OPEC

Annual Report 2004


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Foreword

The year 2004 was indeed an extraordinary 12 months for OPEC, its Member Countries and the oil industry in general. It was a period that once again demonstrated to all involved in the petroleum industry just how complex, sensitive and unpredictable the modern-day oil market can be. The year saw oil prices rise to unanticipated high levels as a result of a combination of factors, led primarily by a sudden surge in demand, in particular in Asia and the United States, on account of strong and synchronized economic growth.

This was accompanied by refining and distribution bottlenecks, which caused problems in the downstream sector, as well as heightened geopolitical tensions. Even the weather played its part with hurricanes in the Americas causing havoc to oil production installations in the US Gulf of Mexico.

This series of events was exacerbated by the effects of increased speculation in the futures markets. It all resulted in international oil prices spiraling upwards with the price of the OPEC Reference Basket (ORB) hitting a record level. The ORB started the year just outside OPEC's desired $22–28 price band at $29.41 a barrel, but moved up strongly over the ensuing months to ultimately reach $46.61/b on 21 October, a record for the year. However, it is important to stress that the high prices, in nominal terms, taking into account inflation and exchange rate fluctuations, were still well below the peaks seen in the early 1980s. But OPEC was still understandably concerned to see prices rising rapidly with the potential to impact on economic growth, especially in the developing countries.

The Organization met on no fewer than five occasions at Ministerial level during the year, at which it was agreed to increase production by a total of over 3.0 million barrels per day, in a bid to moderate the price rise. At the same time, the Organization's Ministers wanted to send a message to the market and consumers that OPEC was taking concrete action to ensure that adequate supplies of oil would be available at all times. The success of this production expansion policy soon became apparent with the ORB falling back to a more manageable $36.43/b by the end of the year. OPEC has always recognized that it is not in the interest of consumers, or the global economy, of which its Member Countries are an integral part, to have the price of oil at unsustainably high levels over a long period of time. That is why the Organization has worked — and will continue to work — towards establishing an oil price that is fair and reasonable for all market players. It must be a price that sits comfortably with our customers and, of course, the end-users, but it must also be at a level that enables the producers to earn sufficient revenues to sustain and develop their economies. And, equally as important, it must be able to support the investment that will be required in the future to fund the necessary expansion in production capacity.

The scale of investment OPEC Member Countries will need to make to meet the extra demand forecast in the future will be substantial, although not necessarily more than in the past. However, their outlay will certainly be below that of non-OPEC producers, due to the accessibility and relative cheapness of bringing OPEC's oil to the consumer. Forecasts show that, combined, OPEC and non-OPEC producers could bring an additional 12 mb/d of production capacity to the market by 2010. If this comes to fruition, it will provide a comfortable supply cushion, considering that global demand is forecast to expand only by up to 8 mb/d.

OPEC is also investing in the downstream sector, to help ease the chronic shortage in refining capacity. But here it has become increasingly apparent that the industry at large, and especially the consuming countries, must take the leading role and do more to encourage vitally-needed sizeable investment to kick-start the expansion of this vital part of the supply chain.

It is already certain that, for the foreseeable future, oil will maintain its leading position in satisfying the world's growing energy needs. OPEC, in accounting for almost 80 per cent of the world's proven oil reserves, will be called upon to supply the extra oil the world will need in the years ahead. And with the Organization's reserve base continuing to expand — just between 2000 and 2004 a total of 56 billion barrels of crude reserves were added — OPEC is already well-positioned to accommodate the extra supplies the testing years ahead will likely require.

Looking at the latest reference case forecasts drawn up by the OPEC Secretariat, world economic growth is expected to expand by around 3.5 per cent annually over the next 20 years. In keeping with this projection, oil demand is set to rise by 30 mb/d from 2005 to reach 113 mb/d by 2025, representing annual average growth of around 1.5 mb/d. With non-OPEC oil production forecast to reach its plateau over this period, OPEC Member Countries will be relied upon to supply the lion's share of the new demand. By 2025, OPEC will likely be producing around 57 mb/d of crude, around half of all global output.

Obviously, these forecasts are not set in stone and many uncertainties exist that have the potential to throw our projections off course. These include such issues as economic growth levels, government policies on energy, and technological advancement within the industry, all of which represent substantial downside risks if the prevailing conditions are to the detriment of the energy industry.

However, as it stands, on the demand front, in the OPEC reference case, even though OECD countries will continue to account for the largest portion of global demand, some 80 per cent of the incremental increase is forecast to come from the developing countries, whose consumption will double. An expected boom in the transportation sector will underpin this demand surge. So, just as oil has played a key role in fuelling the development of the industrialized countries in the 20th century, it will, in the future, play just as important a role in supporting the growth of the economies of the developing world. This can only be good news for helping to improve the standards of living of the planet's least fortunate and at the same time bring down the extreme levels of global poverty that still exist today.

OPEC, ever mindful of its responsibility to enhancing the economic welfare of these underprivileged nations, will continue to strive for an oil market that can support and sustain their development. Central to the Organization's cause will be to promote awareness that all players in the industry must pull in the same direction for meaningful progress to be achieved. Only through cooperation and coordination can we hope to make our mark and overcome the challenges of the 21st century.

Dr Adnan Shihab-Eldin
Acting for the Secretary General

OPEC in the World Economy

The performance of the world economy in the first half of 2004 continued to benefit from the strong momentum seen in 2003. Global gross domestic product (GDP) grew by about 5.3 per cent in the first half of the year, but decelerated noticeably in the third and fourth quarters. Growth rates were particularly high in the developing world. Indeed, the 6.1 per cent expansion in this group was the highest achieved by developing countries for many years. Growth in the OECD region — at 3.3 per cent — was solid, but not exceptional. It was the performance of the developing nations that pushed the global expansion rate in 2004 to 5.0 per cent — the highest GDP growth since 1976.

Looking at a breakdown of the year's performance, the first quarter saw continued recovery in all the main economies of the OECD region. Growth was particularly impressive in the United States (US) and Japan, but even in Europe solid progress was achieved by France and the United Kingdom (UK). Recovery in the Group of Seven (G7) economies was supported by both domestic and export demand. In the US, the economy's momentum was underpinned by consumer spending and investment, since net trade continued to have a negative influence on the country's GDP. Germany showed almost exactly the opposite pattern. Domestic demand actually fell during the first quarter, but very strong growth in exports produced satisfactory growth at an annualized rate of two per cent. Japan benefited from both exports and domestic spending, while France and the UK tended to rely more on personal consumption.

From the second quarter onwards, there was a clear divergence in growth patterns, both within the OECD region and Europe. Within the G7, the growth of the US economy continued steadily throughout the year, but the other six economies began to weaken in the second quarter. By the end of 2004, year-on-year (y-o-y) G7 growth, excluding the US, had fallen to below 1.5 per cent. The Japanese economy actually contracted after a strong first quarter, recovering only at the beginning of 2005. The Euro-zone also slowed during the year and by the fourth quarter the annualized rate of growth had fallen to below one per cent. In this region, only Spain and, to some extent, France showed any significant growth in the second half of the year.

Personal consumption expansion in the US was generally steady, showing growth of 3.9 per cent in 2004. There was some weakness in the second quarter as a result of higher energy prices, but the economy recovered quickly in the second half of the year. Throughout the whole of 2004, investment spending in the US was impressive — substantial increases in inventories and continued growth in government consumption added further to domestic demand. The only drag on growth was the growing trade deficit. In 2004, the US current account deficit reached 5.7 per cent of GDP and, by the fourth quarter, the proportion was over six per cent. By the second quarter, the strong cyclical expansion began to put pressure on capacity. The marked rise in US productivity in 2003 and 2004 meant that there was no impact on unit labour costs in this period, but the US Federal Reserve decided to begin the gradual process of increasing interest rates. In June 2004, US interest rates were raised by 0.25 per cent from one per cent and further increases took the Federal Funds rate to 2.25 per cent by the end of the year.

After many years of depressed private consumption, Japanese personal spending grew strongly in the final quarter of 2003 and this trend was maintained until the last three months of 2004. The source of the higher spending changed over the year. Towards the beginning of 2004, it was the savings of retired consumers that supported consumption. But later in the year, an improvement in employment prospects encouraged more optimism from the current workforce. For 2004 as a whole, personal consumption grew by 1.5 per cent, despite a setback in the final quarter of the year. Investment spending showed a similar pattern. Growth was solid until the last three months of the year. The overall growth rate for 2004 was 1.4 per cent. Total domestic demand grew by 1.9 per cent in 2004, which encouraged commentators to consider whether the long period of deflation in the Japanese economy might be reaching its conclusion. In contrast to this encouraging domestic picture, exports did not maintain the excellent growth of the first half. Weakness in exports to China meant very little progress in the second half of 2004, although, for the year as a whole export growth remained substantially ahead of the rise in imports. Despite the recovery in domestic demand, Japan remained highly dependent on export growth, particularly with the US and China. The prospect of cyclical weakness in these economies is an important risk factor for Japan.

Although European growth rates were already significantly lower than those of the US and Japan during the first half of 2004, the scale of a further slowdown in the second half of the year was unexpected. Growth in Germany and Italy was virtually halted by the final quarter of 2004, while growth in France was also weaker in the second half. For the Euro-zone as a whole, quarterly growth rates fell steadily during the year. Only Spain showed some resilience, largely as a result of an expanding construction sector. The main problem was the poor performance of domestic demand. High rates of unemployment and a lingering perception of high inflation continued to erode consumer confidence. Consumer spending was particularly weak in Germany, Belgium, the Netherlands and Italy. Budgetary constraints held back government spending in these economies and a general lack of business confidence also inhibited investment activities, which showed progress only in Spain. In the first half of 2004, net exports contributed significantly to growth, but this stimulus also faded during the year as the euro gained in strength in the fourth quarter. Only in the UK and Spain did personal consumption achieve rates of growth of over 3.0 per cent, while investment spending was also relatively strong in both these economies. As a result, the UK and Spain were the only large European economies to achieve rates of growth of 3.0 per cent. Indeed, none of the larger European economies managed to match the average OECD growth rate of 3.3 per cent in 2004.

Looking at 2004 as a whole, the continued recovery in the first half of the year generated satisfactory growth rates for the OECD countries, but the rather swift slowdown in Europe in the second half was a cause for concern. The US achieved exceptional growth of 4.2 per cent, although this performance was hardly surprising considering the expansionary polices, both fiscal and monetary. In Japan, the ongoing recovery substantially exceeded expectations and although the initial stimulus in 2003 came from growing exports, there were clear signs that the domestic economy was slowly making progress. Better corporate results and an improvement in the condition of the Japanese banking system, together with an easing of deflationary pressures, laid the foundations for further growth. Without significant structural reform, the likelihood is that the Japanese recovery will not be sustained and these reforms, including debt-restructuring, will be hard to achieve in the midst of continuing deflation. Fiscal 2003–04 may thus have marked the beginning of a sustained recovery in Japan.

Europe was the major disappointment in the year, continuing a pattern seen since 2001. Although the European Union (EU), as a whole, achieved growth of 2.5 per cent in 2004, the Euro-zone economies contributed only 2.0 per cent, following growth of 0.8 per cent in 2003. The loss of the positive contribution of net trade to GDP in the second half of the year was a significant factor since domestic demand growth was generally weak. Part of the explanation lies in the aggressive cost-cutting policies of German companies. They boosted profit levels at the expense of employment and consumer confidence. Nevertheless, higher profits had no impact on German capital spending in the year as the uncertain demand outlook provided little encouragement for companies to invest. The situation was worst in Italy where the economy has been particularly hard hit by growth in Asian import competition from textiles and other low-technology industries.

The growth rate of the EU, as a whole, will be boosted in future years by the accession of the ten new member states seen in May 2004. Poland is the largest new member and achieved by far the best economic performance in the year. Thanks to a growth rate of 5.3 per cent, the longstanding fiscal problems of the Polish government eased as strong tax revenues reduced the overall fiscal deficit to less than 6.0 per cent of GDP. In Hungary, inflation remained under control, but high government spending created problems for fiscal policy. The year saw a significant switch from domestic demand to the export sector and net exports made a positive contribution to satisfactory GDP growth of 4.0 per cent. The Czech Republic achieved the same growth rate of 4.0 per cent in 2004. This solid performance was due mainly to high levels of inward direct investment, notably in the motor industry. To some extent, ongoing economic progress in the accession states will depend on the recovery of the Euro-zone, but internal reforms remain vital, in order to achieve membership of the Euro area before the end of this decade. Fiscal consolidation is the main challenge facing the region. Other factors include reform of institutional and legal obstacles to business and inward investment. Following developments tied to globalization and the increasing integration of Asia into European business networks, East European countries can no longer rely simply on low labour costs to ensure export business, or foreign direct investment (FDI) from Euro-zone trade partners.

High energy and metals prices boosted the growth rates of the economies of the former Soviet Union (FSU) in 2003 and 2004. Accelerating demand for industrial commodities pushed the growth rate of this region to 8.2 per cent in 2004, after the 7.9 per cent expansion seen in 2003. The Russian economy grew by 7.2 per cent in 2004 and benefited from strong exports of metals and fuels. However, the financial consequences were worrisome for the non-oil sector. The rate of inflation in Russia remained high at 10.9 per cent and many export businesses lost competitiveness as a result of the rising real value of the rouble.

In the Middle East, real GDP growth strengthened markedly in 2004, reflecting higher oil production and the inflated oil price. The region's oil-exporting countries benefited from stronger current account surpluses and an improvement in government budget balances. Non-oil activity also saw some improvement as a result of ongoing reforms in some countries. Diversification activities include the development of tourism and investments in the petrochemical industry. GDP growth in the Middle East was recorded at 6.1 per cent in 2004, a sharp increase on the 2.7 per cent achieved the previous year.

In emerging Asia (including China), GDP growth accelerated to 7.8 per cent in 2004. The Chinese economy expanded by an impressive 9.5 per cent, mainly as a result of a strong fixed investment performance and rapidly growing exports. Growth stabilized in India at a high rate, reflecting both cyclical and structural factors. The liberalization of the country's economy and increased expenditure on infrastructure is likely to lead to higher long-term growth, although the poor monsoon in 2004 restricted GDP growth to 6.9 per cent. The economies of the Asia Pacific region benefited substantially from the economic recovery in the US and China. Overall growth rose to 6.1 per cent in 2004. The economies of Hong Kong and Singapore were hit hard by the effects of the SARS virus in 2003, but recovered rapidly in 2004, growing by over 8.0 per cent. South Korea was the slowest Asian economy to recover, mainly as a result of depressed domestic demand. It expanded by only 4.6 per cent.

Latin America saw a continued sharp recovery from the deep recession of 2001–02, with its economy in 2004 expanding by 5.9 per cent, the highest growth rate achieved by the region since 1986. Argentina was the leading economy and saw its GDP grow by 8.8 per cent in 2004. Real consumption and investment expanded and inflation fell substantially. The recovery in Brazil began slowly, but an improvement in confidence and policy reforms produced better results by the last three months of the year, when GDP grew by about 6.0 per cent. For 2004 as a whole, Brazilian GDP expanded by 5.2 per cent. The other major economies of the region also achieved substantial growth.

In 2003, Africa's GDP grew by 4.1 per cent and 2004 saw a clear improvement on this performance. The recovery in the world economy boosted commodity prices and the gradual process of reform in many countries led to higher growth in the region. North African countries achieved rates of growth of around 5.0 per cent, whilst Sub-Saharan Africa also achieved 5.0 per cent expansion. Although oil exporters understandably saw growth of an above-average 6.2 per cent, non-oil exporters also made progress. South Africa expanded by a solid 3.7 per cent, as a result of buoyant domestic demand and continued structural improvements. Nigeria continued to benefit from reforms in economic policy and institutional change. In 2004, the country's economy expanded by 5.4 per cent. Higher growth is likely in 2005 as a result of buoyant oil prices and greater production capacity.

Undoubtedly, the firm economic expansion that was seen in OPEC Member Countries (MCs) during 2004 was driven by an increase in crude oil production, coupled with improved oil prices. The Organization's real GDP growth climbed by an average of 7.0 per cent in 2004, compared with 3.6 per cent the previous year.

The substantial rise in crude oil production was a main driving force for OPEC economies in 2004. This output trend is expected to continue in 2005 since oil prices are expected to remain high through 2005–06, reflecting a widespread belief that the oil market has undergone a structural shift that will support prices in the short term and probably the long term as well. Key to this view is the forecast for sustained strong oil demand in China, amid continued weakness of investment in global oil supply. The higher real GDP growth seen in OPEC MCs was also supported by other factors. These included the coming onstream of gas projects, the expansion of public consumption growth, government efforts to create public sector jobs, increased wages, rising investment expenditure enhanced by domestic and foreign investment, sustained private consumption, as well as the activation of the service sectors, particularly tourism. Expansion of hydrocarbons investment also figured prominently in the overall picture.

The outlook for most OPEC MCs remains positive, with industrial investment showing sustained expansion and the prospects of FDI looking promizing in downstream energy schemes, water projects, telecommunications, tourism and services. However, despite the rapid economic growth and the relative weakness of the US dollar, inflation in OPEC Countries is modest, particularly in the Middle Eastern Member States, where price pressure is expected to increase, due to the weak dollar and rising non-oil commodity prices, which together have added some upward pressure on local currencies in respect of many imported goods and services. In general, the surge in oil production, large governmental expenditure, good harvests, increased fiscal spending, a rise in oil export demand, resulting from active growth in China and India and rising domestic demand in the OECD region, particularly the US, have all made a real contribution to economic expansion in most OPEC MCs.

