.87		4.05	3.79				3.83	3.80	3.75
Iraq	1.81	1.90		2.04	1.85				1.94	1.84	1.77
UAE	2.46	2.62		2.65	2.60				2.67	2.53	2.59
Kuwait	2.13	2.21		2.20	2.20				2.22	2.21	2.16
Neutral Zone	0.58	0.58		0.57	0.57				0.58	0.57	0.56
Qatar	0.77	0.81		0.82	0.80				0.81	0.80	0.80
Nigeria	2.40	2.22		2.24	2.21				2.24	2.20	2.19
Libya	1.64	1.71		1.73	1.74				1.75	1.73	1.73
Algeria	1.34	1.35		1.34	1.34				1.35	1.34	1.34
Venezuela	2.71	2.56		2.51	2.48				2.51	2.43	2.50
Indonesia	0.94	0.89		0.87	0.86				0.86	0.86	0.86
<b>Total Crude Oil</b>	<b>29.74</b>	<b>29.67</b>		<b>29.97</b>	<b>29.07</b>				<b>29.52</b>	<b>28.92</b>	<b>28.76</b>
Total NGLs <sup>1</sup>	4.46	4.69	4.89	4.72	4.75	4.79	4.82	4.92	4.74	4.74	4.75
<b>Total OPEC</b>	<b>34.20</b>	<b>34.36</b>		<b>34.69</b>	<b>33.82</b>				<b>34.26</b>	<b>33.66</b>	<b>33.52</b>
OPEC incl. Angola <sup>6</sup>	35.45	35.77		36.14	35.25				35.64	35.12	34.99
<b>NON-OPEC<sup>2</sup></b>											
<b>OECD</b>											
<b>North America</b>											
United States	7.32	7.40	7.53	7.46	7.56	7.65	7.58	7.44	7.46	7.55	7.68
Mexico	3.76	3.70	3.50	3.69	3.57	3.56	3.52	3.47	3.58	3.55	3.59
Canada	3.06	3.20	3.37	3.18	3.36	3.45	3.28	3.26	3.29	3.36	3.42
<b>Europe</b>	<b>5.61</b>	<b>5.20</b>	<b>5.13</b>	<b>4.93</b>	<b>5.19</b>	<b>5.22</b>	<b>5.04</b>	<b>5.00</b>	<b>5.06</b>	<b>5.21</b>	<b>5.30</b>
UK	1.84	1.67	1.68	1.48	1.68	1.71	1.67	1.59	1.63	1.68	1.72
Norway	2.97	2.78	2.70	2.73	2.76	2.76	2.63	2.66	2.67	2.77	2.83
Others	0.80	0.75	0.75	0.72	0.75	0.75	0.74	0.75	0.75	0.76	0.75
<b>Pacific</b>	<b>0.58</b>	<b>0.57</b>	<b>0.66</b>	<b>0.65</b>	<b>0.65</b>	<b>0.64</b>	<b>0.63</b>	<b>0.67</b>	<b>0.65</b>	<b>0.65</b>	<b>0.65</b>
Australia	0.54	0.54	0.61	0.61	0.62	0.61	0.59	0.62	0.62	0.61	0.61
Others	0.04	0.04	0.05	0.04	0.03	0.03	0.03	0.05	0.03	0.03	0.03
<b>Total OECD</b>	<b>20.33</b>	<b>20.07</b>	<b>20.17</b>	<b>19.91</b>	<b>20.33</b>	<b>20.52</b>	<b>20.05</b>	<b>19.85</b>	<b>20.04</b>	<b>20.31</b>	<b>20.63</b>
<b>NON-OECD</b>											
<b>Former USSR</b>											
Russia	9.48	9.70	9.92	9.78	9.80	9.82	9.88	9.99	9.76	9.80	9.84
Others	2.16	2.36	2.64	2.41	2.51	2.59	2.63	2.61	2.49	2.60	2.44
<b>Asia</b>	<b>6.30</b>	<b>6.39</b>	<b>6.48</b>	<b>6.35</b>	<b>6.40</b>	<b>6.46</b>	<b>6.46</b>	<b>6.48</b>	<b>6.39</b>	<b>6.41</b>	<b>6.42</b>
China	3.62	3.68	3.74	3.68	3.67	3.71	3.72	3.74	3.65	3.67	3.68
