

Oil Market Overview

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Committee on Non-Member Countries

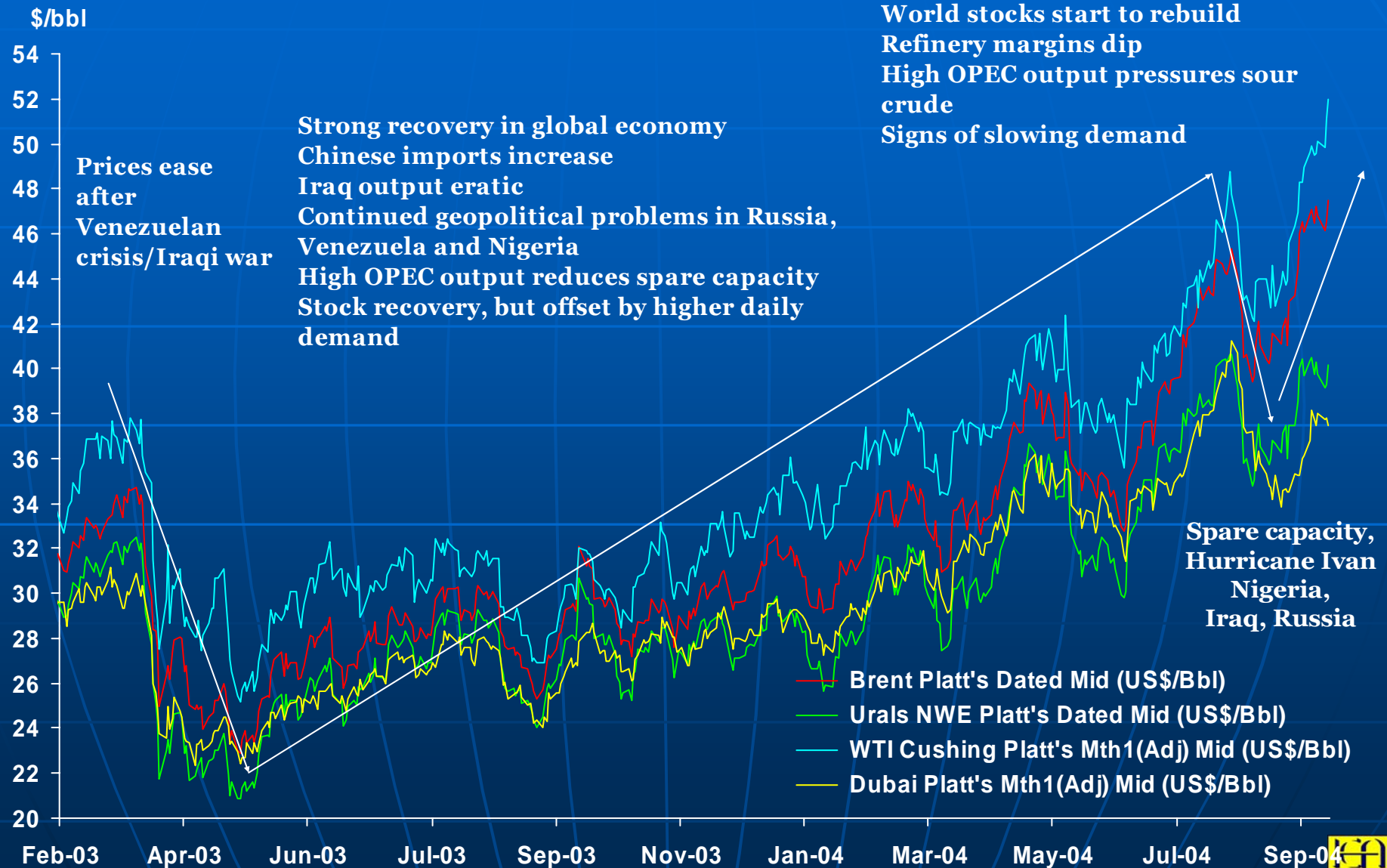
Paris

October 7, 2004



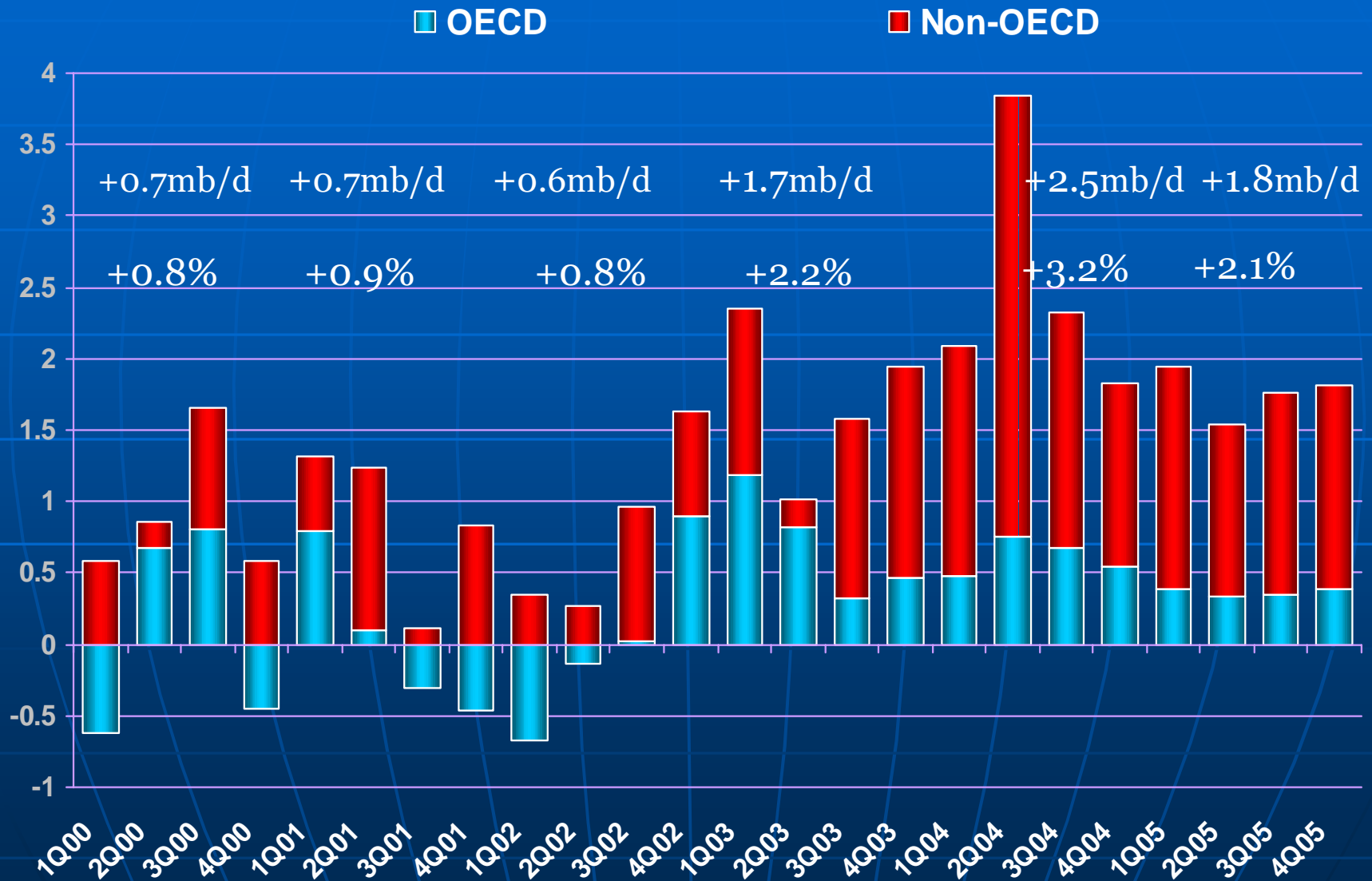


Renewed Upward Momentum for Prices?