During fiscal 2004, the authorities in most OPEC MCs initiated several plans and measures in order to facilitate the following:

- Privatization of some state-owned companies and expanding existing capacities of hydrocarbons plants;
- Enhancement of economic growth through liberal reforms and diversification;
- Promotion of non-oil sector output and the encouragement of foreign investments in the public and private sectors;
- Pressing ahead with hydrocarbons investment plants.

To present an overview of the status of OPEC MCs' average economic growth, compared with the rest of the world, **Table 1** shows that, on a regional basis, the 2004 economic expansion seen in OPEC MCs' economies stood out noticeably from other regions of the world, with a rate of 7.0 per cent, as against only 3.6 per cent the previous year, registering the third-highest GDP growth rate after China (9.5 per cent) and the FSU (8.2 per cent). On a country level (**Table 2**), economic expansion of 17.9 per cent, 9.9 per cent, 7.9 per cent and 6.6 per cent for Venezuela, Qatar, the Socialist People's Libyan Arab Jamahiriya (SP Libyan AJ) and the Islamic Republic of Iran, respectively, were among the highest in the world, reflecting the impact of booming oil prices and economic reforms in those OPEC MCs.

In comparison with non-OPEC developing countries (N-ODCs), **Table 3** points to the fact that OPEC MCs in 2004 on average outpaced this group of nations with 7.0 per cent real GDP growth and $349 billion in petroleum export revenues, compared with 5.9 per cent GDP growth and revenues of $135.8 bn for the non-OPEC countries. However, in terms of the value of non-petroleum exports, N-ODCs, with a total of $1,385.1 bn in 2004, still by far outstripped OPEC MCs, who had a total of $145.4 bn. Oil exports, as a percentage of total exports, have increased in OPEC MCs — from 64.3 per cent in 2003 to 70.6 per cent in 2004, while the increase in N-ODCs was from 8.1 per cent to 8.9 per cent over the same period, reflecting the significant importance of the share of oil exports to total exports.

In terms of the value of imports, OPEC MCs realized $289.3 bn in 2004, as against $223.0 bn in 2003. However, the import value of non-OPEC developing countries increased from $1,272.3 bn in 2003 to $1,562.4 bn in 2004. The total current account balance for OPEC MCs improved from $90.7 bn in 2003 to $136.4 bn in 2004, while for non-OPEC developing countries it retreated from $104.5 bn in 2003 to $86.4 bn in 2004. The average OPEC Reference Basket (ORB) price rose from $28.1/b in 2003 to $36.1/b in 2004, an increase of nearly 30.0 per cent. OPEC crude oil production increased by 7.7 per cent in 2004. Together, the price and production increases led to a rise of almost 40 per cent in the value of petroleum exports. Reserves, excluding gold, in OPEC MCs increased to $231.0 bn in 2004, 25.0 per cent higher than in 2003. N-ODCs saw their reserves rise by 17 per cent.

Table 1

World economic growth rates 2003–04

% change over previous period

Grouping/country	2003	2004
OECD	2.0	3.3
Other Europe	4.0	6.2
Developing Countries	4.7	6.1
Africa	4.1	5.0
Latin America & Caribbean	2.3	5.9
Asia & Oceania	5.9	6.5
Asia Pacific	4.7	6.1
OPEC	3.6	7.0
FSU	7.9	8.2
China	9.3	9.5
Total world	**3.8**	**5.0**

Table 2

OPEC Member Countries' real GDP growth rates 2003–04

% change over previous period

Member Country	2003	2004
Algeria	6.9	5.3
Indonesia	4.9	5.1
IR Iran	6.7	6.6
Iraq	–41.4	20.0
Kuwait	9.7	7.2
SP Libyan AJ	9.1	7.9
Nigeria	10.7	5.4
Qatar	8.5	9.9
Saudi Arabia	7.7	5.3
United Arab Emirates	11.6	7.8
Venezuela	–7.7	17.9
Average OPEC	**3.6**	**7.0**

Sources (Table 1): *Secretariat's estimates; OECD, Main Economic Indicators; OECD, Economic Outlook; International Monetary Fund (IMF), World Economic Outlook; IMF, International Financial Statistics.*

Sources (Table 2): *IMF, International Financial Statistics; IMF, World Economic Outlook; Economist Intelligence Unit (EIU), country reports; Official OPEC Member Countries' statistics; Secretariat's estimates.*

Table 3

Comparison: OPEC and non-OPEC Developing Countries

	2003		2004	
	OPEC	non-OPEC	OPEC	non-OPEC
Real GDP growth rate (per cent)	3.6	5.0	7.0	5.9
Petroleum export value ($/bn)	249.6	101.4	349.0	135.8
Value of non-petroleum exports ($/bn)	138.6	1,151.1	145.4	1,385.1
Oil exports as percentage of total exports	64.3	8.1	70.6	8.9
Value of imports ($/bn)	223.0	1,272.3	289.3	1,562.4
Current account balance ($/bn)	90.7	104.5	136.4	86.4
Average OPEC Reference Basket price ($/b)	28.1	–	36.1	–
Crude oil production (mb/d)	27.0	10.3	29.1	10.7
Reserves ($/bn; excluding gold)	184.9	891.8	231.0	1,042.9

Note: *Figures are partly estimated.*
Sources: *IMF, International Financial Statistics; IMF, World Economic Outlook; IMF, Direction of Trade Statistics; EIU, country reports; World Bank Development Indicators, OPEC database; Secretariat's estimates.*

Oil Market Developments

OPEC production

OPEC production in 2004, as reported by a number of selected secondary sources, averaged 29.07 million barrels per day, which was 2.10 mb/d higher than the 2003 average of 26.97 mb/d. The rise was attributable to a series of production management decisions agreed by Member Countries (MCs). These were implemented in a bid by the Organization to cool overheated prices and instil calm in the marketplace. As indicated in **Table 4,** the quarterly distribution of OPEC production in 2004 was 28.19 mb/d, 28.40 mb/d, 29.75 mb/d and 29.91 mb/d, respectively.

Figure 1 (see *page 18*) shows the y-o-y percentage change in average production for the period 1994–2004. The period 1994–97 witnessed sharp production growth, which reached 5.9 per cent in 1997 after the Jakarta OPEC production agreement. The period 1998–99 witnessed a sharp decline, reaching a level of around –4.56 per cent in 1999. The oil price collapsed in

Table 4

OPEC crude oil production according to selected secondary sources

1,000 b/d

	1999	2000	2001	2002	2003	Q104	Q204	Q304	Q404	2004	Average change 04/03
Algeria	766	807	827	864	1,134	1,171	1,199	1,257	1,289	1,229	95
Indonesia	1,310	1,278	1,213	1,120	1,027	981	969	960	963	968	–59
IR Iran	3,509	3,667	3,672	3,416	3,757	3,889	3,903	3,940	3,947	3,920	163
Iraq	2,507	2,550	2,376	2,000	1,322	2,113	1,998	1,992	1,960	2,015	694
Kuwait	1,901	2,087	2,021	1,885	2,172	2,237	2,292	2,395	2,448	2,344	171
SP Libyan AJ	1,337	1,405	1,361	1,314	1,422	1,461	1,499	1,577	1,608	1,537	115
Nigeria	1,983	2,033	2,098	1,969	2,131	2,343	2,338	2,379	2,344	2,351	220
Qatar	641	697	683	657	743	757	772	796	798	781	38
Saudi Arabia	7,674	8,266	7,939	7,535	8,709	8,426	8,637	9,406	9,450	8,982	273
UAE	2,077	2,248	2,151	1,988	2,243	2,251	2,243	2,457	2,486	2,360	117
Venezuela	2,808	2,949	2,890	2,611	2,305	2,560	2,547	2,594	2,617	2,580	275
Total OPEC	**26,513**	**27,988**	**27,232**	**25,358**	**26,965**	**28,190**	**28,397**	**29,752**	**29,910**	**29,067**	**2,101**

Note:
Totals may not add up due to independent rounding.

Source:
Secretariat's assessments of selected secondary sources.

1998. OPEC MCs implemented a series of production cuts to balance the market and this explains the sharp decline shown in Figure 1. Later, in 2000, production accelerated and reached 5.50 per cent, but in 2001 and 2002 it declined sharply. That was in response to the tragic events of September 11, 2001. The decline reached –6.88 per cent in 2002. In 2003, OPEC production witnessed a sharp increase of 6.34 per cent over 2002, rising further by 7.80 per cent in 2004 to rebalance the market loss in 2001–02. This helped to cool the market in 2004, in which oil prices reached record highs.

Figure 2 (see *page 19*) shows the steady slow growth in OPEC crude oil production during the period 1994–98, when it rose from around 24.61 mb/d to 27.78 mb/d. In 1999, OPEC production declined, due to production cuts implemented by MCs, to reach a level of 26.51 mb/d. In 2000, the production level was restored to reach 27.99 mb/d, while in 2001 and 2002 it declined again to 27.23 mb/d and 25.36 mb/d, respectively. In 2003, output reached 26.97 mb/d, 1.61 mb/d above the 2002 figure. In 2004, it continued to grow significantly — by 2.10 mb/d — to reach a level of 29.07 mb/d.

Figure 1: Year-on-year percentage change in OPEC production, 1994–2004

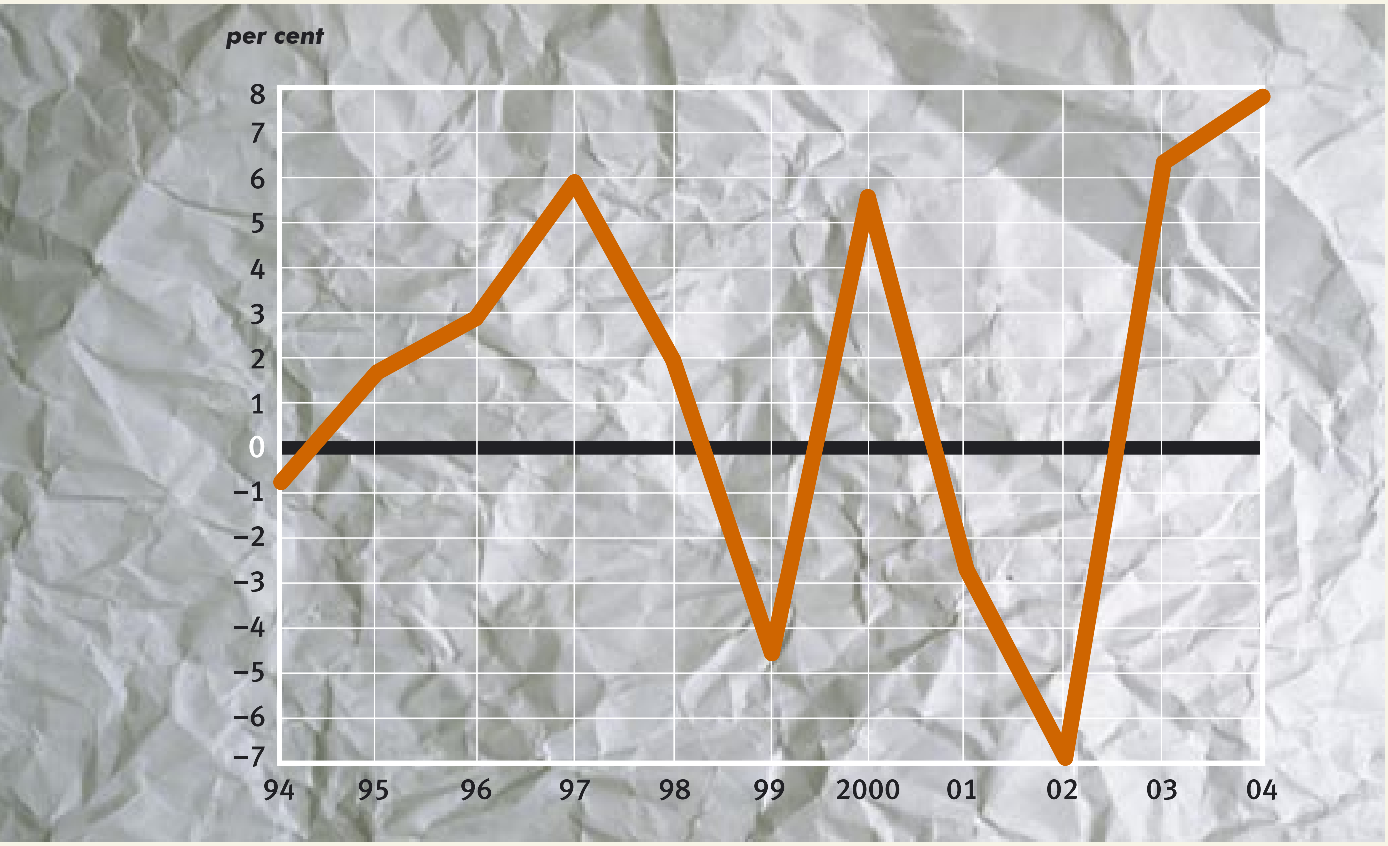
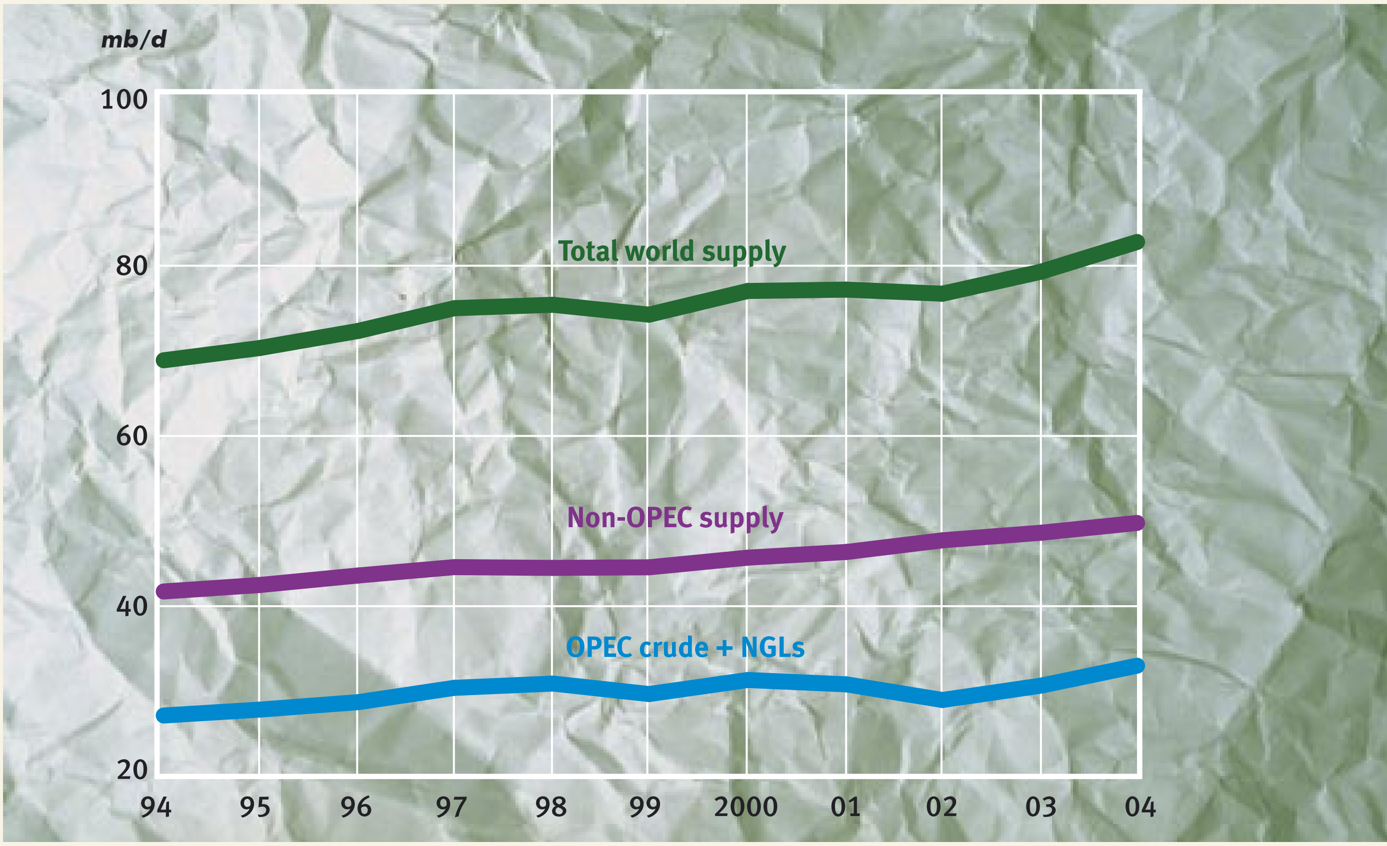


Figure 3 (see *page 20*) shows OPEC's share of world oil supply compared with non-OPEC producers for the period 1994–2004. OPEC's share grew to reach its peak level in 1998 at around 41 per cent, declined to 37.8 per cent in 2002, after production cuts were implemented by MCs, then increased again to reach 38.7 per cent in 2003 and 39.9 per cent in 2004.