Malaysia	0.77	0.75	0.76	0.75	0.76	0.76	0.75	0.75	0.77	0.76	0.76
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	1.17	1.16	1.15	1.16	1.17	1.17	1.16	1.15	1.16	1.17
<b>Europe</b>	<b>0.16</b>	<b>0.15</b>	<b>0.13</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.13</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>
<b>Latin America</b>	<b>4.29</b>	<b>4.41</b>	<b>4.58</b>	<b>4.42</b>	<b>4.46</b>	<b>4.52</b>	<b>4.53</b>	<b>4.59</b>	<b>4.41</b>	<b>4.48</b>	<b>4.49</b>
Brazil	1.99	2.10	2.29	2.10	2.17	2.22	2.24	2.30	2.14	2.19	2.20
Argentina	0.78	0.78	0.77	0.79	0.77	0.77	0.77	0.77	0.78	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	0.54	0.54	0.53	0.53	0.53	0.54	0.52	0.54	0.53
Others	0.46	0.46	0.46	0.46	0.46	0.46	0.45	0.46	0.45	0.46	0.46
<b>Middle East<sup>3</sup></b>	<b>1.86</b>	<b>1.74</b>	<b>1.69</b>	<b>1.72</b>	<b>1.71</b>	<b>1.70</b>	<b>1.70</b>	<b>1.69</b>	<b>1.71</b>	<b>1.70</b>	<b>1.70</b>
Oman	0.79	0.74	0.71	0.73	0.72	0.72	0.71	0.71	0.73	0.72	0.72
Syria	0.46	0.42	0.38	0.41	0.40	0.39	0.38	0.38	0.41	0.40	0.40
Yemen	0.42	0.39	0.41	0.38	0.38	0.40	0.41	0.41	0.38	0.39	0.39
<b>Africa</b>	<b>3.72</b>	<b>3.99</b>	<b>4.46</b>	<b>4.04</b>	<b>4.12</b>	<b>4.26</b>	<b>4.34</b>	<b>4.56</b>	<b>4.04</b>	<b>4.13</b>	<b>4.17</b>
Egypt	0.70	0.67	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
Angola	1.25	1.41	1.73	1.45	1.43	1.54	1.61	1.83	1.38	1.45	1.47
Gabon	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.54	1.67	1.85	1.69	1.79	1.82	1.85	1.85	1.77	1.79	1.80
<b>Total Non-OECD</b>	<b>27.96</b>	<b>28.74</b>	<b>29.90</b>	<b>28.86</b>	<b>29.14</b>	<b>29.48</b>	<b>29.68</b>	<b>30.04</b>	<b>28.95</b>	<b>29.28</b>	<b>29.21</b>
Processing Gains <sup>4</sup>	1.86	1.90	1.92	1.88	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Other Biofuels <sup>5</sup>	0.12	0.17	0.34	0.17	0.17	0.34	0.34	0.34	0.17	0.17	0.17
<b>TOTAL NON-OPEC</b>	<b>50.27</b>	<b>50.88</b>	<b>52.33</b>	<b>50.82</b>	<b>51.56</b>	<b>52.26</b>	<b>51.99</b>	<b>52.15</b>	<b>51.08</b>	<b>51.68</b>	<b>51.93</b>
Non-OPEC excl. Angola <sup>6</sup>	49.03	49.47	50.60	49.37	50.13	50.72	50.38	50.32	49.70	50.22	50.46
<b>TOTAL SUPPLY</b>	<b>84.48</b>	<b>85.24</b>		<b>85.51</b>	<b>85.38</b>				<b>85.35</b>	<b>85.34</b>	<b>85.45</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Includes small amounts of production from Israel, Jordan and Bahrain.