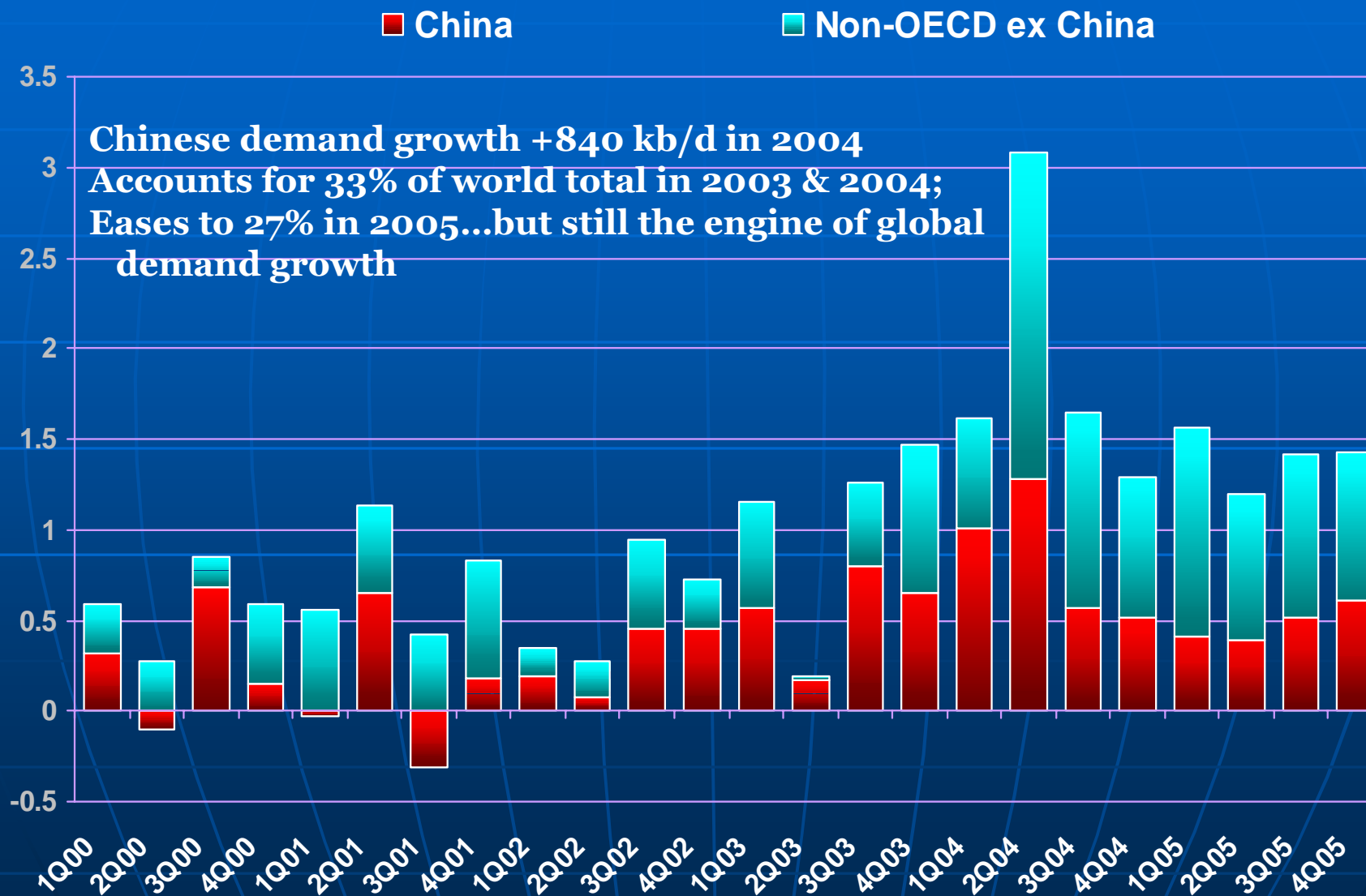


Oil demand recovery: OECD vs non-OECD (mb/d)





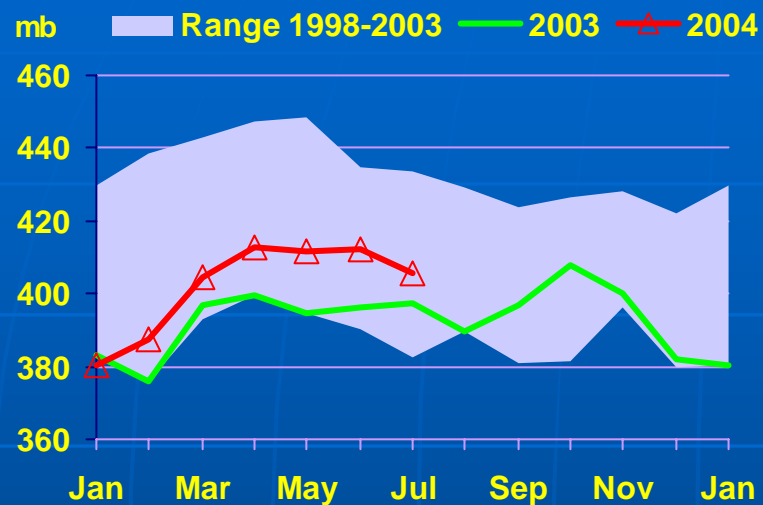
Non-OECD demand growth (mb/d)



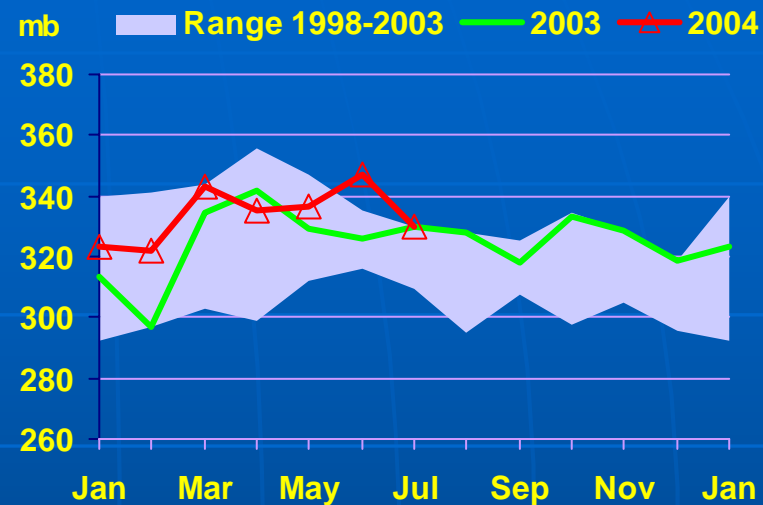


OECD crude industry stocks (mb)