Non-OPEC supply

Non-OPEC supply in 2004 averaged 49.78 mb/d, which was 1.14 mb/d higher than the 48.63 mb/d average recorded in 2003 (**Table 5,** see *page 23*). On a regional basis, total OECD oil production suffered a significant decline of around 373,000 b/d. This was the result of the effects of Hurricane Ivan on Gulf of Mexico production in the fourth quarter (US output declined by around 157,000 b/d). The UK sector of the North Sea also saw a production decline of almost 241,000 b/d, due to a faster rate of depletion, coupled with some technical

Figure 2: OPEC[1] and non-OPEC[2] supply, 1994–2004

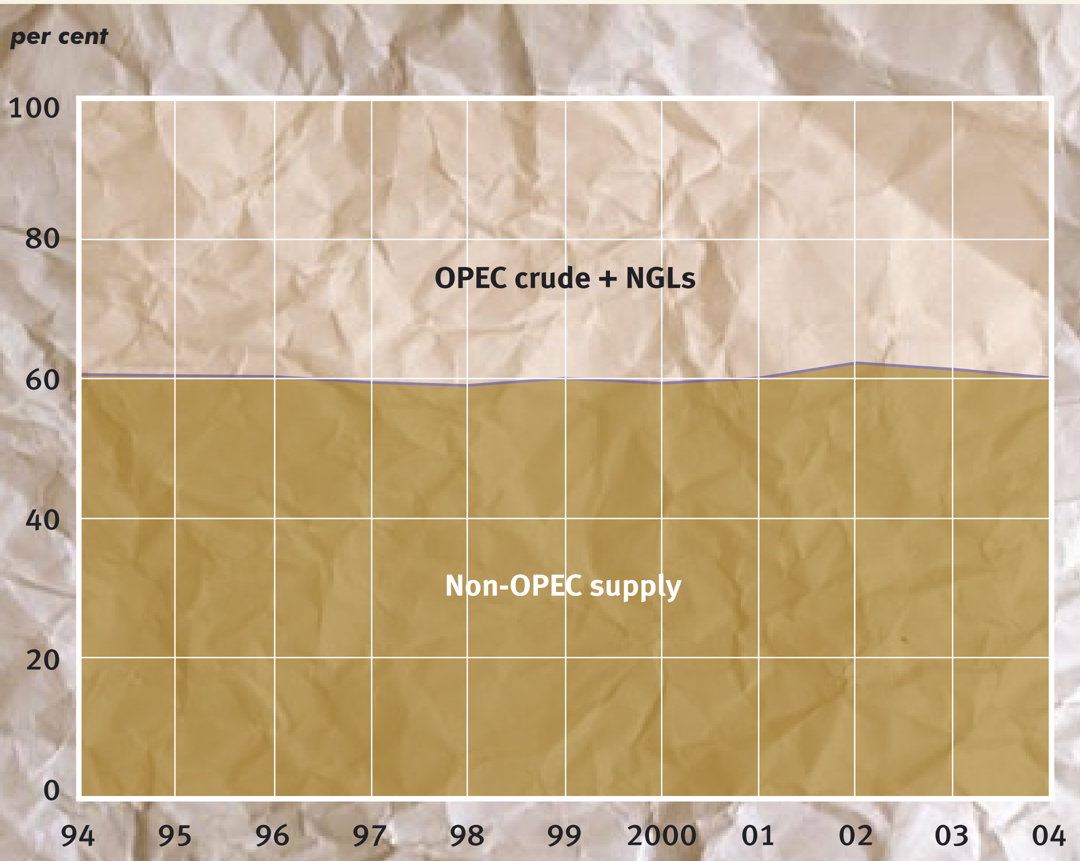


problems, while Norway lost some 75,000 b/d in the year. The developing countries witnessed an output rise of around 532,000 b/d, mainly attributable to gains in Malaysia (66,000 b/d), Angola (114,000 b/d), Chad (160,000 b/d), Equatorial Guinea (100,000 b/d) and Sudan (35,000 b/d). This was partially offset by declines in Oman, Gabon and Colombia. The FSU witnessed a significant increase — 886,000 b/d — which mainly came from Russia, where supply increased by 728,000 b/d, and Kazakhstan by 148,000 b/d.

World oil demand

World oil demand grew by 2.61 mb/d, or 3.28 per cent, to 82.17 mb/d in 2004. On a quarterly basis, demand increased by almost 1.6 mb/d, slightly below 2.0 per cent, in the first quarter, followed by a sharp increase of almost 3.7 mb/d, or nearly 5.0 per cent, in the second quarter and another solid 2.4 mb/d, or 3.0 per cent, in the third quarter. In the fourth quarter, demand expanded by 1.97 mb/d, or 2.36 per cent. The exceptionally high growth

Figure 3: OPEC[1] and non-OPEC[2] market shares, 1994–2004



seen in the second quarter was the result of a sharp rise in Chinese apparent demand, which grew by close to 24.0 per cent for a y-o-y volumetric gain of 1.3 mb/d. In addition to this impressive growth in China in the second quarter, data from developing countries indicates total demand growth of more than 1.4 mb/d in the same period, which translates into a 7.0 per cent annual rise.

The strength in consumption in North America, and even in the FSU, also contributed to the strong growth in the second quarter. The rate of growth in Chinese demand, which showed signs of slowing in the third quarter — in fact down to 10.5 per cent y-o-y — gained momentum in November and December as trade data pointed to record-high crude oil imports. Production and trade statistics indicated that apparent demand in China surged in the last three months of 2004, rising by 1.1 mb/d, or by nearly 20.0 per cent, y-o-y. Consumption of petroleum products in North America and Western Europe rose by 760,000 b/d and 390,000 b/d, respectively, while in the developing countries — led by Other Asia and the Middle East — it grew by 700,000 b/d in the last three months of 2004. World oil demand grew strongly during the last months of 2004, showing a 2.7 mb/d, or 3.3 per cent, rise to a record high of more than 84.0 mb/d.

OECD

OECD countries, which account for roughly three-fifths of total world oil demand, contributed slightly more than 25.0 per cent of expected demand growth in 2004. Total OECD demand is now estimated to have reached 49.6 mb/d for a y-o-y rise of 700,000 b/d, or 1.3 per cent. The lion's share of growth originated in the North American region, with the US accounting for four-fifths of the estimated 600,000 b/d increase. With stronger-than-usual demand in Western Europe during the last months of 2004, annual demand growth stood at around 200,000 b/d, or 1.2 per cent, which represents a six-year record high. However, OECD Pacific consumption contracted by 200,000 b/d, or by 1.7 per cent, in sharp contrast to the 1.7 per cent rise seen in 2003. But this was in line with the declining trend in consumption seen over the last six years. The split of total OECD oil requirements by products for 2004 shows that inland deliveries of gasoil/diesel, liquefied petroleum gas (LPG) and gasoline grew by 260,000 b/d, 130,000 b/d and 120,000 b/d, respectively, compared with the previous year. In contrast, residual fuel oil requirements declined by 5.3 per cent, or 160,000 b/d, during the same 12 months.

Fuel oil consumption ended slightly higher in North America, but declined in the rest of the OECD. The decrease was more severe in the OECD Pacific countries, where demand fell by more than 12.0 per cent, or 110,000 b/d, following the sustained recovery in Japanese nuclear power generation, combined with unseasonably mild fourth-quarter temperatures in northeast Asia. Residual fuel oil and gasoline demand also registered declines in Western Europe, due to the ongoing substitution of fuel oil by LPG, and to the increasing use of diesel in Europe's transportation fleet. On the other hand, diesel/gasoil demand in Western Europe posted a 2.07 per cent rise, which translated into a volumetric gain of 120,000 b/d.

Developing countries

Preliminary data, which is subject to greater revisions due to its considerably longer time lag — in some cases up to two to three years — for the developing countries indicates that oil demand in this group in 2004 rose by a hefty 900,000 b/d, or 4.4 per cent, to average

21.4 mb/d. This accounted for one-third of total world demand growth during the year. Almost 50.0 per cent of the growth originated in Other Asia, with a y-o-y rise of 400,000 b/d, or 5.3 per cent, followed by a 5.2 per cent increase in the Middle East region. Oil demand registered 3.3 per cent annual growth in Latin America, with Africa showing the lowest increase of just 2.1 per cent. On a quarterly basis, oil consumption in the developing countries rose by 800,000 b/d, or nearly 4.0 per cent, in the first quarter, followed by a large 1.4 mb/d, or 7.0 per cent increase, in the second quarter. Growth rates moderated during the second half of the year, with a third-quarter annual gain of 3.1 per cent and another 3.3 per cent expansion in the last three months of 2004.

Other regions

More than two-fifths of total world oil demand growth in 2004 took place in the Other Regions group, with almost 92.0 per cent of the figure originating in China. Oil demand in this group grew by more than 1.0 mb/d, which translated into annual growth of 10.3 per cent. China's astonishing growth rates of 15.0 per cent and 24.0 per cent in the first and second quarters, respectively, slowed to 10.5 per cent in the third quarter. However, production and trade statistics point to a considerable rebound of nearly 20 per cent in Chinese apparent consumption during the last three months of 2004. The increase in Chinese domestic consumption was met by a surge in oil and product imports, which rose to 40.0 per cent, 63.0 per cent, 19.0 per cent and 45.0 per cent in the four quarters of the year, respectively. Trade figures indicate that net crude and product trade rose by a considerable 54.0 per cent y-o-y, which translated into a 1.15 mb/d increase.

In the FSU, production and trade statistics show that apparent demand dropped in the first quarter by more than 10.0 per cent y-o-y, but recovered to rise by more than 12.0 per cent in the second quarter. This was followed by another increase of 7.0 per cent during the third quarter. Apparent demand showed zero growth in the last three months of the year and stood slightly higher than 4.0 mb/d. The sharp rise in FSU production was met by an equal rise in net oil exports, resulting in marginal estimated growth in apparent demand of 70,000 b/d for the whole of 2004. Oil demand in other East European countries showed an annual rise of 30,000 b/d, or 3.1 per cent, to 860,000 b/d.

Balance of supply and demand

As indicated in **Table 6** (see *page 24*), the slower increase in non-OPEC supply, compared with the significant rate of expansion in world demand, resulted in a significant rise in the difference

Table 5

World supply/demand balance

	2001	2002	2003	Q104	Q204	Q304	Q404	2004
								mb/d
World demand								
OECD	48.00	48.02	48.91	50.20	48.18	49.17	50.69	49.56
North America	24.00	24.11	24.58	25.05	24.85	25.23	25.65	25.19
Western Europe	15.33	15.28	15.55	15.77	15.33	15.68	16.17	15.74
Pacific	8.67	8.63	8.77	9.38	8.00	8.25	8.87	8.63
DCs	19.72	20.21	20.49	20.82	21.43	21.51	21.80	21.39
FSU	3.94	3.74	3.78	3.61	3.76	3.94	4.07	3.84
Other Europe	0.81	0.82	0.83	0.91	0.86	0.82	0.84	0.86
China	4.69	5.03	5.56	6.23	6.77	6.36	6.71	6.52
Total world demand (a)	**77.16**	**77.82**	**79.56**	**81.77**	**80.99**	**81.79**	**84.11**	**82.17**
Non-OPEC supply								
OECD	21.81	21.89	21.65	21.79	21.54	20.74	21.03	21.27
North America	14.34	14.48	14.60	14.79	14.68	14.40	14.42	14.57
Western Europe	6.68	6.65	6.39	6.42	6.29	5.75	6.08	6.13
Pacific	0.78	0.77	0.65	0.59	0.57	0.59	0.54	0.57
DCs	10.86	11.22	11.35	11.66	11.73	11.98	12.13	11.88
FSU	8.53	9.32	10.27	10.78	11.06	11.32	11.44	11.15
Other Europe	0.18	0.18	0.17	0.16	0.16	0.16	0.15	0.16
China	3.30	3.39	3.41	3.43	3.47	3.54	3.51	3.48
Processing gains	1.69	1.73	1.80	1.85	1.81	1.81	1.85	1.83
Total non-OPEC supply	46.37	47.74	48.63	49.67	49.77	49.55	50.11	49.78
OPEC NGLs+NCF oil	3.58	3.62	3.71	3.88	3.89	3.97	4.04	3.95
Total non-OPEC supply and OPEC NGLs+NCF oil (b)	49.96	51.36	52.34	53.55	53.66	53.52	54.15	53.72
OPEC crude oil production[1]	27.23	25.36	26.97	28.19	28.40	29.75	29.91	29.07
Total supply	**77.19**	**76.71**	**79.31**	**81.74**	**82.06**	**83.27**	**84.06**	**82.79**
Balance (stock change and miscellaneous)	0.03	–1.10	–0.25	–0.02	1.07	1.48	–0.05	0.62
Opening stock level (outside FCPEs) *mb*								
OECD onland commercial	2,630	2,476	2,525	2,468	2,546	2,589	2,562	2,562
OECD SPR	1,285	1,345	1,407	1,421	1,426	1,432	1,444	1,444
OECD total	3,915	3,821	3,932	3889	3,972	4,021	4,006	4,006
Other onland	1,047	1,022	1,052	1,040	1,062	1,075	1,071	1,071
Oil on water	830	816	887	909	898	894	910	910
Total stock	**5,792**	**5,658**	**5,870**	**5,837**	**5,932**	**5,990**	**5,987**	**5,987**
Days of forward consumption in OECD								
Commercial onland stocks	55	51	51	51	52	51	51	55
SPR	27	27	28	29	29	28	28	27
Total	**82**	**78**	**79**	**81**	**81**	**79**	**79**	**82**
Memo items								
FSU net exports	4.59	5.58	6.49	7.17	7.30	7.38	7.37	7.31
(a) – (b)	27.20	26.46	27.22	28.21	27.32	28.27	29.96	28.44

Notes: *Totals may not add up due to independent rounding. 1. Secondary sources.*

Table 6

Summarized supply/demand balance

	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	04/03
World oil demand (a)	77.82	79.56	81.77	80.99	81.79	84.11	82.17	2.61
Non-OPEC supply[1] (b)	51.36	52.34	53.55	53.66	53.52	54.15	53.72	1.38
Difference (a–b)	26.46	27.22	28.21	27.32	28.27	29.96	28.44	1.23
OPEC crude oil production[2]	25.36	26.97	28.19	28.40	29.75	29.91	29.07	2.10
Balance (stock change & misc)	–1.10	–0.25	–0.02	1.07	1.48	–0.05	0.62	0.88

Note:
1. Including OPEC NGLs.
2. Selected secondary sources. Totals may not add up due to independent rounding.

of around 1.23 mb/d to 28.44 mb/d. OPEC crude oil production increased significantly — by around 2.10 mb/d — to 29.07 mb/d, resulting in a 620,000 b/d stock-build.

Stock movements

Global oil stocks outside China, Eastern Europe and the FSU at the end of 2004 were estimated at 5,987.0 mb, which was 116.0 mb, or 320,000 b/d, above the 2003 level (**Table 7**). This build came mainly from the OECD which saw its oil stocks rise by 74.0 mb to 4,006.0 mb. Commercial inventories and strategic petroleum reserves (SPR) moved up by 37.0 mb, or 100,000 b/d, each to 2,562.0 mb and 1,444.0 mb, respectively. The bulk of the build in OECD commercial oil stocks was observed in North America, where they increased by 39.0 mb, or 110,000 b/d, to 1,205.0 mb, while Western Europe showed a minor increase of 2.0 mb, or 5,000 b/d, to 926.0 mb. The OECD Pacific behaved contrary to the other two OECD regions, showing a marginal decline of 4.0 mb, or 10,000 b/d, to 430.0 mb.

Crude oil stocks led the build in the OECD, rising by 24.0 mb, or 70,000 b/d, to 1,186.0 mb. This increase was mainly in OECD North America, the US in particular, due to higher crude oil imports as oil-producing countries, especially from within OPEC, committed themselves to pumping oil to near maximum capacity levels in an attempt to bring sky-high oil prices down to more reasonable levels.

Product inventories registered a slight increase of 13.0 mb, or 30,000 b/d, to 1,376.0 mb, due to higher demand, especially in OECD North America, and also due to limited refining capacity, particularly for heavy and sour oil grades, where most of the incremental barrels were from this type of crude. The build in OECD commercial oil stocks was reflected modestly in days of forward consumption, where the figure moved up by one day to stand at 51 days.

The OECD SPR in 2004 remained on an upward trend and continued to receive more barrels, especially in North America and particularly in the US since the fourth quarter of 2001. Under the "royalty-in-kind" programme, set up by the US administration, the aim is to fill the country's SPR to the full capacity of 700.0 mb. The SPR in North America rose by 38.0 mb, or 100,000 b/d, to 678.0 mb, while West European stocks declined marginally by 1.0 mb to 370.0 mb. The OECD Pacific SPR remained at the previous year's level of 396.0 mb. In terms of days of forward consumption, the OECD SPR was unchanged at 28 days, compared with the 2003 level, where the gain of one day to 27 days in North America was cancelled out by the loss of one day to 41 days in the OECD Pacific.

The OECD Western Europe SPR remained unchanged at 24 days of forward cover. At the end of 2004, total OECD oil stocks, including commercial and government-controlled inventories, represented 98 days of forward cover, an increase of 15 days compared with the 2003 level.

Not only did OECD oil stocks contribute to the global build seen in 2004, but all other components, notably developing countries and oil in transit. Estimated oil stocks in developing countries at the end of 2004 were 1,071.0 mb, an increase of 20.0 mb, or 50,000 b/d, while

Table 7

Closing stock level (outside FCPEs)

	Q104	Q204	Q304	Q404
OECD onland commercial	2,468	2,546	2,589	2,562
OECD SPR	1,421	1,426	1,432	1,444
OECD total	**3,889**	**3,972**	**4,021**	**4,006**
Other onland	1,040	1,062	1,075	1,071
Oil on water	909	898	894	910
Total stocks	**5,837**	**5,932**	**5,990**	**5,987**

Figure 4: Weekly movement of crude prices, 2004

oil in transit stood at 812.0 mb, up by 22.0 mb, or 60,000 b/d. This build was attributed mainly to crude oil, especially from Middle Eastern producers, who pumped more oil to satisfy increasing demand, especially from the US and China.