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

<sup>5</sup> Comprises Fuel Ethanol and Biodiesel supply from outside Brazil and US.

<sup>6</sup> 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 STOCKS<sup>1</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jul2006	Aug2006	Sep2006	Oct2006	Nov2006*	Nov2003	Nov2004	Nov2005	4Q2005	1Q2006	2Q2006	3Q2006
<b>North America</b>												
Crude	456.1	455.9	461.7	467.2	471.4	400.6	410.6	457.3	0.26	0.07	-0.05	0.03
Motor Gasoline	238.7	237.7	244.7	232.2	227.8	232.7	241.0	234.0	0.10	0.07	-0.01	0.03
Middle Distillate	209.2	218.8	224.0	216.5	206.1	209.4	195.2	210.7	0.16	-0.20	0.06	0.26
Residual Fuel Oil	52.4	52.5	53.1	51.8	51.9	44.0	50.1	47.2	0.03	0.07	0.02	0.01
Total Products <sup>3</sup>	687.1	702.8	724.2	701.1	677.5	652.3	656.6	676.1	-0.04	-0.26	0.38	0.59
Total <sup>4</sup>	1297.0	1319.3	1348.1	1327.6	1306.5	1207.2	1217.4	1292.0	0.04	-0.20	0.40	0.79
<b>Europe</b>												
Crude	349.6	332.8	327.4	334.8	336.2	327.9	348.8	326.7	-0.13	0.18	-0.07	-0.12
Motor Gasoline	97.7	101.4	103.9	105.1	105.8	115.5	111.0	109.3	0.09	-0.01	-0.12	0.04
Middle Distillate	263.8	271.9	270.4	262.5	258.1	239.4	239.5	258.2	-0.02	-0.11	0.11	0.15
Residual Fuel Oil	74.3	77.3	77.2	79.8	77.3	77.2	72.9	77.2	-0.02	-0.04	0.06	0.02
Total Products <sup>3</sup>	540.3	556.5	559.8	552.2	546.4	537.5	527.3	545.4	0.07	-0.16	0.04	0.29
Total <sup>4</sup>	964.0	963.7	961.8	957.2	952.0	938.3	948.7	947.1	-0.08	0.05	-0.06	0.20
<b>Pacific</b>												
Crude	175.9	173.8	174.9	177.6	179.2	160.7	192.3	166.1	-0.12	0.15	0.11	-0.07
Motor Gasoline	23.4	23.7	23.4	23.8	23.8	23.2	24.8	24.2	0.00	0.02	0.00	-0.01
Middle Distillate	75.4	80.9	86.0	87.6	83.2	81.9	82.9	79.0	-0.18	-0.01	0.10	0.18
Residual Fuel Oil	25.1	24.6	23.8	23.5	22.0	23.0	23.7	23.2	-0.04	-0.01	0.04	0.01
Total Products <sup>3</sup>	192.5	203.2	210.7	210.1	201.0	197.0	200.9	191.4	-0.26	0.00	0.17	0.30
Total <sup>4</sup>	440.2	449.9	458.6	459.7	453.3	432.0	467.6	431.8	-0.42	0.16	0.30	0.25
<b>Total OECD</b>												
Crude	981.6	962.5	963.9	979.6	986.8	889.2	951.7	950.2	0.01	0.40	-0.01	-0.15
Motor Gasoline	359.8	362.9	372.0	361.0	357.4	371.4	376.8	367.5	0.19	0.08	-0.12	0.06
Middle Distillate	548.4	571.6	580.3	566.5	547.4	530.6	517.6	547.8	-0.05	-0.33	0.27	0.59
Residual Fuel Oil	151.8	154.3	154.1	155.1	151.1	144.2	146.7	147.6	-0.03	0.02	0.12	0.04
Total Products <sup>3</sup>	1419.8	1462.5	1494.7	1463.5	1424.9	1386.8	1384.8	1413.0	-0.24	-0.42	0.58	1.18
Total <sup>4</sup>	2701.1	2732.9	2768.5	2744.5	2711.7	2577.5	2633.6	2671.0	-0.46	0.01	0.64	1.24