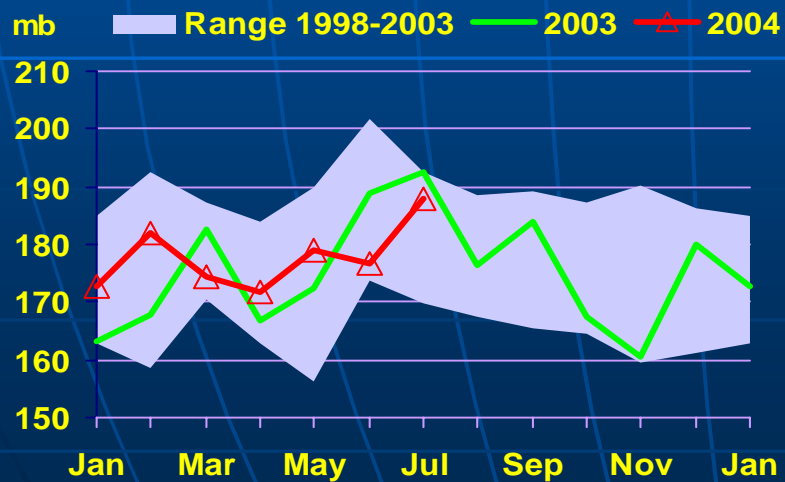
North America



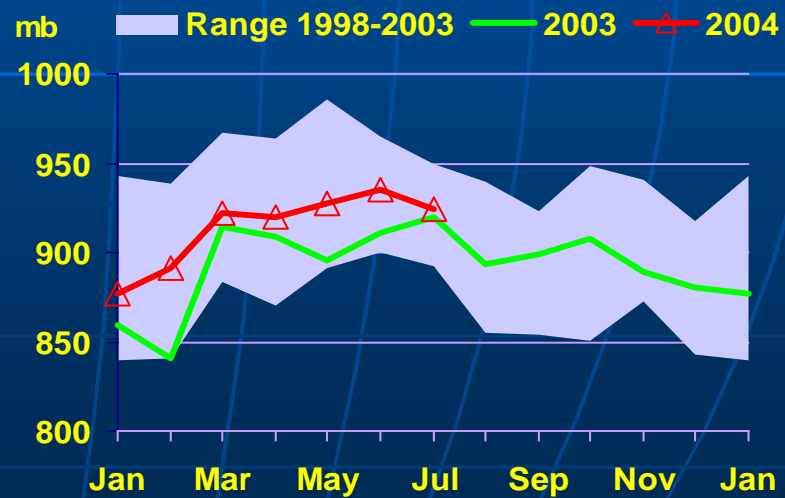
Europe



Pacific

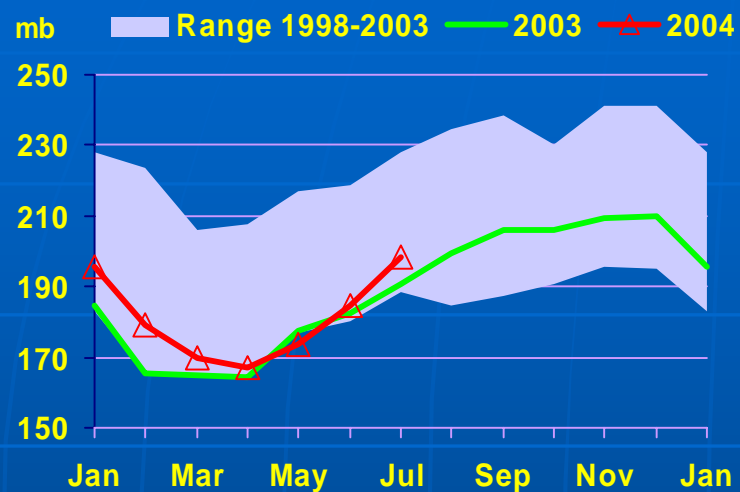


OECD

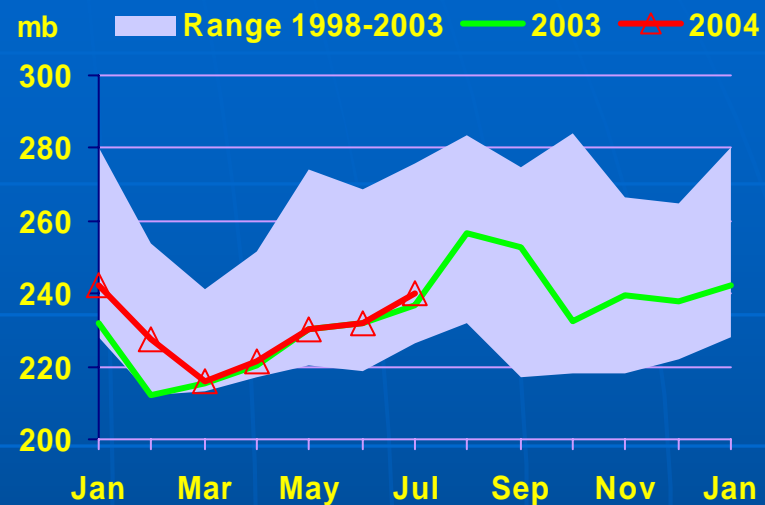


OECD Middle Distillate Industry Stocks