Oil price movements

The year 2004 saw record oil prices amid a series of events that raised concern about a possible shortfall in oil supply (**Figure 4**). Although 2003 ended with a new high for the OPEC ORB since 1984, the escalation continued in 2004. Draws on crude oil stocks amid below-normal temperatures in the Northern Hemisphere exerted upward pressure on the market. Hence, the ORB's average price in January 2004 was $30.33/b, an increase of 89¢, or 3.0 per cent, over the previous month. The Basket lost ground in February, dropping by 77¢ to a level of $29.56/b.

The price decline seen towards the end of January into early February came on reports that the OPEC Meeting in Algeria might boost production amid a perception of rising US oil inventories (**Table 8,** see *page 29*). However, prospects changed as the outcome of the Conference saw a call for lower quotas, effective April 1, with stricter adherence to the existing production ceiling. Accordingly, the ORB gained momentum and rose again going into March.

The Basket subsequently surged to a monthly average of $32.05/b, its highest level since October 1990. US oil stocks stood at comfortable levels and OPEC MCs kept production above 28.0 mb/d in the first quarter of 2004. Yet, in the light of the build in crude oil inventories during the second quarter, OPEC, at its Meeting on March 31, endorsed the full implementation of the cut decided at its February Meeting in Algeria. This, combined with the low gasoline inventories, amid stringent specifications and competing demand from Asia, as well as a lack of downstream capacity, supported the price in the whole petroleum complex, which remained at a high level.

Moving into the second quarter, in April the rise in the ORB continued at a slower pace when it averaged $32.35/b. However, the industry was caught by surprise by the fact that demand was growing at a faster rate than anticipated. In May, the ORB's average price rallied to an all-time high of $36.27/b, boosted by concern over stringent new gasoline specifications at a time of rising demand, which created downstream operational bottlenecks in the US during the high-demand driving season.

Given the prevailing high and volatile prices and concerns regarding security of supply, OPEC, at its Extraordinary Meeting in Beirut on June 3, agreed to raise its output ceiling by 2.0 mb/d to 25.5 mb/d, effective July 1, with an additional 500,000 b/d planned, effective August 1. The Basket price eased to $34.61/b in June.

The ORB initially fell in July, but then bounced back to $36.29/b on concern over a possible supply shortfall, as a result of tight global spare capacity amid a pipeline outage in Iraq and the ongoing difficulties of the Yukos case in Russia, which had the potential to take some 1.7 mb/d of crude production out of the market. Prices increased despite the fact that OPEC had called off its Extraordinary Meeting in July with a plan to add 500,000 b/d to the production ceiling to reach 26.0 mb/d, amid reports that actual production was approaching 30.0 mb/d, a level not seen in two decades. The ORB surged to another all-time high in August.

On the demand side, growth continued to be revised upwards to stand at an estimated 2.5 mb/d for the year. On the supply side, the intermittent loss of Iraqi production, including a halt in total exports for prolonged periods, raised speculation about when the country's output would return to the targeted level of 2.8 mb/d. Hence, the ORB surged by $4/b, or nearly ten per cent, to $40.27/b. The unprecedented rise continued to see new all-time highs set in September, after the ORB eased in late August and the first half of September on ample OPEC supply. Nevertheless, the ORB subsequently rose dramatically on fears of a possible supply shortfall as Hurricane Ivan threatened to severely disrupt Gulf of Mexico oil output and refining operations.

Despite an OPEC decision to increase its production ceiling by 1.0 mb/d to 27.0 mb/d, effective November 1 — and at a time of actual record output of 30.12 mb/d in September — the market remained bullish on concern over a strike in Nigeria. The ORB peaked in September to average $43.11/b in the last week of the month, with a slight rise over the previous monthly average recorded at $40.36/b.

The Basket saw a new record peak in the fourth quarter. In October, it continued to test new all-time highs, before easing steadily late in the month. Concern over tight winter fuel supplies amid lingering production disruption from the US Gulf of Mexico and a strike threat — later withdrawn — in Nigeria pushed the Basket to new records. The ORB peaked in the third week of October at $46.04/b with the monthly average soaring to an all-time record of $45.37/b.

Prices tended to fall in November on easing concerns over winter fuel supplies, despite the lingering potential of a strike in Nigeria, and continuing developments in the Yukos case, which fuelled further uncertainty. On a monthly basis, the ORB fell markedly from its October record peak, sliding $6.41/b, or 14.0 per cent, to $38.96/b. This moderating trend in prices was, to a large extent, due to OPEC's higher output policy. A revival in crude oil production in the Gulf of Mexico, following Hurricane Ivan, also helped to boost US oil stock levels, which supported bearish sentiment in the marketplace.

A disruption in North Sea oil supplies at the end of November added some bullishness to trading, which was countered by the expectation that OPEC would keep its production ceiling unchanged at its December Meeting in Cairo. The market continued its downward movement in December with the Basket dropping to $35.70/b, a loss of $3.26/b, or 8.4 per cent, from the previous month.

Prices eased in early December on relatively warm winter weather and the expectation OPEC would refrain from cutting production at its Cairo talks. There was also the return of Nigerian

Table 8

Average monthly spot prices for selected crudes, 2004

$/b

Crude	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2004
OPEC Basket	**30.33**	**29.56**	**32.05**	**32.35**	**36.27**	**34.61**	**36.29**	**40.27**	**40.36**	**45.37**	**38.96**	**35.70**	**36.05**
Arab Light	29.83	29.18	31.62	32.48	35.63	34.70	35.55	38.93	36.58	39.00	35.56	34.64	34.53
Dubai	28.93	28.49	30.77	31.69	34.65	33.58	34.70	38.22	35.52	37.61	34.87	34.16	33.66
Bonny Light	30.94	30.47	33.34	33.74	37.87	35.60	38.08	42.55	43.56	49.91	43.60	39.08	38.27
Saharan Blend	31.29	30.57	33.46	33.71	37.96	35.14	38.16	42.67	43.92	50.48	42.97	39.61	38.35
Minas	30.27	29.38	32.21	32.19	37.18	36.75	36.28	41.79	44.27	49.68	37.25	34.76	36.85
Tia Juana Light	29.28	28.17	29.88	29.88	33.63	31.67	33.81	36.86	37.23	43.55	37.37	32.36	33.66
Isthmus	31.78	30.64	33.08	32.76	36.95	34.85	37.41	40.88	41.47	47.40	41.10	35.31	37.01
Other crudes													
Arab Heavy	27.49	26.93	29.42	30.31	33.07	32.00	32.75	35.41	32.38	33.79	30.17	29.34	31.14
Murban	30.88	30.61	33.06	34.13	36.77	35.89	37.22	40.92	38.52	41.91	40.14	38.95	36.65
Iran Light	29.31	28.00	30.78	30.41	34.97	32.67	35.42	38.40	38.77	43.59	37.81	34.77	34.60
Iran Heavy	28.08	26.89	29.86	29.96	33.86	31.58	34.33	37.02	37.10	41.31	34.81	31.67	33.06
Kuwait Export	29.16	28.61	30.97	31.75	34.78	33.83	34.98	38.44	36.12	38.81	35.87	34.91	34.08
Mandji	28.90	28.22	31.27	30.80	35.28	32.78	35.90	40.44	41.00	47.31	40.37	37.00	35.80
Zueitina	31.33	30.65	33.60	33.25	37.61	35.11	37.83	42.82	43.79	49.89	42.56	38.30	38.01
Es Sider	30.72	29.30	32.20	32.03	37.08	34.84	37.34	40.55	40.14	45.20	40.85	38.20	36.58
Forcados	30.86	30.36	33.02	33.38	37.24	35.45	37.94	42.50	43.51	49.87	43.54	39.00	38.10
Dukhan	29.67	29.51	32.12	32.42	35.96	35.43	36.63	40.25	39.34	42.92	40.36	38.04	36.05
Oman Blend	29.34	29.67	31.10	31.71	34.78	33.92	35.10	38.49	36.53	39.81	36.65	35.40	34.35
Tapis	33.75	34.78	35.67	35.43	39.55	38.35	41.25	47.35	48.13	53.07	46.75	38.69	41.14
Urals	28.98	27.49	30.24	30.12	34.95	32.61	35.26	38.64	38.27	42.40	38.22	36.06	34.47
Suez Mix	26.55	25.42	28.11	28.40	33.00	30.56	33.21	36.75	36.43	39.56	35.34	32.48	32.19
Brent	31.33	30.65	33.70	33.23	37.71	35.21	38.33	42.87	43.43	49.74	42.80	39.43	38.23
Oriente	27.62	26.50	28.20	28.73	32.89	30.30	31.83	32.96	31.74	36.41	31.06	25.17	30.31
WTI	34.33	34.62	36.59	36.80	40.11	38.18	40.69	44.77	45.98	53.32	48.22	43.12	41.44
North Slope	33.24	33.64	35.39	35.40	38.83	36.90	39.36	43.03	42.73	48.88	41.86	36.72	38.81
Differentials													
Min RBP[1]–Basket	–9.33	–8.56	–11.05	–11.35	–15.27	–13.61	–15.29	–19.27	–19.36	–24.37	–17.96	–14.70	–15.05
Bonny L–Arab H	3.45	3.53	3.92	3.43	4.81	3.60	5.32	7.15	11.18	16.12	13.42	9.75	7.13
Bonny L–Saharan B	–0.35	–0.11	–0.13	0.03	–0.09	0.47	–0.09	–0.12	–0.37	–0.57	0.62	–0.53	–0.08
Brent–WTI	–3.01	–3.98	–2.90	–3.57	–2.40	–2.97	–2.36	–1.90	–2.56	–3.58	–5.42	–3.70	–3.20
Brent–Dubai	2.40	2.16	2.93	1.55	3.06	1.63	3.63	4.65	7.91	12.13	7.93	5.26	4.58

Notes:
1. The minimum Reference Basket price is $21/b starting from August 1990 as set during the 87th Meeting of the Conference, held on July 26–27, 1990. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price, whereas the netback values for the calculations are taken from RVM.
Sources:
Platts; Secretariat's assessments.

production. A series of production outages and a cold snap in the Northern Hemisphere pushed prices higher later in the month, supported by OPEC's decision to rein in excess production, effective January 1, 2005.

The Basket's 2004 yearly average stood at $36.05/b, a gain of $7.95/b, or 28.0 per cent, over 2003.

The refining industry

OPEC refining industries, like in the rest of the world, again found themselves facing a shortage of capacity and problems associated with meeting tight product specifications. Primary distillation capacity in OPEC MCs increased by 358,400 b/d in 2004, surging to about 9.03 mb/d (**Table 9**) at the end of the year. This constituted about 10.8 per cent of global refining capacity, which reached 83.35 mb/d in the year. The extra capacity emerged through reclassification of the whole Ras Tanura complex in Saudi Arabia as distillate capacity, which also included over 200,000 b/d of condensate splitter.

Vacuum distillation capacity in OPEC MCs dropped by 0.4 per cent in 2004, but total conversion capacity rose by 0.8 per cent. As a result, the ratio of OPEC conversion to distillate capacity jumped to 20.9 per cent from 18.8 per cent the previous year.

A grassroots refinery project in Kuwait, with a capacity of nearly 430,000 b/d, along with existing capacity expansions of 248,000 b/d in IR Iran, 190,000 b/d in Venezuela, 12,000 b/d in Nigeria, as well as Saudi Arabia's plan to build a 400,000 b/d export-oriented refinery at the Red Sea port of Yanbu, will improve the current status of the refining industry in MCs in the coming years.

Foreign refining capacity

OPEC MCs' equity share of ownership of refineries outside their national borders in 2004 was about 2.9 mb/d (**Table 10,** see *page 33*). The major equity holder among MCs was Venezuela with almost 1.55 mb/d of equity share in the US and Europe. OPEC's equity share in the Asia/Far East stood at 2.7 per cent, in Europe 5.0 per cent and in the US/Caribbean nearly 9.0 per cent.

With the refinery industry showing continued tightness and refining margins improving since the beginning of 2004, some OPEC MCs showed strong interest in expanding their equity

Table 9

OPEC domestic refinery configuration, 2004

1,000 b/d

Region	Crude distillation	Vacuum distillation	Thermal operation	Catalytic cracking	Catalytic reforming	Catalytic hydro-treating	Catalytic hydro-cracking	Total con-version	Conv/crude distillation *(per cent)*
Latin America									
Venezuela	1,045.7	487.1	144.9	224.1	49.5	125.6	–	369.0	35.3
Total	**1,045.7**	**487.1**	**144.9**	**224.1**	**49.5**	**125.6**	**–**	**369.0**	**35.3**
Africa									
Algeria	462.2	10.6	–	–	88.9	82.0	–	–	–
SP Libyan AJ	380.0	3.8	–	–	17.9	43.3	–	–	–
Nigeria	445.0	129.3	–	61.0	73.5	119.8	–	61.0	13.7
Total	**1,287.2**	**143.7**	**–**	**61.0**	**180.3**	**245.1**	**–**	**61.0**	**4.7**
Middle East									
IR Iran	1,474.0	584.4	156.8	30.0	160.5	139.3	139.2	326.0	22.1
Iraq	603.0	145.0	–	–	77.0	283.0	38.0	38.0	6.3
Kuwait	936.0	335.0	72.0	44.0	51.0	591.2	205.5	318.5	34.0
Qatar	80.0	–	–	28.0	24.6	47.6	–	28.0	35.0
Saudi Arabia	2,077.0	447.8	138.1	103.6	193.4	553.1	131.8	373.5	18.0
UAE	466.3	50.0	–	34.4	33.0	123.0	30.0	64.4	13.8
Total	**5,636.3**	**1,562.2**	**366.9**	**240.0**	**539.5**	**1,737.2**	**541.5**	**1,148.4**	**20.4**
Far East									
Indonesia	1,055.5	289.4	90.8	103.5	71.1	107.6	110.8	305.1	28.9
Total	**1,055.5**	**289.4**	**90.8**	**103.5**	**71.1**	**107.6**	**110.8**	**305.1**	**28.9**
Total OPEC	**9,024.7**	**2,482.4**	**602.6**	**628.6**	**840.4**	**2,215.5**	**652.3**	**1,883.5**	**20.9**
Total world	**83,352.4**	**27,198.2**	**8,077.0**	**14,331.8**	**11,232.7**	**40,819.4**	**4,620.1**	**27,028.8**	**32.4**
OPEC percentage	*10.8*	*9.1*	*7.5*	*4.4*	*7.5*	*5.4*	*14.1*	*7.0*	
OPEC condensate splitters 337.0									

Notes:
As of December 31, 2003.
Conversion = total of thermal operations plus catalytic cracking and catalytic hydro-cracking.
Sources:
Direct communication with the Secretariat; Oil and Gas Journal; National sources.

shares overseas, particularly in Asia. OPEC supply of crude oil to the equity-owned refineries closely followed the pattern of share of ownership. Over 3.4 mb/d of crude oil was exported by MCs to their equity-owned plants. Nearly half of this volume was shipped to the US and the Caribbean and the rest to the Far East and Europe.

Tanker market

Due to the strong 2.6 mb/d growth in global oil demand, the volume of international trade for crude and refined products increased by 7.2 per cent in the year — from 2,112.0 million tonnes in 2003 to 2,265.0 mt in 2004. The year proved to be equally as exceptional for the tanker market where freight rates for the different sectors reached their highest levels in almost 25 years, due to a shortage in tanker capacity, following the significant surge in trade, which was driven, essentially, by increased Chinese and US oil imports. In addition to the surge in the volume of trade, 2004 saw more reliance by China on long-haul barrels, especially from Africa, which tied up more vessels.

The freight rates of very large crude carriers on Middle East eastbound and westbound routes surged on average by about 156.0 per cent and 142.0 per cent, respectively, in 2004, compared with the previous year, to reach yearly average levels of Worldscale (WS) 150.0 and 118.0, up by 58.0 and 35.0 points, respectively. However, rates of WS 232.0 and 147.0 were experienced in December 2004 on these routes.

On short-haul routes, such as the Caribbean-US and within the Mediterranean region, changes were less pronounced, but still as much as 27.0 per cent higher than in 2003. On the Caribbean-US route, freight rates for Aframax-size tankers averaged WS 255.0 in 2004, approaching almost an average of WS 400.0 in December. Similarly, freight rates for clean products experienced high growth with freight rates on the Gulf-East route displaying an average of WS 255.0 for 30,000 deadweight ton (dwt) vessels.

Tanker capacity used for storage reached 13.6 mt in 2004, compared with 11.14 mt in 2003, which corresponds to 20.0 per cent y-o-y growth. This was in line with the increase in the level of crude stocks in the major consuming countries, especially the US.