**OECD GOVERNMENT-CONTROLLED STOCKS<sup>5</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jul2006	Aug2006	Sep2006	Oct2006	Nov2006*	Nov2003	Nov2004	Nov2005	4Q2005	1Q2006	2Q2006	3Q2006
<b>North America</b>												
Crude	687.9	687.8	687.8	688.6	688.7	633.6	672.8	685.6	-0.10	0.02	0.02	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
<b>Europe</b>												
Crude	174.5	174.5	175.5	174.7	174.7	154.0	164.1	167.1	0.01	0.04	0.04	0.02
Products	235.8	237.3	235.0	234.7	234.7	211.5	204.7	236.9	0.02	-0.03	0.00	-0.01
<b>Pacific</b>												
Crude	382.2	381.5	381.5	381.5	381.5	382.8	382.5	380.5	-0.01	-0.01	0.00	0.01
Products	11.8	11.8	11.8	11.8	11.8	10.7	11.0	11.3	0.00	0.00	0.00	0.00
<b>Total OECD</b>												
Crude	1244.6	1243.9	1244.8	1244.8	1244.9	1170.4	1219.3	1233.3	-0.10	0.04	0.06	0.03
Products	249.7	251.2	248.8	248.5	248.5	224.2	217.8	250.2	0.02	-0.04	0.01	-0.01
Total <sup>4</sup>	1495.3	1496.0	1494.6	1494.3	1494.4	1395.5	1438.1	1484.5	-0.08	0.01	0.07	0.02

\* estimated

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

2 Closing stock levels.

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

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

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

**Table 5**  
**TOTAL STOCKS ON LAND IN OECD COUNTRIES<sup>1</sup>**  
(millions of barrels<sup>3</sup> and 'days'<sup>3</sup>)

	End September 2005		End December 2005		End March 2006		End June 2006		End September 2006 <sup>3</sup>	
	Stock Level	Days Fwd <sup>2</sup> Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
<b>North America</b>										
Canada	168.4	76	178.1	82	169.7	79	169.7	74	180.6	-
Mexico	52.8	25	43.9	21	41.7	21	42.1	21	47.0	-
United States <sup>4</sup>	1706.3	82	1699.6	83	1693.7	83	1731.6	83	1788.3	-
<b>Total<sup>4</sup></b>	<b>1949.6</b>	<b>77</b>	<b>1943.7</b>	<b>78</b>	<b>1927.2</b>	<b>77</b>	<b>1965.5</b>	<b>77</b>	<b>2037.9</b>	<b>79</b>
<b>Pacific</b>										
Australia	34.1	37	32.7	36	35.5	39	38.9	42	35.3	-
Japan	637.9	117	612.1	103	620.1	130	627.2	130	649.1	-
Korea	145.4	65	134.9	59	137.4	68	155.4	77	160.5	-
New Zealand	7.9	48	7.2	44	6.8	45	6.7	46	6.9	-
<b>Total</b>	<b>825.3</b>	<b>94</b>	<b>786.8</b>	<b>85</b>	<b>799.8</b>	<b>102</b>	<b>828.2</b>	<b>105</b>	<b>851.9</b>	<b>97</b>
<b>Europe<sup>5</sup></b>										
Austria	19.8	68	20.4	72	18.7	66	19.2	67	19.6	-
Belgium	30.3	51	28.6	45	27.3	52	30.4	57	30.5	-
Czech Republic	16.7	78	18.8	98	19.6	90	19.5	88	19.3	-
Denmark	20.5	111	20.3	102	19.5	99	20.4	106	21.1	-
Finland	27.3	123	25.1	113	26.7	120	30.5	136	26.8	-
France	191.4	97	195.6	93	196.2	104	188.7	97	187.5	-
Germany	275.8	105	282.6	111	279.9	110	281.4	104	278.5	-
Greece	34.6	75	33.1	69	35.4	93	34.9	86	38.2	-
Hungary	17.1	104	17.6	120	20.8	127	17.6	110	17.4	-
Ireland	13.2	65	11.6	55	13.1	72	12.6	71	14.0	-
Italy	137.0	77	132.0	71	131.5	81	126.0	76	134.1	-
Luxembourg	0.8	13	0.8	11	0.9	15	1.0	17	0.9	-
Netherlands	115.7	115	116.4	116	120.5	121	123.1	119	125.0	-
Norway	30.2	108	30.7	123	21.9	91	21.8	90	29.4	-
Poland	33.8	69	35.2	79	35.5	74	35.7	67	37.3	-
Portugal	26.8	82	25.7	78	24.7	83	24.7	81	23.8	-
Slovak Republic	5.1	59	6.5	83	8.3	102	7.7	89	7.4	-
Spain	131.7	84	128.6	79	130.2	84	129.2	82	133.9	-
Sweden	34.6	95	38.0	102	38.4	109	39.6	113	38.6	-
Switzerland	38.9	137	37.7	128	37.7	144	39.3	141	38.9	-
Turkey	50.9	77	51.1	100	51.6	79	51.6	78	53.7	-
United Kingdom	104.7	57	95.2	50	97.4	54	99.0	56	97.4	-
<b>Total</b>	<b>1356.9</b>	<b>86</b>	<b>1351.2</b>	<b>86</b>	<b>1355.9</b>	<b>90</b>	<b>1353.8</b>	<b>88</b>	<b>1373.3</b>	<b>88</b>
<b>Total OECD</b>	<b>4131.8</b>	<b>83</b>	<b>4081.7</b>	<b>82</b>	<b>4082.9</b>	<b>85</b>	<b>4147.5</b>	<b>85</b>	<b>4263.1</b>	<b>85</b>
<b>DAYS OF IEA Net Imports<sup>6</sup></b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>119</b>