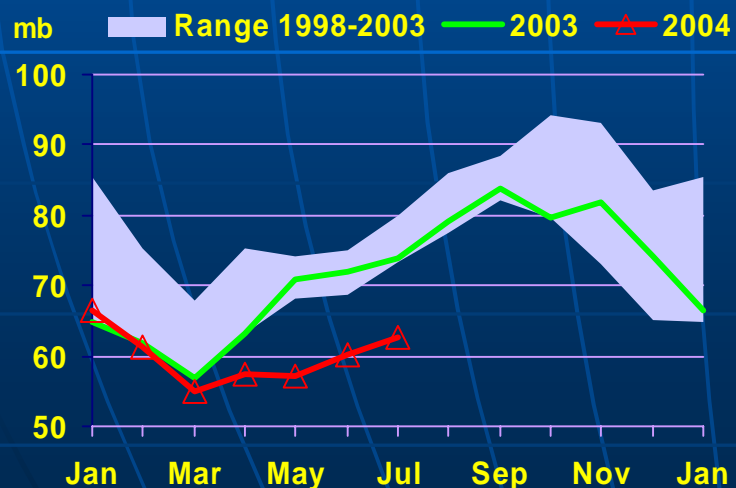
North America



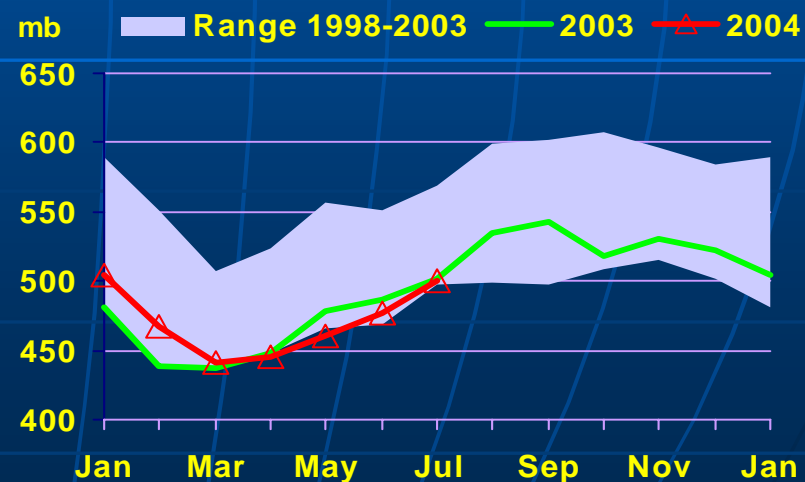
Europe



Pacific



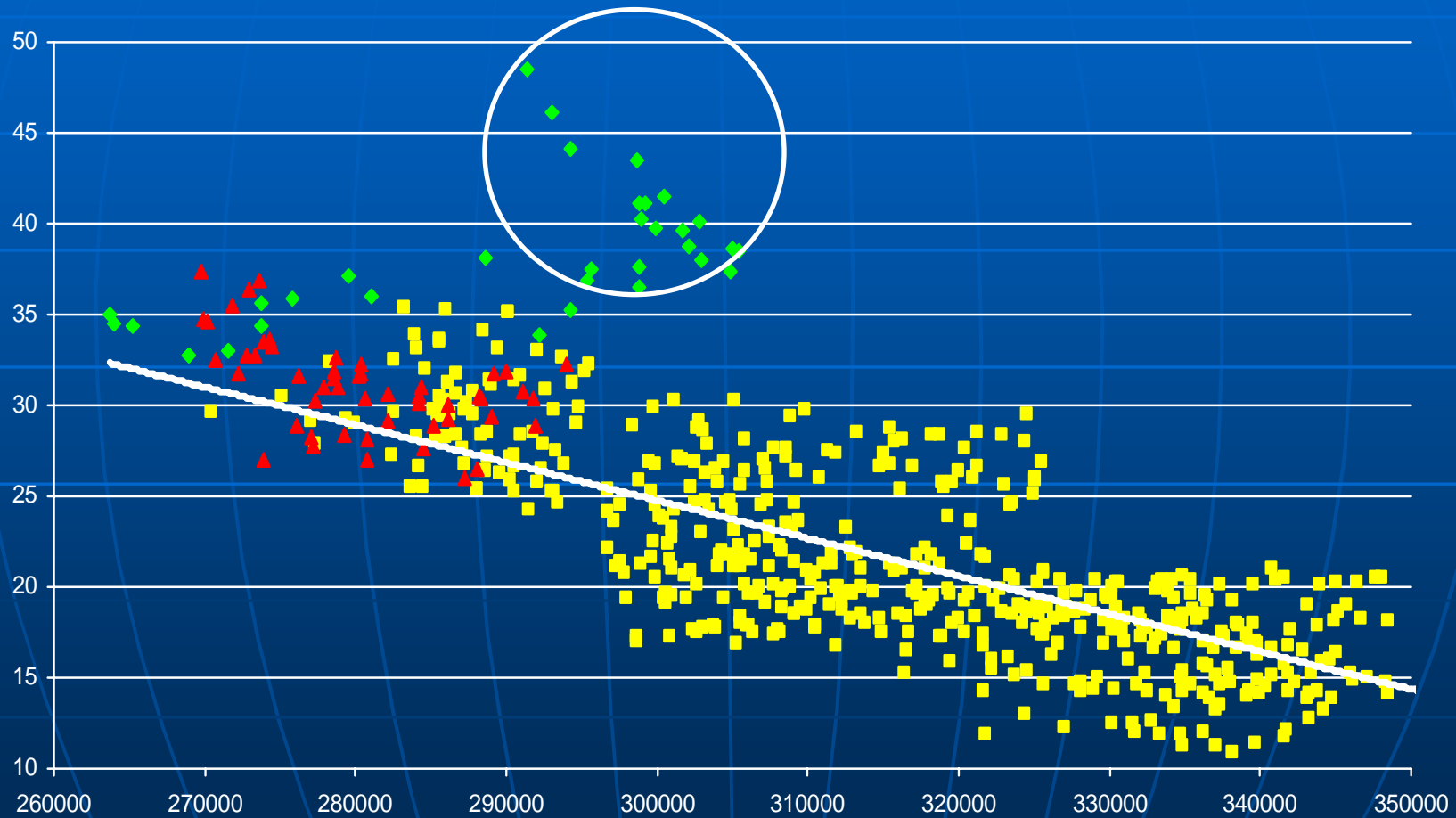
OECD



Prices vs fundamentals: shifting relationships

US-50 Industry Crude Stocks Vs. WTI Price , Jan 93 - Aug 04