Tanker fleet development

The world tanker fleet, including chemical carriers, totalled 3,670 vessels at the end of 2004, which corresponds to an increase of 146 new vessels. With this 3.75 per cent growth over

Table 10

OPEC foreign downstream crude refining capacity, 2004

1,000 b/d

Equity ownership[1]

	Asia & Far East	Western Europe	US & Caribbean	Total
Kuwait	–	180.0	–	180.0
SP Libyan AJ	–	98.6	–	98.6
Saudi Arabia	361.6	135.3	340.0	836.9
UAE	182.0	89.6	–	271.6
Venezuela[3]	–	251.3	1,303.8	1,555.1
Total	**543.6**	**754.8**	**1,643.8**	**2,942.2**
Regional refining capacity/intake	20,507.2	15,225.6	18,517.6	54,250.4
OPEC % share	***2.7***	***5.0***	***8.9***	***5.4***

Crude supply[2]

	Asia & Far East	Western Europe	US & Caribbean	Total
Kuwait	–	180.0	–	180.0
SP Libyan AJ	–	150.0	–	150.0
Saudi Arabia	910.0	186.0	450.0	1,546.0
UAE	195.0	108.0	–	303.0
Venezuela[3]	–	223.0	1035.0	1,258.0
Total	**1,105.0**	**847.0**	**1,485.0**	**3,437.0**
Regional refining capacity/intake	18,764.1	13,961.9	17,351.0	50,076.9
OPEC % share	***5.9***	***6.1***	***8.6***	***6.9***

Notes:

1. *OPEC share based on the percentage of equity ownership (excluding leased capacity).*
2. *Supply of crude agreed under the contract to be delivered to the refinery by Member Country (including leased refineries).*
3. *Excluding the 310,000 b/d leased Curaçao refinery.*

2003, total fleet capacity increased by 11.54 m dwt to reach 318.12 m dwt in 2004. The average size of the world tanker fleet remained almost unchanged at 86,700 dwt. The OPEC fleet increased by 7.0 per cent to 14.75 m dwt (**Table 11**).

However, OPEC flag tankers only represented 4.6 per cent of the world fleet, despite the fact that MCs contributed more than 40.0 per cent to world petroleum exports. Worldwide trade (as measured in ton-miles) for crude oil and petroleum products grew by 6.2 per cent for both categories in 2004. The main development during 2004 was the 30.0 per cent jump in oil exports to China, which was due to the long-haul nature of the incremental supply rise in ton-mile demand to the area by nearly 47.0 per cent.

With the share of natural gas trade in the world energy mix continuing to grow, OPEC MCs, with nearly 50.0 per cent of global gas reserves, are expected to play a major role in the fuel's transportation in the future.

In 2004, OPEC's share of world global liquefied natural gas carrier capacity reached 4.4 million cubic metres, representing 22.0 per cent of the world fleet of 20.7 m cu m. On the other hand, OPEC's share of the total global LPG fleet of 14.4 m cu m declined further to just 400,000 cu m, which corresponds to 2.7 per cent of the total fleet during 2004.

Table 11

Tanker fleet development in OPEC Member Countries, 2001–04

1,000 dwt

	2001		2002		2003		2004	
	No	DWT	No	DWT	No	DWT	No	DWT
Algeria	1	22.6	1	22.6	1	22.6	1	22.6
Indonesia	32	988.9	32	988.9	32	988.9	29	993.7
IR Iran	24	3,070.6	23	4,169.6	27	5,644.5	32	6,050.0
Iraq	9	534.3	9	534.3	9	534.3	1	37
Kuwait	26	3,329.6	17	2,898.0	29	3,625.3	22	3,176.3
SP Libyan AJ	6	775.3	6	775.3	6	775.3	6	275.4
Nigeria	2	413.0	2	408.8	2	408.8	2	408.8
Qatar	4	368.6	4	368.6	4	368.6	6	438.2
Saudi Arabia	12	578.6	12	578.6	12	578.6	19	1,721.2
UAE	10	291.6	9	291.6	7	275.4	7	275.4
Venezuela	6	320.3	6	320.3	13	557.5	21	1,348.3
Total OPEC	**132**	**10,693**	**121**	**11,356.6**	**142**	**13,779**	**146**	**14,746**
Total world	**3,336**	**291,110**	**3,368**	**293,571**	**3,524**	**306,578**	**3,670**	**318,116**
OPEC percentage		***3.7***		***3.9***		***4.5***		***4.6***

Note:
Totals may not add up due to independent rounding.
Sources:
World oil tanker trends; Simpson, Spence and Young Consultancy; Direct communication with the Secretariat.

Press Releases

Press Release No 3/2004, Algiers, Algeria, February 10, 2004

129th (Extraordinary) Meeting of the OPEC Conference

The 129th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Algiers, Algeria, on February 10, 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia and Head of its Delegation.

The Conference extended its deepest condolences to the Government and people of the Islamic Republic of Iran for the terrible loss they have suffered as a consequence of the disastrous earthquake that struck the country some weeks previously.

The Conference also expressed its sadness at the recent demise of Dr Fuad Rouhani, who served as the Organization's first Secretary General and Chairman of the OPEC Board of Governors from 1961 to 1964.

The Conference welcomed the Minister of Petroleum of the Republic of Angola and senior officials from the Secretariat of Energy of Mexico and the Ministry of Oil and Gas of the Sultanate of Oman, whose presence at the Meeting is seen as evidence of these countries' willingness to enter into concrete and constructive dialogue with the Organization. In this regard, the Conference emphasized the value of continued cooperation from all oil producers in ensuring market stability.

The Conference considered the report of the Ministerial Monitoring Sub-Committee and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of OPEC and its Member Countries.

The Conference reviewed oil market developments and the outlook and noted that, despite the increased demand observed in 2003, especially in the fourth quarter, OPEC production ensured that the market remained well supplied throughout 2003 and in the first quarter 2004, aiming to maintain prices within the target range of the OPEC Reference Basket.

However, in view of the projected significant supply surplus in the seasonally low demand second quarter, the Conference decided that remedial supply responses are needed to maintain market balance and avert downward pressure on oil prices. To this end, the Conference decided to maintain the OPEC production ceiling (excluding Iraq) at 24.5 mb/d until the end of March 2004, with a strong commitment from Member Countries to comply with the agreed production levels.

Furthermore, whilst reaffirming its pledge to guarantee adequate supplies to consumers, as consistently shown in the past, the Conference decided to reduce the 24.5 mb/d ceiling by 1.0 mb/d, to 23.5 mb/d, effective April 1, 2004, distributed pro rata.

The Conference reiterated that its next Ordinary Meeting will convene in Vienna, Austria, on Wednesday, March 31, 2004 and that an Extraordinary Meeting will take place in Beirut, Lebanon, on Thursday, June 3, 2004.

The Conference expressed its sincere gratitude to His Excellency Abdelaziz Bouteflika, the President of the Republic, the Government and the People of Algeria for the warm hospitality extended to the Conference participants and for the excellent arrangements made for the Meeting.

(effective April 1, 2004)

b/d

	Old production level	**Decrease**	**New production level**
Algeria	782,000	32,000	750,000
Indonesia	1,270,000	52,000	1,218,000
IR Iran	3,597,000	147,000	3,450,000
Kuwait	1,966,000	80,000	1,886,000
SP Libyan AJ	1,312,000	54,000	1,258,000
Nigeria	2,018,000	82,000	1,936,000
Qatar	635,000	26,000	609,000
Saudi Arabia	7,963,000	325,000	7,638,000
UAE	2,138,000	87,000	2,051,000
Venezuela	2,819,000	115,000	2,704,000
Total	**24,500,000**	**1,000,000**	**23,500,000**

Press Release No 5/2004, Vienna, Austria, March 31, 2004

130th Meeting of the OPEC Conference

The 130th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on March 31, 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia and Head of its Delegation.

The Conference welcomed the Minister of Petroleum of Angola, the Minister of Oil and Gas of the Sultanate of Oman, the Minister of Energy and Mining of Sudan, the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic, the Deputy Minister of Industry and Energy of the Russian Federation, and the high-level representative from Mexico, whose presence at the Meeting is seen as renewed confirmation of these countries' solidarity with the objectives of the Organization to stabilise the oil market.

Members of the Press fielding last-minute questions with the Ministers before the start of the 130th Meeting of the OPEC Conference.

The Conference reviewed the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee — Members the Conference again thanked all those who worked on these reports for their untiring efforts on OPEC's behalf — and various administrative matters.

Having reviewed the oil market situation and its immediate prospects, the Conference noted that high oil price levels remain predominantly a consequence of long positions of market speculators in the futures markets coupled with a tightening in the US gasoline market in some regions, and exacerbated by uncertainties arizing from prevailing geopolitical concerns rather than purely a reflection of supply/demand fundamentals.

With a view to enhancing oil market stability, the Conference urges all parties concerned to undertake joint efforts to address structural problems and bottlenecks affecting the downstream oil industry, which have been contributing to recent price movements.

Notwithstanding prevailing high prices, the Conference observed that the crude oil market remains more than well-supplied as the world moves into the traditionally lower seasonal demand period. It further observed that crude stocks have been building in the past two months and are projected to continue this trend in the second quarter 2004. Therefore, the Conference re-confirmed the new production ceiling of 23.5 mb/d, effective April 1, 2004, agreed upon at the 129th (Extraordinary) Meeting of the Conference held in February 2004 in Algiers, which will allow for accommodation of normal, seasonal stock build-up.

In reiterating this decision, the Conference reaffirmed the Organization's intention to keep the market well-supplied and prices stable within the agreed price band of $22–28/b for the OPEC Reference Basket of crudes. The Conference also agreed to continue to closely monitor market developments and to take appropriate and prompt action, as and when the need arises. With this in mind, the Conference confirmed that its next (Extraordinary) Meeting would take place in Beirut, Lebanon, on June 3, 2004.

The Conference passed Resolutions that will be published on May 1, 2004, after ratification by Member Countries.

The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on September 15, 2004, immediately prior to the OPEC International Seminar "Petroleum in an Interdependent World" being held in Vienna on September 16–17, 2004. The Conference expressed its appreciation to the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

Press Release No 6/2004, Vienna, Austria, April 21, 2004

OPEC denies claim new Basket price formula is in operation

Our attention has been drawn to a news story carried by Reuters on Tuesday, April 20, claiming that OPEC has "quietly introduced a new formula for assessing its reference crude price that takes into account exchange rate moves". The story, which it attributed to OPEC officials, further stated that "the Secretariat is running a new trial crude oil Basket in parallel with the existing one…"

The OPEC Secretariat wishes to state that this story is totally untrue, as OPEC has not introduced any new formula in calculating the OPEC Reference Basket price different to what it has been using since the 1980s. The OPEC Reference Basket price is still calculated using the same formula, which is based on a simple average of closing quotations of the seven crudes that make up the Basket.

The crudes comprise Sahara Blend, Bonny Light, Dubai, Minas, Arab Light, Tia Juana Light, and Isthmus.

Press Release No 8/2004, Vienna, Austria, May 12, 2004

OPEC to meet next week on high oil price — Yusgiantoro

OPEC Oil Ministers might meet ahead of their (Extraordinary) Conference scheduled for Beirut on June 3, to review the international oil market situation, the Organization's Conference President and Indonesia's Minister of Energy and Mineral Resources, Dr Purnomo Yusgiantoro, has said. He stated that OPEC Ministers attending the 9th International Energy Forum meeting in Amsterdam next week will hold informal consultations with a view to preparing the ground for the 131st (Extraordinary) Meeting of the OPEC Conference in Beirut.

Dr Yusgiantoro, who is also the OPEC Secretary General, said that the Ministers would take advantage of their collective presence at the International Energy Forum meeting to review the world oil market situation and consider the desirability of increasing the OPEC production ceiling, as part of the Organization's continuous commitment towards market stability and to maintain crude prices within the OPEC price band.

Dr Yusgiantoro noted that although OPEC had officially cut the production ceiling by 1.0 mb/d, with effect from April 1, in reality OPEC-10 alone (excluding Iraq) has recently been producing over 2.0 mb/d in excess of that ceiling. "Our Conference set a production ceiling of 23.5 mb/d with effect from April 1, 2004. But our actual production for the month of April was over 25.5 mb/d. We have not discouraged our Members from producing more because we want to do everything we can to stabilise prices. That is one of the cardinal objectives of our Organization, and we will continue to pursue it faithfully.

"The fact is that the price of crude oil that we have seen in recent weeks is not related to market fundamentals, as there is plenty of oil on the market to accommodate the higher demand expectations, as well as the seasonal stock build-up. The main problem with the recent high prices is closely linked to geopolitical uncertainties, inadequate refining capacity in the US to cope with rising demand, multiple specifications for gasoline by different states, heavy speculation on oil by investment funds/speculators. All of these are factors about which OPEC has no control," Dr Yusgiantoro added.

The OPEC Secretary General said that OPEC Ministers plan to begin some preliminary discussions about the oil market situation, with a view to paving the way for arriving at an acceptable decision that will favour both consumers and producers at the Beirut Meeting. He gave an assurance that OPEC will do whatever it deems necessary to calm the market.

Press Release No 10/2004, Beirut, Lebanon, June 3, 2004

131st (Extraordinary) Meeting of the OPEC Conference

The 131st (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Beirut, Lebanon, on June 3, 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia and Head of its Delegation.

The Conference extended its sincere congratulations to HE Thamir Ghadhban, following his appointment as Minister of Oil of Iraq.

Kuwaiti Energy Minister, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah speaking to journalists during the 131st Meeting of the OPEC Conference in Beirut.

The Conference was honoured by the presence of its Special Guest, HE Ayoub Hmayed, Minister of Energy and Water Resources of the Republic of Lebanon, and welcomed the Minister of Petroleum of the Arab Republic of Egypt; the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic; the Vice-Minister of Petroleum of the Republic of Angola; and the representative of the Sultanate of Oman to Lebanon, whose presence at the Meeting is seen as renewed evidence of these countries' willingness to enter into concrete and constructive dialogue with the Organization. In this regard, the Conference emphasized the value of closer cooperation from all oil producers in ensuring market stability.

The Conference considered the report of the Ministerial Monitoring Sub-Committee and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of OPEC and its Member Countries.

Having reviewed market developments since its 130th Meeting, held on March 31, 2004, as well as the supply/demand outlook, the Conference noted with concern that, as a result of several factors, prices have continued to escalate, despite the efforts by OPEC Member Countries to meet market requirements. These factors are mainly the robust growth in demand in the US and China, which had not been fully anticipated; geopolitical tensions; and refining and distribution industry bottlenecks in some major consuming regions, coupled with more stringent product specifications. Combined, these factors have led to unwarranted fear of a possible future supply shortage of crude oil, which has, in turn, resulted in increased speculation in the futures markets with substantial upward pressure on crude oil prices.

Given current high and volatile prices and prevailing concerns regarding supply security, and in order to ensure continued, robust, global economic growth, especially in the economies of fellow developing countries, the Conference decided to increase the OPEC production ceiling (excluding Iraq) to 25.5 mb/d, with effect from July 1, 2004, and to 26 mb/d, with effect from August 1, 2004, in order to ensure adequate supply and give a clear signal of OPEC's commitment to market stability and to maintaining prices at acceptable levels to both producers and consumers. The Conference also decided to convene an (Extraordinary) Meeting in Vienna, Austria, on July 21, 2004 to review market developments.

The Conference again called on all other parties, including non-OPEC producers and consumers, to take appropriate measures to address the challenges facing the industry, including the structural changes.

The Conference reiterated that its next Ordinary Meeting will be convened in Vienna, Austria, on Wednesday, September 15, 2004.

The Conference expressed its sincere gratitude to His Excellency General Emil Lahoud, President of the Lebanese Republic, His Excellency Rafic Hariri, President of the Council of Ministers, as well as the Government and the People of Lebanon for having hosted the Meeting and for the warm hospitality extended to the Conference participants and the excellent arrangements made for the Meeting.

Press Release No 11/2004, Vienna, Austria, July 15, 2004

Statement by HE Dr Purnomo Yusgiantoro

Minister of Energy & Mineral Resources of Indonesia and President of the OPEC Conference

Consultations took place, yesterday, among OPEC Heads of Delegation on market developments since the 131st (Extraordinary) Meeting of the OPEC Conference held in Beirut, Lebanon, on June 3, 2004, and the supply/demand outlook, a review which has confirmed that market conditions remain essentially unchanged.

Recognizing that OPEC Member Countries have already increased supply to the market, in line with the decision taken in Beirut, the Organization re-affirmed its decision to further raise the OPEC-10 production ceiling by 500,000 b/d to 26.0 mb/d, with effect from August 1, 2004, in order to maintain adequate supply to the market and support the continued, robust, global economic growth. In these circumstances, the Organization has decided that there is, therefore, no call for the Conference to meet on July 21, 2004, as originally foreseen.

The Organization, will, nevertheless, continue to closely monitor market developments, OPEC remaining firm in its determination to meet, whenever the need arises, in order to take the decisions that might be required to maintain market stability and keep prices at acceptable levels to both producers and consumers.

The Organization re-confirmed that the next Ordinary Meeting of the Conference will convene in Vienna on September 15, 2004.

Press Release No 12/2004, Vienna, Austria, July 22, 2004

Statement by HE Dr Purnomo Yusgiantoro

Minister of Energy & Mineral Resources of Indonesia and President of the OPEC Conference

I have called this press conference today, to make some brief remarks about the current state of the international oil market and to give you an opportunity to put your questions to me about this and other related topics.

As you know, OPEC took a decision in Beirut on June 3 to hold an (Extraordinary) Meeting of its Conference here in Vienna yesterday. However, last week, we decided to cancel the Conference, after consultations among our Oil Ministers on recent market developments and the supply/demand outlook had made it clear to us that market conditions were essentially unchanged since our meeting in Beirut.

On that occasion, the Conference decided to increase OPEC-10's production ceiling in two stages — by 2.0 mb/d to 25.5 mb/d, with effect from July 1, and by a further 500,000 b/d to 26.0 mb/d, with effect from August 1. This would ensure adequate supply, send a clear signal of OPEC's commitment to market stability and to maintaining prices at acceptable levels to both producers and consumers, and support continued, robust, global economic growth.

Recognizing that our Member Countries had already increased supply to the market in line with stage one of the Beirut agreement, our Ministers, in their discussions last week, reaffirmed their decision to implement stage two, i.e. the additional 500,000 b/d increase, with effect from August 1. It was not necessary to come to Vienna to reaffirm this decision. As it stands, based on the Secretariat's assessment, OPEC-10 is currently producing some 2.0 mb/d above the agreed ceiling. This should not be seen as a violation of our production agreement, but instead as a positive response by our Members to the current market situation.