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

<sup>2</sup> 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.

<sup>3</sup> End September 2006 forward demand figures are IEA Secretariat forecasts.

<sup>4</sup> US figures exclude US territories. Total includes US territories.

<sup>5</sup> Data not available for Iceland.

<sup>6</sup> 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 <sup>1</sup> controlled		Total	Government <sup>1</sup> controlled	
		Millions of Barrels			Days of Fwd. Demand <sup>2</sup>	
3Q2003	3983	1383	2600	80	28	53
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	4263	1495	2768	85	30	55

<sup>1</sup> Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

<sup>2</sup> Days of forward demand calculated using actual demand except in 3Q2006 (when latest forecasts are used).

**Table 6**  
**IEA Member Country Destinations of Selected Crude Streams<sup>1</sup>**  
(million barrels per day)

	2003	2004	2005	4Q05	1Q06	2Q06	3Q06	Aug 06	Sep 06	Oct 06	Year Earlier	
											Oct 05	change
<b>Saudi Light &amp; Extra Light</b>												
North America	0.64	0.55	0.46	0.52	0.51	0.68	0.62	0.69	0.55	0.56	0.44	0.12
Europe	1.00	1.03	0.90	0.91	0.83	0.80	0.72	0.76	0.63	0.87	0.92	-0.05
Pacific	1.18	1.24	1.31	1.37	1.40	1.33	1.29	1.30	1.28	1.30	1.28	0.02
<b>Saudi Medium</b>												
North America	0.83	0.80	0.81	0.81	0.65	0.61	0.68	0.61	0.75	0.55	0.60	-0.06
Europe	0.11	0.11	0.16	0.16	0.17	0.14	0.14	0.13	0.16	0.14	0.16	-0.02
Pacific	0.24	0.23	0.26	0.32	0.38	0.35	0.35	0.35	0.33	0.33	0.28	0.05
<b>Saudi Heavy</b>												
North America	0.30	0.22	0.17	0.16	0.21	0.21	0.21	0.24	0.21	0.20	0.14	0.06
Europe	0.19	0.23	0.23	0.26	0.14	0.22	0.21	0.18	0.23	0.19	0.32	-0.13
Pacific	0.16	0.15	0.25	0.29	0.25	0.20	0.22	0.24	0.22	0.25	0.23	0.02
<b>Iraqi Basrah Light<sup>2</sup></b>												
North America	0.44	0.71	0.60	0.59	0.44	0.60	0.60	0.60	0.60	0.45	0.65	-0.20
Europe	0.09	0.21	0.23	0.31	0.24	0.29	0.40	0.42	0.41	0.38	0.30	0.09
Pacific	0.03	0.12	0.06	0.06	0.08	0.09	0.10	0.13	0.13	0.06	0.06	0.00
<b>Iraqi Kirkuk</b>												
North America	0.06	0.02	..	..	..	..	0.01	0.03	..	..	..	..
Europe	0.12	0.08	0.05	0.03	..	..	0.04	0.03	0.04	0.02	0.04	-0.03