\$/barrel



■ 1993-2002

▲ 2003

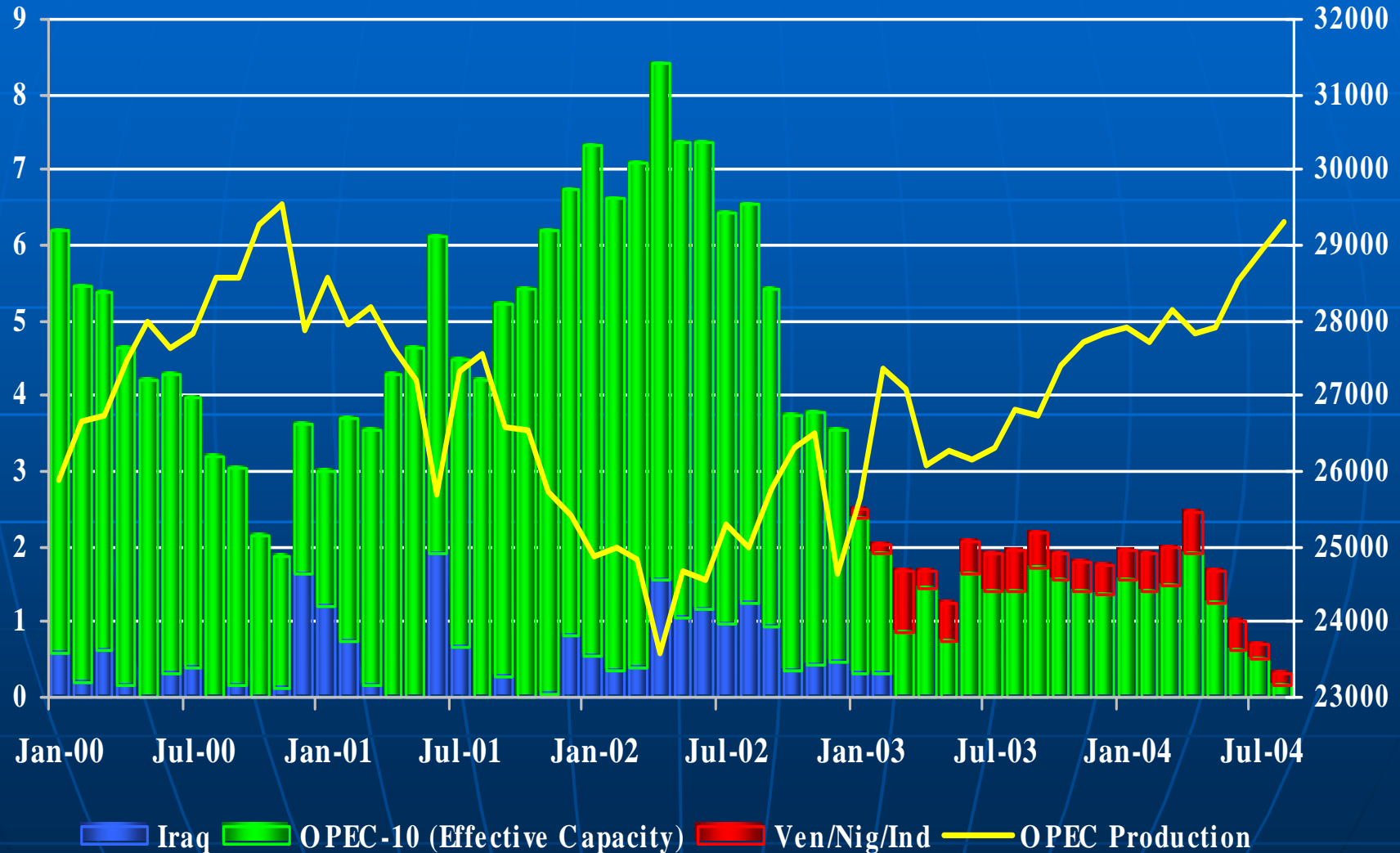
◆ 2004





OPEC Spare Production Capacity *

August OPEC production the highest since November 2000 & spare capacity drops accordingly...although extra, surge capacity of a further 1.5-2.0 mb/d