We took our decision in Beirut in the light of the prevailing high, volatile prices. We identified the main reasons for these as being: the robust growth in demand in the US and China, which had not been fully anticipated; geopolitical tensions; and refining and distribution industry bottlenecks in some major consuming regions, coupled with more stringent product specifications. Combined, these factors led to unwarranted fears about a possible future supply shortage of crude oil, which, in turn, resulted in increased speculation in the futures markets, with substantial upward pressure on prices.

Although the price of OPEC's Reference Basket fell by more than $3/b in the weeks following the Conference, they began to rise again at the beginning of this month, indicating that the principal elements that concerned us in Beirut are still with us today, in what has continued to be a nervous, sensitive market. As we all know, supply and demand fundamentals are sound at the present time. The market remains well-supplied with oil, and this is very much due to the fact that OPEC, which is producing at close to capacity, has been true to its word and made significant increases in output.

In addition to opening their taps in response to market demand, OPEC Member Countries are also investing vast resources to increase production capacity by an expected 2.5–3.0 mb/d in the short term, depending on the call on OPEC oil. Also, let me make it absolutely clear that the Organization does not wish to see prices rise further, despite the weaker US dollar, a fact that was noted by the US Federal Reserve Chairman, Alan Greenspan, a couple of days ago.

We, in OPEC, accept that this is a challenging time in the oil market, with the unusual, powerful combination of forces that are currently dominating market activity and adversely affecting its equilibrium. However, we remain firm in our resolve to continue to closely monitor market developments and to do everything we can to restore prices to reasonable levels, that are acceptable to producers and consumers alike — and to keep them there. We successfully operated our price band mechanism for three years and we have every intention of ensuring its return to full effectiveness as soon as we can — but this is, of course, difficult in the present exceptional circumstances.

OPEC Conference President, Dr Purnomo Yusgiantoro (right) and OPEC Governing Board Chairman, Iván A. Orellana with members of the media.

However, as we have said on many occasions in the past, to be fully effective, our decisions require the full support of other parties in the market, principally non-OPEC producers, but also, of course, the international oil companies, financial institutions and other important intermediary bodies.

While welcoming the enormous progress that has been made in this regard in recent years, we nevertheless believe that it is more important than ever in the current situation that comprehensive, effective dialogue and cooperation are forthcoming at all times. We all stand to gain from a stable, orderly oil market.

At this point, I will conclude my brief remarks to you about the current state of the oil market, since I am sure you have many questions to ask me!

Press Release No 13/2004, Vienna, Austria, August 4, 2004

Statement by HE Dr Purnomo Yusgiantoro

Minister of Energy & Mineral Resources of Indonesia and President of the OPEC Conference

The Organization of the Petroleum Exporting Countries (OPEC) has been monitoring with concern the continued rise in crude oil prices on the global markets.

OPEC continues in its efforts to ensure that the market is adequately supplied with crude oil at prices acceptable to both producers and consumers.

Since the Beirut Meeting of the Conference, which decided a further increase to the production ceiling to 25.5 mb/d in July and to 26 mb/d in August, OPEC-10 production has continued to follow an upward trend to meet the larger than expected growth in demand.

According to initial reports, total OPEC output reached well above 29.0 mb/d in July, with OPEC-10 production reported at around 27.5 mb/d, which is about 2.0 mb/d above the July ceiling. OPEC-10 production is expected to rise further in August, with total OPEC production, including Iraq, approaching 30.0 mb/d.

OPEC Member Countries are currently in close and ongoing consultations to consider what additional measures are needed, if any, and the Organization reiterates, at the same time, the Conference's expressed readiness to take the decisions that may be required, at any time.

In this regard, OPEC continues to hold, at present, a spare production capacity of around 1.0–1.5 mb/d, which would allow for an immediate additional increase in production. Furthermore, in response to expected future demand growth in the coming years, Member Countires have plans in place to further increase production capacity by around 1.0 mb/d towards the end of this year and in 2005.

In addition, plans for additional capacity expansion are available and could be enacted soon. However, this capacity would, typically, become available around 18 months after commencement.

The Organization, once again, wishes to reiterate its commitment to maintaining market stability and ensuring a timely response to the supply needs of the market.

Press Release No 15/2004, Vienna, Austria, September 15, 2004

132nd Meeting of the OPEC Conference

The 132nd Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on September 15, 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia and Head of its Delegation, and its Alternate President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait and Head of its Delegation.

After warmly welcoming the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Energy and Mining of Sudan, the Minister of Petroleum and Mineral Resources of Syria, the Undersecretary for Hydrocarbons of Mexico and the Vice Minister of Industry and Energy of the Russian Federation, whose presence underlines the importance these countries attach to constructive dialogue and cooperation with OPEC and its Member Countries, the Conference again highlighted the importance of further strengthening effective cooperation with all non-OPEC producing countries in the interests of maintaining stability in the oil market with reasonable prices acceptable to both producers and consumers.

The Conference considered the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee, chaired by HE Bijan Namdar Zangeneh, Minister of Petroleum of the Islamic Republic of Iran, whose Members the Conference again thanked for their continued efforts on the Organization's behalf, and various administrative matters.

Having reviewed the current oil market, the Conference noted that higher crude oil prices are a result of such factors as the demand surge earlier in the year, especially in North America, China and Asian countries, geopolitical factors and concern about adequacy of spare capacity to meet possible supply disruptions, exacerbated by the significant impact of speculators and by tightness experienced in the downstream industry.

It also observed that OPEC's timely actions had been effective in ensuring that the market remains well supplied, resulting in commercial OECD stocks build-up to levels close to normal, thus succeeding in reversing the OPEC Reference Basket price trend down to levels around $38/b.

In the light of the foregoing, the Conference decided to raise the OPEC production ceiling (excluding Iraq) by 1.0 mb/d, to 27.0 mb/d, with effect from November 1, 2004, in order to bring prices down further to a more sustainable level, whilst, at the same time, vigilantly monitoring market developments. In taking this decision, the Organization reiterated its commitment to take action to stabilize the market at prices reasonable to both producers and consumers.

Taking into consideration the market outlook for 2005, with its concomitant uncertainties, especially in the first and second quarters, the Conference further decided to convene an (Extraordinary) Meeting in Cairo, Egypt, on December 10, 2004 to review market developments and take whatever measures are deemed appropriate at that time.

Taking this decision in recognition of the importance of maintaining oil market stability for the benefit of the world economy, as well as consumers and producers, the Conference expressed its expectation that non-OPEC oil producers will take concrete measures to actively share with the Organization the responsibility of maintaining price and market stability in 2005 and thereafter.

The Conference elected HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, as President of the Conference for one year, with effect from January 1, 2005, and HE Dr Edmund M. Daukoru, Nigerian Presidential Adviser on Petroleum and Energy and Head of its Delegation, as Alternate President, for the same period.

The Conference appointed Mr Hamid Dahmani, Governor for Algeria, as Chairman of the Board of Governors for the year 2005, and Dr Maizar Rahman, Governor for Indonesia, as Alternate Chairman for the same period, with effect from January 1, 2005.

The Conference decided that its next Ordinary Meeting will convene in Mahmoud Abad, Islamic Republic of Iran, on March 16, 2005. The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting. The Conference passed Resolutions that will be published on October 15, 2004, after ratification by Member Countries.

Press Release No 19/2004, Cairo, Egypt, December 10, 2004

133rd (Extraordinary) Meeting of the OPEC Conference

The 133rd (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Cairo, Egypt, on December 10, 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia

OPEC Conference President, Dr Purnomo Yusgiantoro (left) speaking with Egyptian Minister of Petroleum, Sameh Fahmy.

and Head of its Delegation, and its Alternate President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait and Head of its Delegation.

The Conference extended its condolences to the Government and people of the United Arab Emirates on the recent passing away of His Highness Sheikh Zayed Bin Sultan Al-Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi. The Conference expressed its warmest congratulations to HE Mohamed Bin Dhaen Al-Hamli, Minister of Energy of the United Arab Emirates, and paid tribute to the outstanding contribution made to the Organization by his predecessor in office, HE Obaid bin Saif Al-Nasseri.

The Conference welcomed the presence of the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Energy and Mining of Sudan, the Minister of Petroleum and Mineral Resources of Syria, the Undersecretary of Oil and Gas of Oman, and the Vice Minister of Industry and Energy of the Russian Federation, whose presence in the Meeting again highlights the importance these countries attach to constructive dialogue and cooperation with OPEC and its Member Countries.

The Conference considered the report of the Ministerial Monitoring Sub-Committee and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of the Organization.

Having reviewed the oil market outlook, including the overall demand/supply expectations for the year 2005, in particular the first and second quarters, as well as the outlook for the oil market in the medium term, the Conference observed that crude oil prices have receded from their record highs as a consequence of the actions taken by the Organization to ensure that the market remains well supplied, the adequacy of supply evidenced by the continued replenishment and build-up of commercial oil stocks. Indeed, the Conference noted that current crude oil prices reflect convergence towards market fundamentals.

With stocks back to normal and prices having moderated ahead of the winter season, when inventories are normally withdrawn, the Conference decided to maintain the currently agreed ceiling and individual production levels. Without prejudice to the above, and while reiterating the Organization's commitment to ensuring adequate supplies of petroleum to consuming nations, and in order to prevent crude oil prices continuing to deteriorate to undesirably low levels, Member Countries, which have responded to the market need for additional supply over the course of this year by producing above their allocations, have agreed to collectively reduce the over-production by 1.0 mb/d from their current actual output, effective January 1, 2005.

Further, taking into consideration the market outlook for 2005, in particular the seasonally, lower-demand second quarter, when oil prices are expected to come under growing pressure, the Conference reaffirmed its determination to take all measures deemed necessary to keep market stability and maintain prices at reasonable levels, for the benefit of producers and consumers alike.

With this in mind, the Conference decided to convene an Extraordinary Meeting in Vienna, Austria, on January 30, 2005 to review market developments. The Conference reiterated that its next Ordinary Meeting will be held on March 16, 2005, in Isfahan, Islamic Republic of Iran.

The issue of the appointment of the Secretary General having been deferred until the next Meeting of the Conference, the incoming President of the Conference, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait, will assume the responsibilities of the Secretary General from January 1, 2005, in accordance with the provisions of Resolution No. 128.406.

The Conference paid tribute to the services of its outgoing President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia, expressing particular appreciation of his also shouldering the responsibilities of Secretary General of the Organization during the year 2004, and thanked Dr Maizar Rahman, the Governor for Indonesia, for his excellent conduct of the day-to-day affairs of the Secretariat during the same period.

The Conference approved the Budget of the Organization for the year 2005.

The Conference welcomed a proposal (as a follow-up to the 9th International Energy Forum held in Amsterdam in May 2004) received from the European Union to establish an OPEC-EU Dialogue aimed at furthering constructive cooperation between oil producers and consumers.

The Conference expressed its sincere gratitude to HE Mohammed Hosni Mubarak, President of the Arab Republic of Egypt, as well as the Government and people of the Arab Republic of Egypt for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. In addition, the Conference recorded its special thanks to HE Amin Sameh Fahmy, Minister of Petroleum of Egypt and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on January 10, 2005, after ratification by Member Countries.

Activities of the Secretariat

Office of the Secretary General

The year 2004 brought a change in leadership at the Secretariat as a result of the 128th Meeting of the OPEC Conference, which requested that Conference President, Dr Purnomo Yusgiantoro, Indonesia's Minister of Energy and Mineral Resources, "assume the responsibilities of the Secretary General" from January 1, 2004 until such time as a Secretary General could be appointed. Having also been authorized by the Conference to make whatever arrangements he deemed appropriate for the efficient direction of the Secretariat, Dr Yusgiantoro called on Indonesia's Governor for OPEC, Dr Maizar Rahman, to act for the Secretary General in supervizing the day-to-day activities of the Secretariat in Vienna.

Over the course of the year, the activities of the Office of the Secretary General (SGO) were centred on meeting the requirements of the new Chief Executive in the execution of his duties. As in the past, considerable time and energy was concentrated on preparing documentation for and servicing Meetings of the Conference, the Ministerial Monitoring Sub-Committee (MMSC) and the Board of Governors (BoG).

In addition to coordinating the preparation of reports and documentation for submission to the various Ministerial and Gubernatorial gatherings, SGO staff members were occupied with taking minutes at the numerous meetings, preparing précis of the discussions held, as well as formulating summaries of the decisions taken. They also prepared formal, edited minutes of the deliberations for distribution to Ministers and Governors, as and where appropriate.

The SGO was also concerned with coordinating the Secretariat's protocol, as well as organizing the many missions conducted by the Secretary General and other Members of the Secretariat and staff during the course of the year. The Office also prepared monthly accounts of the Secretariat's activities for distribution to Member Countries (MCs).

Research Division

In 2004, the **Research Division** (RD) endeavoured to follow its planned work programme within the framework of the Medium-Term Programme, as well as accommodate additional research requested by various governing bodies of the Organization. The activities of the Division are shared among three departments — the **Petroleum Market Analysis Department** (PMAD), the **Energy Studies Department** (ESD), and the **Data Services Department** (DSD), which are closely inter-linked and together combine to meet the various aims and objectives of the

Secretariat's research operations. Looking briefly at the three departments, PMAD keeps MCs abreast of oil market developments in the short-term, ESD concentrates on research studies and projections over the longer-term, while DSD supports the Division's overall work in all relevant areas. In an extremely busy year, enhanced integration of the work activities, along with a flexible approach, were essential for effectively attaining the Division's objectives. Of paramount importance was the Division's unstinting support for the decision-making processes of MCs in key oil policy matters, in addition to enhancing cooperation and providing input for OPEC's participation in global fora and multilateral negotiations.

The confluence of factors that led to the exceptional oil price behaviour seen in 2004 underlined the critical importance of the Division's activities pertaining to closely monitoring oil market developments, in support of maintaining lasting stability. This was reflected in the intensity of work and coordination required in the light of the higher frequency of meetings held at Ministerial level during the year. Decisions taken at those Meetings saw OPEC's production rise by a total of 4.0 million barrels per day during the year. At the same time, MCs accelerated plans for augmenting production capacity to cater for future incremental demand.

OPEC's moves towards strengthening cooperation among producers, as well as consumers, at both technical and policy level, gained further prominence through the 9th International Energy Forum (IEF), the 2nd Joint OPEC/International Energy Agency (IEA) Workshop, the OPEC International Seminar, the 4th OPEC/Non-OPEC Experts' Meeting, the Second Joint Workshop between OPEC and the Moscow State University for International Relations (MGIMO) and joint initiatives on oil and energy data.

Of note was the OPEC/IEA Workshop on Oil Investment Prospects, held in Paris in April. Attended by delegates representing the IEA and the OPEC Secretariat, their MCs, major private and national oil companies, and the investment community, the workshop studied the findings of the IEA's world energy and investment outlook and OPEC's forecasts. Discussion focused on challenges in promoting the necessary investments in the oil sector, as well as the key drivers, uncertainties and implications. In recent years, OPEC and the IEA have organized a series of visits by representatives of both organizations, in order to exchange ideas and expand networking. The latest workshop built on this growing and successful cooperation. The Joint Workshop has now developed into an annual event which will be maintained and developed in the coming years.

Important research continued throughout the year using analyses and essential information on global energy and oil developments, such as the energy policies of major consuming and producing countries, alternative sources of energy, technological, trade and environmental issues, fiscal regimes, the petroleum industry structure, and the activities of major oil companies. This all necessitated the allocation of significant resources from the Division.

A number of important workshops/meetings were held as part of the Division's active participation in multilateral negotiations, including: Cooperation in Research and Development among MCs, the Joint OPEC/World Petroleum Congress (WPC) Workshop on Carbon Capture and Storage, CO_2 for Enhanced Oil Recovery and Gas Flaring Reduction, a Workshop of Member Country Experts on Upstream Petroleum Contracts, including the Coordination Meeting for the 10th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). High priority was again accorded to activities related to drafting the OPEC Long-Term Strategy, with extensive preparations carried out for the 3rd, 4th, and 5th Meetings of the Deputy Ministers of Petroleum/Energy.

The Director of Research continued to actively seek, encourage and guide inter-departmental integration, cognizant of the benefits of harmonizing research results and pooling knowledge and resources to maximise overall output. A major example of this approach was the research conducted to pinpoint future OPEC challenges and the draft Long-Term Strategy. Another example was the work of the task forces on such topics as the Outlook for China, Reserves and Production Capacity, a review of OPEC Quotas, the new OPEC Reference Basket (ORB), and the Division's Long-Term and Short-to-Medium Term Modelling Capabilities. Of particular note, were the reports prepared for the three meetings of the Deputy Ministers of Petroleum/ Energy on the Long-Term Strategy, for which considerable inter-departmental manpower was devoted during the year.

One report on *"Analysis of the Identified Key Challenges for OPEC"* reviewed the main issues and driving forces for each of the nine key challenges identified by the Deputy Ministers, while a second study, "Report on Three Overall Scenarios Based on the Identified Key Challenges" presented three scenarios on the basis of the defined challenges and the agreed objectives to reflect alternative possible future developments. These reports and other contributing analyses, such as on the ORB Price Band, were used as the basis for the draft Long-Term Strategy.