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Iranian Light</b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.22	0.20	0.27	0.31	0.26	0.27	0.29	0.23	0.06
Pacific	0.17	0.16	0.15	0.15	0.19	0.12	0.10	0.08	0.14	0.08	0.15	-0.07
<b>Iranian Heavy<sup>3</sup></b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.57	0.48	0.57	0.67	0.54	0.72	0.51	0.56	-0.05
Pacific	0.69	0.65	0.62	0.63	0.64	0.48	0.51	0.49	0.54	0.58	0.54	0.04
<b>Venezuelan Light &amp; Medium</b>												
North America	0.69	0.67	0.82	0.81	0.76	0.68	0.62	0.53	0.69	0.65	0.77	-0.12
Europe	0.02	0.01	0.04	0.07	0.12	0.15	0.08	0.10	0.10	0.07	0.01	0.05
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
<b>Venezuelan 22 API and heavier</b>												
North America	0.60	0.88	0.72	0.56	0.72	0.72	0.74	0.81	0.72	0.60	0.51	0.09
Europe	0.06	0.05	0.06	0.06	0.08	0.05	0.06	0.07	0.04	0.03	0.07	-0.04
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Mexican Maya</b>												
North America	1.32	1.36	1.27	1.25	1.26	1.24	1.30	1.35	1.23	1.24	1.13	0.11
Europe	0.16	0.16	0.17	0.18	0.13	0.20	0.16	0.19	0.11	0.20	0.25	-0.05
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Mexican Isthmus</b>												
North America	0.00	..	0.03	0.10	0.09	0.03	0.01	0.00	0.01	0.02	0.10	-0.08
Europe	0.00	0.01	0.03	0.05	0.01	0.00	0.00	..	0.01	0.03	0.09	-0.07
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Russian Urals</b>												
North America	0.14	0.12	0.13	0.09	..	0.16	0.16	0.25	0.14	0.02	0.18	-0.16
Europe	1.62	1.86	1.77	1.69	1.68	1.83	1.66	1.73	1.62	1.40	1.82	-0.42
Pacific	0.00	0.01	0.00	..	..	..	0.01	..	..	..	..	..
<b>Nigerian Light<sup>4</sup></b>												
North America	0.63	0.80	0.90	0.90	0.87	0.79	0.78	0.85	0.64	0.78	0.85	-0.08
Europe	0.41	0.28	0.35	0.41	0.28	0.27	0.39	0.46	0.26	0.38	0.34	0.04
Pacific	0.08	0.11	0.05	0.02	0.09	0.03	0.02	..	0.03	0.03	0.06	-0.03
<b>Nigerian Medium</b>												
North America	0.17	0.23	0.17	0.15	0.19	0.17	0.16	0.02	0.25	0.19	0.02	0.17
Europe	0.06	0.04	0.07	0.07	0.08	0.08	0.08	0.10	0.10	0.08	0.07	0.00
Pacific	0.01	0.01	0.01	..	..	..	0.01	0.03	..	..	..	..

<sup>1</sup> 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.

<sup>2</sup> Iraqi Total minus Kirkuk.

<sup>3</sup> Iranian Total minus Iranian Light.