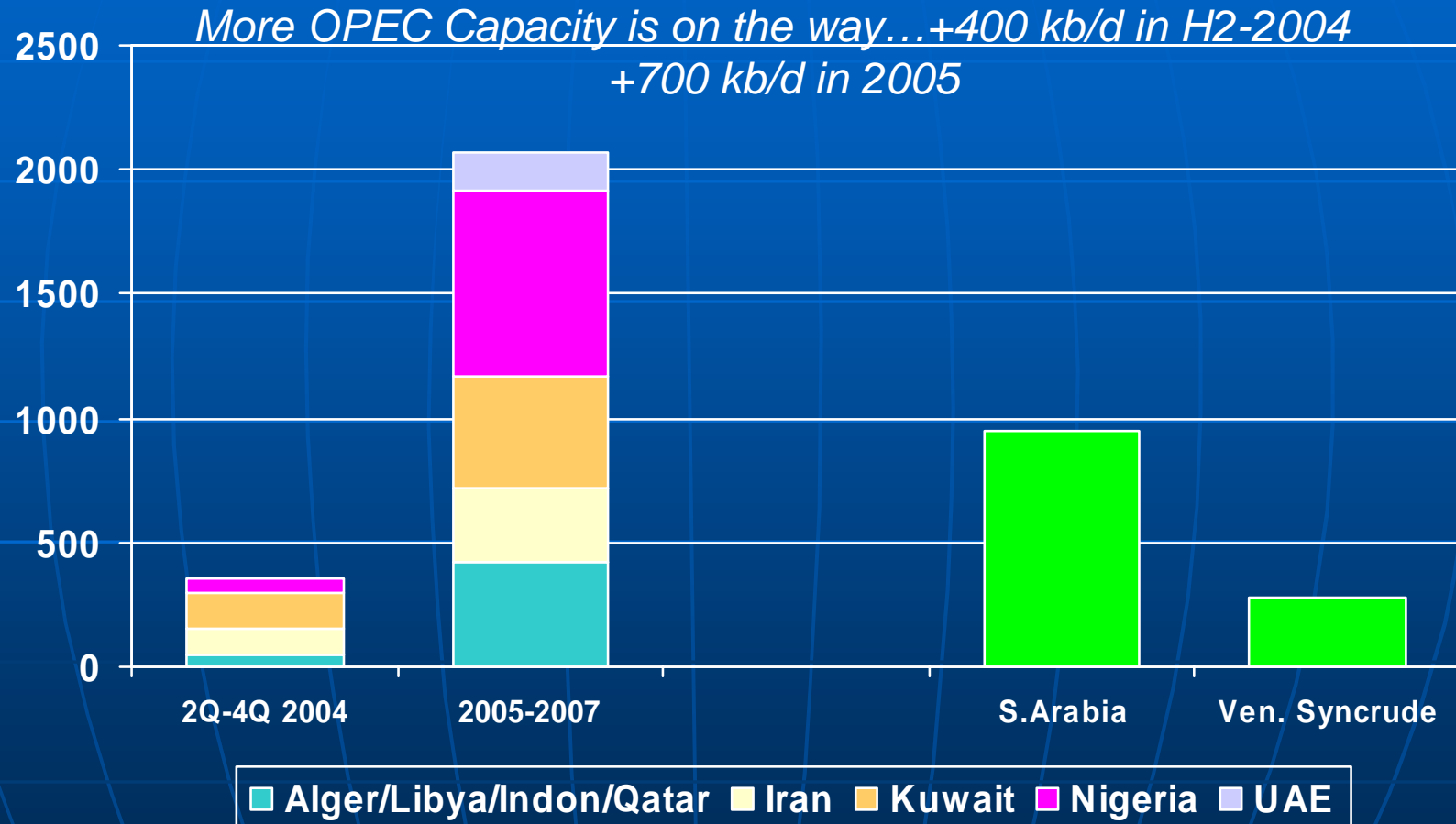


* IEA definition: available in 30 days and sustainable for 90 days



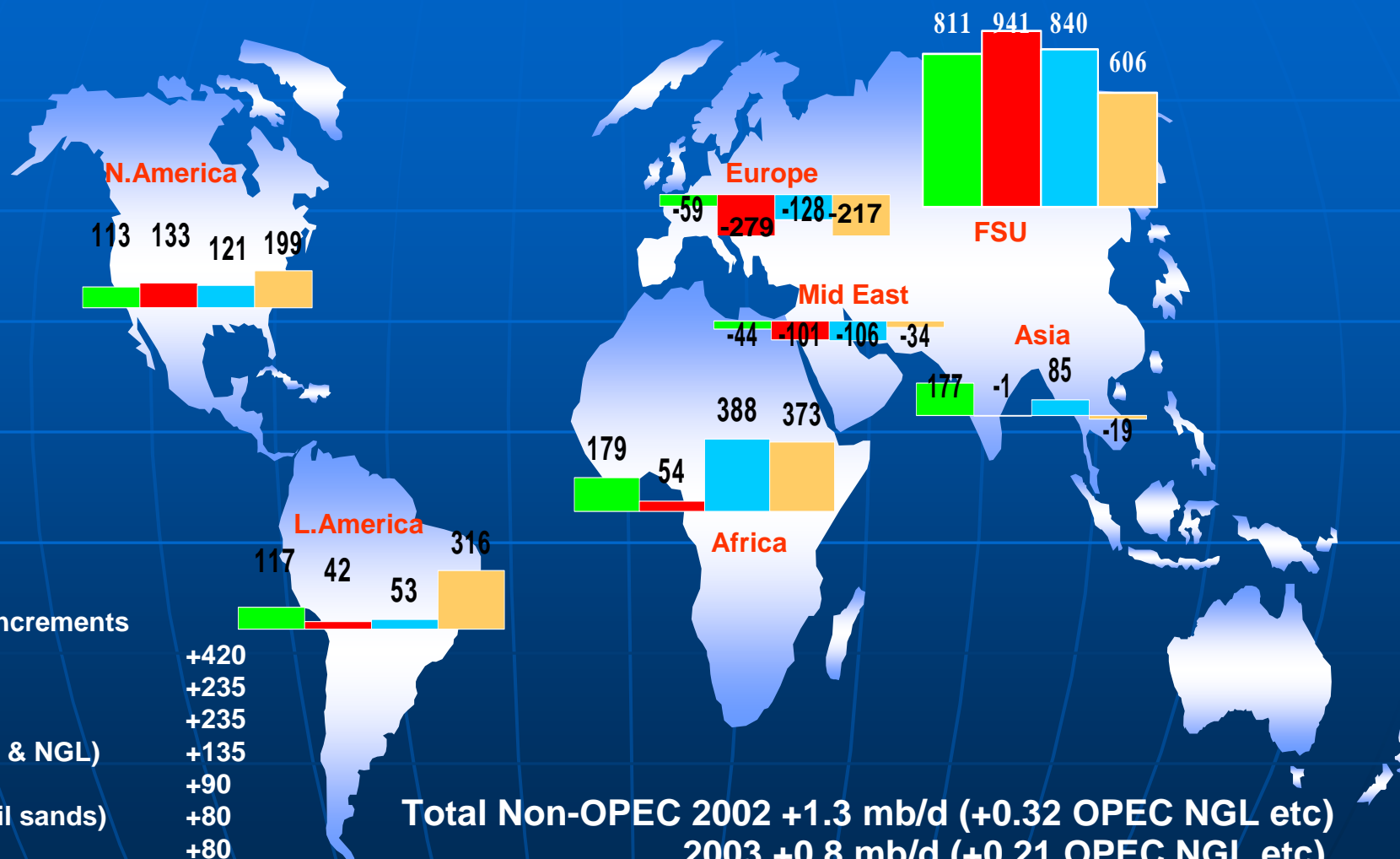


Incremental OPEC Capacity, kb/d





Main non-OPEC supply gains 2002/2003/2004/2005 kb/d



Key 2005 Increments

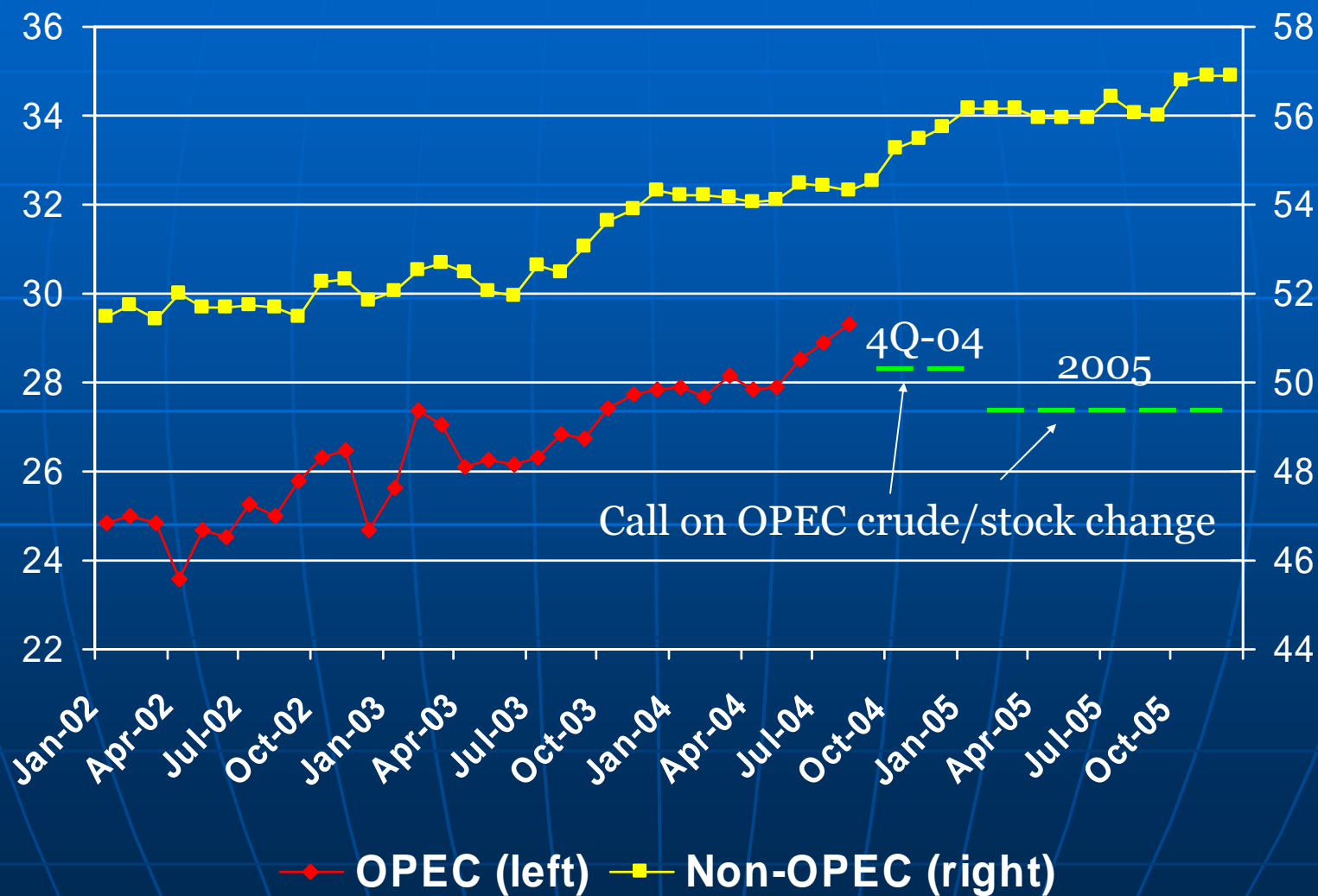
| | |
|--------------------|------|
| Russia | +420 |
| Angola | +235 |
| Brazil | +235 |
| USA (GOM & NGL) | +135 |
| Azerbaijan | +90 |
| Canada (Oil sands) | +80 |
| Sudan | +80 |
| Kazakhstan | +80 |
| East Timor | +65 |
| Ecuador | +50 |

Total Non-OPEC 2002 +1.3 mb/d (+0.32 OPEC NGL etc)
2003 +0.8 mb/d (+0.21 OPEC NGL etc)
2004 +1.3 mb/d (+0.47 OPEC NGL etc)
2005 +1.3 mb/d (+0.47 OPEC NGL etc)





OPEC Producing Well Above 4Q & 2005's "Call"





Summary

- Recent surge in prices driven by renewed supply-side concerns...
- ...but need to be seen in context: US GOM -500kb/d in Sept, but Iraq +500kb/d, while Russia, Saudi and Nigeria also boosted supply
- Stocks are re-building, but concerns persist over winter distillates & thin OPEC spare capacity;
- Also, incremental OPEC oil is largely heavy/sour, so refinery mismatch
 - Looking ahead, no shortage of non-OPEC oil in 2005...
 - ...and OPEC expanding capacity
 - Begs the question “is \$40-\$50/bbl sustainable?”
- Winter demand trend, the outlook for China and world economy hold the answers