One of the objectives of the OPEC Secretariat's Medium-Term Plan is to support cooperation in research and development activities among MCs. In the area of coordinating technology development, a Brainstorming Meeting on Cooperation in Research and Development was held in April. This was initiated and promoted by the Division to strengthen collaboration in the field of research and development among OPEC MCs. It led to the creation of several Member

Country bilateral and multilateral discussion groups, seen as a first step towards establishing working teams for launching cooperation in specific long-term strategic technological areas, such as oil-to-hydrogen, oil-to-power, clean fuels, carbon management, enhanced oil recovery, and gas-to-liquids. It was agreed that a meeting of oil research and development institutions in MCs be convened each year, either in the Secretariat, or in a Member Country, with the objective of continuing the discussions, reviewing progress and agreeing on concrete measures to launch cooperation in specific areas.

The Division was also active in furthering analysis into the proposed creation of an OPEC research institute. During the year, the Division continued to pursue active cooperation with other international organizations with the aim of strengthening and expanding cooperation and dialogue. As part of efforts to continuously monitor oil market developments and enhance cooperation with non-OPEC producing countries, the 4th Annual Meeting of High-Level Experts of OPEC and Non-OPEC Producing Countries was held in Muscat, Oman in October 2004. These meetings, also now held regularly, provide a valuable forum for informal discussion on developments in the world economy, the oil market and other issues, including near-term market prospects and investment plans.

Close relations with the Riyadh-based IEF have continued with OPEC participating in the meetings of the various bodies throughout the period of the establishment of the IEF, where OPEC's role in its creation is well-recognized. The 9th IEF Executive Board meeting was held at the IEF Secretariat in December 2004.

The Division also continued to play an active role in the Joint Oil Data Initiative (JODI) meetings and OPEC's participation in the joint initiative to harmonize definitions and classification of energy reserves/resources terminology under the coordination of the United Nations Economic Commission for Europe (ECE), particularly in the Workshop on Energy Data held in Beirut on May 31 to June 2, which was attended by officials from ECE, OPEC, the UN Economic and Social Commission for Western Asia (ESCWA) and the UN Statistics Division (UNSD), as well as the 5th Conference on Oil Data Transparency Initiative in Bali, in October 2004.

In line with the OPEC Secretariat's overall objective to take a proactive stand in international fora, other international networking contacts continued to expand, such as with the European Union (EU), The UN Industrial Development Organization (UNIDO), UNFCCC, The Organization of Arab Petroleum Exporting Countries (OAPEC), the UN Conference on Trade and Development (UNCTAD), the WPC, the Energy Working Group of the Asia Pacific Economic

Cooperation (APEC) group, the International Monetary Fund (IMF), the World Bank, and the International Road Transport Union (IRU).

As part of its regular activities, the Division prepared various reports to provide timely and up-to-date assessments of international oil market trends and developments in the world economy. Briefings on daily oil price movements, daily and monthly oil market reports, monthly production reports, and other regular studies were produced for submission to the meetings of the Secretariat, or distribution to MCs' representatives, with several studies also being made available to the public.

The monthly OPEC Oil Market Report, with significant improvements and enhanced analyses, continued to provide up-to-date information, including special feature articles covering technical issues. In addition to covering key aspects of the market, such as oil supply and demand, the refining industry, developments in the tanker market, storage, stock movements, oil trade, price differentials and formulae, oil companies, economic and financial developments, the US dollar and various economic indicators, detailed analysis of some current issues were provided in the form of annual, complementary reports, or special studies. To enhance its reach, the report has been made available to visitors of the OPEC Web site.

In addition to closely monitoring current oil market conditions and trends, a number of studies and reports were prepared in the areas of short- to medium-term oil market fundamentals, upstream and downstream operations, the long-term outlook and energy modelling, energy policies and oil industry structure, multilateral issues, such as the World Trade Organization (WTO), UNFCCC, the World Summit on Sustainable Development (WSSD), and oil and energy statistics. All had the objective of providing the Organization with relevant and timely analyses and information on global energy developments.

Energy policies and their impact on future oil supply and demand balances were the subject of several studies, such as on the United States, China and India, that looked into these countries' energy policies and assessed the implications for OPEC. Another important area concerned the impact of advancing technology on oil supply and demand. In this respect, the outcome of the meetings organized on the Brainstorming Meeting on Cooperation in Research and Development and the Joint OPEC/WPC Workshop on Carbon Capture and Storage, CO_2 for Enhanced Oil Recovery and Gas Flaring Reduction were summarized in the corresponding reports.

Issues related to OPEC's participation in research programmes on CO_2 capture and storage were further elaborated on in a report entitled CO_2 Capture and Storage Research and

Development: Options for OPEC. The development of alternative transport technologies in the future was addressed in a study entitled *"The Analysis of Fuel Substitution During the Last 20 Years and Expectations for the Future"*.

The OPEC/WPC Workshop, held in Vienna, in June, was attended by experts from OPEC MCs, governments, research institutions, and the oil industry. Over two days delegates discussed and assessed state-of-the-art technologies, shared experiences and looked at various issues related to the future development and deployment of these technologies as a means of bringing added value to oil and gas operations in the oil-producing countries, while presenting a proactive response to environmental concerns.

Officials at the OPEC/WPC Workshop, which was held in June.

Some of the other reports that were submitted and discussed at various meetings of the OPEC governing bodies were: Short-to-Medium Term Non-OPEC Offshore Forecasting System; Development and Production Costs; Joint Oil Data Initiative; Russian Oil and Gas Institutional and Fiscal Regimes; Non-OPEC Finding Harmonization of Reserves Definition; Enhancement of Flow of Data from MCs.

Models utilized by the Division were further extended and developed during the year with respect to both the upstream and downstream sectors. In particular, the OPEC World Energy Model (OWEM), World Oil Refining Logistics Demand (WORLD), Replacement Value Methodology

(RVM) and the Non-OPEC Supply Forecasting System all provided a firm basis for the Division's research and quantitative analysis into environmental policies, long-term energy projections, scenario developments, downstream trends and demand prospects for gas and solids, with the aim of providing a broader range of policy options and responses for MCs. The Secretariat's long-term projections for the world energy market were contained in the annual OWEM Scenarios Report on Oil and Energy Outlook to 2025. The scenarios developed in the 2004 report provided more detailed coverage of economic sectors in developing countries, offered a disaggregated treatment of the transportation sector and expanded links to the results of the Non-OPEC Supply Forecasting System. OWEM was further expanded to take advantage of the latest data available, with all stochastic equations re-estimated on that basis. The model was also used as a central tool in producing scenarios for the process of developing elements of the Long-Term Strategy. New modes of scenario development were employed, going beyond conventional scenario sensitivity testing.

The downstream sector was the subject of a study using the WORLD model entitled "*Outlook for the Oil Downstream Sector to 2015: Impacts of Russian and Caspian Oil Developments*". This addressed the impact on refining and merchant investments, crude and product routings and prices of the projected global shift towards a lighter, cleaner product slate, including high growth in distillate demand and flat residual demand. Sensitivity cases were also run to examine the impact on crude markets and refining, and particularly for OPEC, of both higher and lower Russian oil production.

The Division's research activities on multilateral issues, covering ongoing debates, negotiations and treaties, focused mainly on the WTO and climate change negotiations. As regards the WTO, two studies were conducted. One entitled "*The WTO Doha Round: Post-Cancún Developments and Prospects*" reported on recent developments in the multilateral negotiations following the 5th WTO Ministerial Meeting, while the other study "*Implications of Competition Policies for Oil Exporting Countries*" covered competition laws and policies, their application in different jurisdictions and their implications on the oil industry and on OPEC, in particular, in regard to its supply management policies.

As in previous years, the Secretariat monitored and researched developments in the UNFCCC negotiations and actively participated in the Subsidiary Bodies and COP meetings. A status report on "*The Way Forward under the Kyoto Protocol*" was prepared in anticipation of COP-10, held in Buenos Aires, Argentina. The Secretariat also presented OPEC's views on environmental issues at all major events during the year and redesigned and renamed its Quarterly Environmental Report to become the Quarterly Environmental Newsletter for electronic distribution.

The continuous and ongoing activities in Data Services, such as the statistical database update, computer system maintenance, user support and services were rendered to accommodate the needs of the RD and MCs.

Further emphasis was placed on improving quality of service, for example through strengthening direct data communications with MCs, the installation of fault-tolerant systems, proactive maintenance of the hardware and software systems, and the launch of an online catalogue of library periodicals.

Progress was made in areas such as the continued expansion of data areas; enhancement of quality and timeliness of data received from MCs; active participation in international cooperation; and the publication of an enhanced Facts and Figures. The expanded coverage of statistical data areas has been utilized to improve reports and analyses in the Secretariat. A positive outcome from efforts to enhance the compilation of data from MCs was reflected in the improved timeliness of the response to the Annual Questionnaire.

The Secretariat also continued its active stance in discussions on the harmonization of data definitions with international organizations, as well as with international experts. Quality of data is assured through careful analysis, comparison and validation, utilizing new software.

Besides direct input data modules to the in-house models and customized data services, the delivery of key and up-to-date information to end-users is pledged through regular dissemination of electronic reports, including publications such as the *Annual Statistical Bulletin* (ASB), the *Quarterly Energy and Oil Statistics*, and the *Annual Report*.

Activities to expand data-exchange directly through electronic means and sources increased via electronic media, the in-house intranet, as well as the internet. OPEC's intranet serves as the media for data communications, as well as for collaboration between and among MCs. Ongoing activities were effectively carried out in system and application development and technical support for other departments, including accounting, medical, and library projects, as well as the data base management system, user and network support, and PC and software installations.

With regard to the improvement of the ASB, and in more general terms the improvement of direct data communications from MCs, official visits to Algeria, the Islamic Republic of Iran, the Socialist People's Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia and the United Arab Emirates were made during the year to meet and consult officials involved in the completion of the Annual Questionnaire. The 4th Working Party on the Flow of Oil Statistics was held at the Secretariat in May to review questionnaire tables and propose modifications. The first phase of the Special Project: Database/System Administration and Application Development in OPEC commenced with the purpose of providing technical assessments and recommendations on Secretariat systems. Also, the OPEC Web Conferencing System, as part of the ORACLE Collaboration Suite, with voice recording, was started. In addition, work began on applications pertaining to office automation, namely requisition slips, OPEC networking and chrono numbers.

Delegates gather for a group picture at the 4th Working Party on the Flow of Oil Statistics convened in May.

Besides the flow of regular information and data to MCs, ad hoc requests on different topics were provided. The 5th Multi-Disciplinary Training Course was held in April and was attended by 41 participants from MCs. As part of the Division's efforts to strengthen its collaboration and direct communications with research institutes, five senior research fellows from MCs participated in the third year of the summer fellowship programme and three interns were also supervized in 2004. The Division strengthened the Organization's contacts with many other institutions and organized a number of lectures and presentations from institutions in the energy field to facilitate discussions and exchanges of view on pertinent issues of common interest. Staff attended and presented papers at outside international conferences, seminars, and participated in various roundtable discussions, expert groups and coordination meetings.

Public Relations and Information Department

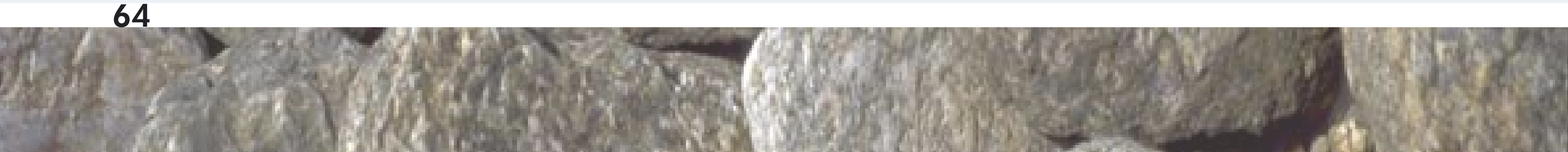
During the year under review, the **Public Relations and Information Department** (PRID) continued to discharge its responsibilities to the Secretariat by initiating and executing programmes aimed at informing and educating the general public about the aims and objectives of the Organization. This necessitated outlining the activities accomplished and decisions taken in furtherance of those objectives, as well as highlighting their significance to stabilizing the world oil market.

The key vehicles used for this sustained approach included the Secretariat's newswire service — the OPEC News Agency (OPECNA) — the OPEC Web site, the Department's regular and special publications, its briefings, the drafting of comprehensive and detailed speeches and articles, as well as the extensive in-house audio-visual facilities. The Department continued to provide essential support services to the other operations within the Secretariat, especially in the areas of editorial, graphic design and audio-visual.

PRID's Medium-Term Plan (MTP) was approved by the BoG in 2004, and came into effect in January 2005. Thus, during the year under review, PRID had not started to implement its MTP, which has the aim of shifting the Department's emphasis from information dissemination to proactive public relations activities. It also seeks to restructure the Department along specialized sub-programmes, with a view to developing areas of specialization among the staff. Two external consultants were commissioned to fine-tune the Plan to ensure that the correct thrust and direction of approach were being employed. A gradual process of phasing out OPECNA was initiated in the middle of 2004, leading to the termination of the service on December 31, 2004.

Numerous public relations-related activities were undertaken during the year. These included, but were not limited to, the daily monitoring of international news, as well as responding to press queries. In addition, the Department monitored daily media comments and analysis about OPEC, its MCs, the oil industry in particular and the energy industry in general. It organized various media events, such as briefings/interviews with the Conference President/Secretary General, Acting for the Secretary General, to highlight the activities of the Organization and scheduled press interviews for the Chief Executive. Several times a month, with support from the RD, it organized and conducted briefing sessions for students and other guests visiting the Secretariat.

In addition, it organized, coordinated and effected the distribution of public relations material. Of special note, it advised on and undertook measures to strengthen the image of the Organization during the year. OPECNA continued to run its three daily transmissions of news every weekday to widespread paying and non-paying subscribers. The Agency continued to receive the bulk of its news material from a network of news correspondents from OPEC MCs, as well as some of the international energy capitals. In 2004, OPECNA produced and transmitted over 600 news bulletins and over 60 commentaries and news analyses to its subscribers, which included all the major international wire services: Reuters, AP-Dow Jones,



Agence France Press, the Kyodo News Agency, Thomson Financial, Itar-Tass, the Italian News Agency, Bloomberg Financial Market, Factiva and Platts.

The Agency contributed €56,000 to the financial resources of the Secretariat, mainly from subscriptions. However, in preparation for the take-off of the MTP on January 1, 2005, OPECNA, whose functions were transferred to two of the newly created specialized sub-programmes, namely Public Relations and Editorial Services, was terminated on December 31, 2004, after more than 24 years of continuous service.

As in past years, the Department was responsible for writing, editing, typesetting and producing all the Secretariat's regular and special publications, including pamphlets. In 2004, ten issues of the OPEC Bulletin were produced, four issues of the OPEC Review, in addition to the OPEC Annual Statistical Bulletin 2003 and the OPEC Annual Report 2003.

The Department, with the support of the RD, updated a number of very useful publications, including *Who Gets What from Imported Oil?*, *What is OPEC?* and *Frequently Asked Questions about OPEC*. It reproduced the material in question and effectively distributed the publications at OPEC Conferences and other meetings in which OPEC participated. This was in addition to the students and other guests who visited the OPEC Secretariat, who were also given copies.

The *OPEC Bulletin* underwent a considerable transformation in the year with changes to its form and style of presentation. There was a remarkable improvement in its editorial content, as well as in its packaging. Equally important was the enhanced timeliness of the publication's content and the effective release date. The average print-run of the magazine remained at 2,000, with a circulation in about 100 countries, in both electronic and print format. It is envisaged that from 2005 onwards more original material will be sourced directly from OPEC MCs, with a view to enabling the magazine to better reflect some of the positive developments taking place in the oil and non-oil sectors of the Organization's Member States.

The quarterly *OPEC Review*, now in its 28th year of consistent publication, saw more concerted efforts at promoting and encouraging respectable contributors to submit articles. This resulted in the publication of some highly cited articles during the year. The subsisting publishing agreement with Blackwell Publishing in London continued with the publishers printing and distributing the Review in both electronic and print form. For the publication and sale of the journal in year 2004, Blackwell paid OPEC the sum of £17,324, or the equivalent of €25,287.

The *Annual Statistical Bulletin*, again, provided its comprehensive statistical information on petroleum and related socio-economic indicators in OPEC MCs, as well as on the energy industry as a whole. The Department secured all the necessary data input from the DSD, edited, typeset, designed and followed through with the production and publishing of the publication.

In addition, PRID coordinated, collated, edited and produced the Secretariat's *Annual Report*. The official internal publication of the Secretariat provided a comprehensive overview of global

The OPEC International Seminar in Vienna in September proved a resounding success and attracted great attention.

economic, energy and energy-related developments, as well as an insight into the various activities performed by departments of the Secretariat during the year, including studies undertaken by the RD.

Requests for speeches, articles and editing tasks from the Office of the Secretary General and the RD continued at a high and increasing rate throughout 2004. This necessitated PRID operating under very tight deadlines, often at very short notice, in meeting the work requirements and accomplishing tasks on time and without compromizing on quality. In total, over 70 speeches and articles were written for the Conference President/Secretary General, Acting for the Secretary General, and the Director of the RD, as well as other key Secretariat officials.

Such assignments were carried out in close collaboration with the speakers/authors and/or specialists in the RD. Speeches were prepared for a wide and varied set of audiences. These included: the President's opening address to each OPEC Ministerial Conference; OPEC's official statement to COP-10 of the UNFCCC; the OPEC International Seminar; the Joint OPEC/IEA Workshop; the Joint OPEC/WPC Workshop; many international conferences, seminars, round-tables and workshops on energy and energy-related issues, with political, technical and/or academic orientations, such as the 5th International Oil Summit, the 19th World Energy Congress and the 4th Russian Oil and Gas Week; internal meetings; official receptions; and award ceremonies.