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

**Table 7**  
**Regional OECD Imports<sup>1,2</sup>**  
(thousand barrels per day)

	2003	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Aug-06	Sep-06	Oct-06	Year Earlier	
											Oct-05	% change
<b>Crude Oil</b>												
North America	8069	8431	8384	8101	7740	8265	8690	8605	8997	8134	7990	2%
Europe	9096	9478	9792	9954	9398	9753	10166	10136	10031	9864	10142	-3%
Pacific	6711	6659	6801	6967	7399	6509	6683	6768	6655	6205	7041	-12%
Total OECD	23876	24569	24978	25022	24537	24526	25538	25508	25684	24203	25173	-4%
<b>LPG</b>												
North America	27	24	18	30	8	8	12	20	1	14	32	-56%
Europe	193	225	248	249	280	242	210	223	200	227	216	5%
Pacific	541	541	527	486	651	575	593	643	591	492	358	37%
Total OECD	760	790	793	764	938	825	815	886	792	733	605	21%
<b>Naphtha</b>												
North America	67	99	110	76	41	49	64	74	71	114	62	82%
Europe	305	282	273	281	352	276	303	361	303	317	253	25%
Pacific	770	769	746	760	692	731	810	797	802	738	828	-11%
Total OECD	1142	1150	1129	1116	1084	1056	1177	1233	1176	1169	1144	2%
<b>Gasoline<sup>3</sup></b>												
North America	669	794	1016	1148	1113	1365	1166	1370	1002	928	1416	-34%
Europe	150	137	165	120	194	149	122	51	138	146	128	14%
Pacific	70	105	102	90	86	145	74	68	61	96	65	48%
Total OECD	888	1035	1283	1358	1393	1658	1363	1489	1201	1169	1609	-27%
<b>Jet &amp; Kerosene</b>												
North America	97	101	130	268	79	191	204	235	201	142	302	-53%
Europe	271	293	375	371	313	382	398	429	435	419	350	20%
Pacific	102	77	66	49	131	39	43	40	45	66	51	30%
Total OECD	470	471	571	687	523	612	645	704	681	627	702	-11%
<b>Gasoi/Diesel</b>												
North America	126	123	142	267	210	173	181	190	196	140	304	-54%
Europe	652	751	845	867	1078	947	900	747	1002	965	758	27%
Pacific	73	74	79	83	80	94	65	66	66	69	53	31%
Total OECD	850	947	1066	1217	1368	1213	1147	1003	1264	1175	1115	5%
<b>Heavy Fuel Oil</b>												
North America	326	453	525	610	481	320	309	325	283	273	655	-58%
Europe	398	405	490	473	520	479	421	407	363	497	426	17%
Pacific	88	76	85	82	122	105	76	93	44	65	61	6%
Total OECD	812	935	1100	1166	1122	904	806	825	690	835	1142	-27%
<b>Other Products</b>												
North America	680	872	1005	1049	972	1162	1297	1332	1281	1039	1370	-24%
Europe	690	676	781	787	891	863	912	912	883	943	833	13%
Pacific	235	256	247	263	271	208	225	263	139	272	229	19%
Total OECD	1605	1805	2033	2099	2134	2233	2434	2508	2302	2253	2433	-7%
<b>Total Products</b>												
North America	1991	2466	2947	3447	2903	3268	3233	3547	3034	2650	4142	-36%
Europe	2657	2767	3177	3148	3628	3337	3266	3131	3325	3514	2964	19%
Pacific	1879	1898	1852	1812	2032	1896	1886	1970	1748	1797	1644	9%
Total OECD	6527	7132	7976	8407	8563	8501	8386	8648	8107	7962	8750	-9%
<b>Total Oil</b>												
North America	10061	10897	11332	11548	10643	11533	11923	12151	12031	10785	12133	-11%
Europe	11753	12246	12969	13102	13026	13090	13432	13267	13356	13379	13106	2%
Pacific	8590	8558	8653	8779	9431	8404	8568	8738	8403	8002	8685	-8%
Total OECD	30403	31700	32954	33429	33100	33027	33924	34156	33791	32165	33923	-5%

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

2 Excludes intra-regional trade

3 Includes additives

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## Users' Guide to the IEA Oil Market Report

Readers are referred to the *Users' Guide*, published in conjunction with the *Annual Statistical Supplement* (current issue dated 11 August 2006), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US\$ per barrel according to the Platts specification of products (©2007 Platts - a division of McGraw-Hill Inc.).

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