On some occasions, separate speeches were drafted for different sections of a particular event. In addition, articles were prepared for such diverse readerships as those pertaining to Society Magazine (Vienna), International Oil and Gas Finance Review, FIRST Magazine/WPC, Scandinavian Oil-Gas Magazine and the Gastech 2005 newsletter. There was also a request for a 2,000-word commentary for an academic book.

PRID produced and designed various graphs to support the Secretariat's internal and external presentations. The Department's graphics design unit also provided various works for OPEC's internal publications, as well as on printed material and on the Secretariat's various titles. PRID, in conjunction with DSD, redesigned a new Web site for the Organization which consisted of several features for online access to news and developments, in line with the instructions of the BoG.

The Department provided video, as well as still photographic, coverage for the Ministerial Conferences, Meetings of the BoG and the ECB, as well as other important meetings and courtesy visits by and to the Secretary General and the OPEC Secretariat. The material produced from the coverage was distributed to MCs, as well as to the press. Video coverage and photography was also provided for several workshops, such as the WPC, as well as for two important meetings of OPEC's sister Organization, the OPEC Fund for International Development, also based in Vienna. For the first time, all final productions were also produced in DVD format. The first live streaming of an OPEC Conference was initiated in June 2004. Full live streaming of two press briefings conducted by PRID, as well as the opening session and press conference of the Beirut and Cairo OPEC Conferences, was transmitted on the new-look OPEC Web site in June and December 2004.

Full coverage of the Algiers, Beirut and Cairo Conferences was also aired live by other international television services, namely Algerian TV, Beirut TV and Neil TV. OPEC Conference opening sessions, press conferences and interviews with OPEC Officials were transmitted by different TV media during the year, including Al-Arabia, Abu Dhabi TV, IR Iran TV, Kuwait TV, Nigerian TV, Saudi TV, Bloomberg-TV (Asia, Europe and US), CNBC (Europe and US), CNN, BBC, Reuters TV, APTN, NHK, Nippon Japan, ARD, ZDF, N-TV, ORF, Linx and Speedy Funk. As from June 2004, all photographs sanctioned were taken digitally and stored in the OPEC archive. Photo gallery CDs were produced for distribution to MCs.

Relevant photographs were used for OPEC publications, the OPEC calendar, and were also distributed by electronic mail to different international newspapers, magazines, schools, and Web sites, as and when requested.

Full coverage of the OPEC Seminar in 2004, including all interviews conducted by PRID staff with high-level visiting officials, was distributed to all MCs. All interviews conducted for the OPEC Bulletin were also covered by video. A short documentary film entitled "An Introduction to OPEC" was produced on DVD and distributed during the Conferences that took place outside Vienna.

Administration and Human Resources Department

In addition to its routine activities, the **Administration and Human Resources Department** made the necessary arrangements for the Meetings of the OPEC Conference and other gatherings held during the year. It also compiled reports for Gubernatorial Meetings on a variety of subjects and implemented decisions resulting from the BoG.

Following on from 2003, the Department continued in its pursuit of increasing staff morale, which resulted in, inter alia, the implementation of a Staff Opinion Survey in September 2004. This had been proposed in the Department's Work Plan for 2004, as approved by the BoG at its 109th Meeting in August 2003. The survey was planned in order to identify the situation of staff thinking, morale and motivation in supporting the Secretariat achieve its objectives. The results, as well as an evaluation of the survey, were due to be finalized during fiscal 2005.

Pictured above are the Members of the OPEC Management.
Seated: Secretary General, Dr Purnomo Yusgiantoro.

L/R: Director of the Research Division, Dr Adnan Shihab-Eldin; Head of the Data Services Deparment, Dr Muhammed A Al-Tayyeb; Head of the Petroleum Market Analysis Department, Mr Mohammad Alipour-Jeddi; Head of the Energy Studies Department, Mr Mohamed Hamel; Acting for the Secretary General, Dr Maizar Rahman; Senior Legal Counsel, Dr Ibibia L Worika; Head, Administration & Human Resources Department, Mr Senussi J Senussi; Head of the Office of the Secretary General, Ms Karin Chacin Castellanos; and Head, PR & Information Department, Dr Omar F Ibrahim.

Heads of Delegation

Dr Chakib Khelil
Minister of Energy & Mines

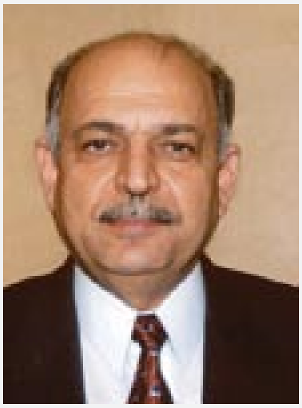
ALGERIA

Dr Purnomo Yusgiantoro
Minister of Energy & Mineral Resources
President of the Conference
Secretary General

INDONESIA

Bijan Namdar Zangeneh
Minister of Petroleum

IR IRAN



Thamir Ghadhan
Minister of Oil
(from June)

IRAQ

Sheikh Ahmad Fahad Al-
Ahmad Al-Sabah
Minister of Energy

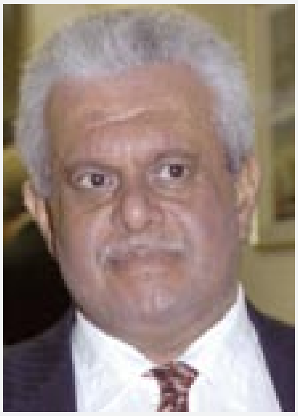
KUWAIT

Dr Fathi Hamed Ben Shatwan
Secretary of the People's
Committee of Energy
(from March)

SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

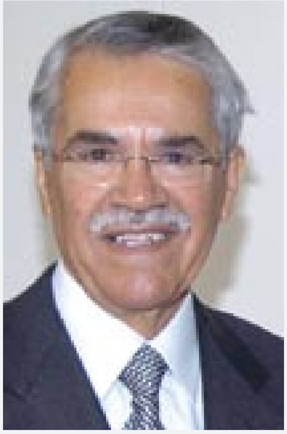
Dr Edmund M Daukoru
Presidential Adviser
on Petroleum & Energy

NIGERIA



Abdullah bin Hamad
Al Attiyah
Second Deputy Prime Minister
and Minister of Energy & Industry

QATAR



Ali I Naimi
Minister of Petroleum &
Mineral Resources

SAUDI ARABIA

Rafael Ramírez
Minister of Energy &
Mines

VENEZUELA

Mohamed Bin Dhaen
Al Hamli
Minister of Energy (from November)

UNITED ARAB EMIRATES

Members of the Board of Governors

Members of the Board of Governors and the Acting for the Secretary General at their 113th Meeting.

Governor for OPEC
Indonesia
Mr Iin Arifin Takhyan
(left February 2004)

Governor for OPEC
Iraq
Mr Shamkhi H Faraj
(left July 2004)

Governor for OPEC
Nigeria
Mrs Amal I Pepple
(left February 2004)

ALGERIA
Mr Hamid Dahmani

INDONESIA
Mr Iin Arifin Takhyan (left February)
Dr Maizar Rahman (appointed February)

ISLAMIC REPUBLIC OF IRAN
Hossein Kazempour Ardebili

IRAQ
Mr Shamkhi H Faraj (left July)
Dr Dhiaa Al-Bakkaa (appointed July)

KUWAIT
Miss Siham Abdulrazzak Razzouqi

SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA
Mr Hammouda M El-Aswad

NIGERIA
Ms Amal I Pepple (left February)
Mrs Ammuna Lawan Ali (appointed February)

QATAR
Abdulla H Salatt

SAUDI ARABIA
Dr Majid A Al-Moneef

UNITED ARAB EMIRATES
Mr Saif Bin Ahmed Al-Ghafly

VENEZUELA
Mr Iván A Orellana
(Chairman of the Board of Governors)

National Representatives to the ECB

Members of the National Representatives to the Economic Commission Board and the Acting for the Secretary General at their 102nd Meeting.

ALGERIA
Mr Mustapha Hanifi

INDONESIA
Mr Indrayana Chaidir (left March)
Mr Novian M Thaib (appointed March)

ISLAMIC REPUBLIC OF IRAN
Dr Said Sarajmir (left August)
Mr Javad Yarjani (appointed August)

IRAQ
Mr Hashim Al-Wardi

KUWAIT
Ms Nawal Al-Fezai

SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA
Mr Mohammed Abani

NIGERIA
Mr Mohammed S Barkindo

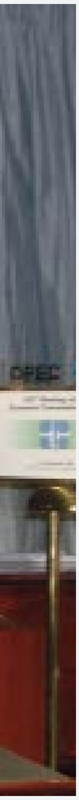
QATAR
Mr Jassim Nama

SAUDI ARABIA
Mr Yasser M Mufti

UNITED ARAB EMIRATES
Mr Ali Al-Yabhouni

VENEZUELA
Dr José Contreras (left October)
Mr Fernando Valera (appointed October)

Officials of the Secretariat



ACTING FOR THE SECRETARY GENERAL
Dr Maizar Rahman (left December)

HEAD, OFFICE OF THE SECRETARY GENERAL
Ms Karin Chacin Castellanos

LEGAL OFFICER
Mrs Dolores Dobarro de Torres (left January)

SENIOR LEGAL COUNSEL
Dr Ibibia L Worika (joined February)

DIRECTOR, RESEARCH DIVISION
Dr Adnan Shihab-Eldin

HEAD, DATA SERVICES DEPARTMENT
Dr Muhammad A Al-Tayyeb

OFFICERS
Dr Atmane Dahmani (left October)
Mr Denie Tampubolon
Mr Olatunji Kolawole
Mr Bagus Prihastono

HEAD, PETROLEUM MARKET ANALYSIS DEPARTMENT
Mr Mohammad Alipour-Jeddi

OFFICERS
Mr Mohamed Behzad
Dr Seyyed M Tayyebi Jazayeri
Mr Jamal M D Bahelil
Mr Oswaldo J Salas Casanova
Mr Houssein Eldarsi (left August)
Mr Zaid A Mohammad Hammo
Mr Feyez Al Nassar
Mr Safar A Keramati
Mr Brahim Aklil (joined July)

HEAD, ENERGY STUDIES DEPARTMENT
Mr Mohamed Hamel

OFFICERS
Dr Faten Alawadhi
Mr Khaled Arebi
Mr Rachid Bencherif (left October)
Mr Abdulaziz Al-Attar
Mr Ramiro Ramirez Contreras
Dr Nimat B Abu Al-Soof
Dr Fuad M Siala
Mr Mohammad Khesali (joined September)
Mr Osam F Abdul Aziz (joined October)
Dr Mohammad Mazraati (joined October)

HEAD, ADMINISTRATION AND HUMAN RESOURCES DEPARTMENT
Mr Senussi J Senussi

OFFICERS
Mr Sugeng Haryanto
Mr Huddie Dewanto (left July)
Mr Endro Guritno (joined July)

HEAD, PUBLIC RELATIONS AND INFORMATION DEPARTMENT
Dr Omar F Ibrahim

OFFICERS
Dr Abdulrahman Al-Kheraigi
Mr Umar G Aminu

Secretary General's Diary

February 4–6	31st Annual Sanderstølen Conference, Valdres, Norway
April 29	5th International Oil Summit, Paris, France
May 22–24	9th International Energy Forum, Amsterdam, The Netherlands
June 13–15	9th Annual Asia Oil and Gas Conference, Kuala Lumpur, Malaysia
June 16	25th Annual Session of the Ministerial Council of the OPEC Fund, Vienna, Austria
July 7	High-Level Meeting of OPEC, United Nations Conference on Trade and Development (UNCTAD) and UN Development Programme (UNDP), Geneva, Switzerland
July 29	Executive Meeting of Indonesian National Committee of the World Energy Council, Jakarta, Indonesia
September 5–10	World Energy Council Congress, Sydney, Australia
September 27–29	Montreux Energy Roundtable, Montreux, Switzerland
October 5–7	Conference on Oil Data Transparency Initiative, Bali, Indonesia
October 15–22	World Petroleum Congress 1st Youth Forum, Beijing, PR China
October 26–28	4th Russian Oil and Gas Week, Moscow, Russia
October 29	2nd Joint OPEC/Moscow State Institute of International Relations Workshop, Moscow, Russia
November 10	10th International Financial & Economic Forum, Vienna, Austria
December 1–3	Addressing Ministry of Energy of the Philippines, Manila, Philippines
December 6–17	COP-10, Buenos Aires, Argentina

Calendar

February 10 47th Meeting of the Ministerial Monitoring Sub-Committee (MMSC), Algiers, Algeria

February 10 129th (Extraordinary) Meeting of the Conference, Algiers, Algeria

Dr Purnomo Yusgiantoro, Indonesian Minister of Energy & Mineral Resources, President of the Conference and Secretary General (left) with his Saudi Arabian and Algerian colleagues at the 129th (Extraordinary) Meeting of the Conference.

March 2–4 112th Meeting of the Board of Governors (BoG), Vienna, Austria

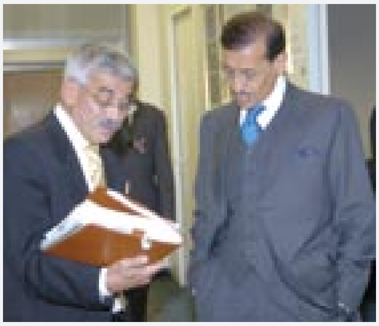
March 23–26 101st Meeting of the Economic Commission Board, (ECB), Vienna, Austria

March 31 48th Meeting of the MMSC, Vienna, Austria

March 31 130th Meeting of the Conference, Vienna, Austria

Dr Maizar Rahman, Acting for the Secretary General (seated second from left), pictured among Members of the Board of Governors at their 112th Meeting.

April 1 3rd Meeting of Deputy Ministers of Petroleum/Energy on Long-term Strategy (LTS), Vienna, Austria



Saudi Arabian Deputy Minister for Petroleum Affairs, HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud (right) with the Director, Research Division, Dr Adnan Shihab-Eldin.

April 14–16 Brainstorming Meeting on Cooperation in Research & Development, Vienna, Austria

April 26–30 5th (Annual) Multi-Disciplinary Training Course, Vienna, Austria

April 28 — OPEC/International Energy Agency Joint Workshop, Paris, France

May 3 — 4th Working Party on the Flow of Statistics, Vienna, Austria

May 31–June 2 — United Nations Economic Commission for Europe/OPEC/UN Economic and Social Commission for Western Asia/UN Statistics Division Workshop on Energy Data with Special Focus on Energy Statistics & Seminar On the Harmonization of Definitions of Energy Reserves/Resources Terminology Focus on Energy Statistics & Seminar, Beirut, Lebanon

June 2 — 5th Meeting of the Legal Defence Team, Beirut, Lebanon

June 2 — 49th Meeting of the MMSC, Beirut, Lebanon

June 3 — 131st (Extraordinary) Meeting of the Conference, Beirut, Lebanon

Rafic Hariri, President of the Council of Ministers, Government and the People of Lebanon pictured with his Media Advisor, Dr Amal Mudallali, the Head, PR & Information Department, Dr Omar F Ibrahim (right) and the Media Relations Officer, Dr Abdulrahman Al-Kheraigi of the OPEC Secretariat (second from left).

June 4 — 4th Meeting of Deputy Ministers of Petroleum/Energy on LTS, Beirut, Lebanon

June 8–9 — World Petroleum Congress & OPEC Workshop, Vienna, Austria

August 17–19 — 113th Meeting of the BoG, Vienna, Austria

September 7–10 — 102nd Meeting of the ECB, Vienna, Austria

September 14 — 50th Meeting of the MMSC, Vienna, Austria

Dr Eivald Røren, President of the World Petroleum Congress (right) with Dr Adnan Shihab-Eldin, Director, Research Division, OPEC.

Dr Purnomo Yusgiantoro, Indonesian Minister of Energy & Mineral Resources, President of the Conference and Secretary General (second from right), pictured here with the Presidential Adviser on Petroleum & Energy, Dr Edmund M. Daukoru (left), the Minister of Petroleum of IR Iran, Bijan Namdar Zangeneh, and the Minister of Energy of Kuwait, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah (right), as well as delegates at the 50th Meeting of the Ministerial Monitoring Sub-Committee (pictured right).

September 15	132nd Meeting of the Conference, Vienna, Austria
September 16–17	OPEC Seminar, Vienna, Austria
October 4–5	4th OPEC/non-OPEC Experts' Meeting, Muscat, Oman
October 11–12	5th Meeting of Deputy Ministers of Petroleum/Energy on LTS, Jeddah, Saudi Arabia
October 29	2nd Joint OPEC/Moscow State Institute of International Relations (MGIMO) Workshop, Moscow, Russia
November 18–19	114th (Extraordinary) Meeting of the BoG, Vienna, Austria

Iván A Orellana, Chairman of the Board of Governors and Governor of Venezuela (right) with Hamid Dahmani, Algerian Governor for OPEC.

November 23–24	Workshop of Member Countries' Experts on Upstream Petroleum Contracts, Margarita Island, Venezuela
December 4	COP-10 Coordination Meeting, Buenos Aires, Argentina
December 9	51st MMSC, Cairo, Egypt
December 10	133rd (Extraordinary) Meeting of the Conference, Cairo, Egypt

OPEC Conference Presiendent, Dr Purnomo Yusgiantoro (right) with Dr Maizar Rahman, Acting for the Secretary General and Governor for Indonesia, at the 133rd (Extraordinary) Meeting of the Conference.